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Berlin, 23 September 2008

Dear Ms. Oyre,

Re.: ASCG/GASB Comments on the IASCF Proposal Paper "Review of the Constitution – Public Accountability and the Composition of the IASB"

On behalf of the Accounting Standards Committee of Germany (ASCG) and the German Accounting Standards Board (GASB) we are writing to comment on the IASCF "Review of the Constitution – Public Accountability and the Composition of the IASB – Proposals for Change" (proposal paper). The ASCG and the GASB appreciate the opportunity to comment on the above mentioned proposal paper.

The IASCF is especially seeking comments on the following proposals:

- 1. Creation of a Monitoring Group to link public accountability to official institutions;
- 2. Membership in the Monitoring Group;
- 3. The proposed mandate of the Monitoring Group;
- Continued need of the Trustee Appointment Advisory Group (TAAG);
- 5. Expansion of the IASB members from 14 to 16;
- 6. Geographical formulation of the IASB suggested by the trustees; and
- 7. Flexibility on part-time membership on the IASB.

The ASCG and GASB welcome the IASCF's proposal to link public accountability to official institutions. However, we have different views on certain issues which are summarized in this cover letter and explained in more detail in *Appendix 1*. Our comments in the appendix are structured according to the questions raised by the IASCF in the proposal and, additionally, we emphasize certain issues we feel to be important to be considered.

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growing need to monitor the use and rigorous application of the standards to ensure comparable global financial reporting. Investor viewpoints are at the core of financial reporting standards and should continue to be a crucial driver in setting standards and amending the constitution of the IASC Foundation. CalPERS has a keen interest in the governance of IFRS standard-setting and the role investors play in that process.

Monitoring Group: Creation & Membership

CalPERS agrees with the Trustees' need to demonstrate the organization's public accountability and recognize its recent improvements to the IASB's due process. CalPERS views the proposal to form the Monitoring Group as an improvement to strengthen the legitimacy and governance of the IASB and agrees with the need to establish a means of accountability to those governmental authorities charged with protecting investors and regulating capital markets. CalPERS supports the creation of a Monitoring Group in order to create a direct link of public accountability to official institutions. However, we do not agree that the Monitoring Group should consist only of public regulators and international institutions. CalPERS believes that significant direct investor representation, specifically institutional providers of capital, should be included alongside the proposed representation of governmental and intergovernmental entities on the Monitoring Group of the IASC Foundation.

CalPERS regards the inclusion of institutional providers of capital on the Monitoring Group as critical during this time of accounting convergence and believes investor representation will not only strengthen the monitoring and review function to ensure that the Trustees of the IASB fulfill their constitutional and governance obligations, but also provide inherent transparency to bolster the credibility of the IASB's independence as a global accounting standard setter. CalPERS does not see the need to continue the Trustee Appointments Advisory Group as the proposed constitution amendments identify similar responsibilities of the Monitoring Group.

IASB: Changes in the Constitutional Language

CalPERS supports the IASC Foundation's continuance that the main qualifications for membership of the IASB Board shall be professional competence and practical experience. However, just as the IASB's constitution identifies geographical representation, to ensure the IASB is not dominated by any particular constituency or geographical interest, we would suggest the skill-sets of the group be assessed annually to ensure diversity of professional representation, background and experience.

The assessment of skill-sets and professional backgrounds should also ensure appropriate representation by key stakeholders in the development of accounting standards. Key stakeholders include issuers of financial reporting, directors of issuers (stewardship), regulators, auditors, creditors, current and potential investors and shareowners (institutional providers of capital). We believe if the IASB Board membership consists of part-time members, that representation by all key stakeholders be equivalent in assigning membership. CalPERS does not have a position on whether

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IASB's membership should be expanded to 16 members but rather emphasize the need for annual assessment of skill-sets to ensure diversity and equivalent representation by stakeholders as well as timely, proper succession planning.

Voting Majorities

CalPERS does not support the Trustees' proposal to maintain the supermajority requirement in the IASC Foundation's Constitution. CalPERS believes if the IASB's Board membership reflects the selection criteria as proposed (and includes an annual skill-set assessment to ensure diversity of professional representation, background and experience) with equitable stakeholder representation that voting standards should be set at a majority threshold. The majority vote threshold should apply to publication of an exposure draft, a discussion paper and International Financial Reporting Standards.

Thank you for considering our comments. If you would like to discuss any of these points, please do not hesitate to contact Mary Morris at 916-795-4129.

Sincerely,

Dennis Johnson, CFA Senior Portfolio Manager

Corporate Governance

cc: The Honorable Christopher Cox, Chairman – SEC Anne Stausboll, Interim CIO – CalPERS Eric Baggesen, Senior Investment Officer – CalPERS