

13 September 2018

M. Michel Prada, *Chair*
International Financial Reporting Standards Foundation
The Columbus Building
7 Westferry Circus
London, E14 4HB

Dear M. Prada

Exposure Draft: Amending the Terms of Appointment of the IFRS Foundation Trustee Chair and Vice-Chairs

Deloitte Touche Tohmatsu Limited is pleased to respond to the International Financial Reporting Standards Foundation's (the IFRS Foundation's) Exposure Draft *Amending the Terms of Appointment of the IFRS Foundation Trustee Chair and Vice-Chairs* ('the Exposure Draft').

Our detailed comments on the Exposure Draft's proposals are in the Appendix; however we wish to note certain matters in particular:

- Generally, we do not support the proposals. They would over-engineer the Constitution and (by doing so) probably limit rather than help the Trustees and Monitoring Board when making appointments.
- We do not support making a distinction between internal and external appointments. The internal/external appointment distinction is artificial in practice and adds unnecessary (and unhelpful) detail to the Constitution.
- We would not wish to prevent the direct appointment of a Vice-Chair concurrently with that person's appointment as a Trustee. Whilst historically all Vice-Chair appointments have come from within the existing body of Trustees, we see no objective reason why this should be a requirement and thus prohibit a direct appointment.
- We continue to support the practice that a Trustee may serve two three-year terms. However, we can also see the argument that where continuity is necessary, any Trustee, regardless of role, should be permitted to serve a third term of up to three years, such that the maximum term of service is nine years.
- We do not support subsequent re-appointments to the IFRS Foundation.
- We suggest that the Trustees consider making clarifications to the maximum terms of members of the Interpretations Committee and Advisory Council.

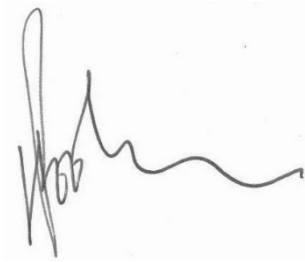
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If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

A handwritten signature in black ink, appearing to read 'V. Poole', with a stylized, wavy line extending to the right.

Veronica Poole
Global IFRS Leader
Deloitte Touche Tohmatsu Limited

Appendix

Proposal 1: Extending the maximum length of service of the Trustee Chair and Vice-Chairs—Proposed amendments to Section 10 of the Constitution

Proposal 2: Consequential amendment to Section 10—External appointments

We address Proposals 1 and 2 together, as we see them as inter-related.

We do not support the proposals, because we think they over-engineer the Constitution and (by doing so) probably limit rather than help the Trustees and Monitoring Board when making appointments.

External vs Internal appointments

We do not support making a distinction between internal and external appointments. The internal/ external appointment distinction is artificial in practice and adds unnecessary (and unhelpful) detail to the Constitution.

Historically, the appointment of the Chair has always been a direct appointment made concurrently with the person's appointment as a Trustee. The appointment in July 2018 of Mr Erkki Liikanen as Chair of the Trustees continued this practice. The Monitoring Board must approve the appointment both as a Trustee and as the Chair, providing the necessary public-interest review of this senior appointment.

With respect to the Vice-Chairs, whilst they have to date come from within the existing Trustees, we would not wish to prevent the Trustees, with the consent of the Monitoring Board, appointing someone as a Vice-Chair directly on appointment as a Trustee. We see no objective reason to prohibit such an appointment, or (viewed from the other perspective) requiring the appointment to be made from among the existing Trustees. We support providing flexibility in this area.

Section 10 of the Constitution already requires the approval of the Monitoring Board for appointment as a Vice Chair, so no change to the Constitution is required. As with the Chair, the approval by the Monitoring Board of these senior appointments should provide the necessary public interest safeguards.

Terms

We agree that there should be a maximum term of service as a Trustee. The current norm of a three-year term, renewable once has worked well. We think that this should continue to be the normal expectation for service as a Trustee, regardless of role.

However, we do support an amendment to provide for some flexibility in re-appointments for a third term, and would extend this opportunity to all Trustees. We can see that in some situations continuity and experience is important (particularly at the Chair and Vice-Chair level, but also generally). Consequently, we support permitting a second renewal for a term *up to three years*, such that the maximum term of a Trustee is never more than nine years. The 'up to three years' formulation would provide flexibility similar to that in paragraph 30 of the Constitution, which addresses reappointment of IASB members.

Our proposal would require the following changes to paragraphs 8 and 10 of the Constitution:

- 8 Trustees shall normally be appointed for a term of three years, renewable once. With the agreement of the Trustees **and the approval of the Monitoring Board**, a Trustee may be appointed for a further term of **up to** three years, but may not exceed nine years in total length of service as a Trustee.
- ...
- 10 The Chair of the Trustees, and up to two Vice-Chairs, shall be appointed by the Trustees, subject to the approval of the Monitoring Board. The role of a Vice-Chair(s) shall be to chair meetings of the Trustees in the absence of the Chair or to represent the Chair in external

contacts. With the agreement of the Trustees **and the approval of the Monitoring Board**, and regardless of prior service as a Trustee, the appointee may serve as the Chair or a Vice-Chair for a term of three years, renewable **twice**, from the date of appointment as Chair or Vice-Chair, but may not exceed nine years in total length of service as a Trustee. The appointment of a Chair and Vice-Chair(s) should be made with regard to maintaining a geographical balance.

Proposal 3: Clarifying amendment to Section 8 of the Constitution— Trustee reappointments

Consistently with our views with respect to Proposals 1 and 2, we do not support an amendment to the Constitution providing explicitly for the re-appointment of a person who has previously served as a Trustee. We do not support a change to the Constitution on this matter.

It has been the practice of the IFRS Foundation to limit all appointments to the main standing bodies (Trustees, IASB, Interpretations Committee, and Advisory Council) to two standard terms (with some flexibility in the length of the second term of IASB members). This has ensured a continual refreshing of experience and views on these bodies, which we see as very important in the constantly changing corporate reporting environment. The Exposure Draft presented no convincing arguments to support the notion that recycling Trustees (or other appointments) is either necessary or beneficial to the IFRS Foundation.

Reappointments to other standing bodies

A secondary issue is whether, if the Trustees wish to clarify the maximum tenure for Trustees and IASB members, they should also take the opportunity to clarify whether members of the Interpretations Committee and the Advisory Council might be re-appointed more than once, or what their maximum tenure should be. In practice, the IFRS Foundation has adopted a maximum of two terms approach to both the IC and AC.

The IC, being a technical committee, benefits from the regular renewal of its membership. Regular turnover in the membership helps the Committee to understand better the rapid developments in corporate reporting and provides for fresh perspectives when debating issues raised to it and developing Interpretations. Consequently, we suggest that the Trustees consider stating explicitly that the maximum term of a member of the IC is six years.

The Advisory Council is an advisory body and we support a flexible approach, similar to that we advocate above for the Trustees. Consequently, AC members should normally be appointed for a term of three years, renewable once. However, when the Trustees consider it appropriate, an AC member may be appointed for a further term of *up to three years*, but may not exceed nine years in total length of service on the AC. Such an appointment should be the exception to the normative term of six years in total.