

2 July 2015

**Constitution of the
“ASCG – Accounting Standards Committee of Germany”**

Preamble

The Association is formed with the objective

- of promoting the continued development of accounting and financial reporting in the general economic interest with the participation of interested parties, in particular those involved in financial reporting;
- of ensuring that the German Federal Government recognises the Association as the German standard-setter, supports its objectives and listens to its expert advice, without thereby compromising the sovereignty of the legislature and the courts; and
- of representing the interests of German industry in the area of accounting and financial reporting in the international arena.

Part 1: Basic Information

**Article 1
Name and Domicile**

- (1) The original German 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” (registered association), abbreviated to “e.V.”.

- (2) The Association is also known internationally by its English name “ASCG – Accounting Standards Committee of Germany”.
- (3) The Association is domiciled in Berlin.

**Article 2
Objectives**

- (1) The objectives of the Association are, in the general economic interest,
- a) to develop recommendations for the application of principles for consolidated financial reporting;
 - b) to provide advice on planned legislation on accounting regulations at national and EU level;



- c) to represent the Federal Republic of Germany in international accounting and financial reporting bodies;
 - d) to develop Interpretations of the international accounting standards within the meaning of section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code);
 - e) to enhance the quality of accounting and financial reporting;
 - f) to promote research and education in the above-mentioned areas.
- (2) The Association serves the aims of its members under the Constitution within the framework of its own objectives. It fulfils its objectives as a professional association for its members.
- (3) The Association acts in a non-profit capacity. The generation of profit is not its primary objective. It may only use revenue from the exploitation of its work for the objectives set out in the Constitution.
- (4) The Association may establish business operations to implement and promote its objectives under the Constitution. It may also take out memberships and acquire equity investments.

Article 3 Financial Year

The financial year is the calendar year.

Article 4 Membership

- (1) All legal persons and all associations of persons that are subject to the statutory duty to prepare financial statements or that are involved in accounting and financial reporting may become a member of the Association. Because the membership structure is designed to represent the different interests of the parties involved in accounting and financial reporting in the general economic interest, each member is allocated to one of the following segments:
- publicly traded industrial companies and associations (Segment “A”);
 - non-publicly traded industrial companies and associations (Segment “B”);
 - banks and associations (Segment “C”);
 - insurance undertakings and associations (Segment “D”);
 - the accounting and auditing profession and associations (Segment “E”).



Industrial companies in the sense referred to above include companies active in the retail and wholesale sectors, the provision of services etc.

- (2) Membership is acquired through written application (citing the segment to which the applicant is to be allocated) and its acceptance by the Administrative Board. In justified circumstances, the Administrative Board may allocate the applicant to another segment after a hearing. It may delegate the decision on the acceptance of the membership application to the Executive Committee. There is no entitlement to membership or to allocation to a particular segment.
- (3) Membership is terminated by resignation or expulsion. Membership may only be resigned in writing giving six months' notice to the end of a financial year.
- (4) A member may only be expelled for cause. Expulsion is resolved by way of a vote by the General Assembly with a majority of three-quarters of the members present. The Executive Committee shall be given an opportunity to make a statement prior to this.
- (5) Termination of membership does not affect the obligation to pay the membership fee determined for the current financial year. Members leaving the Association shall have no claim on its assets.

Article 5 Membership Fees

- (1) The Association levies annual fees from its members.
- (2) The annual fees are determined by the General Assembly.
- (3) The annual fees are payable as at 30 April of each financial year unless the Executive Committee determines a later payment date. New members are required to pay the pro rata annual fee within one month of becoming a member.

Article 6 Governing Bodies and Standing Committees

- (1) The governing bodies of the association are
 - a) the General Assembly,
 - b) the Administrative Board,
 - c) the Nomination Committee and
 - d) the Executive Committee (legal representatives in accordance with section 26 of the Bürgerliches Gesetzbuch (BGB – German Civil Code)).
- (2) The standing committees of the Association are



- a) the technical committees, as accounting and financial reporting bodies (IFRS Committee and German GAAP Committee) and
 - b) the Academic Advisory Board.
- (3) The members or their legal representatives can be represented at the General Assembly by authorised representatives, who should be accountants. Accountants are defined as natural persons suitably qualified to keep or prepare the commercial accounts or other documents set out in section 257(1) no. 1 of the HGB for corporations or other entities, either as employees or as self-employed members of the professions, or who are active in the field of accounting and financial reporting in an auditing, advisory, teaching, supervisory, or analytical capacity as Wirtschaftsprüfer (German public auditors), university lecturers and professors, vereidigte Buchprüfer (German sworn auditors), tax advisers, lawyers, or other persons with comparable qualifications.
- (4) Only natural persons who are accountants within the meaning of section (3) sentence 2 above can be elected to the other governing bodies and standing committees of the Association.

Part 2: General Assembly

Article 7

Convening the General Assembly

- (1) The members shall be invited to attend the Annual General Assembly once a year in Berlin or another major German city. The General Assembly is convened in writing or by e-mail by the Chair or the Deputy Chair of the Administrative Board with three week's notice, giving the agenda for the General Assembly. Motions to supplement or amend the agenda should be notified to the Chair or Deputy Chair of the Administrative Board with sufficient notice that they can be announced to the members at least one week before the date of the General Assembly.
- (2) An Extraordinary General Assembly shall be convened if this is dictated by the interests of the Association or required in writing by one-tenth of the members, giving the purpose and reasons. Section (1) above shall apply mutatis mutandis.

Article 8 Chair, Resolutions

- (1) The General Assembly is chaired by the Chair of the Administrative Board or, if the Chair is prevented from attending, by the Deputy Chair.
- (2) Each member is entitled to one vote. Proxies may be issued. A member may not represent more than five other members.
- (3) The General Assembly is quorate if at least 25% of the members are present or represented. If this figure is not reached, the Administrative Board is required to convene a second General Assembly within three weeks; this second General Assembly shall be quorate irrespective of the number of members present or represented; attention shall be drawn to this fact in the invitation.
- (4) The General Assembly adopts resolutions by a simple majority of the members present or represented. 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 shall be prepared and signed by the Chair of the General Assembly and the keeper of the minutes. The place and time of the General Assembly and the results of any votes shall be minuted.
- (6) The General Assembly may resolve to supplement the agenda announced with the notice convening the General Assembly.
- (7) The General Assembly is not public. The Chair of the General Assembly may admit guests.

Article 9 Responsibilities

- (1) The General Assembly is responsible for electing, dismissing and approving the actions of the members of
 - a) the Administrative Board and
 - b) the Nomination Committee.
- (2) The General Assembly is also responsible for determining the amount of the annual fee, the business plan, adopting the annual financial statements and electing the auditor, as well as for all material business management measures.
- (3) In addition, the General Assembly is responsible for amending and supplementing this Constitution and for dissolving the Association and appropriating its assets (Article 25).

Part 3: Administrative Board

Article 10 Members

- (1) The Administrative Board has 20 members who are elected by the General Assembly for a three-year term of office in accordance with section (2) below. The General Assembly may only elect natural persons to the Administrative Board who have already been proposed by the members of the segments (Article 4(1)). The proposals by a segment require a simple majority of the members of that segment.
- (2) The members of the Administrative Board are elected by segment. The ten persons proposed who receive the most votes in the General Assembly are elected from the persons proposed by Segment A. The same applies to Segments B and D, except that in these cases the two persons who receive the most votes in the General Assembly are elected, and to Segments C and E, except that in these cases the three persons who receive the most votes in the General Assembly are elected.
- (3) The number of members of the Administrative Board and of the persons proposed by the individual segments in accordance with sections (1) and (2) above are based on the Association's current membership and fee structure. If material changes occur in this structure, sections (1) and (2) above shall be modified to reflect these changes.
- (4) The members of the Administrative Board act in an honorary capacity.
- (5) Members of the Administrative Board may only be dismissed for cause by a resolution of the General Assembly adopted by a three-quarters majority of the members present.

Article 11 Responsibilities

- (1) The Administrative Board defines the principles and guidelines for the work of the Association, and in particular of the technical committees and the Executive Committee, taking the general economic interest into account. Corresponding resolutions require a three-quarters majority of its members.
- (2) The members of the technical committees are also elected by a majority of three-quarters of the members of the Administrative Board. The Administrative Board may advise the technical committees, but is not entitled to issue instructions to them. The technical committees and their members are independent.
- (3) The Administrative Board appoints, advises and supervises the Executive Committee. It can resolve that the Executive Committee may only conduct certain types of transactions with the approval of the Administrative Board.

Article 12 Internal Organisation

- (1) The Administrative Board elects from among its members a Chair, a Deputy Chair and a Treasurer.
- (2) The Administrative Board should hold at least three meetings a year. The meetings are convened, prepared and chaired by the Chair of the Administrative Board or, if the Chair is prevented from attending, by the Deputy Chair. The Administrative Board is quorate if half of its members are present or represented by other members of the Administrative Board. Minutes of the meetings shall be prepared.
- (3) Resolutions by the Administrative Board require a simple majority of members present unless stipulated otherwise by law or this Constitution.
- (4) The Federal Ministry of Justice is entitled to attend the meetings of the Administrative Board, but does not have a right to vote.
- (5) Further details are set out in the Rules of Procedure of the Administrative Board.

Part 4: Nomination Committee

Article 13 Members

- (1) The Nomination Committee comprises seven members who are elected by the General Assembly. It has at least one representative of each segment (Article 4(1)), provided that at least one member is allocated to each segment. The members are elected by the General Assembly for a three-year term of office.
- (2) The members of the Nomination Committee act in an honorary capacity. They are entitled to reimbursement of their out-of-pocket expenses.
- (3) Members of the Nomination Committee may only be dismissed for cause by a resolution of the General Assembly adopted by a three-quarters majority of the members present.

Article 14 Responsibilities

- (1) The Nomination Committee submits proposals to the Administrative Board for the election of the members of the Executive Committee and the technical committees.
- (2) The Nomination Committee's proposals are binding for the Administrative Board in the sense that only persons proposed by the Nomination Committee may be elected.

**Article 15
Internal Organisation**

- (1) The Nomination Committee elects from among its members a Chair and a Deputy Chair. The Chair, and in the event that the Chair is prevented from attending, the Deputy Chair, prepares and chairs the meetings of the Nomination Committee.
- (2) Resolutions by the Nomination Committee require a simple majority of its members.
- (3) Further details are set out in the Rules of Procedure adopted by the Nomination Committee with the approval of the General Assembly.

Part 5: Executive Committee

**Article 16
Members**

- (1) The Executive Committee comprises the President and the Vice-President. The members of the Executive Committee are elected by the Administrative Board for three years at the proposal of the Nomination Committee. They may be re-elected.
- (2) The members of the Executive Committee work for the Association on a full-time basis. They are entitled to appropriate remuneration and to reimbursement of their out-of-pocket expenses. Further details are determined by the Administrative Board.
- (3) The Members of the Executive Committee may only be dismissed for cause by a resolution of the Administrative Board adopted by a three-quarters majority of its members.

**Article 17
Responsibilities**

- (1) The Executive Committee manages the business of the Association. The President and the Vice-President each chair a technical committee without a right to vote, and also chair the Academic Advisory Board by prior arrangement. They represent the Association and the technical committees and their work externally.
- (2) The President and the Vice-President are the legal representatives of the Association in accordance with section 26 of the BGB. They represent the Association jointly in and out of court.
- (3) The Executive Committee is also responsible for
 - a) publishing the Association's annual report;
 - b) preparing the business plan (budget); and
 - c) preparing the annual financial statements.

Article 18
Internal Organisation

- (1) The President and Vice-President work together in an atmosphere of mutual trust and coordinate their activities. They report regularly to the Administrative Board on the course of business and on all material issues relating to the Association.
- (2) The Executive Committee may adopt Rules of Procedure with the approval of the Administrative Board.

Part 6: Technical Committees and Other Standing Committees

Article 19
Members

- (1) The technical committees are each composed of seven members, who are elected by the Administrative Board for a three- to five-year term of office at the proposal of the Nomination Committee. The election should reflect the duties of the technical committee concerned. Care must be taken to safeguard the interests of preparers, auditors and users of financial reporting. Only persons with particular specialist expertise and experience in the field of accounting and financial reporting may be members of a technical committee.
- (2) The members of the technical committees conduct their activities independently in line with the principles and guidelines laid down by the Administrative Board. They are not subject to the instructions of the Administrative Board, the Executive Committee, the General Assembly, or third parties. They may only be dismissed for cause by a resolution of the Administrative Board adopted by a three-quarters majority of its members.
- (3) The members of the technical committees act in an honorary capacity. They are entitled to reimbursement of their out-of-pocket expenses.
- (4) The Federal Ministry of Justice is entitled to attend the meetings of the technical committees, but does not have a right to vote.

Article 20
Duties and Responsibilities

- (1) The technical committees are responsible for elaborating
 - a) interpretations of the international accounting standards within the meaning of section 315a of the HGB,
 - b) accounting standards within the meaning of section 342 of the HGB,
 - c) comment letters to national and international bodies on accounting and financial reporting issues,
 - d) discussion papers, other comment letters and publications.

- (2) The meetings of the technical committees are open to the public.
- (3) The accounting community shall be involved as described in the following in the elaboration of interpretations and standards in accordance with section (1) a) and b) above (“due process”):
 - a) exposure of draft interpretations and standards within the meaning of section 315a of the HGB and standards within the meaning of section 342 of the HGB with a call to submit comments within a period of at least 45 days;
 - b) publication of comments received (unless the author objects to publication);
 - c) re-exposure of a revised draft in cases where the comments received have resulted in material modification of the draft, coupled with a call to submit new comments within a period of at least 45 days;
 - d) creation of a public discussion forum (e.g. public meeting or virtual event) on the drafts;
 - e) adoption of interpretations and standards at a meeting open to the public;
 - f) publication of the adopted interpretations and standards (including dissenting opinions), together with the basis for conclusions.
- (4) The accounting community shall be invited to submit comments in accordance with section (1) c) above, and shall be included in cases covered by section (1) d) above if this is deemed appropriate by the technical committee.
- (5) Pronouncements issued by the technical committees in accordance with section (1) above shall require a prior resolution adopted by a two-thirds majority of the members of the technical committee concerned.
- (6) The technical committees shall notify each other regularly about their work and shall coordinate their activities.

Article 21 IFRS Committee

The IFRS Committee is specifically responsible for

- a) the elaboration and issue of interpretations of the international accounting standards within the meaning of section 315a(1) of the HGB;
- b) the elaboration of comment letters on IASB exposure drafts;
- c) cooperation with the European Financial Reporting Advisory Group (EFRAG);
- d) the provision of advice on planned legislation and on the implementation of European directives; and

- e) comment letters on European directives,

whereby c), d) and e) apply insofar as accounting and financial reporting by publicly traded companies is affected.

Article 22 German GAAP Committee

The German GAAP Committee is specifically responsible for

- a) the elaboration and issue of German Accounting Standards within the meaning of section 342 of the HGB;
- b) cooperation with the European Financial Reporting Advisory Group (EFRAG);
- c) the provision of advice on planned legislation and on the implementation of European directives; and
- d) comment letters on European directives,

whereby b), c) and d) apply insofar as accounting and financial reporting by non-publicly traded companies is affected.

Article 23 Academic Advisory Board

- (1) The Administrative Board may establish an Academic Advisory Board that advises the technical committees without itself being a technical committee. The Administrative Board appoints the members of the Academic Advisory Board, who are persons with outstanding specialist research expertise and experience in the field of accounting and financial reporting, in consultation with the Executive Committee.
- (2) The members are entitled to attend the meetings of the technical committees. They do not have a right to vote.
- (3) The members of the Academic Advisory Board act in an honorary capacity. They are entitled to reimbursement of their out-of-pocket expenses for attending meetings to which they have been invited by a technical committee.

Part 7: Concluding Provisions

Article 24 Duty of Secrecy

The members of the governing bodies and standing committees are required to keep secret all matters relating to the Association and its activities unless publication is required by law, this Constitution, or the relevant Rules of Procedure.

Article 25

Appointments to Governing Bodies and Standing Committees

- (1) When specifying the first term of office of the members of the Nomination Committee, the Administrative Board and the technical committees, care should be taken to ensure that no more than one-third of the members of each body leave at the same time.
- (2) Re-election (including multiple re-election) is permitted. Generally, the total term of office of a member of a technical committee should not exceed ten years.
- (3) A person may not simultaneously be a member of more than one of the Nomination Committee, the Administration Board, the Executive Committee, or a technical committee.
- (4) The term of office in a governing body or a standing committee of the Association expires at the General Assembly following the person's 68th birthday.
- (5) A replacement member shall be appointed in the event that a member of a governing body leaves that governing body before the end of that member's term of office except for the Executive Committee (Articles 16-18).
- (6) In the event that a member of one of the technical committees leaves the technical committee before the end of the member's term of office, a term of office shall be determined for the replacement member appointed that takes into account the requirements of Article 19(1) sentence 1 and that ensures that the term of office of no more than 1/3 of the members expires at the same time.

Article 26

Dissolution of the Association

If the Association is dissolved, its assets shall be used exclusively for purposes within the meaning of Article 2 of this Constitution.

Article 27

Mediation

Disputes between members, governing bodies, or standing committees should be settled amicably. The members of the Association and the members of its governing bodies and standing committees are therefore obliged to seek mediation or arbitration before entering into any dispute (and in particular any court action). The mediator or arbitrator should be appointed by the Berlin Chamber of Industry and Commerce at the application of one of the parties.