



Mr. Pedro Solbes
Chairman
EFRAG Supervisory Board
Square de Meeûs 35
B-1000 BRUXELLES

E-mail: commentletter@efrag.org

13 July 2011

Ref.: FRP/PRJ/HOL/TSI/SRO

Dear Mr. Solbes,

Re: FEE Comments on EFRAG's Draft Comment Letter on the Report of the Trustees' Strategy Review

- (1) FEE (the Federation of European Accountants) is pleased to comment on EFRAG's Draft Comment Letter on the Report of the Trustees' Strategy Review.
- (2) FEE has previously commented on both the Trustees' and the Monitoring Board's consultations on the Governance of the IFRS Foundation ("Foundation") as issued on 25 February 2011 and 6 April 2011, respectively. When relevant, we refer back to these comment letters.
- (3) FEE welcomes most of the proposals made by the Trustees. This letter only focuses on the areas where EFRAG has provided comments. We generally agree with EFRAG's comments and recommendations included in its draft letter. However, we have some additional comments related to specific points of the consultation that we would like to bring to EFRAG's attention as set out below.

Objectives

- (4) EFRAG supports a position that the standards should provide useful information primarily to *long-term* investors and considers this priority should be more precisely defined by the Trustees. FEE agrees with EFRAG that the interest of the investors should remain the main focus when setting global financial reporting standards. However, we are not convinced that a distinction between short-term and long-term investors is either useful or operational.

- (5) Rather, we believe that greater emphasis is required on the stewardship objective, which makes management accountable for the conduct of the business' affairs and their ability to generate long-term economic value. A more explicit reference in the Constitution to the stewardship concept would address most of these concerns, because stewardship also implies management's responsibility for the longer term health and sustainability of the company. Therefore, it is desirable that the Constitution, as well as the mission of the Trustees, explicitly articulate this concept.
- (6) The Constitution includes the term 'economic decision' in its objective. We believe that 'economic decision' should not be restricted only to forward-looking economic decision-making by capital providers when deciding whether to buy or sell instruments in the reporting entity. Economic decision-making also includes an assessment of how management have discharged their stewardship responsibilities. In this context, providing information that serves as a record of accountability for past actions, as well as providing information of a more predictive nature, are both of importance for capital providers when making their investment decisions. We would therefore support the interpretation of 'economic decision' with the inclusion of a longer term perspective embedded in the stewardship concept and believe that this should be the position reflected in the Foundation's Constitution.

Boundaries of the financial statements

- (7) We do not agree with EFRAG's suggestion to narrow the responsibilities of the IFRSF from financial reporting to financial statements. We do believe that the IFRSF can play a role in setting direction for other elements of financial reporting.
- (8) Rather than suggesting that the IFRSF narrows its scope to financial statements, FEE would ask the Trustees for a strategic consideration of the future of corporate reporting, including the current debate on integrated reporting as initiated by the IIRC, and the role that the various standard setting bodies including the IASB, and other stakeholders' organisations, could or should play in its further development.

XBRL

- (9) FEE agrees with EFRAG that XBRL should not be part of the standard setting process. FEE very much supports XBRL as a powerful tool to transfer information. However, integrating XBRL into the standard setting process has a risk of providing the wrong incentives with regard to the volume of disclosures in an era where a reduction of overall disclosure volume is being asked for. In addition, we do not believe that Board members necessarily are equipped to formally decide on rather IT technical questions concerning XBRL tagging as part of the formal standard setting due process. Therefore we believe its taxonomy should remain separate and be applied under its own separate due process.

Increased oversight role of the Trustees

- (10) FEE welcomes the increased role and public visibility of the Trustees' Due Process Committee that is envisaged in the strategy paper. The current consultation could in our view however be clearer by more explicitly acknowledging the role of the Trustees' agenda setting process.
- (11) As mentioned in our letter to the Trustees dated 25 February 2011, we would very much welcome a more active and visible role for the Trustees in overseeing the key strategic and managerial decisions which determine the resources and activities of the IASB. In addition, the Trustees should be more actively involved in the agenda setting process by overseeing the public consultation and the process of deliberating on stakeholders' feedback. They should also challenge the priorities of the IASB's agenda more robustly.
- (12) We agree with EFRAG's comment that a greater oversight should also be exercised over re-exposures to ensure that no standard will be issued without proper consultation.

Division of responsibility

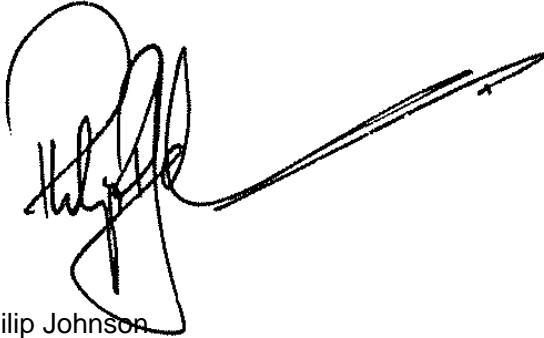
- (13) Another main point of our previous comment letters to both the Trustees and the Monitoring Board was that a clear delineation of responsibilities between the Monitoring Board and the Trustees needs to be found. This also involves increasing the role of Trustees by strengthening their interaction with the stakeholders' community in order to support and strengthen the legitimacy and credibility of the organisation.

Conceptual Framework

- (14) We reiterate our view regarding the importance of the Conceptual Framework in relation to the Trustee's role. In our opinion, as part of the Due Process oversight, the Trustees should play an increasingly important role in monitoring compliance with the Framework and ensuring that it is amended as and when necessary. To achieve the main objectives of financial reporting, the body of standards taken as a whole should be based on a Conceptual Framework that is and continues to be sound, comprehensive and internally consistent.
- (15) We believe that it is imperative that the IASB completes its work on the Framework as a whole since this will provide structure and direction to the development or amendment of individual standards. The Framework should have the formal status of principles upon which all standards are based and be a relevant source of reference when an individual standard does not cover a particular issue.

For further information on this letter, please contact Henri Olivier, Secretary General, at the FEE Secretariat on +32 2 285 40 71 or via e-mail at henri.olivier@fee.be.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Philip Johnson', with a long, sweeping horizontal stroke extending to the right.

Philip Johnson
President