

EFRAG - INTERNAL RULES

Approved EFRAG General Assembly 15 December 2011

Article 1 Legal basis for the Internal Rules

The internal rules implement Article 7.3.2 j and 7.5.3 of the EFRAG statutes

SECTION 1 WORKING RULES OF THE EFRAG SUPERVISORY BOARD

Article 2 Convocation and agenda of meetings

The EFRAG Supervisory Board holds at least three meetings every year in accordance with a schedule agreed a year in advance. Meetings are called by electronic mail two weeks in advance. Additional meetings may be validly held by telephone or video conference.

The draft agenda is proposed by the Chair of the EFRAG Supervisory Board and circulated to the members with the convocation. The agenda is circulated no later than five working days before the meeting. Additional background papers and material are circulated sufficiently in advance of the meeting to allow them to be studied.

Any member may ask the Chair to add a specific item on the agenda, at least two weeks before the meeting. The European Commission observer may also ask the Chair to add a specific item to the agenda provided that the request is made at least two weeks before the meeting.

Article 3 Chair – Secretariat – Minutes

The Chair is appointed by the EFRAG General Assembly. The EFRAG Supervisory Board appoints a Vice-Chair who substitutes for the Chair if the Chair is unable to attend the meeting.

The Chair convenes and chairs meetings of the EFRAG General Assembly, the EFRAG Supervisory Board and the EFRAG Nominating Committee (for the EFRAG Technical Expert Group (EFRAG TEG) and for the EFRAG Planning and Resource Committee (EFRAG PRC)). He represents and communicates on behalf of EFRAG on governance matters.

Minutes of the meeting are prepared by the EFRAG secretariat. The minutes are circulated to the members in draft form within two weeks after the meeting.

Article 4 Transparency of meetings and access to documents

EFRAG Supervisory Board meetings are open to the public but the EFRAG Supervisory Board may, at its discretion, hold certain discussions (normally only about selection, appointment and staff issues and funding) in private.

Notice of the next EFRAG Supervisory Board meeting and the agenda are posted on the EFRAG website. Selected supporting documents may also be made available on the website.

Article 5 Committees and Task Forces

The committees of the EFRAG Supervisory Board are the EFRAG Audit and Budget Committee and the EFRAG Nominating Committee. These committees are not required to apply Article 4 above. However, a summary of their discussions is provided to the EFRAG Supervisory Board at the latest at the first meeting of the Board following the relevant committee meeting.

Task Forces may be established for limited period of time and a well defined purpose.

Article 6 EFRAG Audit and Budget Committee

1. The EFRAG Audit and Budget Committee is appointed by the EFRAG Supervisory Board to assist the EFRAG Supervisory Board in fulfilling its oversight responsibility for audit and budget matters. The EFRAG Audit and Budget Committee consists of up to five members of the EFRAG Supervisory Board with different backgrounds such as users, preparers, financial institutions and auditors. The EFRAG Supervisory Board appoints the Chair of the EFRAG Audit and Budget Committee.
2. The Committee is responsible for:
 - Proposing to the EFRAG Supervisory Board the appointment of independent auditors and the amount of their fees;
 - Evaluating budget proposals prepared and presented by the EFRAG Secretariat (e.g. the major variances and the reasons for them); advising the EFRAG Supervisory Board on draft budgets and monitoring the expenditures within the limits authorised by the EFRAG General Assembly in accordance with the EFRAG Statutes;
 - Performing a preliminary review of the annual accounts to be approved provisionally by the EFRAG Supervisory Board and making recommendations to the Board in that respect;
 - Discussing with the external auditor and the chief executive or the executive committee of changes in accounting policies and of any issues arising from the audits; and

- Advising on the internal rules and processes of EFRAG regarding budgets and financial statements.
3. The EFRAG Audit and Budget Committee reports to the EFRAG Supervisory Board. Minutes of the meetings of the EFRAG Audit and Budget Committee are made available to all the members of the EFRAG Supervisory Board.
 4. The EFRAG Audit and Budget Committee shall meet at the request of any of its members or at the request of the EFRAG Supervisory Board not less frequently than twice a year (to review the financial statements and the budget respectively).
 5. The Chair of the EFRAG Audit and Budget Committee calls the meetings and prepares the agenda. In addition to its physical meetings, meetings may also take place by telephone or video conference. The agenda is circulated no later than five working days before the meeting. Additional background papers and material are circulated sufficiently in advance of the meeting to allow them to be studied.
 6. Three members of the EFRAG Audit and Budget Committee present or represented by a written proxy constitute a quorum and decisions by the EFRAG Audit and Budget Committee require the support of a majority of those present. A proxy may only be given to another EFRAG Audit and Budget Committee member. No member may hold more than one proxy. .

Article 7 EFRAG Nominating Committee

The EFRAG Nominating Committee consists of up to six members of the EFRAG Supervisory Board appointed by the EFRAG Supervisory Board. The Chair of the EFRAG Supervisory Board chairs the EFRAG Nominating Committee. The members shall have different backgrounds such as users, preparers, financial institutions and auditors.

The role of the EFRAG Nominating Committee is to:

- Seek candidates for membership of EFRAG TEG and EFRAG PRC and for Chairmanship of EFRAG and the EFRAG PRC;
- Select the most qualified candidates;
- Make recommendations to the EFRAG Supervisory Board for appointments to EFRAG TEG and EFRAG PRC and for the term of such appointments.

Article 8 Appointment of Technical Experts

1. On the recommendation of the EFRAG Nominating Committee, the EFRAG Supervisory Board appoints the members of EFRAG TEG. Members of EFRAG TEG are appointed for terms of up to two years, renewable to the extent that the total term as a member of EFRAG TEG does not exceed six years. Where an ad hoc vacancy arises from a resignation or any other reason, the incoming candidate will initially be appointed to complete the term of appointment of the outgoing member.

2. The EFRAG Supervisory Board appoints the Chair of EFRAG for a term of up to three years, renewable to the extent that the total period of service as Chair does not exceed six years (i.e. not including any period as an ordinary member of EFRAG TEG). The maximum period that the Chair can serve in any capacity on EFRAG TEG is twelve years.
3. The EFRAG Supervisory Board may appoint a Vice-Chair of EFRAG TEG who will substitute for the Chair when necessary. The term of appointment in paragraph 2 applies to the vice-chair.
4. When a suitable candidate has been identified in the nominating process, who cannot be appointed for any good reason, the EFRAG Supervisory Board, on the recommendation of the EFRAG Nominating Committee, may ask him whether he would agree to be registered on a waiting list for a period of maximum of two years. When a member of EFRAG TEG resigns or is no longer able to fulfil his responsibilities, the EFRAG Supervisory Board, on the proposal of the EFRAG Nominating Committee, may decide to appoint a suitable candidate who is on the waiting list, without a public call for applications as set out in Article 9.

Article 9 Nomination procedure

1. The call for candidates is announced by the EFRAG Nominating Committee no later than five months in advance of the date of the appointment. If the vacancy arises unexpectedly with less than five months' notice, the five month period mentioned above may be shortened as necessary so as to minimise the period in which a vacancy remains unfilled.
2. The call for candidates is accompanied by the explanations that make it clear that candidates are chosen primarily on the basis of accounting technical competence and practical experience but that in order to achieve an appropriate balance and diversity, EFRAG will also take other factors into account. In particular, EFRAG will consider the balance between preparers, professional accountants/auditors, users, academics and other relevant professional backgrounds, together with the balance of geographic backgrounds.
3. The search process involves at least:
 - Notification of potential vacancies on the EFRAG website;
 - Notifying European stakeholder organisations and National Standard Setters of European Countries of the invitation for candidates;
 - Consideration of further steps to be taken to attract suitable candidates.
4. The procedure for seeking candidates is as follows:
 - (a) Following the call for candidates, a two month period is allowed for names to be put forward. Candidates may do this directly. European stakeholder organisations and national standard setters are also expected to put forward suitable candidates for EFRAG TEG.
 - (b) Candidates are required to submit an application. A short list of candidates is drawn up for interview. As candidates might not wish their candidature to be made public, the EFRAG Nominating Committee does not advise the EFRAG Supervisory Board of the names of all candidates but indicates the number of candidates, the reasons for its recommendations and the names of those it recommends for appointment to EFRAG TEG.

- (c) Members of EFRAG TEG eligible for re-appointment are required to advise the Chair of the EFRAG Supervisory Board of their interest in being re-appointed as soon as possible, preferably at least six months before the expiry of their term but in any case no later than the closing date for nominations in the call for candidates.
5. In providing recommendations to the EFRAG Supervisory Board, the EFRAG Nominating Committee applies the following procedures
- (a) Recommendations for appointments are made as soon as possible following the interviews so that the EFRAG Supervisory Board can confirm appointments at its next meeting;
 - (b) The EFRAG Nominating Committee makes recommendations regarding period of appointment;
 - (c) EFRAG publishes a list of new appointments as soon as all candidates have been informed of the outcome of their application – i.e. after the EFRAG Supervisory Board meeting and at least two months before the date of appointment concerned.

SECTION 2 WORKING RULES OF THE EFRAG TECHNICAL EXPERT GROUP (TEG)

Article 10 Composition of EFRAG Technical Expert Group

1. EFRAG TEG consists of a minimum of nine and a maximum of 14 voting members.
2. EFRAG TEG is chaired by the Chair of EFRAG.
3. The EFRAG Supervisory Board may appoint up to four chairs or other senior representatives of NSS as non-voting members of EFRAG TEG.
4. The European Commission has the right to nominate a representative to attend EFRAG TEG meetings as an observer with speaking rights. The EFRAG Supervisory Board and the Chair of EFRAG may invite additional permanent observers with speaking rights to attend EFRAG TEG meetings. The European Securities and Markets Authority (ESMA) and the IASB are each invited to nominate a representative to attend EFRAG TEG meetings as observers.
5. EFRAG TEG members are required to be guided by the need to act in an independent manner in the European public interest and therefore do not regard themselves as representing sector, industry or national interests.
6. EFRAG TEG members are expected to devote 30 % to 50% of the available working time to EFRAG and to commit to attend EFRAG TEG meetings (see Article 12).
7. EFRAG TEG members who have not attended regularly convened meeting in the last three meetings, whatever the reason might be, are assumed to have resigned. They can be replaced by decision of the EFRAG Supervisory Board. The replacement member will complete the period for which the resigning member had initially been appointed.

Article 11 Role of EFRAG Technical Expert Group

1. The role of EFRAG TEG is to influence the development of International Financial Reporting Standards and their application within Europe through technical analysis and wide consultation amongst national standard setters, regulators, the accounting profession, preparers and users.
2. The key objectives of the work of EFRAG TEG include:
 - To provide high quality input to the IASB and IFRS Interpretation Committee on their discussion papers, proposed standards and draft interpretations;
 - On the basis of the priorities identified by the EFRAG PRC, to develop proactive papers in order to influence the IASB's agenda-setting process and the early phases of the standard-setting process. Such discussion papers are intended to enhance the debate and understanding of financial reporting matters in Europe in order to provide high quality, widely supported input to the IASB;
 - To monitor ongoing IASB activities in order to give feed back to the IASB on a continuing basis;
 - To issue endorsement advice to the EC on final pronouncements issued by the IASB;
 - To issue effect study reports (until such time as IASB includes such work in its own due process).

EFRAG shall also play a leading role as a European technical focal point on accounting and is expected to participate on the global arena.

3. EFRAG TEG operates independently and in a transparent manner based on a transparent and open due process. The decisions are taken independently of the EFRAG Supervisory Board and any other interests. The membership of EFRAG TEG is structured so that no sector, group or country has a majority and can determine EFRAG TEG views. Thereby ensuring, that its conclusions are independent and not unduly influenced by any interest group or constituency.

EFRAG TEG aims to deliver sound technical judgments supported by reasoned opinions without regard to the particular interests of member or nominating organisations.

4. All EFRAG technical papers are issued by EFRAG TEG.
5. The Chair of EFRAG reports regularly to the EFRAG Supervisory Board.

Article 12 Convocation and agenda of meetings

EFRAG TEG is expected to have at least ten physical meetings every year lasting for an average of three days as determined by the Chair. In addition, the Chair may call extraordinary physical meetings and conference calls and also meetings using other technical means such as video conferencing or the internet.

EFRAG TEG's meetings are held in accordance with an annually fixed schedule. The meetings are scheduled no later than 1 September for the following calendar year. Members confirm their attendance or apologies three working days before each meeting.

Article 13 Chair – Secretariat – Minutes

The Chair of EFRAG convenes and chairs the meetings. He represents and communicates on behalf of EFRAG on all matters other than matters within the remit of the EFRAG Supervisory Board.

The secretariat of EFRAGTEG is managed by the Chief Executive Officer or the Executive Committee.

Minutes of EFRAG TEG meetings are prepared by the EFRAG secretariat and are presented to EFRAG TEG for approval. A summary is published on the website.

Article 14 Quorum of attendance and votes in EFRAG TEG

1. To take a valid decision, a minimum of 60 % of EFRAG TEG members must attend the meeting. For this purpose, the members attending the meeting consist of:
 - a) EFRAG TEG members physically present,
 - b) EFRAG TEG members attending by telecommunication (telephone, video conference or other electronic mean)
2. Proxy voting is not permitted in EFRAG TEG.
3. In all decisions of EFRAG TEG, a simple majority will apply. In a vote on draft or final endorsement of a standard or an interpretation, EFRAG TEG members are not permitted to abstain. If a vote is tied and as many votes are expressed in favour and against a decision,
 - a) The decision relates to the endorsement of a standard or an interpretation, the conclusion will be that EFRAG TEG recommends the endorsement of the standard;
 - b) The decision does not relate to the endorsement of a standard or an interpretation, the Chair has a casting vote.

Article 15 Dissenting vote on endorsement advice

1. Members of EFRAG TEG who disagree with an endorsement advice are obliged to have the reasons for their dissent recorded and explained in the advice letter or an addendum thereto. A dissenting view is presented as part of the alternative views in the draft endorsement advice without indication of the name(s) of the EFRAG TEG member(s) concerned. In the final endorsement advice the name(s) of the dissenting EFRAG TEG member(s) are mentioned.

2. Any person intending to dissent should make his views known to the Chair of EFRAG at the earliest practical time.
3. Dissenting views should relate to substantial elements of the endorsement advice letter and not to secondary elements of it. Accordingly, only views that are so strongly held that a dissenting member cannot accept the endorsement advice letter as a whole are included in the final letter.
4. Dissenting views are to be justified by indicating concisely and clearly the specific matters with which a member disagrees.
5. Dissenting views shall only be introduced in endorsement advice.

Article 16 EFRAG TEG Working Groups

EFRAG TEG may establish Working Groups (working groups, advisory panels and panels) to support its work in order to obtain advice from experts in relation to a particular area or aspect of financial reporting.

EFRAG TEG approves terms of reference for each Working Group which include:

- Objective of the working group;
- Outline of the preferred composition of the working group;
- Frequency of meetings;
- Expected outcome.

Before setting up a Working Group, EFRAG advertises for nominations. In selecting the members of a Working Group the objective is to reflect sufficient diversity of professional and geographical backgrounds in order to encompass the full range of interests in the area of reporting concerned. Members of Working Groups are appointed by EFRAG TEG. In case a single member of the Working Group resigns EFRAG TEG can appoint a new member respecting a balance in nationality and background without having to advertise for nominations.

At least one EFRAG TEG member is appointed as a member of a Working Group and generally an EFRAG TEG member chairs the Working Group. However, in specific cases the EFRAG Chair can propose a non- EFRAG TEG member as Chair of a Working Group. This proposal should receive validation by the EFRAG Supervisory Board Chairman before it is put to EFRAG TEG for approval.

EFRAG TEG can with approval of the EFRAG Supervisory Board dedicate under strict conditions autonomy to a Working Group in the development of comment letters in a restricted area of activity.

Article 17 Transparency and access to documents

1. EFRAG TEG meetings are open to the public. The agenda is published on the public section of the website and papers for members are posted on the internal section of the website. Where appropriate, EFRAG TEG may also post documents for upcoming meetings as observer notes on the public section of the website.

2. EFRAG conducts a transparent due process open to all parties. Transparency and independence are achieved in particular by:
 - Publication, with an open call for comments, of EFRAG draft and final comment letters to the IASB, and publication of endorsement advice and final effects study reports to the European Commission and other EFRAG position papers as appropriate;
 - Holding all technical discussions in meetings open to the public;
 - Publication of EFRAG TEG agendas and summary minutes of its meetings;
 - Publication, with an open call for comments, of draft EFRAG comment letters to the IASB and draft endorsement advice letters to the European Commission;
 - Presentation of the basis for conclusions for endorsements advice and reasoned positions for comments to the IASB;
 - Publication with an open call for comments of draft effect study work;
 - Publication of comment letters received unless confidentiality is requested;
 - Publication of an annual report.
3. Publication means that the documents are freely available via the EFRAG website for all other interested parties

Article 18 Due process for endorsement advice

EFRAG is committed to provide its endorsement advice to the European Commission normally within two months following a request by the European Commission to give an endorsement advice on an IFRS or an IFRS Interpretation.

EFRAG uses its best endeavours to publish its final endorsement advice on the day it is delivered to the European Commission.

Article 19 Disclaimer of EFRAG TEG members when writing articles in the press or addressing a public audience

If a member of EFRAG TEG, EFRAG PRC or the EFRAG Supervisory Board or an employee of EFRAG publishes articles or statements when addressing a public audience, he should carefully consider the potential impact on the reputation and standing of EFRAG.

As a matter of policy, EFRAG disclaims responsibility for any private publication or statements when addressing a public audience of any member of EFRAG TEG, EFRAG PRC or the EFRAG Supervisory Board, or of any employee of EFRAG. A speech or a written article by an EFRAG TEG member or a staff member must indicate that it expresses the author's own views and does not necessarily reflect those of EFRAG.

If a paper is to be published in any form by two or more members of EFRAG TEG and/or staff, mentioning, even indirectly, their link to EFRAG, such publication must be submitted to EFRAG TEG

(preferably but not necessarily in a meeting) before publication. If a majority of EFRAG TEG members believe that there is a good reason to believe that the views expressed in the paper are or may be inconsistent with a position that has been or may be taken by EFRAG TEG, the paper shall not be published.

If a paper is to be published or a presentation is given by a member of EFRAG TEG in his own name without any mention of, his link to EFRAG, the member consults with the Chair of EFRAG as a matter of courtesy about the appropriateness of publishing the paper and giving the presentation.

SECTION 3 WORKING RULES OF THE EFRAG PLANNING AND RESOURCE COMMITTEE

Article 20 Composition and designation of EFRAG PRC members

1. Members of EFRAG PRC are appointed by the EFRAG Supervisory Board for a term determined by the Board (two years, renewable). The EFRAG Supervisory Board appoints the Chair of EFRAG PRC from amongst EFRAG Supervisory Board members, for a period of which cannot exceed his term as a member. The composition of EFRAG PRC shall be as follows:

- Four senior NSS representatives (normally the Chairs of the NSS) ;
- The Chair of EFRAG;
- Two members of the EFRAG Supervisory Board ;
- Two additional members (who may have other backgrounds or alternatively have professional backgrounds that are representative of financial reporting stakeholders at large. EFRAG Supervisory Board members who meet these criteria are eligible for these positions).

All EFRAG PRC members are required to be persons of high standing that have recent experience of financial reporting and insight into major reporting issues facing European stakeholders.

The European Commission has the right to appoint a representative to attend EFRAG PRC meetings as an observer with speaking rights. The EFRAG Supervisory Board may appoint additional observers to the EFRAG PRC.

2. The EFRAG Nominating Committee recommends the appointment of EFRAG PRC members to the EFRAG Supervisory Board.

- An NSS represented on EFRAG PRC makes a formal commitment to provide a certain level of staff resources for the term of appointment of its representative to EFRAG PRC.
- If necessary, a public call for candidates at large will also be organised for two stakeholder representatives if they are selected from outside the EFRAG Supervisory Board Members.

3. EFRAG PRC members are required to be guided by the need to act in the European public interest.

Article 21 Role of the EFRAG Planning and Resource Committee

The objective of EFRAG PRC is to ensure that the items added to the long term proactive agenda are the most important accounting issues from a European standpoint.

The role of EFRAG PRC is to:

- Set the agenda for the pro-active work in relation to the development of discussion papers and position papers and potentially other projects;
- Provide guidance on allocation of the resources of EFRAG and NSS to proactive projects and to monitor the work concerned ;
- Coordinate surveys of financial reporting to see whether practical experience indicates that recommendations should be made to the IASB to add items to its agenda;
- Comment on the IASB's agenda following the normal EFRAG public consultation procedures (due process) including consultation with the boards of the NSS and with EFRAG TEG;
- Recommend who should represent EFRAG and/or the NSS on IASB working groups and advisory groups;
- Organise meetings of the Consultative Group;
- To assist as appropriate in organising the practical work of NSS to provide input to effects studies coordinated by EFRAG.

The Chair of EFRAG PRC reports regularly to the EFRAG Supervisory Board.

Article 22 Convocation and agenda of meetings

EFRAG PRC holds at least two meetings every year. Meetings are called by electronic mail three weeks in advance according to an annually fixed calendar.

The draft agenda is fixed by the Chair and circulated to the members with the convocation.

Any member may ask the Chair to add a specific item on the agenda provided that the request is made at least two weeks before the meeting.

Article 23 Chair – Voting - Secretariat – Minutes

The Chair of EFRAG PRC convenes and chairs meetings of the EFRAG Planning and Resource Committee.

EFRAG PRC endeavours to operate on the basis of consensus. However, in the absence of consensus, each member of EFRAG PRC has one vote in a simple majority voting system.

Minutes of the meeting are prepared by the secretariat of EFRAG. The minutes are circulated to the members in draft form within one month after the meeting.

Article 24 Transparency of meetings and access to documents

EFRAG PRC meetings are open to the public but EFRAG PRC may, at its discretion, hold certain discussions in private.

Article 25 EFRAG PRC Project Work identified by EFRAG PRC

The proactive projects identified and prioritised by EFRAG PRC are led by EFRAG, a NSS, a number of NSS or a combination of the parties. The work is carried out by the joint staff.

EFRAG PRC may advise EFRAG TEG to establish a Working Group that will provide advice for the purpose of a proactive project.

EFRAG TEG will be involved in and approve for issue all EFRAG technical papers including proactive discussion papers etc.

A paper prepared by those working on a proactive project on EFRAG PRC's agenda should be approved and issued by EFRAG TEG and as many NSS as appropriate. It should, unless exceptional considerations apply be subject to EFRAG's public consultation process.

SECTION 4 OPERATING PROCEDURES

Article 26 Chief Executive Officer or Executive Committee

According to Article 7.4.4 of the statutes "The administrative office operates under the direction of the Chief Executive Officer or of the Executive Committee." The EFRAG Supervisory Board decides whether a Chief Executive Officer or an Executive Committee will be appointed for a period of up to two years.

The Chief Executive Officer can be the Chair of EFRAG or another person with responsibility for the secretariat, resources and administration.

Article 27 Budget

1. The budget is prepared by the Chief Executive Officer or the Executive Committee. The proposal is reviewed by the EFRAG Audit and Budget Committee of the EFRAG Supervisory Board and submitted to the EFRAG General Assembly. The EFRAG General Assembly approves the budget for the following year. The budget document includes forecasts of revenues and expenses for the next year. It may include the contribution in kind provided by various stakeholders.

Only the EFRAG General Assembly has the power to decide on the contributions to be recovered from the member organisations.

2. The EFRAG Audit and Budget Committee of the EFRAG Supervisory Board monitors the expenditures within the limits authorised by the EFRAG General Assembly.
3. The EFRAG Supervisory Board organises an annual meeting with organisations that are not members of the Association but that have agreed to contribute to the funding of EFRAG. The purpose of this meeting is to discuss and address funding and governance issues.

Where an unexpected major project that requires use of significant resources and that cannot be covered by the agreed budget is being considered, the Chief Executive Officer or the Executive Committee may submit to the EFRAG Audit and Budget Committee of the EFRAG Supervisory Board a proposal to fund such a project on an ad hoc basis through specific contributions or use from available reserves.

Article 28 Supervision and approval of expenses

Subject to their approval in the budget, the following can be paid from the funds of the Association

- a) The reasonable expenses incurred by the chairs of the EFRAG Supervisory Board, EFRAG and EFRAG PRC in the exercise of their functions.
- b) As authorised by the Chief Executive Officer or the Executive Committee, the reasonable expenses of staff members in the exercise of their functions, in particular when travelling for the Association, and expenses of the EFRAG TEG Vice Chair and other EFRAG TEG members incurred in performing duties requested by EFRAG.

Article 29 Financial Statements

Financial statements are prepared by the Chief Executive Officer or the Executive Committee. The financial statements are reviewed by the EFRAG Audit and Budget Committee of the EFRAG Supervisory Board and approved provisionally by the EFRAG Supervisory Board within six months after the reporting date. They are submitted for final approval to the next EFRAG General Assembly.

APPENDIX 1 TO THE STATUTES OF EFRAG

VOTES IN THE EFRAG GENERAL ASSEMBLY, NOMINATION OF EFRAG SUPERVISORY BOARD MEMBERS AND VOTING RULES IN THE EFRAG SUPERVISORY BOARD

Section 1 Application of Article 7.2.1. of the Statutes

According to the EFRAG Statutes, the number of votes allocated to each member is related to their contribution to the base funding of the Association and are detailed in the internal rules.

The allocation of votes is as follows:

Name of the Member	Number of votes
BUSINESSEUROPE	36
CEA – Insurers of Europe	9
EACB – European Association of Co-operative Banks	9
EBF- European Banking Federation	9
ESBG – European Savings Bank Group	9
EFAA - European Federation of Accountants and Auditors	4
FEE - Fédération des Experts-comptables Européens	36
	112

Section 2 Composition of the EFRAG Supervisory Board

The EFRAG Supervisory Board consists of up to 17 high level persons with an appropriate mixture of professional backgrounds in order to achieve a balanced representation of stakeholder interests, as set out below.

In the event that the procedure mentioned in section 3 below does not produce sufficient high quality candidates with a particular background, temporary minor deviations from the composition set out below are permitted.

- Preparers 5 (industry, commerce and financial institutions)
- SMEs 1
- Users 4 (including 2 from financial institutions)
- Accountants 3
- Public policy Members 4

The European Commission and the European Securities and Markets Authority (ESMA) each appoint an observer to the EFRAG Supervisory Board. The appointment of these observers does not require approval by the EFRAG General Assembly.

Section 3 Procedure for the nomination of EFRAG Supervisory Board Members

1. The EFRAG General Assembly shall appoint a *Governance and Nominating Committee (EFRAG GNC)* consisting of seven members for a period of two years (renewable). Three members of the Committee will be representatives of National Funding Mechanisms. The role of the Committee is to seek candidates for membership of the EFRAG Supervisory Board, select the most qualified candidates and make recommendations to the EFRAG General Assembly for appointments to the EFRAG Supervisory Board.
2. The EFRAG GNC applies the following criteria in determining its recommendations:
 - EFRAG Supervisory Board members are required to demonstrate firm commitment to EFRAG's mission and to the development of high quality global financial reporting standards by the IASB;
 - The mix of EFRAG Supervisory Board members must reflect the diversity of professional backgrounds as well as the balance of geographical background as set out above in Section 2;
 - EFRAG Supervisory Board members should be knowledgeable about the global and European financial reporting environment, have relevant financial reporting experience and have the ability to meet the time commitment;
 - All EFRAG Supervisory Board members are required to act in the European public interest and to be seen to be independent of any special interests and to be acting to represent the society as a whole. European public interest encompasses accountability to European institutions and organisations that support and provide a legal context for EFRAG's mission where defined. Public interest equals the need for continuous improvement to financial reporting through European and international coordination.
 - Public Policy Members will be nominated by the European Commission. Their background will be based on experience of public policy, either at national or European level. These persons may be drawn from public authorities or relevant public bodies as well as from academia;

- Representatives of National Funding Mechanisms contributing to EFRAG may be proposed by the European Commission as Public Policy Members. According to the circumstances, they could also be selected by the EFRAG GNC in function of their specific background.
3. The procedure for seeking candidates will be as follows:
 - (a) A public call for candidates is made at least five months before the EFRAG General Assembly. Following this call, a two-month period is allowed for names to be put forward. EFRAG member organisations have the right to and are expected to put forward suitable candidates for the EFRAG Supervisory Board. Individuals may apply directly for nomination;
 - (b) Candidates are expected to submit credentials on a confidential basis and a short list is drawn up for interview;
 - (c) A report including recommendations of candidates for appointment is addressed to the EFRAG General Assembly no later than two weeks before the meeting. The report will indicate the number of candidates and the names of those it recommends for appointment to the EFRAG Supervisory Board.
 4. The European Commission is consulted during this appointment process.

Section 4 Conditions of appointment of EFRAG Supervisory Board Members

1. Members of the EFRAG Supervisory Board are appointed by the EFRAG General Assembly for a period of three years. The EFRAG General Assembly can approve or reject the proposals of the EFRAG GNC but may not appoint a member who is not nominated by the EFRAG GNC. The Chair of the EFRAG Supervisory Board is appointed by the EFRAG General Assembly¹. Members can be reappointed and, other than the Chair, may serve for a maximum of six years. The Chair may serve as a member of the EFRAG Supervisory Board (including his term as Chair) for up to nine years in total.
2. Paragraph 1 notwithstanding, the EFRAG General Assembly can organise the appointment of the members of the Supervisory Board in such a way that the EFRAG General Assembly will appoint each year one third of the members.
3. EFRAG Supervisory Board members are appointed in a personal capacity. They may not be represented by alternates. Members vote in accordance with their own independent views, not as representatives of any firm, organisation or constituency with which they may be associated.
4. EFRAG Supervisory Board Members are required to commit themselves formally to act in the European public interest in fulfilling their task as EFRAG Supervisory Board members. They are asked to sign a declaration of their commitment to act in the European public interest.
5. EFRAG Supervisory Board members who have not attended three consecutive regularly convened meetings for whatever reason are assumed to be resigning. When a member of the EFRAG

¹ An appointment on behalf of a member organisation is not taken into consideration for the application of this provision. As a transitional measure, the appointment of a Supervisory Board member in 2009 is considered to be a first appointment.

Supervisory Board presents his resignation the EFRAG Supervisory Board may appoint a person who will be his successor till the next EFRAG General Assembly.

Section 5 Voting rules in the EFRAG Supervisory Board

Each EFRAG Supervisory Board member has one vote. Without prejudice to Article 7.3.3 of the Statutes, the quorum for an EFRAG Supervisory Board meeting is half of its members either present or represented by a written proxy, and valid decisions require a simple majority of the votes of all those present or represented by proxy

Proxies may only be given to another EFRAG Supervisory Board member. No member may hold more than two proxies.