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Constitution of the "ASCG - Accounting Standards Committee of Germany"

Preamble

The Association is formed:

- in recognition of the need for the business community and other participating constituents to take the initiative in developing accounting and financial reporting, in particular in the interests of those individuals who are responsible for accounting and financial reporting by enterprises and groups of enterprises, or who are active in the fields of auditing, advising, or teaching, or whose decisions are contingent upon financial reporting by enterprises;
- with the objective of introducing and financing standard-setting by an independent body composed solely of recognized experts along Anglo-American and international models, as Anglo-American and international experience indicates that such a model more effectively meets the needs of global and national markets, especially for international harmonization, than intergovernmental and national legislation;
- in the expectation that accountants, enterprises required to prepare financial reports and enterprises that provide advisory and auditing services in this field will commit themselves to working in and for the interests of the Association, to achieve its goals on a broad front and to minimize the scope of legislation;
- with the objective of ensuring that the German Federal Government recognizes the Association as the German standard-setter, supports its objectives and makes use of its expert advice, without compromising the sovereignty of the legislature and the courts;
- with the intention of pushing forward international harmonization through involvement in international and intergovernmental organizations, and through cooperation with other standard-setting bodies, as well as by promoting research.

Article 1 Name and Registered Office

- (1) The name of the Association is "DRSC - Deutsches Rechnungslegungs Standards Committee". Following registration in the Register of Associations, its name also contains the suffix "eingetragener Verein", abbreviated to "e.V."
- (2) The Association is also known internationally by the English name "ASCG - Accounting Standards Committee of Germany".
- (3) The registered office of the Association is in Berlin-Charlottenburg.

Article 2 Objectives

- (1) The objectives of the Association are
 - (a) to improve the quality of accounting and financial reporting and to drive forward convergence of the national standards with internationally accepted accounting and financial reporting standards, in the public interest;
 - (b) to develop standards for application of the principles relating to consolidated accounting and financial reporting;
 - (c) to cooperate with the International Accounting Standards Board (IASB) and other international standard-setting bodies, including active involvement in their working groups, and to represent the interests of the entire accounting and financial reporting community in dealings with the International Accounting Standards Committee Foundation (IASCF) and other standard-setters;
 - (d) to represent the Federal Republic of Germany in international standard-setting bodies and in organizations involved in the promotion of the international convergence of accounting and financial reporting standards;
 - (e) to advise the legislature at national and EU levels in all issues of accounting and financial reporting, as well as on the implementation of accounting and financial reporting standards, in particular with regard to the options available to Member States;
 - (f) to develop interpretations of the International Financial Reporting Standards within the meaning of par. 315 a (1) HGB (German Commercial Code);;
 - (g) to promote research and education in these areas.
- (2) The Association serves the professional aims of its members to the extent allowed by its own objectives. The Association fulfils its objectives as a professional association for its members.

- (3) The Association is active in a non-profit capacity; profit is not its primary objective. The Association may only use revenue from the exploitation of its work for its constitutional objectives.
- (4) The Association may establish business operations to implement and promote its constitutional objectives. It may also take out membership of other associations and similar bodies, and acquire equity investments.
- (5) In the event of the dissolution of the Association, the assets shall be used for objectives qualifying for tax privileges. Resolutions on the future use of the assets may only be implemented with the consent of the tax authorities.

Article 3 **Financial year**

The financial year begins on 1 January and ends on 31 December.

Article 4 **Membership**

- (1) All natural persons whose recognized qualifications or experience in the field of accounting are closely related to the objectives of the Association may become members of the Association. All entities (including freelance associations) may also become members of the Association, provided that the membership is exercised by a person who qualifies for membership in accordance with sentence 1. Natural persons who are employed by or are members of an entity or association within the meaning of sentence 2 may only become members if, and for as long as, the entity is a member.
- (2) Organisations closely connected with the objectives of the Association through their involvement in representing the professional interests of accountants, enterprises or users, may become associated members. The associated membership entitles to attending the meetings of the General assembly; not to voting.
- (3) Membership is acquired through written application and its acceptance by the Chairman of the Executive Board. Acceptance may be delegated to the Secretary General. The Executive Board decides in the event of the application being rejected.
- (4) Membership is terminated by resignation or expulsion. A member may only resign in writing with two months' notice to the end of a financial year.
- (5) A member may only be expelled for good cause. The Executive Board expels the member.

- (6) The obligation to pay the membership fee determined for the current financial year is not affected by termination of membership. On leaving the Association, the member shall have no claim on its assets.

Article 5 Membership Fees

- (1) Members have to pay an annual membership fee.
- (2) The annual membership fee is set by the general assembly. The Treasurer has authority to agree a reduced membership fee with new members in exceptional cases for a maximum of three years.
- (3) The fees must be paid by 30 April of each financial year.

Article 6 Governing Bodies and Standing Committees

- (1) The governing bodies of the Association are:
1. the Executive Board,
 2. the General Assembly.

The standing committees of the Association are:

1. the German Accounting Standards Board,
2. the Accounting Interpretations Committee (AIC)

- (2) Only natural persons who are accountants can be elected to the governing bodies and standing committees. Accountants are defined as all persons suitably qualified to keep or prepare the commercial accounts or other documents set out in paragraph 257 (1) No. 1 of the HGB (*Handelsgesetzbuch* - German Commercial Code) for corporations or other entities, either as employees or as self-employed members of the professions. Accountants are also defined as *Wirtschaftsprüfer* (German public auditors), *vereidigte Buchprüfer* (German sworn auditors), tax advisers, lawyers, or other individuals with comparable qualifications, who are active in the field of accounting in an auditing, advisory, teaching, supervisory, or analytical capacity; this shall also apply to persons active in tertiary education or government agencies. Accountants who are active in or have experience in the field of international accounting will be given particular consideration for membership of governing bodies and standing committees.

Article 7

Executive Board

- (1) The Executive Board consists of a minimum of seven and a maximum of twenty members: the Chairman, his or her deputy, the Treasurer, and between four and seventeen further members, who are each elected by the General Assembly for a period of three years. After expiry of its term of office, the Executive Board remains in office until the next election. Any substitute member becoming necessary during the term of office will be elected by the General Assembly. The term of office of any substitute member will be valid only until the end of the current period of office.
- (2) The Chairman, his or her deputy, the Treasurer and up to two further members of the Executive Board make up the Executive Committee. Only the members of the Executive Committee are legal representatives of the Association within the meaning of paragraph 26 of the BGB (German Civil Code). The Association is represented externally by two members of the Executive Committee.
- (3) The Executive Board lays down the principles of the work of the Association. The Executive Board may not issue instructions to the German Accounting Standards Board or the Accounting Interpretations Committee or their members regarding the performance of their tasks.
- (4) The Executive Board is responsible for:
 - (a) electing and appointing the members of the German Accounting Standards Board and the Accounting Interpretations Committee (AIC), and the stipulation of performance criteria and the measures to be taken where these are not met, giving due consideration to the independence of these standing committees;
 - (b) approving the rules of procedure for the German Accounting Standards Board and the Accounting Interpretations Committee;
 - (c) the review of the ASCG's strategy and its effectiveness;
 - (d) publication of an annual report, including audited financial statements and a prospective review of the priorities for the coming year;
 - (e) resolution of the annual budget and the 3-year budget;
 - (f) ensuring the solvency and long-term funding of the ASCG;
 - (g) setting membership fees, unless this requires an amendment to the Constitution;
 - (h) accounting, including preparation of the annual accounts on the basis of the accounting principles applicable to business entities;
 - (i) adopting the financial statements;

- (j) taking decisions on all matters not explicitly reserved for the General Assembly.
- (5) The Executive Board adopts resolutions by a two-thirds majority of the votes of its members. The Executive Committee is solely responsible for decisions relating to matters stated under (f), (g), (h) and (i), as well as for all matters relating to the management of the Association.
 - (6) (a) The Executive Board appoints a general manager and, if necessary, other managers, to manage the business of the ASCG's office, including transactions relating to the German Accounting Standards Board (Article 8 (12)). The general manager bears the title of Secretary General. The Executive Board sets out and oversees the duties and powers of representation of the management, and takes decisions on material management measures. Within the scope of their responsibilities, each manager is a special representative of the Association within the meaning of paragraph 30 of the BGB.
- (b) As an alternative to the appointment of a general manager, the Executive Board may entrust the President of the GASB with the management of the business of the Association.

Article 8

German Accounting Standards Board

- (1a) The German Accounting Standards Board (GASB) performs the duties necessary to achieve the objectives of the ASCG set out in Article 2. The German Accounting Standards Board consists of up to nine members, who are elected and appointed by the Executive Board for a maximum of four years. The appointed members of the GASB elect the President and the Vice-President from among their own number. A maximum of two members should perform their duties in the German Accounting Standards Board in a full-time capacity, meaning that the member makes his or her working time available primarily to the ASCG. The age limit for members of the GASB is seventy.
- (1b) The German Accounting Standards Board may co-opt a maximum of two further members who are accountants within the meaning of Article 6 (2).
- (2) The Secretary General of the ASCG is a non-voting associated member of the German Accounting Standards Board.
- (3) The members of the German Accounting Standards Board must be accountants and should meet the following qualification criteria:
 - (a) demonstrated technical competence and expertise in international accounting and financial reporting;

- (b) an understanding of new developments in international accounting and financial reporting;
 - (c) analytical skills and a willingness to engage in open communication and discussion in closed and public meetings;
 - (d) readiness to reach a considered decision, taking into account the objectives of the ASCG.
- (4) The members of the GASB perform their tasks independently. The members may not submit themselves to or accept instructions from the Executive Board, the members of the Association, the German Federal Ministry of Justice, or other organizations.
- (5) The GASB is solely responsible for the preparation and adoption of its pronouncements, which may consist of:
- (a) accounting standards;
 - (b) comments on accounting issues addressed to national and international bodies;
 - (c) working papers; and
 - (d) other comments and publications considered appropriate by the GASB.

The GASB develops its accounting standards through a due process of public consultation in which all affected parties must be heard.

- (6) The consultation process must include the following material steps, whereby notices and announcements will be published on the ASCG's homepage:
- (a) publication of exposure drafts of standards with a call for comments to be submitted within a period of at least 45 days;
 - (b) publication of comments received unless this is expressly rejected by the party submitting the comments, and an analysis and discussion of material objections and proposed amendments;
 - (c) re-exposure of a revised draft with a call for comments to be submitted within a period of at least 30 days if, in the opinion of the GASB, the comments received warrant material amendment of the exposure draft;
 - (d) public discussions on the draft standards, which must be announced at least 14 days beforehand; minutes of the public discussions must be published within 30 days;
 - (e) adoption of the standards at meetings open to the public;
 - (f) publication of the adopted standards including, where applicable, dissenting votes, with a brief basis for conclusions.
- (7) When developing other comments in accordance with points 5 - 6 of this Article, the GASB will ensure an equally transparent due process, whereby the specific circumstances of the comments to be submitted may be taken into account.

Further details of the consultation process are governed by the rules of procedure of the GASB.

- (8) The German Accounting Standards Board adopts rules of procedure, which require the consent of the Executive Board. The adoption of standards and other pronouncements requires a majority of two thirds of the votes of the members of the GASB. In all other cases, including the election of the President and Vice-President, a simple majority of members' votes is required.
- (9) The accounting standards adopted by the German Accounting Standards Board are published as "German Accounting Standards - GASs".
- (10) The German Accounting Standards Board is authorized to establish working groups to prepare its decisions.
- (11) The Association will employ the number of staff necessary to assist the German Accounting Standards Board, with the consent of the GASB.
- (12) The business of the German Accounting Standards Board is managed by the Secretary General appointed in accordance with Article 7 (6), with the consent of the President of the German Accounting Standards Board. Transactions exceeding the established budgetary limits require approval by the Executive Board.

Article 9

Accounting Interpretations Committee

- (1) The Accounting Interpretations Committee (AIC) conducts the functions defined in paragraph 2 (2) (f). In doing so, the AIC closely cooperates with the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and with the corresponding bodies of the other national liaison partners to promote international convergence of interpretations of core accounting issues and to assess specific national matters within the context of the valid IASs/IFRSs in compliance with the GASs.
- (2) The Executive Board elects and appoints accountants as the members of the Accounting Interpretations Committee for a maximum of four years. The AIC consists of the Chairman and up to 10 members. The Executive Board also appoints the Chairman of the AIC. If the Chairman is a staff member of the ASCG, he or she has no voting rights. The other members each have one vote, which they exercise independently of the interests of the entities or organizations to which they belong. Resolutions are adopted by a three-quarters majority of votes. The German Accounting Standards Board may delegate a non-voting member to attend the AIC's meetings.

- (3) The Accounting Interpretations Committee will adopt rules of procedure, which require the approval of the Executive Board. These stipulate the procedure for the process of preparing and adopting resolutions, and for agreements for cooperation with the IFRIC.
- (4) The GASB is entitled to veto pronouncements of the AIC.
- (5) The AIC's business is managed by the management appointed in accordance with Article 7 (6) in consultation with the Chairman of the AIC, insofar as the Chairman is not a staff member of the ASCG.

Article 10 General Assembly

- (1) The Annual General Assembly of members of the Association is convened once a year. An Extraordinary General Assembly may be convened for good cause.
- (2) Annual and Extraordinary General Assemblies are convened in writing by the Chairman of the Executive Board or his or her deputy with two weeks' notice; the agenda must be notified at the same time as the notice convening the General Assembly.

Article 11 General Assembly: Chairman and Resolutions

- (1) The General Assembly is chaired by the Chairman of the Executive Board and, if he or she is prevented from attending, by his or her deputy or another member of the Executive Board.
- (2) Each member is entitled to one vote at the General Assembly.
- (3) Members may also be represented by other members or by proxies. A member may not represent more than five members.
- (4) The General Assembly is quorate if the notice convening the General Assembly has been properly published. It adopts resolutions by a simple majority of members present. Resolutions to amend the Constitution or to dissolve the Association require a three-quarters majority of the members present.
- (5) Written minutes of the General Assembly must be prepared. The minutes are signed by the Chairman of the General Assembly. However, the validity of resolutions adopted is not contingent upon their recording in the minutes.

Article 12

Responsibilities of the General Assembly

The tasks of the General Assembly include:

- (a) election of the Executive Board,
- (b) approval of the actions of the Executive Board,
- (c) resolution of amendments to the Constitution and the dissolution of the Association,
- (d) election of the auditor.

Article 13

Donation Fund

- (1) A donation fund is established which shall be used exclusively for non-profit activities, in particular those of the German Accounting Standards Board and its working groups.
- (2) Surpluses generated by the Association from other activities will be appropriated to the donation fund.

Article 14

Corporate Contributions to the IASCF

The ASCG will collect and remit to the International Accounting Standards Committee Foundation (IASCF) financial contributions from German companies wishing to act as underwriters and supporters of the IASCF. To process these transactions, the ASCG will establish a bank account designated solely for this purpose, and the ASCG may not use funds in this account for other purposes.

Article 15

Copyright

- (1) Copyrights arising in conjunction with the activities of the German Accounting Standards Board and its working groups accrue to the Association, which is exclusively entitled to exploit them.
- (2) Anyone may cite application of the German Accounting Standards provided that they have been correctly applied in accordance with their intended purpose.

Article 16 Funding

The expenditures of the Association are covered by membership fees, donations and other allowances as well as by licensing, publications and other income.

Adopted in Berlin on 26 March 2009.

Chairman

Treasurer

Secretary
General

Heinz-Joachim Neubuerger

Prof. Dr. Rolf Nonnenmacher

Prof. Dr. Manfred Bolin