

Via Email: constitutionreview@iasb.org

20 September 2008

Ms. Tamara Oyre
Assistant Corporate Secretary
IASC Foundation
30 Cannon Street
London
EC4M 6XH



16 Park Crescent
London W1B 1AH
United Kingdom
Tel.: +44 207 612 7098
Fax: +44 207 612 7047
Email: secretariat@icgn.org
Web: www.icgn.org

Dear Ms. Oyre,

Re: July 2008 International Accounting Standards Committee Foundation, Review of the Constitution, Public Accountability and the Composition of the IASB, Proposals for Change, Request for Comments by September 20, 2008

We are writing on behalf of the International Corporate Governance Network (ICGN). The ICGN is a global membership organisation of institutional and private investors, corporations and advisors from 40 countries. Our investor members are responsible for global assets of U.S. \$15 trillion. The mission of the ICGN is to meaningfully contribute to the continuous improvement of corporate governance best practices through the exchange of ideas and information across borders. Information about the ICGN, its members, and its activities is available on our website: www.icgn.org.

The purpose of the Accounting and Auditing Practices Committee is to address and comment on accounting and auditing practices from an international investor and shareowner perspective. The Committee through collective comment and engagement strives to ensure the quality and integrity of financial reporting around the world.

http://www.icgn.org/organisation/committee_membership.php?name=AAP

The ICGN is pleased to provide comment to the International Accounting Standards Committee (IASC) Foundation on its request for comments on the review of its constitution. We have written to Chairman Zalm recently and expressed concerns on the IASC Foundation's Constitution and formation of the Monitoring Group. Please see attached letters dated 19 March and 17 June 2008.

The ICGN sees enormous potential in the recognition granted to IFRS with the convergence of standards and the adoption of IFRS. Beyond the diverse specific interests of its members, the ICGN considers that placing investor viewpoints at the core of IFRS standard setting has been in the past, and should continue being in the future, a crucial driver of IFRS' success. Therefore, the ICGN takes a keen interest in the governance of IFRS standard setting, and especially in the role granted to investors and their representatives in that governance. Unfortunately, the perspective provided in the Review of the Constitution does not sufficiently address the role of investors and shareholders in their capacity as providers of long-term capital to the global capital markets. It should be a fundamental principle that the standard setters are accountable to those that use their standards. We urge the Constitution Review Committee, particularly with respect to its proposal to establish a Monitoring Group, to take into consideration the inclusion of an effective governance mechanism to ensure that investors and other users

are significantly and properly represented in the governance of the IASB. Investors, not preparers or auditors, must be recognized as the key stakeholders in the area of accounting – putting their trust in the hands of the standard setters to ensure the quality, relevance and appropriateness of those standards.

We therefore strongly recommend that the Trustees and their Constitution Committee carefully consider and provide for the integration of investors, in a meaningful way, into the constitutional provisions of the IASC Foundation. Please see the following responses to the questions presented:

I. QUESTIONS RELATED TO THE MONITORING GROUP

Q1 Do you support the creation of a link to a Monitoring Group in order to create a direct link of public accountability to official institutions?

Q1 Response:

While the ICGN strongly supports the requirement that each IASB member contractually agree to act in the public interest in deciding on and revising standards, we believe the formation of a Monitoring Group has not been given sufficient thought and raises serious doubts in its proposed form. The formation of a Monitoring Group will needlessly usurp the authority and effective functioning of the Trustees and create unnecessary confusion. In our opinion, the true priority is the establishment of a stable, independent funding framework for the IASC Foundation to enhance independence and vastly improve the current funding mechanism. Establishing a stable, transparent funding framework for the IASC Foundation would significantly reduce the concern that financial pressure could compromise the independence of the IASB's decision-making. We find it inappropriate that the establishment of a Monitoring Group is envisaged without a link to the key issue of establishing sustainable funding for the IASC Foundation.

We agree that the accountability of the IASB and Trustees needs to improve; however, not vis-à-vis 'official institutions,' but improve towards all stakeholders of accounting standard setting, and in particular investors and other users. The formation of a Monitoring Group is likely to politicize the process needlessly and result in having formal representatives that may not possess the necessary and desired expertise. The focus should and must be on the users of financial information. However, we strongly recommend that if a Monitoring Group is established, at a minimum, the Group should have a clear and *limited scope*, should not be able to influence the standard setting process and should publicly commit to providing for significant IASC Foundation Trustee level investor representation. Its governance arrangements need to be transparent and ensure that it is free from political interference. This limited scope is not provided for in the current proposal, under which neither the Monitoring Group's Charter nor its members' memorandums of understanding with the IASC Foundation are governed by the Constitution, which is in our opinion a recipe for future dysfunction.

The revised Constitution should ensure that the Trustees should include significant representation of investors' viewpoints, which is indispensable to further legitimize the organization, the process, and to ensure a firm commitment to serving the IASC Foundation's commitment to developing, in the public interest and through the IASB, a single set of high quality, international financial reporting standards for general purpose financial statements. As demonstrated by the following list of current Trustees, implementation of the core principle of having significant investor representation at the

Trustee level has not been achieved to date. This is equally true of the Constitution Committee members consisting of Gerrit Zalm, Philip Laskawy, Bertrand Collomb, Samuel DiPiazza, Aki Fujinuma, Pedro Malan, and Antonio Vegezzi.

Current Trustees of the IASC Foundation

1) Gerrit Zalm, Chairman

Former Deputy Prime Minister and Finance Minister, The Netherlands
(Netherlands)
Term expires: December 2010

4) Bertrand Collomb

Chairman Emeritus, Lafarge;
Chairman, Association Française des
Entreprises Privées
(France)
Term expires: December 2009

7) Tsuguoki (Aki) Fujinuma

Immediate Past Chairman
and President, Japanese Institute of
Certified Public Accountants
(Japan)
Term expires: December 2010

10) Alicja Kornasiewicz

Member of the Board, CA IB
Corporate Finance GmbH,
Vienna; CEO and Chairman, CA IB
Group, Poland
(Poland)
Term expires: December 2010

13) Sir Bryan Nicholson

Former Chairman, Financial
Reporting Council
(United Kingdom)
Term expires: December 2008

16) David Sidwell

Former Chief Financial Officer,
Morgan Stanley; Director, MSCI Inc;
Director, UBS
(United States)
Term expires: December 2009

19) Junichi Ujile

Chairman, Nomura Holdings Inc.
(Japan)
Term expires: December 2008

22) Liu Zhongli

President, Chinese Institute of
Certified Public Accountants;
former Minister, Ministry of Finance
(People's Republic of China)
Term expires: December 2008

2) Philip A Laskawy, Vice Chairman

Retired Chairman, Ernst & Young International
(United States)
Term expires: December 2009

5) Samuel A DiPiazza, Jr

CEO, PricewaterhouseCoopers
(United States)
Term expires: December 2008

8) Robert Glauber

Retired Chairman and CEO, NASD (the private
sector regulator of the U.S. securities market);
former Under Secretary of the Treasury for
Finance
(United States)
Term expires: December 2008

11) Jeffrey Lucy

Chairman, Financial Reporting Council
(Australia)
Term expires: December 2010

14) T V Mohandas Pai

Director of Human Resources
and Member of the Board, Infosys Technologies
Limited; Chairman, Infosys BPO Limited
(India)
Term expires: December 2008

17) Luigi Spaventa

Former Chairman, Commissione
nazionale per le società e la
borsa (Consob); former Minister of the Budget
(Italy)
Term expires: December 2009

20) Jeff van Rooyen

Chief Executive, Uranus Investment Holdings;
former Vice Chairman, Executive Committee,
International Organization of Securities
Commissions (IOSCO); former CEO, South
African Financial Services Board
(South Africa)
Term expires: December 2009

3) Marvin Cheung

Retired Chairman, KPMG Hong Kong SAR
(People's Republic of China)
Term expires: December 2008

6) Oscar Fanjul

Vice Chairman, Omega Capital; Former
Chairman, Founder and CEO, Repsol, SA
(Spain)
Term expires: December 2010

9) Max Dietrich Kley

Member of the Supervisory
Board, BASF AG
(Germany)
Term expires: December 2008

12) Pedro Malan

Chairman, Unibanco; former Finance
Minister of Brazil; former President, Central
Bank of Brazil
(Brazil)
Term expires: December 2010

15) David L Shedlarz

Former Vice Chairman, Pfizer Inc
(United States)
Term expires: December 2008

18) Paul Tellier

Former President and CEO,
Bombardier and CN; former Clerk of the
Privy Council and Secretary of the Cabinet
(Canada)
Term expires: December 2009

21) Antonio Vegezzi

Former President and Director, Capital
International
(Switzerland)
Term expires: December 2010

Current Member of the IASB

1) Sir David Tweedie, Chairman

Appointed: January 2001
Term expires: 30 June 2011

2) Thomas E Jones, Vice Chairman

Appointed: January 2001
Term expires: 30 June 2009

3) Mary E Barth

Appointed: January 2001
Term expires: 30 June 2009

4) Stephen Cooper

Appointed: July 2007
Term expires: 30 June 2012

5) Jan Engström

Appointed: May 2004
Term expires: 30 June 2009

6) Robert P Garnett

Appointed: January 2001
Term expires: 30 June 2010

7) Philippe Danjou

Appointed: November 2006
Term expires: 30 June 2011

8) Gilbert Gélard

Appointed: January 2001
Term expires: 30 June 2010

9) James J Leisenring

Appointed: January 2001
Term expires: 30 June 2010

10) Warren J McGregor

Appointed: January 2001
Term expires: 30 June 2011

11) Tatsumi Yamada

Appointed: January 2001
Term expires: 30 June 2011

12) Wei-Guo Zhang

Appointed: July 2007
Term expires: 30 June 2012

13) John T Smith

Appointed: September 2002
Term expires: 30 June 2012

Q2 The proposals contemplate a Monitoring Group comprising representatives of seven public authorities and international organizations with a link to public authorities. While recognizing that the Monitoring Group is an autonomous body, the Trustees would welcome comments regarding the Monitoring Group's membership and whether other organizations accountable to public authorities and with an interest in the functioning of capital and other financial markets should be considered for membership.

Q2 Response:

Please see Q1 Response above.

Q3 The Trustees will remain the body primarily responsible for the governance of the organization and the oversight of the IASB. Their responsibility to a Monitoring Group will enable regulatory and other authorities responsible for the adoption of IFRS to review the Trustees' fulfillment of their constitutional duties. Does the formation of the Monitoring Group's mandate and the Trustees' reporting responsibilities, as described in the proposed Section 19, appropriately provide that link, while maintaining the operational independence of the IASC Foundation and the IASB?

For reference, we have included the new sections (18-23) creating the Monitoring Group:

18. A Monitoring Group will provide a formal link between the Trustees and public authorities. A Memorandum of Understanding will be agreed between the Monitoring Group and the Trustees describing the interaction of the Monitoring Group with the Trustees. This Memorandum of Understanding will be made available to the public.

19. *The responsibilities of the Monitoring Group shall be:*
- a. *to participate in the process for appointing Trustees and to approve the appointment of Trustees according to the guidelines in Sections 5-8.*
 - b. *to review and provide advice to the Trustees on their fulfillment of the responsibilities set out in Sections 13 and 15. The Trustees shall make an annual written report to the Monitoring Group.*
 - c. *to meet the Trustees or a subgroup of the Trustees at least once annually, and more frequently as appropriate. The Monitoring Group shall have the authority to request meetings with the Trustees or separately with the chairman of the Trustees (with the chairman of the IASB as appropriate) about any area of work of either the Trustees or the IASB. These meetings may include discussion of, and any IASC Foundation or IASB proposed resolution of issues that the Monitoring Group has referred for timely consideration by the IASC Foundation or the IASB.*
20. *The Monitoring Group shall develop a charter that sets out its organizational, operating and decision-making procedures. The charter shall be made public.*
21. *Initially, the Monitoring Group shall comprise:*
- a. *the responsible member of the European Commission,*
 - b. *the managing director of the International Monetary Fund,*
 - c. *the chair of the IOSCO Emerging Markets Committee,*
 - d. *the chair of the IOSCO Technical Committee (or vice chairman or designated securities commission chair in cases where either the chair of an EU securities regulator, commissioner of the Japan Financial Services Agency or chairman of the U.S. Securities and Exchange Commission is the chair of the IOSCO Technical Committee),*
 - e. *the commissioner of the Japan Financial Services Agency,*
 - f. *the chairman of the U.S. Securities and Exchange Commission, and*
 - g. *the president of the World Bank.*
22. *The Monitoring Group shall reconsider its composition from time to time relative to its objectives.*
23. *The Monitoring Group shall reach decisions to approve the appointment of Trustees and establish any common positions by consensus.*

Q3 Response:

Please see Q1 Response above.

- Q4** **Given the proposed creation of a Monitoring Group, would there be a continued need for the Trustee Appointments Advisory Group in the selection of Trustees? If so, what should be the role and composition of the Trustees Appointments Advisory Group?**

The Trustees would welcome any additional comments related to the Monitoring Group proposal.

Q4 Response:

If a Monitoring Group is established, the Group should have a clear and limited scope and should not be able to influence the standard setting process. ICGN does not believe a Trustee Advisory Group is necessary with the creation of a Monitoring Group. However, ICGN strongly supports the significant involvement of investors in the Trustee body.

II. QUESTIONS RELATED TO THE IASB'S COMPOSITION

Q5 Do you support the principles behind expanding the IASB's membership to 16 members in order to ensure its geographic diversity, its ability to consult, liaise and communicate properly across the world, and its legitimacy?

Q5 Response:

While these are laudable goals, the ICGN has not seen convincing evidence that expanding the IASB's membership from 14 to 16 members is prudent. A smaller board size contributes to efficient and effective functioning. We also firmly believe that professional competence, practical experience, including but not limited to knowledge of corporate governance best practices, and a demonstrated commitment to serve in the public interest are paramount considerations. To further create geography quota would be counterproductive and border on becoming unwieldy and inefficient. The ICGN strongly recommends that members should have sufficient time and attention to devote to the important work of this body. The IASB should be comprised only of independent, members with significant investor representation and a demonstrated track record of commitment to serving the public interest.

Q6 Do you agree with the geographical formulation suggested by the Trustees?

Q6 Response:

Please see Q5 response above.

Q7 The Trustees are suggesting that the Constitution should provide flexibility on the matter of part-time membership. Do you support that proposal?

Q7 Response:

Members should be selected based on all required/desired competence and experience criteria. Attention must be given to the need for significant full-time investor representation and active participation as trustees. Moreover, the Board of Trustees should be free to set its own agenda and standards without outside interference. Please see Q5 response above.

Ms. Tamara Oyre
Assistant Corporate Secretary / IASC Foundation
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In conclusion, the ICGN believes the following fundamental principles should be at the core of any process to ensure the integrity and legitimacy of the governing body:

- Ensure an independent board comprised only of full-time members with significant investor representation and a demonstrated track record of commitment to serving the public interest,
- Establish a stable, independent and mandatory funding source for the IASC Foundation to ensure adequate resources to fulfill their important mission, and,
- Significantly revise the Monitoring Group Proposal, to prevent the Group from politicizing and complicating the process in a manner unacceptable to investors, and impair the effective and efficient functioning of the Trustees.

If you would like to discuss any of these points, please do not hesitate to contact Anne Simpson, our Executive Director, at +44 207 612 7098 or execdirector@icgn.org. Thank you for your attention and we look forward to your response on the points above.

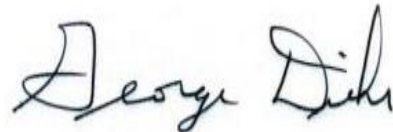
Yours sincerely,



Peter Montagnon
Chairman of the ICGN Board of Governors



Christianna Wood
Chair, ICGN Accounting and
Auditing Practices Committee



George Diehr
Co-Chair, ICGN Accounting and
Auditing Practices Committee

Cc: Gerrit Zalm, Chairman of the Trustees, IASC Foundation
Phillip A. Laskawy, Vice Chairman, IASC Foundation
IASC Foundation Trustees
Tom Seidenstein, Director of Operations, IASC Foundation
ICGN Board Members
ICGN Accounting & Auditing Practices Committee

Encls: 19 March 2008 Letter to Chairman Zalm
17 June 2008 Letter to Chairman Zalm