

28 March 2011

Mr Takashi Nagaoka
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Dear Mr Nagaoka

Review of IFRS Foundation Governance

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness and is pleased to provide comment on the Review.

The G100 believes that if the Monitoring Board is to continue to perform its role in the governance of the IASB its sole focus should be on monitoring activities and that the role of the IASC Trustees is one of direction and management.

Q1 Do you agree with the proposal to urge concrete efforts to deepen the pool of candidates for IASB membership from diverse geographical and professional backgrounds? Please provide reasons for your agreement/disagreements.

The G100 agrees with efforts to deepen the pool of candidates for IASB membership provided that there is no diminution in the quality, expertise and relevant experience of the candidates. In doing so, representation of candidates for IASB membership should be drawn from all capital markets and emerging markets who use IFRSs or are committed to adopting IFRSs. Erosion of the quality and technical competence to widen the pool of candidates is inimical to developing an internationally accepted set of high quality standards.

Q2 Do you agree with the proposal to separate the roles of the IASB Chair and the CEO of the IFRS Foundation, and if so would you have suggestions on how to formalize this? Please provide reasons for your agreement/disagreement.

The G100 suggests that the senior manager of the IFRS Foundation would be better described as a Chief Operating Officer rather than as a CEO. If this was to occur there would be no confusion if the IASB Chair was also described as the CEO.

Q3 Do you agree that clearer division of responsibility between staff dedicated to the IASB operations and staff dedicated to the Foundation's administrative and oversight functions should be considered, and if so, would you have suggestions on how to formalize this? Please provide reasons for your agreement/disagreement.

Yes. The G100 believes that a clearer division is necessary in order to avoid confusion on the part of constituents as to where the relevant responsibilities and accountabilities rest.

As indicated in our response to the Strategy Review the current governance framework, as enunciated in the Constitution, does not include specific identification of where the accountability for a range of significant activities rests. For example, the work of the IFRS Foundation has, quite correctly, expanded to include many activities that are additional to consultation and development of financial reporting standards. These activities include, but are not confined to, educational workshops and training material, conferences and seminars, translations of the standards, and development of the IFRS XBRL taxonomy. Clarity on this accountability is critical to assessment of whether the funds of the organization have been expended in line with the objectives of the organization.

Q4 Please provide comments on any aspects of Trustee composition or appointments that you believe the Monitoring Board should consider.

The G100 believes that the geographical balance of the Trustee composition has improved and would be further enhanced if there was a reduction in the membership drawn from North America and Europe. The Trustee composition should broadly represent those jurisdictions that have adopted IFRS.

Q5 Do you agree with the proposal to provide increased transparency into the process for Trustee nominations? Please provide reasons for your agreement/disagreement. To what extent should the Monitoring Board be involved in the nomination process?

Yes. Under the present arrangements it is not clear who is responsible for various actions and why. An organization which is promoting and seeking transparency in financial statements should itself have transparent processes. In the absence of well understood transparent processes and criteria which are publicly available the credibility of the organization and its output may be eroded.

Do you agree that further clarification of criteria for the Trustees' candidacy would help support confidence of the stakeholders? Please provide reasons for your agreement/disagreement.

Yes. However, we do not agree that the Monitoring Board should be involved in the nomination process or selection of Trustees. Trustees should continue to be responsible for the composition of the Trustees Board (in a similar way that a corporate board will nominate its members). However, the Monitoring Board should review the process to ensure it is open, transparent, and that appointments made are in accordance with set criteria.

Q6 Should the membership of the Monitoring Board continue to be confined to capital markets authorities responsible for setting the form and content of financial reporting in respective jurisdictions?

No. The G100 believes there is a strong case for broadening the composition of the Monitoring Board so that it is not the sole province of securities regulators. The broadening should involve representation from other sectors that are affected by the output of the organization involve other sectors whose main accountability is to serve the public interest.

Do you agree with the proposal to expand the Monitoring Board's membership by adding a mix of permanent members (four) representing primarily major emerging markets and rotating members (two) from all other markets? Please provide reasons for your agreement/disagreement. How should the major markets be selected? Should a jurisdiction's application of IFRSs and financial contribution to standard-setting play a role?

Yes. However, as indicated above the process would be enhanced if the membership were more broadly-based. There is a risk that committees etc are being established to review other committees/boards etc and that the proliferation will be counterproductive.

Do you agree that rotating members should be selected through IOSCO? Please provide reasons for your agreement/disagreement.

No. Representation should be sought from other constituencies.

Q7 Do you agree that the Monitoring Board should continue to make its decisions by consensus? Please provide reasons for your agreement/disagreement. Are there any types of decisions taken by the Monitoring Board for which voting other than by consensus (for example, by qualified majority) may be appropriate? If so, please describe why and suggest an appropriate voting mechanism.

The Monitoring Board should determine its own method for arriving at decisions.

Q8 To ensure involvement of public authorities and other international organizations in Monitoring Board activities, do you support the Monitoring Board a) expanding the number of Monitoring Board observers, b) holding more formalized dialogue, or c) establishing an advisory body and on what basis? What should be the criteria for selecting participants?

Yes to both a) and b). The G100 does not support the creation of another advisory body as this is likely to overburden the structure with bureaucracy.

Q10 What are the appropriate means and venues for the Monitoring Board to enhance the visibility and public understanding of its activities?

The G100 believes that greater transparency and the use of website links, including making agenda papers and minutes available, will aid communication and understanding.

Q11 Do you believe that the current arrangements for Monitoring Board involvement in the IASB's agenda-setting are appropriate, or should the Monitoring Board have an explicit ability to place an item on the agenda, or would you consider other alternatives that would enhance the Monitoring Board involvement in the IASB agenda setting? Please provide reasons.

No. The agenda process should not be subject to the appearance of special pleading and undue influence. The inclusion of items on the active work program should be based on merit and the need for action. The Monitoring Board should not be able to place an item on the agenda of the IASB. The Monitoring Board should have both perceived and actual independence which is not the case if they are able to be involved in the IASB's standard setting through the ability to add items to the IASB's agenda at their discretion.

Q12 Do you have concrete suggestions on how the Monitoring Board or the Trustees could encourage a move towards a more stable and independent funding model?

The G100 suggests that funding could be achieved by means of a levy on listed entities collected by their home exchange. Other sources of funding can be addressed when IFRSs are directed towards a broader group of entities.

Q13 Do you believe that the Monitoring Board should have a more prominent role in the selection of the IASB Chair? Do you agree with the proposal that the role include involvement in establishing a set of publicly disclosed criteria for the Chair, and assessment of a short list of candidates against those criteria? Please provide reasons.

No. The Monitoring Board should not have direct involvement in the appointment of the IASB Chair. Rather, this should be the responsibility of the IASB Trustees who, in their management of the process, may decide to consult with other parties at their discretion.

Do you believe that the Monitoring Board should be given any further specific role in the selection of the IASB Chair? In particular, should the Monitoring Board approve the Trustees' final selection? Please provide reasons.

No. The appointment of the IASB Chair is the responsibility of the IASB Trustees.

Q14 Do you agree that the Monitoring Board's responsibilities should explicitly include consultation with the Trustees as they further develop the framework to ensure proper balance in the composition of the IASB? Please provide reasons for your agreement/disagreement.

No. It is essential for the respective responsibilities to be clear. It is the role of the Trustees to manage and direct the organization and for the Monitoring Board to monitor.

Q15 Do you agree with the proposal to consider establishing a permanent secretariat for the Monitoring Board to support its increasing roles in overseeing the governance of the standard-setter? Would you support this proposal even if it would require additional financial contributions from stakeholders? Please provide reasons.

The G100 is concerned about how the secretariat would be financed and that it would attract funding that may otherwise be provided to the IASB Trustees. The public interest authorities who are represented on the Monitoring Board should be able to support its activities without need for specific additional fund raising.

Q9 Do you believe that the current arrangements for the standard-setting process adequately ensure the appropriate involvement of all relevant stakeholders and that all relevant public policy objectives are taken into account? Please provide reasons for your agreement/disagreement.

Yes. The G100 believes that the current structure and processes are adequate including the current role, but not the membership, of the Monitoring Board, are operating well.

Q16 Do you agree with the need for regular reviews, and the interval of five years as a benchmark? Should the reviews be aligned with the timing of the Foundation's mandated Constitution reviews? Please provide reasons for your agreement/disagreement.

The G100 agrees that periodic reviews of operations and recalibrations to adapt to changing circumstances are important. However, there appears to be an excessive amount of 'reviewing' at present and this presents the risk that constituents will tire of participation.

Q17 Do you have any other comments.

The G100 urges the Monitoring Board to align its review with the strategic review being conducted by the Trustees. The Foundation is not well served when two bodies issue consultation documents concurrently, with considerable overlap. This has created some confusion about the roles and responsibilities of the various parties, a confusion that need not have arisen. It is important that the results of the reviews now demonstrate clearly that both Trustees and Monitoring Board are committed to serve the Foundation in accordance with the Constitution and that both bodies are aligned on the outcome of the strategic review.

Yours sincerely
Group of 100 Inc

Peter Lewis
President