

ADVISORY COUNCIL AP 5C
Trustees and DPOC Meeting Summary

June 2018

Trustees of the IFRS[®] Foundation

CONTACT[S] Richard Thorpe rthorpe@ifrs.org

This paper reports on a meeting of the Trustees of the IFRS[®] Foundation, the oversight body of the International Accounting Standards Board (Board). The Trustees are responsible for governance of the IFRS Foundation and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*. Consequently, this paper does not reflect the views of the Board or any individual Board member. Board technical decisions are made in public and reported in the IASB *Update*. Comments on the application of IFRS Standards do not purport to set out acceptable or unacceptable application of IFRS Standards.

1. Introduction

The IFRS Foundation (Foundation) Trustees met in London on 5-7 June. Michel Prada chaired the meeting.

2. Report of the Trustees' executive session

2.1 Trustee Corporate Governance Issues

The Trustees discussed and agreed a draft consultative paper to amend the Foundation's Constitution to increase the maximum term of office for the Chair of the Trustees to nine years, with a view to providing a better balance of innovation and experience and benefitting from the continuity in leadership and experience gained in office. In later discussions, the Trustees agreed to extend the term of the Vice-Chairs in the same way as the Trustee Chair. These proposals were published for comment in June 2018 with a 90-day comment period. The objective is for the Trustees to finalise the amendments to the Constitution at their meeting in October 2018.

2.2 Report of the Executive Director

The Trustees received a report from the new Executive Director, Lee White, which set out a framework for ongoing reporting to the Trustees on delivery of the Foundation's mission, and how performance will be measured.

Trustees noted:

- The work that is underway to identify and address the Foundation's IT needs and risks. This included an update on the Foundation's work to implement the requirements of the UK General Data Protection Regulation;

- The progress on the project to move the Foundation's office premises to Canary Wharf;
- An update on discussions with the European Commission about the licence agreement to allow the European Commission to translate and publish the IFRS Taxonomy in the official EU languages. Trustees noted that the discussions were progressing well; and
- Progress on developing a work plan for the Asia-Oceania office.

2.3 IFRS Foundation headcount and Technical Recruitment

The Trustees received a presentation on staff vacancies and turnover and the approach that is taken to recruit Technical staff. This will be discussed further at the Trustees' next meeting.

2.4 2018 review of the Accounting Standards Advisory Forum (ASAF)

The Trustees noted that the staff planned to publish the Feedback Statement and Call for Candidates following the review of ASAF in June. They agreed that the terms of office for current ASAF members should be extended for three months and that new ASAF members should be appointed at the next Trustees meeting in October.

2.5 Other strategic issues

The Trustees were updated on the European Commission's Fitness Check (a public consultation that includes questions on the way that IFRS Standards are endorsed in the EU). They unanimously agreed that the possibility of carve-ins should not be welcome, as this might trigger a process of fragmentation that would hinder the progress made over 18 years towards adoption of a global set of high quality accounting standards. They also received a presentation on Country by Country reporting and the interaction with IFRS standards. This focused on reporting initiatives that have been developed to create more transparency on the relationship between revenue and tax paid in individual countries, in response to concerns that multinational tax planning strategies can exploit gaps and mismatches in tax rules to artificially shift profits and so avoid tax. The Trustees noted the work that had been done by the Organisation for Economic Cooperation and Development (OECD) to develop a private reporting framework for tax authorities in G20 countries. While they also agreed that it would not be appropriate for the Board to introduce mandatory country-by-country reporting requirements in IFRS Standards, they encouraged the Board to consider addressing tax strategies in the review of IFRS Practice Statement 1 *Management Commentary*, and to contribute to the technical work undertaken on these issues by the OECD

2.6 Trustee meeting locations

The Trustees agreed that the proposed meeting in Brussels should be deferred to 2020, after the European Parliament elections and changes to the European Commission that will take place in 2019. They also agreed that the first meeting in

2019 should now be held in Kuala Lumpur, and that meeting locations for the other two meetings should be discussed further at the next Trustees' meeting.

2.7 Committee reports

The Trustees received reports from a number of Committees.

- The Audit and Finance Committee reviewed the April 2018 year to date results. They noted that these showed positive variances compared to budget but that it was too early to prepare a full forecast of operating results. They also noted the timetable for preparing and submitting the annual Form 990 for the US Internal Revenue Service. They were updated on the costs of the premises move and on the Foundation's compliance with the new General Data Protection Regulation requirements. They also received an update on the Foundation's current hedging and investment policies, and on changes to internal control documentation.
- The Human Capital Committee discussed a number of human resource issues.
- The Nominating Committee discussed a number of appointments that are in progress.
- The Due Process Oversight Committee met in public and a summary of the meeting is attached. A recording of the meeting is available on the Foundation's website – <https://www.ifrs.org/news-and-events/calendar/2018/june/trustees-of-the-ifrs-foundation/>

3. Report of the IASB Chair

Hans Hoogervorst, the chair of the International Accounting Standards Board (Board) reported on its recent technical activities.

3.1 Technical work overview

- The Board issued the revised *Conceptual Framework for Financial Reporting* in March, as scheduled.
- The Board is on track to issue the Discussion Paper *Financial Instruments with Characteristics of Equity* in June 2018 as scheduled.
- The Board has been considering next steps on the Disclosure Initiative project, and will develop guidance for the Board itself to use when developing and drafting disclosure requirements then test the guidance on one or two IFRS Standards.
- The Board has discussed the feedback from Phase 2 of the Post Implementation Review of IFRS 13 *Fair Value Measurement* and has concluded that the Standard is working as intended and there is no need for Standard setting activities directly as a result.

- The Board is continuing work on its Goodwill and Impairment research project and has asked staff to seek feedback on the best approach to the challenges of timely recognition of impairment of goodwill. The Trustees noted the challenges the board was facing in addressing the timeliness of the impairment test in a cost effective manner, and encouraged the Board to engage with a wide range of stakeholders on this.
- The Board has continued its discussions on the Primary Financial Statements project and focussed on the presentation of management performance measures. It has reached tentative decisions how these should be presented and on the related disclosures.

3.2 Supporting implementation

The Trustees were updated on the work of the Board on supporting implementation of IFRS 17 *Insurance Contracts*. They noted that the Transition Resource Group for Insurance Contracts met in February and May to discuss implementation questions. Trustees were also updated on the work of the IFRS Interpretations Committee.

3.3 Management Commentary

Trustees received a presentation on the Board's work on revising IFRS Practice Statement 1 *Management Commentary*.

4. Meetings in London

During their meeting, the Trustees met with the Rt. Hon. Greg Clark MP, UK Secretary of State for Business, Energy and Industrial Strategy and with Sir Jon Cunliffe, Deputy Governor for Financial Stability at the Bank of England. These meetings were hosted by Alderman Peter Estlin, Sherriff of the City of London, at the Mansion House.

The Trustees also held their annual joint meeting with the IFRS Foundation Monitoring Board.

Following the meeting, Trustees attended the Joint CFA Institute and IFRS Foundation event: *Transforming the impact of financial information—the role of Technology*. Full details of the event are posted to our website at <https://www.ifrs.org/news-and-events/2018/investor-technology-event-london/>.

Report of the IFRS Foundation® Due Process Oversight Committee meeting

June 2018

This meeting of the DPOC was open to the public, and the recording is available on the IFRS Foundation website. The key issues in the public session were as follows.

1. Update on technical activities

The DPOC received a presentation on the activities of the International Accounting Standards Board (Board) and the IFRS Interpretations Committee (Interpretations Committee) for the four-month period January to April 2018. They noted in particular that the Board had issued its revised *Conceptual Framework for Financial Reporting* in March 2018 as scheduled. The DPOC had reviewed the due process on the *Conceptual Framework* at its meeting in May 2017 and confirmed that all necessary due process steps had been followed. The DPOC noted the due process steps that the Board had taken in the period from May 2017 to March 2018 as the project was finalised.

The DPOC noted the Board's work on the Post-Implementation Review (PIR) of IFRS 13 *Fair Value Measurement* and that the staff would report to them about the PIR at the next DPOC meeting in October 2018.

The DPOC was updated on the work of the transition resource group for IFRS 17 *Insurance Contracts* in supporting implementation of the Standard. They noted that the TRG had considered 46 stakeholder submissions during its first two meetings. In response to a question about postponing the implementation date, the Vice-Chair of the Board indicated that the staff is actively monitoring the situation for evidence of the need, while being mindful of the effect a delay would have on adoption efforts already underway.

The DPOC discussed the status of the Board's Discussion Paper *Disclosure Initiative—Principles of Disclosure* and noted that the Board was focussing initially on developing guidance for when it develops disclosure requirements in Standards which would then be tested on one or two Standards.

The DPOC noted that the report on technical activities did not on this occasion include any instances where it was necessary to ask the DPOC to confirm that due process had been followed as required by the *Due Process Handbook*.

2. Agenda Decisions: the IFRS Interpretations Committee's approach to responding to questions

The DPOC received a presentation on the approach the Interpretations Committee is taking in responding to questions submitted to it, including those that involve highly-specific fact patterns. The DPOC noted that there were no due process issues to be addressed, and that the activities were consistent with the *Due Process Handbook*,

but also noted that the Committee was taking steps to improve the usefulness of its Agenda Decisions in supporting consistent application of IFRS Standards.

In discussion the DPOC noted the approach that had been taken to highly fact-specific cases on IFRS 15 *Revenue from Contracts with Customers*. They noted the Interpretation Committee's view that the explanatory material in these and other Agenda Decisions helps stakeholders obtain a common understanding of the requirements in the Standards and their application, which helps to support consistent application of the Standards around the world.

In response to questions, the DPOC was informed of the role that the Board plays in the Interpretations Committee's discussions of stakeholder questions. They noted that the Interpretations Committee is chaired by the Vice-Chair of the Board and that four other Board members attend Interpretation Committee meetings as observers. However it was also noted that answering such fact-specific questions was expected to occur infrequently.

3. Due Process Handbook Review

The DPOC discussed a summary of discussions and progress on the review of the *Due Process Handbook* since the last meeting in January. They also reviewed a tabular analysis of the key due process steps in the Handbook which had been compiled to support their discussions.

The DPOC noted that they had overall responsibility for the revision of the *Due Process Handbook*, and that they would have a substantive discussion of proposed amendments at their next meeting in October. They also noted that there was a need to balance calls for greater timeliness in standard-setting with the importance of a robust and transparent due process.

Alan Beller the chair of the DPOC set out the key issues to be considered in the review, as follows:

- A review of the Due Process around the Board's work on Effects Analysis and proportionality and on Post Implementation Reviews
- The potential for greater use of technology, particularly around the submission of comment letters
- The interaction between the Board and the Interpretations Committee, and the due process around Interpretations Committee Agenda Decisions
- The status of anonymous complaints about due process
- Steps that could be taken to edit and reorganise the *Due Process Handbook* to facilitate its use.

He also noted the importance of applying a clear and transparent due process to the review of the *Due Process Handbook*.

4. Management Commentary Consultative Group membership

The DPOC was updated on the process followed by the Board in selecting members for the consultative group on the project to revise IFRS Practice Statement 1 *Management Commentary*. The DPOC noted that no members of the consultative

group had been appointed from the Middle East or Africa because suitable applicants had not been identified.

The DPOC was concerned that without a representative from those regions the consultative group would not achieve the satisfactory balance of perspectives, including geographical balance as required by paragraph 3.59 of the *Due Process Handbook*. They therefore approved the proposed membership of the consultative group subject to the addition to the group of a member from Africa or the Middle East.

5. Correspondence

The DPOC noted that no correspondence requiring its attention had been received since the DPOC meeting in January.