

EFRAG

International Non-Profit Association

STATUTES

Article 1: NAME

EFFECTIVE DATE: 11 December 2018

Translation for convenience purposes – approved by EFRAG General Assembly on 11 December 2018

- 1.1.** An International Association is formed under the name “Groupe consultatif européen sur l’information financière” or in the English language “European Financial Reporting Advisory Group”, in abbreviation EFRAG.

Full or abbreviated names may be used together or separately. They must always be followed by the words “association internationale sans but lucratif” or the initials “AISBL”.

- 1.2.** The Association is governed by title III of the Belgian law of 27 June 1921, as amended by the law of 2 May 2002 and the law of 27 December 2004.

Article 2: REGISTERED OFFICE

- 2.1.** The registered office of the Association is situated 35 Square de Meeûs (5th floor), 1000 Brussels (Belgium).

- 2.2.** It can be transferred to any other location in Belgium by a decision of the Board.

Article 3: DURATION

The Association is formed for unlimited duration. It can be dissolved at any time, in accordance with the law and these Statutes.

Article 4: OBJECTIVES

- 4.1.** The Association has as international non-profit objective to promote the knowledge, the adoption and implementation in Europe of international financial reporting standards and corporate reporting through scientific and pedagogical activities and, in particular:

- To provide a proactive contribution to the work of the International Accounting Standards Board;
- To help developing and coordinating expertise of all stakeholder groups in the area of financial reporting within Europe;

- To contribute to the implementation of International Financial Reporting Standards (IFRS Standards¹) in Europe.
- To stimulate innovation in the field of corporate reporting in Europe.

4.2. Activities that the Association intends to carry out in order to attain this objective may, among other things, be to:

- Provide its opinions in order for the European Commission to take a view on endorsement of any IFRS Standards² for application in the EU;
- Provide reports as requested to the European Commission reflecting, particularly, European perspectives, give reasoned opinions on upcoming financial reporting issues and help identifying issues that need to be addressed by the IASB;
- Provide its opinions in order for the European Commission to take a view on issues related to the development and the improvement of the standards and their effective implementation in the European area;
- Provide technical input on exposure drafts, possible consequences of proposed accounting solutions or proposed standards for companies operating in the European environment with the objective that European concerns and practice are properly taken into account. In close consultation with the European Commission, the Association will participate in the early phases of debate on all issues related to the standard setting process. In such a role, the Association will, when requested by the European Commission, attend working groups of IASB, liaise with national standard setters and hold Advisory fora;
- Consider and comment upon proposed developments of European regulations, directives, guidelines, guidance and undertake innovative studies in the reporting field at the request of the European Commission;
- Consult the European Commission on its work programme and inform it of its work on a regular basis;
- Provide reports on good practices and innovations in corporate reporting;
- Support the further integration of efforts of national standard setters, businesses, the accounting profession, users and other stakeholders in Europe in order to make an efficient use of available know-how in the area of corporate reporting within the EU;
- Undertake educational activities in order promote the knowledge of IFRS Standards in Europe;
- Develop other activities which it considers useful to achieving its general objectives.

Article 5: MEMBERSHIP

5.1. Definition

- a) The Association is open to (i) organisations established in the European Economic Area, represented by individuals and legal entities incorporated in accordance with the law in their country of origin and (ii) public entities

¹ According to the definitions in IAS 1 paragraph 7, International Financial Reporting Standards (IFRS Standards) are Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise:

- (a) International Financial Reporting Standards;
- (b) International Accounting Standards;
- (c) IFRIC Interpretations; and
- (d) SIC Interpretations.

established by European or national provisions. These organisations should take an active interest in financial reporting for the common good of Europe and are willing to support the work of the Association.

- b) The General Assembly is organised into two (2) chapters: European Stakeholder Organisations in one chapter and National Organisations in the second chapter.

5.2. Conditions of admission of new members

The admission of new members is decided by the General Assembly in accordance with Article 7.2.1 of these Statutes. It is subject to the commitment to subscribe to the objectives of the Association and to abide by the provisions of its Statutes and Internal Rules which are available on the EFRAG website.

5.3. Loss of membership

5.3.1. Resignation

- a) Each member has the right to withdraw from the Association at the end of any calendar year by giving twelve (12) months' notice in writing to the President of the Board.
- b) The twelve (12) months' notice shall be waived in situations that a substantial change (as decided by the General Assembly by simple majority) in the governance structure (including voting rights), activities of the Association, or increases or decreases of more than 10% in the budget compared to the previous year, are effectuated. If the twelve (12) months' notice is waived, the notice period will be at least six (6) months from the date of decision by the General Assembly that triggered the reason for the notice being given. However, if the amount of the committed contribution for the six (6) month notice period is not sufficient to settle the liabilities in the situation specified by Article 6.d, the contribution will be more than what has been committed for the six (6) months but the amount cannot be more than the committed contribution for the original notice period of twelve (12) months.

5.3.2. Exclusion

The General Assembly may decide to exclude a member which, in the sole judgment of the General Assembly, does not abide by the Statutes or for any other lawful reason, the member concerned having a right to a hearing but not taking part in the vote.

Article 6: MEMBERS' OBLIGATIONS

Members shall:

- a) Agree to abide by the provisions of these Statutes and Internal Rules approved by the General Assembly.
- b) Pay such contributions determined by the General Assembly (in accordance with the Internal Rules) and included in the budget approved by the General Assembly. These contributions are due for the current and following year if, on the first day of the year the membership has not lapsed. The General Assembly may decide on minimum financial contributions for membership in accordance with the Internal Rules. The annual contribution is paid in two (2) instalments, due on 1 January and 1 July. Payments received after 31 January and 31 July will be considered overdue and will be penalised in a manner to be decided by the General Assembly, on the basis of a proposal from the Board as described in the Internal Rules.

- c) Commit to the contribution of the current year and the following year. Organisations that cannot legally commit since their own financing is subject to legal commitment of public authorities or otherwise on a yearly basis or since their own financing is granted on a yearly basis, pledge the following year's contribution on the assumption that the approval for their own financing will be obtained with no substantial change. This exception to the commitment for the current and following year has to be approved by the General Assembly when the member is admitted for membership of the Association.
- d) Accept that its contribution to the Association may be used if deemed necessary by the Board and approved by the General Assembly to scale or wind down the Association.

Article 7: ORGANISATION OF THE ASSOCIATION

7.1. The governing bodies of the Association are:

- the General Assembly; and
- the Board.

The Association also has a Technical Expert Group and a European Corporate Lab Steering Group ('European Lab SG'), the composition and competences of which are defined respectively in Articles 7.9 and 7.6 of these Statutes.

7.2. *General Assembly*

7.2.1. The General Assembly consists of the members of the Association.

- a) A member of the Association cannot be represented by a Board member.
- b) The European Commission is invited to attend meetings of the General Assembly.
- c) The General Assembly may decide to grant the status of observer with speaking rights to other organisations with an interest in financial reporting.
- d) Only members that are up to date with their financial contributions have the right to vote.

7.2.2. The General Assembly meets at least once every year as the Ordinary General Assembly, to fulfil the following responsibilities:

- a) To receive a report of the Board, the European Lab SG and the Chief Executive Officer on the activities, governance and financial position of the Association; after discussion of these, the General Assembly approves or rejects the annual accounts as presented in accordance with Article 7.3.4 h), as well as the activities covered by the annual accounts and summarised in the reports;
- b) To approve the budget for the next year, both in relation to the income and expenditure;
- c) To appoint independent auditors;
- d) To appoint the President, Vice-President and members of the Board. The President of the Board is nominated by the European Commission after having heard the Council of the European Union and the European Parliament;
- e) To appoint an acting President of the Board, in due consultation with the European Commission if the President of the Board is not able or available to exercise his duties for a significant period and whilst awaiting the nomination or replacement of the President of the Board during any election period. The acting President of the Board can be chosen from amongst the Board members (including the Vice-President);

- e) To appoint the members of the European Lab SG;
- f) To exercise general oversight over the Board, whilst respecting the Board's responsibility for the professional positions taken and over the European Lab SG. The Board and European Lab SG will be reporting periodically in a meeting or by electronic means at least once a year. The General Assembly may appoint a specific committee from amongst its members to facilitate its oversight responsibility;
- g) To act as a sounding board for the European Commission in relation to its participation in the IFRS Foundation Monitoring Board when the European Commission calls upon the Association to do so.

7.2.3. The following activities also fall within the exclusive competence of the General Assembly:

- i. amendments to the Statutes and adoption, modification or abolition of the Internal Rules;
- ii. admission to, and exclusion from, membership;
- iii. dissolution of the Association; and
- iv. every other decision expressly indicated as falling within the exclusive competence of the General Assembly by these Statutes or by law.

7.2.4. Members who are prevented from attending a meeting may be represented in the meeting by any person at their discretion to whom such party has given a written proxy. A member of the Association can be holder of a maximum of five (5) proxies.

7.2.5. Decisions are made by consensus. If, exceptionally, no consensus can be reached the decisions are determined by a simple majority of votes expressed by those present or represented by proxies, unless stated differently in these Statutes. However, when all members in a chapter vote against a decision, the subject is considered rejected.

Quorum

Simple majority voting decisions require that one half (1/2) of the total of votes attributed to the members of the Association are present or represented; and, at least one-third (1/3) of the total votes per chapter are present or represented;

Allocation of voting rights

The system of allocation of voting rights is based on two (2) chapters (Article 5.1). Each chapter has 50% of the total voting rights.

- i. Within the European Stakeholder Organisations chapter, the voting rights are allocated as follows:
 - a) Half of the votes are allocated on an equal basis to each of the sectors (industrial and trading companies; banks; insurance companies; accountancy profession; and users);
 - b) The other half of the votes are allocated in proportion to the financial contributions made by the members in the chapter;
 - c) If a sector is not represented in the membership of the Association the votes of this sector are re-allocated to the other sectors in proportion to the financial contributions made by the members;
 - d) Votes within each sector are allocated in proportion to the financial contributions made by the members.

- ii. Within the National Organisations chapter the voting rights are allocated in proportion to the financial contributions made by the members.
- iii. New members are allocated to a chapter.

Qualified majority voting

However, for decisions of the General Assembly, mentioned above in Article 7.2.3 under i., ii. and iii., decisions on the removal of a Board member (Article 7.3.2), and decisions for the approval of the budget which proposes increases or decreases of more than 10 % compared to the previous year, the General Assembly can only take a valid decision when:

- i. Quorum: overall two-thirds (2/3) of the total of votes attributed to the members of the Association are present or represented in the meeting; and, at least one half (1/2) of the total votes per chapter are present or represented, and;
- ii. The decision is adopted by four-fifths (4/5) of the total of votes expressed.

7.2.6. The Board determines the place, date and agenda of the meeting. The President of the Board or, in his absence, the Vice-President of the Board or in his absence, the person designated by the Board chairs the meeting. No decision can be made unless included in the agenda sent with the convening notice. The convening notices are sent by e-mail, fax, post or courier.

7.2.7. A special meeting of the General Assembly may be held with at least thirty (30) days' notice at a place and time to be determined by the Board. A special meeting of the General Assembly needs to be called if requested by one-third (1/3) of the members of the Association. If overall two-thirds (2/3) of the total of votes attributed to the members of the Association and at least one-half (1/2) of the total votes per chapter agree to a meeting and are present or represented, the General Assembly will be regularly constituted provided the convocation respects a minimum period of notice of five (5) working days.

7.2.8. Decisions of the General Assembly are registered in the Minutes which are signed by the President and the person appointed by the General Assembly as Secretary of this meeting. The Minutes are kept at the registered office of the Association. Every member receives a copy within a period of two months after the meeting of the General Assembly by e-mail, fax, post or courier.

7.3. *The Board*

7.3.1. The Board is composed of at least six (6) persons appointed by the General Assembly for a period of three (3) years renewable for a further three-year term based on the candidates proposed by nominating organisations belonging to the pillars. The nomination procedure is specified further in the Internal Rules. In exceptional circumstances further extensions, each for up to three years can be granted.

7.3.2. The Board member's office shall end in case of:

- voluntary resignation by written notice to the Board;
- expiration of their term;
- death of the Board member;
- voluntary dissolution of the organisation nominating the Board member;
- bankruptcy, insolvency, civil incapacity or provisional administration of the Board member;

- removal by the General Assembly, upon a decision taken by qualified majority as specified in Article 7.2.5.
- a) A Board member who has not attended three (3) consecutive regularly convened meetings of the Board, whatever the reason might be is assumed to have resigned. The President of the Board will liaise with the nominating organisation(s) for his resignation and consider his replacement.
- b) When a Board member decides to resign from the Board or the nominating organisation(s) decide to request his removal, the President of the Board will liaise with the nominating organisation(s) to consider his replacement.
- c) The appointment of the replacement has to be approved by the General Assembly in its next meeting. In the meantime the nominated Board member can participate in all Board meetings in the capacity of a Board member.

7.3.3. The General Assembly appoints a Nominating Committee which acts as an advisory committee to the General Assembly and the President of the Board to facilitate the appointment and nomination process of the Board members and the European Lab SG members. Working procedures of the Nominating Committee are determined in the Internal Rules.

7.3.4. The Board has the following responsibilities:

- a) To be responsible for all positions of the Association, after having considered the technical advice provided by the Technical Expert Group and reflecting the results of the Association's due process. The details of this task are further specified in the Internal Rules;
- b) To ensure that the Association has an open and transparent due process including a public consultation process with European constituents on draft Association's positions such as discussion papers, draft comment letters, draft consultation documents and draft endorsement advices. The details of this task are further specified in the Internal Rules;
- c) To appoint, monitor and dismiss the Chief Executive Officer;
- d) To appoint and dismiss the Chairman and the members of the Technical Expert Group as indicated in Article 7.9.1 and oversee the appointment of any working groups by the Technical Expert Group;
- e) To organise the funding of the Association and undertake a regular review of the funding arrangements;
- f) To monitor the expenditures within the limits of resources authorised by the General Assembly;
- g) To approve the remuneration policy for the Association's staff (including management) and decide on the remuneration package for the Chair of the Technical Expert Group and the Chief Executive Officer;
- h) To provisionally approve the annual accounts within four (4) months of the end of the financial year and to submit these accounts for final approval to the next meeting of the General Assembly;
- i) To provisionally approve the budget of the next year and to present it for final approval to the next General Assembly;
- j) To prepare other decisions for consideration by the General Assembly;
- k) To provisionally approve (amendments to) the Statutes and Internal Rules of the Association before submitting them for final approval to the General Assembly;
- l) To approve the Annual Review for publication, submitted by the Chief Executive Officer.

- m) To take any other decision in conformity with the Statutes and the objectives of the Association;
- n) To perform other functions as shall be prescribed to it by law or by the General Assembly or as and when deemed necessary.

7.3.5. The Board can only deliberate if at least two third (2/3) of its members are present in person or by (tele)communication. The President of the Board has discretion to accept that Board members are represented by written proxies in exceptional cases. The Board's decisions are made by consensus. Should it not be possible to reach a consensus based decision, all decisions specified in Article 7.3.4 c) to n) are taken by a qualified majority of two-thirds (2/3) of the Board members present. It is the role of the President of the Board to use best efforts to achieve consensus decision-making.

- a) This consensus-based decision-making process serves the objective of Europe speaking with one voice covering both the technical and economic aspects.

Where views are split at draft stage, the Board may decide to expose more than one view, reflecting the differences of view held in the Board and seek comments thereon.

- b) In the rare circumstances that no consensus can be reached:
 - i. For draft comment letters to the IASB and other draft positions and draft position papers for public consultation purposes, when no consensus can be reached on either one view or split views, decisions are taken by a qualified majority of two-thirds (2/3) of the Board members present or represented.
 - ii. For comment letters to the IASB and other final positions and position papers: decisions are taken by a qualified majority of two-thirds (2/3) of the Board members present or represented. If, in exceptional cases, no qualified majority can be found the President of the Board can present his conclusions based on an indicative vote whereby the majority would be presented as the position.
 - iii. For draft endorsement advice for public consultation purposes, decisions are taken by a qualified majority of two-thirds (2/3) of the Board members present or represented.
 - iv. For final endorsement advice to the European Commission:
 - If no consensus can be reached within the timeframe requested by the European Commission, the endorsement advice is submitted to the European Commission including the advice of the qualified majority (i.e. two-thirds (2/3)) of the Board members present or represented and dissenting opinions.
 - The Board members who disagree with the qualified majority view expressed in a final endorsement advice are obliged to have the reasons for their dissent recorded and explained in the advice letter or an addendum thereto. The name(s) of the dissenting Board member(s) are mentioned.
 - If in exceptional cases, no qualified majority can be found the President of the Board can present his conclusions based on an indicative vote whereby the majority view would be presented as the position with indication of the dissenting views held.
 - Dissenting views should relate to important elements of the final endorsement advice letter and not to secondary elements. Accordingly, only views that are so important that a dissenting member cannot accept the endorsement advice letter as a whole or a part of the consensus are included in the final endorsement

advice. Dissenting views are to be justified by indicating concisely and clearly the specific matters with which a member disagrees.

7.3.6. The Board meets at least three (3) times a year and more often if needed. A meeting of the Board needs to be convened:

- On request of five (5) of its members;
- On request of the President of the Board or of the Chief Executive Officer.

The President of the Board convenes the meetings at least one (1) month in advance, unless extraordinary circumstances arise that require urgent decision-making or information sharing by Board members, provided the convening notice respects a minimum period of notice of five (5) working days. The convening notices are sent by e-mail, fax, post or courier.

7.3.7. The Board is entitled to set up (sub-) Committees and task forces which do not, however, take away the ultimate responsibility of the Board.

7.3.8. Internal Rules and/or the Working Arrangement with the European Commission will determine the criteria for the process of the assessment of international financial reporting standards, from the European public good perspective.

7.4. *The President of the Board*

The main responsibilities of the President of the Board include, beyond the chairmanship of the Board and of the General Assembly, being the public spokesperson of the Association. The remaining responsibilities and the delegation of the responsibilities are described in the Internal Rules.

7.5. *The Vice-President of the Board*

The Vice-President of the Board is replacing the President of the Board when the President of the Board is absent or is not able to exercise his function for a certain limited period. The Vice-President acts only by delegation of the President, notwithstanding the provisions of Article 7.2.2 e).

7.6. *The European Corporate Reporting Lab at EFRAG and its Steering Group ('European Lab SG')*

7.6.1. The European Lab at EFRAG has as objective to stimulate innovation in the field of corporate reporting in Europe by identifying and sharing good practice.

7.6.2. The General Assembly appoints the members of the European Lab SG. The Chair of the European Lab SG is the President of the EFRAG Board and the Vice-Chair is the EC Head of Unit responsible for policy on corporate reporting. Internal Rules and Terms of Reference of the European Lab SG determine the terms of appointment and the conditions to renew an appointment.

7.6.3. The European Lab SG guides and advises on the work of the European Lab at EFRAG and monitors its progress. The role of the European Lab SG is described in the Internal Rules and the Terms of Reference of the European Lab SG.

7.6.4. The Terms of Reference provide guidance for the operations and activities of the European Lab SG. The European Lab SG is entitled to set up committees and task forces.

7.6.5. The European Lab SG decisions are made by consensus and all members strive to reach consensus. The European Lab SG Chair makes his best effort to reach consensus in the decision-making process of the European Lab SG. The European Lab SG Chair should call for a vote by simple majority of the European Lab SG members present if consensus cannot be attained.

7.7. *The Chief Executive Officer*

7.7.1. The Board appoints the Chief Executive Officer who will be responsible for the day-to-day management of the Association.

7.7.2. The Chief Executive Officer has the following tasks:

- a) To be responsible for the day-to-day management of the Association;
- b) To prepare the budget and the annual accounts;
- c) To coordinate the decision making process on staff recruitment or dismissal and the level of remuneration of all staff in accordance with the remuneration policy. The relevant and related committee of the Board as specified in the Internal Rules shall address the remuneration package for the management team;
- d) To acquire or dispose of capital goods within the limits of the approved budget;
- e) To take any financial and administrative management decisions necessary to provide adequate support to the President of the Board, the activities of the Board listed in Article 7.3.4, the Technical Expert Group and other Committees, Task Forces, Working Groups and Advisory Panels.

The function of the Technical Expert Group Chairman and the function of Chief Executive Officer can be carried out by the same person, in which case the responsibilities are combined.

7.7.3. The administrative office including all staff of the Association, except for staff who operate under the direction of the President of the Board operate under the direction of the Chief Executive Officer.

7.8. *Authorised representation of the Association*

Notwithstanding the general powers of representation of the Board as a collegial body, the Association shall be validly represented in court and towards third parties, including any public officer (including the mortgage registrar – “conservateur des hypothèques”) by:

- a) the President of the Board and a Board member, acting jointly;
- b) within the limits of the day-to-day management, the Chief Executive Officer acting individually.

7.9. *The Technical Expert Group*

7.9.1. The Board appoints the Technical Expert Group, the Chairman of this Group and if necessary a Vice-Chairman. Internal Rules determine the terms of appointment and the conditions to renew an appointment.

7.9.2. The Technical Expert Group is advisor to the Board and provides its expert advice based on its technical expertise and on the basis of an open and transparent due process including a public consultation process with European constituents. The role of the Technical Expert Group is described in the Internal Rules.

- 7.9.3. The Internal Rules provide guidelines for the open and transparent due process including a public consultation process with European constituents.

Article 8: ANNUAL FINANCIAL STATEMENTS

- 8.1. The annual financial statements and the budget are prepared in conformity with the procedures fixed in the Internal Rules and approved by the General Assembly.
- 8.2. The financial year corresponds to the calendar year.
- 8.3. The audited accounts are submitted by the Chief Executive Officer to the Board within four (4) months of the end of the financial year. They are provisionally approved by the Board and then distributed to the members of the Association. The General Assembly approves the annual accounts within six (6) months of the end of the financial year.

Article 9: ASSETS AND LIABILITIES OF THE ASSOCIATION

- 9.1. *Members' interests in the assets of the Association*
- 9.1.1. All interests of a member in the capital and assets of the Association come to an end immediately in the event that the membership of the member ceases for any reason whatsoever, except in the event of dissolution of the Association.
- 9.1.2. In the event of such termination of membership, neither the member concerned nor its representatives have the right to bring a claim against the Association, other members or their representatives, whether collectively or individually, on account of such assets.
- 9.2. *Disposal of the assets of the Association in the event of dissolution*
- 9.2.1. In the event of dissolution of the Association neither the Association's members nor their representatives have the right to bring a claim against the Association, other members or their representatives, whether collectively or individually, on account of such assets.
- 9.2.2. Upon dissolution of the Association, and after payment of all obligations of any kind, the membership fees of the current year can be reimbursed. The remaining capital and assets of the Association are allocated to a body having a similar purpose or any other non-profit purpose.
- 9.2.3. In the case of a voluntary dissolution, the Board appoints the liquidator(s) and determines the manner of the dissolution and liquidation of the Association.
- 9.3. **Liability of the members**

Members are understood to have no civil liability for the debts of the Association. However financial contributions committed by members within the notice period for resignation may be called upon in advance, totally or partially, as needed to settle all liabilities of the association upon termination or winding down.

**Article 10: AMENDMENTS TO THE STATUTES –
DISSOLUTION**

- 10.1.** Every resolution to amend the Statutes or its Internal Rules, or to dissolve the Association, must be submitted to the General Assembly by the Board.
- 10.2.** Amendments to the Statutes become only effective after the publication formalities prescribed by Belgian legislation have been fulfilled.
- 10.3.** What is not foreseen by these Statutes, including legal publications in the Moniteur belge, will be regulated by the provisions of the Belgian law of 27 June 1921, as amended.

TRANSLATION