

 AGENDA PAPER

IFRS Foundation Trustees' meeting—Due Process Oversight Committee

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IFRS Foundation

Due Process Handbook

This handbook sets out the due process principles that apply to the International Accounting Standards Board and the IFRS Interpretations Committee.

The Trustees of the IFRS Foundation have a Due Process Oversight Committee (DPOC) that is responsible for monitoring compliance with due process.

Version for approval

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1. Introduction

- 1.1. The foremost objective of the IFRS Foundation is to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based on clearly articulated principles. The report of the IFRS Foundation Trustees Strategy Review 2011 makes clear that, in carrying out the IFRS Foundation's mission as its standard-setting body, the International Accounting Standards Board (IASB) should develop financial reporting standards that provide a faithful portrayal of an entity's financial position and performance in its financial statements. Those standards should serve investors and other market participants in making informed resource allocation and other economic decisions. The confidence of all users of financial statements in the transparency and integrity of those statements is critically important for the effective functioning of capital markets, efficient capital allocation, global financial stability and sound economic growth.
- 1.2. The *IFRS Foundation Constitution* gives the IASB full discretion in developing and pursuing its technical programme and in organising the conduct of its work. The Trustees and the IASB have established consultative procedures with the objective of ensuring that, in exercising its independent decision-making, the IASB conducts its standard-setting process in a transparent manner, considering a wide range of views from interested parties throughout all stages of the development of International Financial Reporting Standards (*IFRSs*). The IASB uses these procedures to gain a better understanding of different accounting alternatives and the potential effect of the proposals on affected parties. A comprehensive and effective due process is essential to developing high quality IFRSs that serve investors and other users of financial information.
- 1.3. The IFRS Interpretations Committee (Interpretations Committee) assists the IASB in improving financial reporting through timely identification, discussion and resolution of financial reporting issues within the IFRS framework.
- 1.4. The IASB, Interpretations Committee and the Trustees are assisted by the staff of the IFRS Foundation. References to IFRS Foundation staff in this

document cover all staff. The staff who assist the work of the IASB and the Interpretations Committee are referred to in this document as the technical staff. Those staff who assist the work of the Trustees are referred to as Trustee staff.

- 1.5. This handbook describes the due process requirements of the IASB and its Interpretations Committee. The requirements reflect the due process that is laid out in the *IFRS Foundation Constitution* and the *Preface to International Financial Reporting Standards* issued by the IASB.
- 1.6. The due process requirements are built on the principles of transparency, full and fair consultation—considering the perspectives of those affected by IFRSs globally—and accountability. The IASB and its Interpretations Committee will often perform steps and procedures over and above those described here because they are continually striving to improve how they consult and operate. From time to time the IASB and the Trustees’ Due Process Oversight Committee (DPOC) (see Section 2) review how the IASB and its Interpretations Committee are operating to determine whether some of these new and additional steps should be embedded into their due process. Similarly, such reviews could remove or amend due process steps that impede, rather than enhance, the efficient and effective development of IFRSs and *Interpretations*.
- 1.7. The formal due process procedures for the IASB and its Interpretations Committee:
 - (a) specify the minimum steps they must take to ensure that their activities have benefited from a thorough and effective consultation process;
 - (b) identify the non-mandatory steps or procedures that must be considered. This approach was previously referred to as the ‘comply or explain’ approach, meaning, that the non-mandatory steps in the process were still recommended, so non-compliance with them would require an explanation; and
 - (c) identify other, optional, steps that are available to them to help improve the quality of IFRSs and related documents.

2. Oversight

Mission

- 2.1. The Trustees of the IFRS Foundation oversee the operations of the IASB and its Interpretations Committee.
- 2.2. The Trustees of the IFRS Foundation have a committee—the DPOC—which is responsible for overseeing the due process procedures of the IASB and its Interpretations Committee. The DPOC must operate in a manner that is timely and enhances rather than hinders the efficient operation of IASB activities or the timely development of IFRSs.
- 2.3. The DPOC is accountable to the Trustees of the IFRS Foundation and is responsible for ensuring that the IASB and its Interpretations Committee follow due process procedures that reflect best practice. Improvements are made on a timely basis when the DPOC considers it to be necessary.
- 2.4. The DPOC provides continuous oversight over the due process of the IASB and its Interpretations Committee throughout all the development stages of an IFRS or Interpretation, including agenda-setting and *post-implementation reviews*.
- 2.5. The DPOC achieves oversight through the defined and transparent steps it follows in its on-going and regular activities, as well as by responding to issues raised by stakeholders about the standard-setting process.
- 2.6. Activities of the DPOC are limited to matters of due process. The DPOC does not review or consider technical financial reporting matters that have been decided on by the IASB. As the *IFRS Foundation Constitution* makes clear, these decisions are solely the responsibility of the IASB.
- 2.7. The DPOC is supported by a Trustee staff resource, the Director for Trustee Activities, that is independent of the technical staff.

Areas of responsibility

- 2.8. The DPOC is responsible for:
 - (a) Reviewing regularly and in a timely manner, together with the IASB and the IFRS Foundation staff, the due process activities of the standard-setting activities of the IASB.

- (b) Reviewing and proposing updates to the *Due Process Handbook* that relate to the development and review of IFRSs, Interpretations and XBRL Taxonomies (a separate due process handbook exists for XBRL activities) so as to ensure that IASB procedures are best practice.
- (c) Reviewing the composition of the IASB's *consultative groups* to ensure an appropriate balance of perspectives and monitoring the effectiveness of those groups.
- (d) Responding to correspondence from third parties regarding due process matters, in collaboration with the Director for Trustee Activities and the technical staff.
- (e) Monitoring the effectiveness of the IFRS Advisory Council, the IFRS Interpretations Committee and other bodies of the IFRS Foundation relevant to its standard-setting activities.
- (f) Making recommendations to the Trustees regarding Constitutional changes related to the composition of committees that are integral to due process, as appropriate.

Process

- 2.9. The DPOC operates throughout all the development of an IFRS or an Interpretation, including agenda-setting and post-implementation reviews. This is achieved through frequent reporting by and dialogue with the IASB, the Interpretations Committee, and IFRS Foundation staff.
- 2.10. For each technical project, the IASB must consider how it has complied with its due process requirements, on the basis of a staff report which should:
 - (a) include a summary of any issues raised about due process, the extent of stakeholder engagement and the areas in a proposed IFRS that are likely to be controversial;
 - (b) provide evidence of the process that was undertaken; and
 - (c) outline the reasons why the IASB decided not to take a non-mandatory 'comply or explain' step for a given project (such as not having a consultative group, proposing a shorter comment period than is usual or deciding that a proposal does not need to be re-exposed).

Any such reports must also be communicated to the DPOC giving it sufficient time to review them and to react in a timely manner.

- 2.11. These reports are posted on the relevant project page and on the DPOC website.
- 2.12. The DPOC reviews and evaluates the evidence provided by the IASB of its compliance with established due process. The conclusions of that review and evaluation, including whether due process concerns are identified or not, are included in the reports referred to in paragraph 2.15(c). Before any new or amended IFRS is finalised, the DPOC will confirm that it has completed its review of the due process. In reaching its decisions, DPOC operates on a simple majority basis.
- 2.13. The DPOC, through its contact with stakeholders, responds when appropriate to issues raised about the IASB's due process and ensures that such issues are addressed satisfactorily.
- 2.14. Although the DPOC is assisted in its activities by Trustee staff, there is currently no intention to audit the information provided by the IASB, because the transparent manner in which the IASB and DPOC operate makes an audit unnecessary. That said, the DPOC can request a review by Trustee staff of any of the information provided to it.

Communication

- 2.15. The DPOC must operate transparently and with fair consideration of issues raised by stakeholders. The DPOC is required to:
 - (a) update the Trustees on its activities at regularly scheduled Trustee meetings and on an ad hoc basis as required;
 - (b) on behalf of the Trustees, provide updates to the Monitoring Board at regularly scheduled joint sessions with the Trustees and on an ad hoc basis as required;
 - (c) provide reports of its conclusions, discussions and materials on the DPOC section of the IFRS Foundation website. The reports include details of all the issues discussed, including the compliance with due process on each of the technical activities. Such reports should be provided promptly after the DPOC meetings;
 - (d) prepare an annual report of its activities for the Trustees; and
 - (e) ensure that its operating protocol, together with this document, its Charter and any other DPOC governance documents, are available on the IFRS Foundation website for the benefit of all stakeholders.

3. Principles

- 3.1. The due process requirements are built on the following principles:
- transparency - the IASB conducts its standard-setting process in a transparent manner;
 - full and fair consultation—considering the perspectives of those affected by IFRSs globally; and
 - accountability – the IASB analyses the potential effects of its proposals on affected parties and explains the rationale for why it made the decisions it reached in developing or changing an IFRS.

Transparency

Public meetings, voting and balloting

Meetings

- 3.2. Meetings of the IASB and the Interpretations Committee are generally open to the public. Members of the public may attend meetings as observers. Meetings are recorded and, where possible, broadcast live via webcast. Recordings of meetings are archived on the IFRS Foundation website. The IASB and the Interpretations Committee can meet privately to discuss administrative and other non-technical matters. Acknowledging that the boundary between technical and non-technical matters is sometimes difficult to define, the IASB and its Interpretations Committee must use their best endeavours not to undermine the principle that full and open consideration of technical matters needs to take place during public meetings.
- 3.3. The technical staff papers explaining the rationale for any proposed tentative decisions and audio recordings of meetings of the IASB and the Interpretations Committee are available on the IFRS Foundation website. In addition, a summary of the tentative decisions reached in each meeting is published in a meeting summary called *IASB Update* and tentative decisions of the Interpretations Committee are published in a meeting summary called *IFRIC Update*. These summaries are also made available on the IFRS Foundation website.
- 3.4. The regular meetings of the IASB and its Interpretations Committee are planned as far in advance as is practicable, to help the technical staff, IASB

and Interpretations Committee members and interested parties prepare for those meetings.

- 3.5. The meetings schedule is published on the IFRS Foundation website. Occasionally the IASB will need to hold a meeting at short notice. The IASB Chair can convene such meetings at any time. The IASB will make its best efforts to announce forthcoming meetings, usually via the IFRS Foundation website, giving a minimum of 24 hours' notice in all but exceptional circumstances.

Papers and observer access

- 3.6. Before IASB and Interpretations Committee meetings, the technical staff are responsible for developing technical staff papers with recommendations, along with supporting analysis, for consideration by the IASB or its Interpretations Committee in their public meetings.
- 3.7. The objective of technical staff papers is to provide sufficient information to enable the IASB or Interpretations Committee members to make informed decisions on technical matters. In developing their papers, the technical staff are expected to conduct research, including seeking advice from IASB members. However, recommendations ultimately reflect the views of the technical staff after they have considered the information they have obtained.
- 3.8. Technical staff papers are normally distributed 10 to 14 days before they are scheduled for discussion to allow the IASB and Interpretations Committee members sufficient time to consider and assess the recommendations.
- 3.9. Sometimes it is necessary to distribute technical staff papers much closer to the meeting date, sometimes even on the day of the meeting. IASB or Interpretations Committee members may, for example, ask for additional analysis during a meeting, which the technical staff prepare and distribute at a later session of that meeting.
- 3.10. It is the responsibility of IASB and Interpretations Committee members to assess whether they have sufficient information, and sufficient time, to be able to make decisions on the technical staff recommendations.
- 3.11. All material discussed by the IASB or Interpretations Committee members in their public meetings, including papers that are prepared by technical staff, is usually made available to observers via the IFRS Foundation website. The IASB Chair, Vice-Chair or a Senior Director of Technical Activities have the discretion to withhold papers, or parts of papers, from observers if they determine that making the material publicly available would be harmful to

individual parties, for example if releasing that information could breach securities disclosure laws. The DPOC expects that withholding material in such circumstances would be rare and that most papers of the IASB and the Interpretations Committee will be publicly available in their entirety.

- 3.12. The technical staff are required to report to the IASB and the DPOC at least annually on the extent to which material discussed by the IASB or the Interpretations Committee has not been made available to observers and the main reasons for doing so. In addition, the technical staff are required to include in that report the number of meeting papers that have been posted later than 5 working days in advance and the main reasons for doing so.
- 3.13. Notwithstanding the importance of technical staff papers, technical staff may supplement the papers orally at an IASB or Interpretations Committee meeting, drawing upon research by the technical staff and consultations with the Advisory Council, consultative groups and other interested parties, or from comments and information gained from *public hearings*, *fieldwork*, education sessions and *comment letters*.

Publications, meetings and the ballot process

- 3.14. There are minimum voting requirements for all important IASB decisions:

Publications	
Request for Information (paragraph 4.16)	Simple majority in a public meeting attended by at least 60 per cent of the IASB members.
Research Paper (paragraph 4.16)	
Discussion Paper (paragraph 4.16)	Simple majority, by way of ballot.
Exposure Draft Proposed IFRS for SMEs (paragraph 6.9)	Supermajority, by way of ballot.
IFRS <i>IFRS for SMEs</i> (paragraph 6.23)	
Practice Guidance (paragraph 6.39)	Supermajority, by way of ballot.
<i>Conceptual Framework</i> (paragraph 4.21)	Supermajority, by way of ballot.
Draft Interpretation (paragraph 7.10)	No more than 4 members of the Interpretations Committee object, in a public meeting.

Interpretation (paragraph 7.22)	No more than 4 members of the Interpretations Committee object, in a public meeting. Ratification by the IASB requires a supermajority, in a public meeting.
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- 3.15. A *supermajority* of the IASB requires that 9 members ballot in favour of the publication of a document if the IASB has 15, or fewer, appointed members, or 10 members in favour if the IASB has 16 appointed members. Abstaining is equivalent to voting against a proposal.
- 3.16. In addition to the publications noted in paragraph 3.15, adding a technical project to the standards-level programme and decisions about consultative groups, field work and other due process matters such as not to establish a consultative group, require a simple majority. require the support of a simple majority of the IASB in a public meeting attended by at least 60 per cent of the IASB members.

Meetings

- 3.17. IASB members are expected to attend meetings in person. However, meetings may be held using teleconference, videoconference or any other similar communication facilities. The quorum of the IASB is 60 per cent of the members in attendance in person or by telecommunications.
- 3.18. The Interpretations Committee also meets in public and follows procedures that are similar to the IASB’s general policy for its IASB meetings. To constitute a quorum for the Interpretations Committee there must be 10 voting members present in person or by telecommunications. Each voting member of the Interpretations Committee has 1 vote. Members vote in accordance with their own independent views, not as representatives of any firm, organisation or constituency with which they may be associated. Proxy voting is not permitted by members of the interpretations Committee.
- 3.19. The IASB and Interpretations Committee Chairs may invite others to attend meetings as advisers when specialised input is required. A member of the Interpretations Committee, or an appointed observer, may also, with the prior consent of the Chair, bring to a meeting an adviser who has specialised knowledge of a topic that is being discussed. Such invited advisers have the right to speak.

- 3.20. During the development stage of technical documents such as discussion papers, exposure drafts and IFRSs, the IASB discusses technical matters in public meetings. During those meetings members of the IASB are often asked to indicate to the staff which technical alternative they support. These tentative votes on particular technical issues provide the technical staff with direction from the IASB to develop the relevant due process document, but are not part of the formal approval process. Individual IASB members may prefer an alternative financial reporting treatment to that supported by a majority of the IASB but nevertheless consider that the project proposals as a whole would improve financial reporting.
- 3.21. A *simple majority* in favour of a technical alternative is generally sufficient to guide the technical staff in developing the project. In the event of a tied vote on a decision that is to be made by a simple majority of the members present at a meeting in person or by telecommunications, the Chair shall have an additional casting vote. The technical staff will, however, need to determine if any IASB members who disagree with a tentative decision might dissent from the whole proposal.

Balloting

- 3.22. Balloting is the formal process by which IASB members assent to the publication of a document, as listed in the table at paragraph 3.14 above, or the members of the Interpretations Committee assent to the finalisation of an Interpretation, before it is sent to the IASB for ratification. Balloting takes place outside of meetings.
- 3.23. In their public meetings, the IASB or Interpretations Committee make technical decisions that relate to recognition, measurement and disclosure matters. It is the responsibility of the technical staff to ensure that the final publication reflects those decisions.
- 3.24. When a document is in the process of being balloted the IASB or Interpretations Committee members review the document to confirm that the drafting is consistent with their technical decisions. Any dissenting opinions are incorporated into the pre-ballot and ballot drafts for the other IASB members to see before balloting.
- 3.25. Before the formal ballot procedure begins, the technical staff usually prepare one or more pre-ballot drafts in response to which the IASB or its Interpretations Committee provide drafting comments.

- 3.26. Sometimes the drafting process reveals an uncertainty about a technical matter because the decision reached is not as clear as first thought. In other cases, the drafting process may highlight inconsistencies between sections of an IFRS or other matters that were not discussed at an IASB or Interpretations Committee meeting. Such technical matters are usually resolved by the technical staff preparing a technical staff paper and taking it to a public meeting of the IASB or Interpretations Committee as a *sweep issue*, where the matter can be resolved by a simple majority of the IASB or Interpretations Committee. Taking a sweep issue to the IASB or Interpretations Committee does not cause the balloting process to start again.
- 3.27. The IFRS Foundation renders all assistance to help ensure the consistent application of IFRSs internationally. In line with its foremost objective, the IASB aims to develop standards that are clear, understandable and enforceable and to provide guidance that it is consistent with a principle-based approach to standard-setting. Application guidance and examples are provided when it is necessary to understand and implement the principles in a consistent manner.
- 3.28. In drafting new standards, the IASB is conscious that many of those applying or using IFRSs work with translated versions of the English IFRSs. As part of the balloting process the technical staff should liaise with the IFRS Foundation translations and XBRL staff to ensure that the proposed document can be translated into other languages and incorporated easily into the IFRS XBRL Taxonomy. All documents are also subjected to extensive editorial review.
- 3.29. Once the technical staff have assessed that the document is ready for formal voting they circulate a ballot draft. It is this document on which the IASB or Interpretations Committee members vote. The IASB can determine how voting should be carried out, but may use paper or electronic means.
- 3.30. Even after balloting it is not uncommon for the IASB members or technical staff to make drafting changes to improve the clarity of the document. Such changes are permitted as long as the technical decisions are not affected. Depending on the number of such changes, the technical staff report to the IASB after the ballot or prepare and circulate to the IASB a post-ballot draft showing the final changes.

Drafts for editorial review

- 3.31. The IASB normally seeks input on the drafting of certain documents from people outside of the IASB. For convenience, a draft of a due process document or the proposed text of any new IFRS/major amendments to IFRSs made available to parties outside of the IASB is referred to as a *draft for editorial review*. A draft for editorial review might be distributed to a selected group of reviewers, such as members of a consultative group, Interpretations Committee, other standard-setters or parties that have provided feedback on the project. It may also be made available on the IASB Foundation website. The nature of the external review, such as who is asked to review the draft and whether the draft is also made publicly available, is at the discretion of the IASB. The technical staff must also decide whether a draft for editorial review should be developed before the first pre-ballot draft is circulated to IASB members or whether one of the ballot drafts should be used for this purpose.
- 3.32. A draft for editorial review has a limited purpose. It does not constitute, nor does it substitute for, a formal step in the due process. Rather, it is an editorial ‘fatal flaw’ review in which reviewers are asked for feedback on whether the draft document is clear and reflects the technical decisions made by the IASB. A draft for editorial review does not include an invitation to comment because the purpose of such a review is not to question the technical decisions. Because reviewers are conveying their personal views rather than those of their organisations, their comments are not usually made public.
- 3.33. It is not a mandatory step to use reviewers from outside of the IASB but if the IASB does use them, it must include in its report to the DPOC the extent to which they were used.

Information on the IFRS Foundation website

- 3.34. The work programmes of the IASB and its Interpretations Committee are usually maintained on the IFRS Foundation website. The work programmes should be updated periodically to reflect the best estimates of project time lines based on recent IASB decisions.
- 3.35. Each project will usually have its own project page to help those following the project to stay informed about its progress.
- 3.36. Publications and information related to the IASB’s due process are freely available on the IFRS Foundation website. Such information may include,

but is not limited to, past webcasts, comment letter submissions and meeting schedules.

Education sessions, small group meetings and assigned IASB members

- 3.37. In addition to public decision-making meetings, the IASB sometimes holds education sessions and small group meetings.

Education sessions

- 3.38. Education sessions are sometimes held before IASB meetings to give IASB members a chance to clarify points in the papers and discuss details of approaches or disagreements with the technical staff in advance of the decision-making meeting. Education sessions are open to the public and follow the same principles of transparency that apply to a normal IASB meeting.

Private and small group meetings

- 3.39. IASB members may meet privately to discuss technical issues, sometimes at the request of the technical staff. Small group meetings must not undermine the principle that full and open consideration of technical issues must take place during public meetings.

Assigned IASB members

- 3.40. All IASB and Interpretations Committee members are responsible for the decisions they make in developing and issuing IFRSs and Interpretations. For major projects, the Chair of the IASB usually assigns specific IASB members to the project. Assigned IASB members provide advice to the technical staff on the adequacy and clarity of the analysis presented in drafts of technical staff papers to ensure that sufficient information needed for the IASB to make technical decisions is presented. However, the recommendations made in technical staff papers do not necessarily reflect the views of the assigned IASB members and the technical staff have ultimate responsibility for the board papers and the recommendations they contain.

Full and fair consultation

- 3.41. The IASB operates on the principle that wide consultation with interested and affected parties enhances the quality of its IFRSs. This consultation can be carried out through various means including, but not limited to, invitations to comment, individual meetings or fieldwork. Some consultation procedures are mandatory. Other procedures are not mandatory but must be considered

by the IASB and, if it is decided that the process is not necessary, the IASB must give the DPOC its reasons for not taking that step.

Minimum safeguards

- 3.42. There are some steps that the IASB and its Interpretations Committee must follow before they can issue an IFRS or Interpretation. These steps are designed to be the minimum safeguards to protect the integrity of the standard-setting process.
- 3.43. The due process steps that are mandatory include:
- (a) debating any proposals in one or more public meetings
 - (b) exposing for public comment a draft of any proposed new IFRS, proposed amendment to an IFRS or proposed Interpretation of an IFRS—with minimum comment periods;
 - (c) considering in a timely manner those comment letters received on the proposals;
 - (d) considering whether the proposals should be exposed again;
 - (e) reporting to the Advisory Council on the Technical Programme, major projects, project proposals and work priorities; and
 - (f) ratification of an Interpretation by the IASB.

'Comply or explain' steps

- 3.44. Other steps are specified in the *Constitution* and are not mandatory. They include:
- (a) publishing a discussion document (eg a discussion paper) before an exposure draft is developed;
 - (b) establishing consultative groups or other types of specialist advisory groups;
 - (c) holding public hearings; and
 - (d) undertaking fieldwork.
- 3.45. If the IASB decides not to undertake those non-mandatory steps, it must inform the DPOC of its decision and reasons. Those explanations are also published in the decision summaries and in the Basis for Conclusions published with the exposure draft or IFRS in question.

Investors

- 3.46. The IASB is responsible for developing financial reporting standards that serve investors and other market participants in making informed resource allocation and other economic decisions.

- 3.47. Investors, and investment intermediaries such as analysts, tend to be under-represented as submitters of comment letters and the IASB must therefore take additional steps to consult investors on proposals for new IFRSs or major amendments to IFRSs. These additional steps could include surveys, private meetings, webcasts and meetings with representative groups, such as the Capital Markets Advisory Committee. Feedback from this focused consultation with investors is summarised in a technical staff paper and is considered and assessed along with comment letters. The reporting of this feedback will be as transparent as possible while respecting requests for confidentiality.
- 3.48. As a project progresses the IASB reports on how it has consulted with investors, and their intermediaries, in staff papers, the project pages on the IFRS Foundation website and in reports to the DPOC. The IASB needs to be satisfied that it has gathered sufficient information from investors to enable it to make informed decisions about the proposed new requirements.

A national and regional network

- 3.49. The IASB is supported by a network of national accounting standard-setting bodies and regional bodies involved with accounting standard-setting. In addition to performing functions within their mandates, national accounting standard-setting bodies and regional bodies involved with accounting standard-setting can undertake research, provide guidance on the IASB's priorities, facilitate and co-operate on outreach, encourage stakeholder input from their own jurisdictions into the IASB's due process and identify emerging issues.
- 3.50. The IASB shares information and consults with the Accounting Standards Advisory Forum (AFAS). In addition, it shares information and consults with international and regional bodies such as the International Forum of Accounting Standard Setters (IFASS), the Asian-Oceanian Standard-Setters Group (AOSSG), the Group of Latin American Standard-setters (GLASS) and the European Financial Reporting Advisory Group (EFRAG) as well as jurisdictional (national) standard setters. IASB members meet with representatives of these regional and national bodies and participate in meetings with them. Close co-ordination between the IASB's due process and the due process of other accounting standard-setters is important to achieving the objectives of the IASB.
- 3.51. Consultation activities extend beyond interaction with accounting standard-setters. The IASB interacts with a wide range of interested parties throughout

a project, which can include practical business analysis by way of fieldwork. The IASB also has a liaison with the International Auditing and Assurance Standards Board (IAASB), which comments on auditability issues of proposed new IFRSs and amendments to standards. IASB members and technical staff also regularly hold educational sessions, attend meetings and conferences of interested parties, invite interested organisations to voice their views, and announce major events of the organisation on the IFRS Foundation website.

- 3.52. Consultation takes place throughout the due process cycle, with the purpose of promoting co-operation and communication between the IASB and parties interested in standard-setting.

IFRS Advisory Council

- 3.53. The *IFRS Advisory Council* (Advisory Council) provides broad strategic advice on the IASB's technical agenda, project priorities, project issues related to application and implementation of IFRSs and possible benefits and costs of particular proposals. The Advisory Council also serves as a sounding board for the IASB and can be used to gather views that supplement the normal consultative process. When the IASB is considering adding projects for either new IFRSs or major amendments to IFRSs to its standard-setting programme, it presents its proposals for these to the Advisory Council. The IASB also presents updates to the Advisory Council on its research and standard-setting work programmes.

Securities and other regulators

- 3.54. The IASB is responsible for developing global financial reporting standards that are enforceable.
- 3.55. To achieve this it is important that the IASB maintains a dialogue with securities regulators. Such a dialogue is usually undertaken by establishing regular meetings with such regulators. In addition, the Interpretations Committee has the right to invite members of securities regulatory bodies to act as official observers to its meetings.
- 3.56. Financial information prepared in accordance with IFRSs is used by other regulators, including prudential supervisors and taxation authorities. The IASB develops IFRSs to improve the transparency and integrity of financial statements.
- 3.57. The IASB is aware that prudential supervisors rely on financial reports for some of their functions. To assist prudential supervisors, the IASB keeps an

enhanced dialogue with such authorities, particularly through the Financial Stability Board and the Bank of International Settlements.

Consultative groups

- 3.58. The IASB usually establishes a consultative group for each of its major projects, such as a specialist or expert advisory group. Consultative groups give the IASB access to additional practical experience and expertise.
- 3.59. Once a project is added to the IASB's standard setting programme it must consider whether it should establish a consultative group for the project. It is not mandatory to have such a group, but if the IASB decides not to do so, it must explain why on the project page and inform the DPOC. The composition of a consultative group should reflect the purpose for which the group is being formed, bearing in mind the need to ensure that it draws on a diverse and broad membership. The IASB would normally advertise for nominations and applications via its website, but it can also approach parties directly. The IASB may also establish or host specialist advisory groups whose membership reflects a particular sector, such as investors or preparers that meet regularly to provide advice on a wide range of topics rather than on a specific project. The DPOC reviews the proposed composition of each group to ensure that there is a satisfactory balance of perspectives, including geographical balance.
- 3.60. Each consultative group should have terms of reference, setting out the objectives of the group, the expectations that the IASB has of the members and the responsibilities of the IASB to that group. The IASB could have more than one consultative group on a project, for example to provide advice on a particular aspect of a proposed IFRS or post-implementation review (PIR).
- 3.61. Once work starts, the group should be consulted when the technical staff consider that it would be beneficial to the project to do so. The technical staff should provide group members with regular updates on the progress of the project and provide the IASB with feedback on the work of the group.
- 3.62. Meetings of the IASB consultative groups are normally open to the public and chaired by an IASB member or by a member of the technical staff. Any papers that are discussed by the consultative group are made publicly available. Members of the public may attend meetings to observe. Meetings are recorded and, where possible, broadcast live via webcast. Recordings of meetings are archived on the IFRS Foundation website. If the IASB

determines that a particular meeting of a consultative group should be in private a summary of each such meeting would usually be posted on the relevant project page.

- 3.63. All consultative groups are reviewed by the technical staff each year to assess whether each group is continuing to serve the function for which it was established and whether, if that is the case, the membership should remain the same. The outcome of the review is presented to the IASB and DPOC.

Comment letters

- 3.64. Comment letters play a pivotal role in the deliberative process of both the IASB and its Interpretations Committee, because they provide considered and public responses to a formal consultation.
- 3.65. All comment letters received by the IASB are available on the IFRS Foundation website. Portions of a comment letter may be withheld from the public if publication would be harmful to the submitting party, for example a potential breach of securities disclosure laws.
- 3.66. When considering comment letters, the IASB assesses the matters raised and the related explanations and evidence provided by respondents. It is the strength of the analysis provided in comment letters, and the evidence supporting the analysis, that is important. An analysis of the type of respondent and their geographical origin can help the IASB assess whether there are any areas or types of respondent for which additional outreach might be appropriate. For some technical matters it can be helpful if the technical staff provide the IASB with an analysis of the extent to which the views of particular sectors are shared or divided—for example the extent to which investors have a common view or whether views differ between the types of respondent or regions.

Fieldwork

- 3.67. The IASB and the technical staff sometimes use fieldwork to gain a better understanding of how a proposal is likely to affect those who use and apply IFRSs.
- 3.68. Fieldwork can be undertaken in different ways, including one-to-one visits or interviews with preparers, auditors, regulators or investors who are likely to be affected by the proposals. It can also include workshops where several such parties are brought together, or experiments to assess how the proposals might be interpreted or applied.

- 3.69. Fieldwork may include having participants assess how the proposals would apply to actual transactions or contracts; having preparers or users complete case studies; undertaking experiments to assess how users process information; or assessing how systems are likely to be affected. Fieldwork may also include gathering examples from practice to help the IASB gain a better understanding of industry practices and how proposed IFRSs could affect them. It is likely that some fieldwork will be undertaken on all standards-level projects to develop or amend IFRSs, other than minor or narrow scope amendments. The IASB and the technical staff will need to assess which, if any, activities are appropriate and proportionate for a particular project, taking into consideration the costs of the activity and what the IASB is likely to learn from the fieldwork.
- 3.70. Undertaking fieldwork is not mandatory, but if the IASB decides not to do so, it must explain why to the DPOC and on the project page.
- 3.71. Feedback from any fieldwork, public hearings or other outreach is summarised in a technical staff paper and assessed by the IASB along with comment letters.

Public hearings

- 3.72. In addition to inviting comment letters to seek views and suggestions, the IASB often considers holding public hearings with interested organisations to listen to and exchange views on specific topics. Public hearings include round-table meetings and discussion forums. Round-table meetings are primarily consultative, providing participants with the opportunity to present and discuss their analysis of the proposals. Discussion forums tend to have more of an educational focus, with IASB members or technical staff explaining the proposals before discussing them with participants. Round-table meetings are normally held after a comment period has closed and are used to discuss issues highlighted by the comment letter process. Discussion forums can be held at any time during the development of an IFRS.

Accountability

Effect Analysis

- 3.73. The IASB is committed to assessing and sharing knowledge about the likely costs of implementing proposed new requirements and the likely on-going associated costs and benefits of each new IFRS—the costs and benefits are

collectively referred to as *effects*. The IASB gains insight on the likely effects of the proposals for new or revised IFRSs through its formal exposure of proposals and through its fieldwork, analysis and consultations with relevant parties through outreach activities. The likely effects are assessed:

- (a) in the light of the IASB's objective of financial reporting transparency; and
- (b) in comparison to the existing financial reporting requirements.

3.74. The IASB will assess the likely effects throughout the development of a new or amended IFRS. In particular, the IASB's views on the likely effects are approved by the IASB and reflected in the Basis for Conclusions published with each exposure draft and IFRS and summarised in a separate *Effect Analysis* publication when the IFRS is issued.

3.75. In forming its judgement on the evaluation of the likely effects, the IASB considers:

- (a) how the proposed changes are likely to affect how activities are reported in the financial statements of those applying IFRSs;
- (b) how those changes improve the comparability of financial information between different reporting periods for an individual entity and between different entities in a particular reporting period;
- (c) how the changes will improve the quality of the financial information and its usefulness in assessing the future cash flows of an entity;
- (d) the benefit of better economic decision-making as a result of improved financial reporting;
- (e) the likely effect on compliance costs for preparers, both on initial application and on an on-going basis; and
- (f) how the likely costs of analysis for users (including the costs of extracting data, identifying how the data has been measured and adjusting data for the purposes of including them in, for example, a valuation model) are affected. The IASB should take into account the costs incurred by users of financial statements when information is not available and the comparative advantage that preparers have in developing information, when compared with the costs that users would incur to develop surrogate information.

3.76. The analysis is not expected to include a formal quantitative assessment of the overall effect of an IFRS. Initial and on-going costs and benefits are likely to affect different parties in different ways. The level of analysis is

tailored to the type of changes proposed, with more analysis undertaken for new IFRSs and major amendments.

Basis for Conclusions and dissenting views

- 3.77. In the Basis for Conclusions the IASB explains the rationale for why it made the decisions it reached in developing or changing an IFRS. The Basis for Conclusions also includes the IASB's responses to comments received when the proposals were exposed.
- 3.78. The IASB does not operate as a consensus body. A decision to issue an exposure draft or IFRS requires a supermajority. IASB members who disagree with the proposals or the final IFRS are required to explain why they have a dissenting view. Such dissents are published with the Basis for Conclusions.
- 3.79. When an IASB member dissents they are voting against the exposure draft or IFRS as a whole. An IASB member cannot dissent from one part of a document but still vote to issue that document.
- 3.80. Throughout the development of an IFRS there may be decisions with which individual IASB members disagree. However, disagreeing on a matter does not mean the IASB member dissents to the whole document. The test for IASB members is whether they think the new requirements will improve financial reporting, taking into account the likely effects of those requirements. The hurdle to dissenting is deliberately high.
- 3.81. The dissent itself should address only those matters that caused the IASB member to vote against the document as a whole. IASB members should avoid using the dissent from express dissatisfaction with other parts of the document that, taken on their own, would not have caused the IASB member to vote against issuing the document.

4. Technical work programme

- 4.1. The technical work programme is the suite of projects that the IASB and its Interpretations Committee manage. The technical work programme focuses on projects and activities that are steps toward possible publications by the IASB, including research and discussion papers, requests for information, PIRs, exposure drafts, IFRSs, draft Interpretations and final Interpretations. The technical work programme is updated regularly and is available on the

IFRS Foundation website, which also includes estimates of project time lines reflecting recent IASB decisions.

- 4.2. IASB technical activities incorporate a wide range of activities, and may also include financial reporting research; the implementation, maintenance and PIRs of IFRSs; and updates and revisions to the *Conceptual Framework*, the education initiative and XBRL.

Three-yearly consultation on the IASB work programme

- 4.3. The IASB is required to undertake a public consultation on its work programme every three years, by way of a public Request for Information. The IASB normally allows a minimum of 120 days for comment on a work programme (agenda) consultation Request for Information. The primary objective of the review is to seek formal public input on the strategic direction and balance of the IASB's work programme, including the criteria for assessing projects that may be added to the IASB's standards-level programme. The review could also seek the views of respondents on financial reporting issues that they think should be given priority by the IASB, together with any proposals to withdraw from the IASB's work programme any projects which have not proceeded as planned and the prospects for progress are limited. Section 5 details how a project is added to the IASB's standards-level programme.
- 4.4. In addition to the public consultation, the IASB must consult the Advisory Council.
- 4.5. The IASB must keep the Trustees informed, through the DPOC, of its three-yearly consultation and how the IASB expects to respond to the input it has received.

Research programme

- 4.6. New financial reporting requirements developed by the IASB should be designed to address problems identified with the existing requirements. Sometimes a problem identified with current financial reporting can be remedied with a relatively minor amendment to an IFRS. In other cases, the problem might require a more significant change to financial reporting requirements, such as a major change to an IFRS or development of a new IFRS. Consequently, the first step in developing a new financial reporting requirement is to assess and define the problem within the existing reporting.

- 4.7. The purpose of the IASB's research programme is to analyse possible financial reporting problems by collecting evidence on the nature and extent of the perceived shortcoming and assessing potential ways to improve financial reporting or to remedy a deficiency. This analysis will help the IASB decide whether it should add to its standard-setting programme a project to develop a proposal for a new IFRS or to amend or replace an IFRS. The research programme also includes consideration of broader financial reporting issues, such as how financial reporting is evolving, to encourage international debate on financial reporting matters.
- 4.8. To help the IASB in developing its work programme, technical staff are asked to identify, review and raise issues that might warrant the IASB's attention. New issues may arise from the three-yearly review of technical programme or a change in the IASB's *Conceptual Framework*. In addition, the IASB raises and discusses potential topics in the light of comments from the Accounting Standards Advisory Forum, other standard-setters and other interested parties, the Advisory Council and the Interpretations Committee, as well as staff research and other recommendations.
- 4.9. The IASB and the technical staff are not expected to undertake all of the activities on its research programme. It is important to the IASB that others, such as national accounting standard-setting bodies and regional bodies associated with accounting standard-setting or regional financial reporting bodies, academics and other interested parties, participate in these activities. The IASB will, however, need to provide clear direction on which issues are of interest to the IASB and what its expectations are of those other parties.
- 4.10. The IASB should maintain an up-to-date summary of its research programme and its priorities on the IFRS Foundation website. The IASB should identify those financial reporting issues for which it is developing proposals, the consideration of which might result in standards-level projects, as well as those areas where it is seeking to learn more about the issues but does not anticipate developing a proposal in the short term.
- 4.11. The IASB provides the Advisory Council with an update of its research programme at each meeting of the Advisory Council, enabling council members to provide feedback on the programme.

Research papers, discussion papers and Requests for Information

- 4.12. The main output of the research programme is expected to be discussion papers and *research papers*. Discussion papers and research papers are

designed to elicit comments from interested parties that can help the IASB decide whether to add a project to its standard-setting programme.

Discussion and research papers typically include a comprehensive overview of the issue, possible approaches to addressing the issue, the preliminary views of its authors or the IASB and an invitation to comment.

- 4.13. Discussion papers are issued by the IASB and present the analysis and collective views of the IASB on a particular topic. The matters presented will have been discussed in public meetings of the IASB. Discussion papers do not contain a Basis for Conclusions or any dissenting views. The discussion itself should reflect and convey differences in views of IASB members.
- 4.14. Research papers are also issued by the IASB but are generally prepared by the technical staff or by those who have been seconded to the technical staff to develop the paper. Research papers may also be prepared by other standard-setters or bodies, normally at the request of the IASB. A research paper issued by the IASB should include a clear statement of the extent of the IASB's involvement in the development or endorsement of the paper. In some cases the IASB will not have discussed the paper in a public meeting and will not, therefore, have developed any views on the matters set out in the paper.
- 4.15. Requests for Information are formal requests by the IASB for information or feedback on a matter related to technical projects or broader consultations. Examples of appropriate topics for a Request for Information include seeking input on its three-yearly agenda consultation or PIRs or help in assessing the practical implications of a potential financial reporting requirement.

Publication of discussion papers, Requests for Information and research papers

- 4.16. Discussion papers are balloted by the IASB. Before the IASB asks the technical staff to prepare a discussion paper for ballot, the IASB must be satisfied that it has completed all of the steps necessary to ensure that the discussion paper is likely to meet its purpose. Research papers and Requests for Information require the support of a simple majority of the IASB, with approval being given in a public meeting.
- 4.17. The IASB normally allows at least 120 days for comment on a discussion paper, a research paper, and Requests for Information on the work programme (see paragraph 4.3) and post-implementation reviews (see paragraph 6.55). For other Requests for Information, the IASB normally

allows a minimum period of 60 days for comment. If the information request is narrow in scope and urgent the IASB may set a shorter period and need not consult the DPOC before doing so.

- 4.18. Discussion papers, Requests for Information and research papers are posted on the IFRS Foundation website.
- 4.19. Comment letters received are also posted on the website. Once the comment period for a discussion paper ends the project team analyses and summarises the comment letters and provides that analysis and summary to the IASB.

Conceptual Framework

- 4.20. One of the standing activities of the IASB is its work on the *Conceptual Framework*.
- 4.21. The IASB provides the Advisory Council with an update of work it is undertaking on the *Conceptual Framework* at Advisory Council meetings. Proposals to change the *Conceptual Framework* are developed and exposed by the IASB in the same way that it exposes proposed changes to IFRSs, with similar comment periods.
- 4.22. The IASB might decide to publish a discussion paper as a first step to revising part of the *Conceptual Framework*, although this is not a requirement.
- 4.23. The IASB might need to consider whether any IFRSs should be amended to reflect revisions to the *Conceptual Framework*. However, amending an IFRS is not an automatic consequence of such revisions. Changes to IFRSs are made to address deficiencies in financial reporting. Any changes to the *Conceptual Framework* that highlight inconsistencies in IFRSs must be considered by the IASB in the light of other priorities when developing its work programme.

5. Standards-level projects

- 5.1. In considering whether to add a project to the standards-level programme, the IASB or the Interpretations Committee requires the development of a specific project proposal and an assessment against the project criteria outlined below. That consideration will include whether any proposal should be for a comprehensive project to develop a new IFRS or major amendments to

existing IFRSs (see paragraphs 5.4-5.13) or a narrow-scope project coming under the heading of implementation and maintenance (see paragraphs 5.14-5.22).

- 5.2. The primary objective of a project proposal is to help the IASB manage its resources effectively and to help it prioritise its standards-level work. The IASB distinguishes between major and narrow-scope projects in its planning to help reduce the risk of committing resources a project when other projects should have a higher priority. For major projects the IASB is required to consult with other bodies, including the IFRS Advisory Council and AFAS to provide the IASB with additional input into establishing priorities.
- 5.3. All proposed new IFRSs, amendments to IFRSs or Interpretations are exposed for public comment. Accordingly, if potential respondents believe the IASB has failed to establish the need for improvements to an area of financial reporting they will have opportunities to express their views during the consultation process.

Criteria for new IFRSs or major amendments

- 5.4. The IASB evaluates the merits of adding a potential item to its work programme primarily on the basis of the needs of users of financial reports, while also taking into account the costs of preparing the information in financial reports. When deciding whether a proposed agenda item will address users' needs, the IASB considers:
 - (a) whether there is a deficiency in the way particular types of transactions or activities are reported in financial reports;
 - (b) the importance of the matter to those who use financial reports;
 - (c) the types of entities likely to be affected by any proposals, including whether the matter is more prevalent in some jurisdictions than others; and
 - (d) how pervasive or acute a particular financial reporting issue is likely to be for entities.
- 5.5. The IASB considers adding topics to its standards-level programme after considering any research it has undertaken on the topic. The IASB would normally put together a proposal to develop a new IFRS or make major amendments to an IFRS only after it has published a discussion paper and considered the comments it received from that consultation. Publishing a discussion paper before adding a standards-level project to its agenda is not a requirement, but the IASB must be satisfied that it has sufficient information and understands the problem and the potential solutions well enough to

proceed without a discussion paper. The IASB might conclude that a discussion paper is not necessary because it has sufficient input from a research paper, Request for Information or other research to proceed directly to an exposure draft. The reasons for not publishing a discussion paper need to be set out by the IASB and reported to the DPOC.

- 5.6. The IASB's discussion of potential projects and its decisions to adopt new projects take place in public IASB meetings. Before reaching such decisions the IASB consults its Advisory Council, the Accounting Standards Advisory Forum and accounting standard-setting bodies on proposed agenda items. The IASB's approval to add agenda items, as well as its decisions on their priority, is by a simple majority vote at an IASB meeting.
- 5.7. The IASB should only add a project if it considers that the benefits of the improvements to financial reporting will outweigh the costs.
- 5.8. Minor or narrow scope amendments to IFRSs, including Annual Improvements, do not need to follow this formal consultation process before being added to the standards-levels programme because such amendments are part of the implementation or maintenance of IFRSs. However, the Advisory Council should be informed of any proposed additions of minor or narrow scope amendments to the standards-level programme.

Issues referred by the Monitoring Board

- 5.9. The Monitoring Board may refer technical financial reporting matters to the Trustees and the IASB Chair. The Monitoring Board's consensus-based decision-making process limits the invocation of such an action to extremely rare and urgent cases where all Monitoring Board members agree that a technical financial reporting matter warrants referral.
- 5.10. The Trustees and the IASB Chair are required to ensure that any such referral is addressed in a timely manner. Such referrals do not need to follow this formal consultation process set out in paragraphs 5.1-5.6.
- 5.11. The IASB, in conjunction with the Trustees, must report to the Monitoring Board, usually within 30 days but sooner if the matter is more urgent, what steps it is taking to consider the referral.
- 5.12. If the IASB decides not to take up the referred issue, the IASB must explain its position to the Trustees and the Monitoring Board why addressing the matter by amending an IFRS would be inconsistent with the standard-setting responsibilities established in the *Constitution*.

- 5.13. In all cases, it is understood that the Monitoring Board will neither influence the decision-making process nor challenge the decisions made by the IASB with regard to its standard-setting.

Implementation and maintenance

Identification of matters

- 5.14. The IASB and the Interpretations Committee are responsible for the maintenance of IFRSs. Issues could include identifying if divergent practices have emerged for accounting for particular transactions, cases of doubt about the appropriate accounting treatment for a particular circumstance or if investors have expressed concerns about poorly specified disclosure requirements.
- 5.15. The objectives of the Interpretations Committee are to interpret the application of IFRSs, provide timely guidance on financial reporting issues that are not specifically addressed in the IFRSs and to undertake other tasks at the request of the IASB. The IASB and the Interpretations Committee share a common view on the role that the Interpretations Committee should play: both bodies see the Interpretations Committee as working in partnership with the IASB to give guidance that responds to the implementation needs of those applying IFRSs. Both bodies also see the importance of achieving a balance between the principle-based approach of IFRSs and providing guidance with sufficient detail to ensure that it is useful and practical.
- 5.16. All parties with an interest in financial reporting are encouraged to refer issues such as those listed in paragraph 5.14 to the Interpretations Committee when they believe that it is important that the matter is addressed by the IASB or the Interpretations Committee. The Interpretations Committee normally consults with national accounting standard-setting bodies and regional bodies involved with accounting standard-setting on issues that are referred to it. The Interpretations Committee should address issues:
- (a) that have widespread effect and have, or are expected to have, a material effect on those affected.
 - (b) where financial reporting would be improved through the elimination, or reduction, of diverse reporting methods; and
 - (c) that can be resolved efficiently within the confines of existing IFRSs and the *Conceptual Framework for Financial Reporting*.

- 5.17. The issue should be sufficiently narrow in scope that it can be addressed in an efficient manner by the Interpretations Committee, but not so narrow that it is not cost-effective for the Interpretations Committee and interested parties to undertake the due process associated with the changes to IFRSs that would be required.
- 5.18. A simple majority of Interpretations Committee members present can decide, after a debate in a public meeting, whether to add any issue to its work programme.
- 5.19. If the Interpretations Committee believes that an IFRS or the Conceptual Framework should be modified, or an additional IFRS should be developed, it refers such conclusions to the IASB. The IASB can also decide to address minor matters that have a narrow scope without involving the Interpretations Committee. In the case of minor or narrow scope amendments to IFRSs, the IASB considers developing an exposure draft, in line with the process outlined in paragraphs 6.4-6.9. In other cases the IASB may seek the assistance of the Interpretations Committee in developing an amendment to an IFRS, drawing on their implementation experience. This is the case, for example, in the Annual Improvements process, where the IASB seeks the assistance of the Interpretations Committee when following the process for exposing annual improvements as outlined in paragraphs 6.10-6.15. If the Interpretations Committee believes that an Interpretation is required, it follows the process outlined in Section 7. Interpretations are designed for general application and are not issued to resolve matters that are specific to a particular entity.
- 5.20. In taking forward work on issues, the Interpretations Committee applies a principle-based approach founded on the Conceptual Framework. It considers the principles established in relevant IFRSs to develop its interpretative guidance and to determine that the proposed guidance does not conflict with IFRSs. It follows that, in providing interpretative guidance, the Interpretations Committee is not seeking to create an extensive rule-oriented environment, nor does it act as an urgent issues group.
- 5.21. The solution developed by the Interpretations Committee should be effective for a reasonable period of time. Accordingly, the Interpretations Committee would, for example, normally not develop an Interpretation if the topic is being addressed in a forthcoming IFRS. However, this does not prevent the Interpretations Committee from acting on a particular matter if the short-term improvements can be justified.

- 5.22. If the Interpretations Committee does not plan to add an item to its work programme it publishes this as a tentative rejection notice in *IFRIC Update* and on the IFRS Foundation website and requests comments on the matter. The comment period for rejected proposals is normally at least 60 days. After considering those comments the Interpretations Committee either confirms its decision and issues a rejection notice adds the issue to its work programme or refers the matter to the IASB. Rejection notices do not have the authority of an IFRS and they will therefore not provide mandatory requirements but they should be seen as helpful, informative and persuasive. The IASB is not asked to ratify rejection notices

6. New or amended IFRSs

Exposure drafts

- 6.1. Publication of an exposure draft is a mandatory step in due process before a new IFRS can be issued or an existing IFRS amended.
- 6.2. An exposure draft sets out a specific proposal in the form of a proposed IFRS (or amendment to an IFRS) and is therefore generally set out in the same way as, and has all of the components of, an IFRS. The main differences are:
- (a) the Basis for Conclusions is written to explain the IASB's rationale for the proposal, and is not a draft of the rationale for the final IFRS or final amendments to the IFRS; and
 - (b) consequential amendments need not be set out in as much detail as a final IFRS, particularly where such amendments are changes to cross-references or terminology and other matters that are more administrative in nature.
- 6.3. An exposure draft is the IASB's main vehicle for consulting the public and therefore includes an invitation to comment, setting out the issues that the IASB has identified as being of particular interest. Although it is normally included with the ballot draft, it is not necessary for the IASB to ballot the invitation to comment.

Developing an exposure draft

- 6.4. The development of an exposure draft takes place in public meetings. The technical staff prepare papers for the IASB to consider on the matters to be addressed.

- 6.5. Development normally begins with the IASB considering issues on the basis of technical staff research and recommendations, as well as comments received on any discussion paper, research paper or Request for Information, suggestions made by the Advisory Council, consultative groups and accounting standard-setters and suggestions arising from public education sessions.
- 6.6. When the IASB has reached general agreement on the technical matters in the project and has considered the likely effects of the proposals, the technical staff present a paper to the IASB:
- (a) summarising the steps that the IASB has taken in developing the proposals, including a summary of when the IASB discussed this project in public meetings, the public hearings held, outreach activities, meetings of consultative groups and consultation with the Advisory Council;
 - (b) if applicable, reaffirming why the IASB has decided that it was not necessary to have a consultative group or to conduct fieldwork; and
 - (c) recommending a comment period for the exposure draft.
- 6.7. The IASB normally allows a minimum period of 120 days for comment on an exposure draft. If the matter is narrow in scope and urgent the IASB may consider a comment period of no less than 30 days, but it will only set a period of less than 120 days after consulting and obtaining approval from the DPOC.
- 6.8. In exceptional circumstances, and only after formally requesting and receiving prior approval from 75 per cent of the Trustees, the IASB may reduce the period for public comment on an exposure draft below 30 days but may not dispense with a comment period.
- 6.9. If the IASB is satisfied that it has addressed all of these matters it votes to have the technical staff prepare the exposure draft for balloting. IASB members who intend to dissent from the proposals in the exposure draft must make their intentions known at this time.

Exposing annual improvements

- 6.10. Some proposed amendments to IFRSs or Interpretations that are sufficiently minor or narrow in scope can be packaged together and exposed in one document even though the amendments are unrelated. Such amendments are called *Annual Improvements*. Annual improvements follow the same due

process as other amendments to IFRSs except that unrelated amendments can be exposed together, rather than separately.

- 6.11. The justification for exposing unrelated improvements in one package is that such amendments are limited to changes that either clarify the wording in an IFRS or correct relatively minor unintended consequences, oversights or conflicts between existing requirements of IFRSs. Because of their nature, it is not necessary to undertake consultation or outreach for annual improvements beyond the comment letter process. The IASB needs to be cautious and avoid including in the Annual Improvements package an amendment that merits separate consultation and outreach.
- 6.12. Clarifying an IFRS involves either replacing unclear wording in existing IFRSs or providing guidance where an absence of guidance is causing concern. A clarifying amendment maintains consistency with the existing principles within the applicable IFRSs and does not propose a new principle or change an existing principle.
- 6.13. Resolving a conflict between existing requirements of IFRSs includes addressing oversights or relatively minor unintended consequences that have arisen as a result of the existing requirements of IFRSs. Such amendments do not propose a new principle or a change to an existing principle.
- 6.14. Proposed annual improvements should be well defined and narrow in scope. The IASB assesses proposed annual improvements against the criteria set out above before they are published in an exposure draft. As a guide, if the IASB takes several meetings to reach a conclusion it is an indication that the cause of the issue is more fundamental than can be resolved within the Annual Improvements process.
- 6.15. The IASB normally allows a minimum period of 90 days for comment on Annual Improvements.

Publication

- 6.16. Before the IASB issues an exposure draft the technical staff decide what communications material should be developed to accompany the release. All exposure drafts must be accompanied by a press release. The IASB usually announces publication by email alerts.
- 6.17. Depending on the nature of the exposure draft, the IASB and the technical staff might also develop, and make freely available, a project *Snapshot*, podcast, webcast, Question and Answer (Q&A) pack or presentation (speech)

pack. The more significant the exposure draft the more comprehensive the related communications package is likely to be.

- 6.18. All exposure drafts and related publications are freely available on the IFRS Foundation website.

Consideration of comments received and consultations

- 6.19. After the comment period ends, the IASB reviews the comment letters and the results of other consultations, such as investor consultation. The technical staff provide a comment letter summary, giving a general overview of the comments received and the major points raised in the letters. The analysis helps the IASB identify the areas on which they are most likely to need to focus their efforts during the deliberations—or whether the IASB should even proceed with the project.
- 6.20. The development of an IFRS is carried out during IASB meetings.
- 6.21. As a means of exploring the issues further, and seeking further comments and suggestions, the IASB may conduct fieldwork, or arrange public hearings and round-table meetings. The IASB is required to consult the Advisory Council and maintains contact with its consultative groups.

Completion of the deliberations

- 6.22. When the IASB has reached general agreement on the technical matters in the project and has considered the likely effects of the new IFRS, the technical staff present a paper to the IASB:
- (a) summarising the steps the IASB has taken in developing the IFRS, including a summary of when the IASB discussed this project in public meetings, public hearings held, outreach activities, meetings of consultative groups and consultations with the Advisory Council;
 - (b) if applicable, reaffirming why the IASB has decided that it was not necessary to have a consultative group or to have conducted fieldwork; and
 - (c) assessing whether the proposals can be finalised or whether they should be re-exposed.
- 6.23. If the IASB is satisfied that it has addressed all of these matters it votes to have the technical staff prepare the IFRS for balloting. IASB members who intend to dissent from the proposals of the IFRS must make their intentions known at this time.

- 6.24. The IASB must inform the DPOC of its decision to proceed to ballot stage for an IFRS, explaining why it is satisfied that *re-exposure* is not necessary, before the IFRS or major amendment is published.

Re-exposure criteria

- 6.25. In considering whether there is a need for re-exposure, the IASB:
- (a) identifies substantial issues that emerged during the comment period on the exposure draft that it had not previously considered;
 - (b) assesses the evidence that it has considered;
 - (c) determines whether it has sufficiently understood the issues and implications and likely effects of the new requirements and actively sought the views of interested parties; and
 - (d) considers whether the various viewpoints were aired in the exposure draft and adequately discussed and reviewed in the Basis for Conclusions.
- 6.26. It is inevitable that the final proposals will include changes from those originally proposed. The fact that there are changes does not compel the IASB to re-expose the proposals. The IASB needs to consider whether the revised proposals include any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the basis for conclusions accompanying the exposure draft. The IASB also needs to consider whether it will learn anything new by re-exposing the proposals. If the IASB is satisfied that the revised proposals respond to the feedback received and that it is unlikely to re-exposure will reveal any new concerns, it should proceed to finalise the proposed requirements.
- 6.27. The more extensive and fundamental the changes from the exposure draft and current practice the more likely the proposals should be re-exposed. However, the IASB needs to weigh the cost of delaying improvements to financial reporting that against the relative urgency for the need to change and what additional steps it has taken to consult since the exposure draft was published. The use of consultative groups or targeted consultation can give the IASB information to support a decision to finalise a proposal without the need for re-exposure.

- 6.28. The IASB should give more weight to changes in recognition and measurement than disclosure when considering whether re-exposure is necessary.
- 6.29. The IASB's decision on whether to publish its revised proposals for another round of comment is made in an IASB meeting. If the IASB decides that re-exposure is necessary, the due process to be followed is the same as for the first exposure draft. However, because it is not the first exposure of the proposed IFRS, it may be appropriate to have a shortened comment period, particularly if the IASB is only seeking comments on specific aspects of the revised exposure draft, while recognising that respondents may not limit their comments to these aspects. The public comment period for such documents will normally be open for at least 90 days.

Finalising an IFRS

- 6.30. The mandatory parts of an IFRS are:
- (a) the principles and the related application guidance;
 - (b) the defined terms; and
 - (c) the effective date and transition paragraphs.
- 6.31. When a new IFRS, or amendment to an IFRS, is issued, it is also accompanied by amendments to other IFRSs that are a consequence of the new requirements—these are called 'consequential amendments'.
- 6.32. Each IFRS is also normally accompanied by additional material that is not an integral part of the IFRS:
- (a) a table of contents;
 - (b) an introduction;
 - (c) the Basis for Conclusions (including an Effect Analysis); and
 - (d) dissenting opinions
- 6.33. Sometimes the accompanying material will include a table that shows the relationship between paragraphs in the old and the new requirements, a brief history of the IFRS and illustrative examples. In all cases the documents will state clearly whether the material is an integral part of the IFRS or whether it accompanies it but is not integral. Material that is integral to an IFRS is provided to governments, or the relevant authorities, that have adopted IFRSs and have an agreement with the IFRS Foundation.

- 6.34. As a principle, IFRSs should be able to be applied without the accompanying material.

Effective date and transition

- 6.35. An IFRS, or an amendment to an IFRS, has an effective date and transitional provisions. The mandatory effective date is set so that jurisdictions have sufficient time to incorporate the new requirements into their legal systems and those applying IFRSs have sufficient time to prepare for the new requirements.
- 6.36. The IASB also considers the effect of the transitional provisions on first-time adopters of IFRSs, including the interaction of the transitional provisions with those of IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Publication

- 6.37. Before the IASB issues an IFRS, or an amendment to an IFRS, the IFRS Foundation staff decide what communications material should be developed to accompany the release. All changes to IFRSs must be accompanied by a press release. The IASB usually announces publication using email alerts.
- 6.38. The publication of all new IFRSs and major amendments must be accompanied by a Project Summary and Feedback Statement. Depending on the nature of the new requirements, the IASB and its staff might also develop, and make freely available, a podcast, webcast, Question and Answer (Q&A) pack or presentation (speech) pack. The more significant the changes to IFRSs, the more comprehensive the related communications package is likely to be.

Practice Guidance

- 6.39. Practice guidance is non-mandatory guidance developed by the IASB, normally on a topic not addressed by an IFRS—such as guidance on Management Commentary. The IASB may produce practice guidance if it considers that doing so would improve financial reporting. The IASB follows the same procedures used for the development of an IFRS, including the balloting of documents.

Post-publication procedures and maintenance

- 6.40. After an IFRS is issued, IASB members and technical staff hold meetings with interested parties, including other standard-setting bodies, to help understand unexpected issues that have arisen from the practical

implementation of the IFRS and the potential impact of its provisions. The IFRS Foundation also fosters educational activities to ensure consistency in the application of IFRSs.

- 6.41. IASB technical staff may make editorial corrections to technical documents to remedy drafting errors that are made when writing or typesetting the document, provided that the corrections do not alter the technical meaning of the text. Editorial corrections normally fix spelling errors, grammatical mistakes or incorrectly marked consequential amendments.

Education Initiative

- 6.42. The IFRS Foundation sometimes produces educational material related to IFRSs, including presentations for conferences, guides for executives, *IFRS for SMEs* training material and educational material that accompanies but does not form part of IFRSs. The development of educational material does not take place in public meetings and is not subjected to the public scrutiny that is given to the development of IFRSs.
- 6.43. The staff of the IFRS Foundation Education Initiative are part of the technical staff and report to the Senior Directors, Technical Activities. The IASB and the technical staff have a responsibility to ensure that any education material is not confused with an IFRS or perceived as being mandatory. The IASB therefore has an interest in ensuring that the Education Initiative has quality assurance processes appropriate for each of its publications.
- 6.44. In order to meet the assurances above, educational material developed by the Education Initiative is subjected to peer review as follows:
- (a) high level summaries, such as Executive Briefings and PowerPoint presentations, are reviewed by an appropriate technical staff member and by a member of the editorial team;
 - (b) teaching materials, such as those used for *Conceptual Framework*-based teaching are also reviewed by an IASB member or appropriate external expert, such as an academic. More detailed teaching materials, however, such as comprehensive *IFRS for SMEs* training material, is reviewed by at least two IFRS experts, one of which must be a IASB member; and
 - (c) educational material accompanying an IFRS must be reviewed by at least three IASB members.
- 6.45. The Education Initiative reports periodically to the DPOC, identifying the material it is developing and the level of review it expects to undertake in each case.

Translation

- 6.46. Translations of IFRSs are initiated by the IFRS Foundation translation team as a response to requests from jurisdictions adopting or developing an interest in IFRSs.
- 6.47. The translations policy allows for only one translation per language, to ensure that all users of a particular language use the same translation. The two-stage translation procedure, consisting of the initial translation followed by a review by a committee of accounting experts, is designed to produce a high-quality translation which accurately renders the meaning of the IFRSs in English into another language.
- 6.48. Review committee members must be native speakers of the language, and experts in the field of financial reporting. Review committees typically comprise representatives from major accounting firms, national accounting bodies, academics, appropriate government bodies and specialist industries, such as banking and insurance .
- 6.49. The review committee has one person designated as the coordinator. In addition to managing the review process, the coordinator has the final responsibility for the content of the translation, and has a casting vote if consensus in the committee cannot be reached.
- 6.50. When a language is spoken and used in more than one country, participation in the review committee is encouraged from all countries using that language to ensure that the resulting translation is appropriate for all jurisdictions that require that translation.

XBRL

- 6.51. Due process over XBRL activities are also covered by the DPOC, but the requirements are set out in a separate document, the *Due Process Handbook for XBRL Activities*.

Post-implementation review

- 6.52. The IASB is required to conduct a PIR of each new IFRS or major amendment.¹ A PIR normally begins after the new requirements have been applied internationally for two years, which is generally about 30 to 36 months after the effective date.

¹ This requirement was introduced in 2006. The first major project subjected to a review was IFRS 8 *Operating Segments*.

- 6.53. In addition to PIRs that respond to a new IFRS or major amendment, the IASB may decide to conduct a PIR in response to changes in the financial reporting environment and regulatory requirements, or in response to concerns about the quality of an IFRS that have been expressed by the Advisory Council, the Interpretations Committee, standard-setters or interested parties.
- 6.54. Each review has two phases. The first involves an initial identification and assessment of the matters to be examined, which are then the subject of a public consultation by the IASB in the form of a *Request for Information*. In the second phase, the IASB considers the comments it has received from the Request for Information along with information it has gathered through other consultative activities. On the basis of that information, the IASB presents its findings and sets out the steps it plans to take, if any, as a result of the review.

Initial assessment and public consultation

- 6.55. The goal of improving financial reporting underlies any new IFRS. A PIR is an opportunity to assess the effect of the new requirements on investors, preparers and auditors. The review must consider the issues that were important or contentious during the development of the publication (which should be identifiable from the Basis for Conclusions, Project Summary, Feedback Statement and Effect Analysis of the relevant IFRS), as well as issues that have come to the attention of the IASB after the document was published. The IASB and the technical staff also consult the wider IFRS community to help the IASB identify areas where possible unexpected costs or implementation problems were encountered.
- 6.56. This initial review should draw on the broad network of IFRS-related bodies and interested parties, such as the Interpretations Committee, the IASB's consultative groups, including the Advisory Council, securities regulators, national accounting standard-setting bodies and regional bodies involved with accounting standard-setting, preparers, auditors and investors. The purpose of these consultations is to inform the IASB so that it can establish an appropriate scope for the review. How extensive the consultations need to be in this phase will depend on the IFRS being reviewed and on what the IASB already knows about the implementation of that IFRS. The IASB needs to be satisfied that it has sufficient information to establish the scope of the review.
- 6.57. The IASB publishes a Request for Information, setting out the matters for which it is seeking feedback by means of a formal public consultation. In the

Request for Information, the IASB should explain why it is seeking feedback on the matters specified and should include any initial assessment by the IASB of the IFRS or major amendment being reviewed. The Request for Information will also set out the process that the IASB followed in establishing the scope of the review.

- 6.58. The IASB normally allows a minimum of 120 days for comment on a post-implementation Request for Information. The IASB will only set a period of less than 120 days after consulting and obtaining approval from the DPOC.
- 6.59. The IASB may decide, on the basis of its initial assessment, that it would be premature to undertake a review at that time. The IASB must inform the DPOC of its intention to defer a PIR, explaining why it has reached this conclusion and indicating when it expects to resume the review.

Consideration of evidence and presentation of findings

- 6.60. The IASB considers whether it is necessary to supplement the responses to the Request for Information with other information or evidence, such as by undertaking:
- (a) an analysis of financial statements or of other financial information;
 - (b) a review of academic and other research related to the implementation of the IFRS being reviewed; and
 - (c) surveys, interviews and other consultations with relevant parties.
- 6.61. The extent to which further information is gathered will depend on the IFRS being reviewed and the feedback in the Request for Information.
- 6.62. The IASB considers the comments that it has received from the Request for Information along with the evidence and information that it has obtained from any additional analysis. When the IASB has completed its deliberations, it presents its findings in a public report. The IASB may consider making minor amendments to the IFRS or preparing an agenda proposal for a broader revision of the IFRS. There is no presumption that a PIR will lead to any changes to an IFRS. The IASB may also continue informal consultations throughout the implementation of the IFRS or the amendment to the IFRS. The IASB may recommend to the DPOC that the IASB should make changes to its procedures, such as how effects of the IFRS are assessed or additional steps that should be taken during the development of an IFRS.

- 6.63. The IASB must report regularly to the DPOC during the period of a PIR and must inform the DPOC when it has completed its review and provide the DPOC with a draft of the report. When the DPOC is satisfied that the IASB has completed the review satisfactorily, the report can be finalised.

7. Interpretations

- 7.1. Interpretations are developed by the Interpretations Committee but, because they are part of IFRSs, they must be ratified by the IASB, which is the issuing body.
- 7.2. Three members of the IASB usually attend meetings of the Interpretations Committee. In addition, a report of each meeting of the Interpretations Committee is presented to the IASB at one of its public meetings.

Draft Interpretation

- 7.3. Publication of a draft Interpretation is a mandatory step in the due process before a new Interpretation can be issued.
- 7.4. A draft Interpretation sets out a specific proposal in the form of a proposed Interpretation and is therefore generally set out in the same way as, and has all of the components of, an Interpretation. The main difference is that the Basis for Conclusions is written to explain the Interpretations Committee's rationale for the proposal, rather than a draft of the rationale for the final Interpretation.
- 7.5. A draft Interpretation is the Interpretations Committee's main vehicle for consulting the public and therefore includes an invitation to comment, setting out the issues that have been identified as being of particular significance. Although it is normally included with the ballot draft, it is not necessary for the Interpretations Committee to ballot the invitation to comment.

Developing a draft Interpretation

- 7.6. The development of a draft Interpretation takes place in public meetings. The technical staff prepare papers about the matters being addressed for the Interpretations Committee to consider.
- 7.7. When the Interpretations Committee has reached general agreement on the technical matters, the technical staff present a paper to the IASB summarising the steps that have been taken in developing the proposals and recommending a comment period for the draft Interpretation.

- 7.8. Interpretations must not change or conflict with IFRSs or the *Conceptual Framework*. If the Interpretations Committee concludes that the requirements of an IFRS differ from the *Conceptual Framework*, it obtains direction from the IASB before developing the Interpretation further.
- 7.9. If the Interpretations Committee is satisfied that it has addressed all of these matters it votes to see whether there is general agreement that the staff should prepare the draft Interpretation for balloting. General agreement is reached when no more than four members have voted against the proposal. Because Interpretations are developed on the basis of the Interpretations Committee reaching general agreement on the particular matter, a draft Interpretation does not include any dissenting views. However, the invitation to comment and the Basis for Conclusions will identify any areas where some members hold strong views opposing the draft Interpretation.
- 7.10. IASB members receive ballot drafts of the draft Interpretation. If four or more IASB members object to the release of the draft Interpretation during the balloting process, the draft Interpretation is not released. If a draft Interpretation is not released because of IASB members' objections, the IASB must decide whether the draft Interpretation should be published with amendments, whether the matter should be referred back to the Interpretations Committee, whether it should be added to the IASB's own agenda or if there should be no further action.
- 7.11. The IASB and the Interpretations Committee usually allow a minimum period of 90 days for comment on a draft Interpretation. If the matter is narrow in scope and urgent the IASB may consider a comment period of no less than 30 days, but it will set a period of less than 90 days only after consulting and obtaining approval from the DPOC.

Publication

- 7.12. Before the Interpretations Committee issues a draft Interpretation the technical staff decide what communications material should be developed to accompany the release. All draft Interpretations must be accompanied by a press release. It is also normal for the IASB to announce publication of a draft Interpretation using email alerts.
- 7.13. All draft Interpretations are freely available on the IFRS Foundation website.

Consideration of comments received

- 7.14. After the comment period ends, the Interpretations Committee reviews the comment letters received.
- 7.15. The development of an Interpretation is carried out during Interpretations Committee meetings, when committee members consider the comments received on the draft interpretation and decide whether to proceed with the project.
- 7.16. When the Interpretations Committee considers it has reached general agreement on the technical matters in the Interpretation, the technical staff present a paper to the IASB summarising the steps that have been taken in developing the Interpretation and assessing whether the proposals can be finalised or if it should be re-exposed.
- 7.17. In considering whether there is a need for re-exposure, the Interpretations Committee applies the same criteria as set out for the IASB in paragraph 6.25. If the Interpretations Committee decides that re-exposure is necessary, the due process to be followed is the same as for the first draft Interpretation, with a minimum comment period determined in accordance with paragraph 7.11.

Finalising an Interpretation

- 7.18. An Interpretation includes:
- (a) a summary of the accounting issues identified;
 - (b) the agreement reached on the appropriate accounting;
 - (c) references to relevant IFRSs, parts of the *Conceptual Framework* and other pronouncements that have been drawn upon to support the agreement; and
 - (d) the effective date and transitional provisions.
- 7.19. The reasons for the Interpretation are set out in a Basis for Conclusions. Members of the Interpretations Committee cannot dissent from an Interpretation. However, when the Interpretation is sent to the IASB for ratification, the technical staff paper accompanying the request for ratification should identify how many Interpretations Committee members objected to the Interpretation and their reasons for doing so.

Effective date and transition

- 7.20. As with any change to IFRSs, an Interpretation has an effective date and transitional provisions. The mandatory effective date is set so that jurisdictions have sufficient time to incorporate the new requirements into their legal systems and those applying IFRSs have sufficient time to prepare for the new requirements. Interpretations generally address matters of a narrower scope than a major amendment to an IFRS so the time necessary for those applying IFRSs to prepare for the new requirements is also likely to be shorter.
- 7.21. The Interpretations Committee also considers the effect of the transitional provisions on first-time adopters of IFRSs, including the interaction of the transitional provisions with those of IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Agreement and ratification by the IASB

- 7.22. The Interpretations Committee votes to confirm the final Interpretation. General agreement is achieved when no more than four members have voted against the proposal.
- 7.23. When the Interpretations Committee has reached general agreement on the wording of an Interpretation, it is submitted to the IASB for ratification. Ratification of an Interpretation takes place in a public meeting of the IASB and requires a supermajority, the same level of support by IASB members as is required for a new or amended IFRS.
- 7.24. IASB members may dissent from the ratification of an Interpretation. The fact that one or more IASB members dissented is stated in the approvals section of the Interpretation along with their reasons for doing so.
- 7.25. The IASB votes on the Interpretation as submitted by the Interpretations Committee. If an Interpretation is not approved by the IASB, the IASB provides the Interpretations Committee with reasons for the objection. On the basis of these reasons, the IASB will decide whether the matter should be referred back to the Interpretations Committee, whether it should be added to its own agenda or if no further action should be taken. The IASB may make editorial changes to the Interpretation or change the effective date, but it should inform the Interpretations Committee of any changes it makes.
- 7.26. Ratified Interpretations are issued by the IASB.

Publication

- 7.27. Before the IASB issues an Interpretation the IFRS Foundation staff decide what communications material should be developed to accompany the release. All draft Interpretations must be accompanied by a press release. It is also normal for the IASB to announce publication of an Interpretation using email alerts.

8. Protocol for Trustee action for perceived breaches of due process

- 8.1. Any alleged breaches of due process will be considered within the context of the DPOC's continuous review of the IASB's due process. Alleged breaches could be raised by external parties (including media reports), internal parties, the DPOC or other Trustees. All parties are encouraged to raise any concerns as soon as they perceive that an alleged breach of due process has occurred.
- 8.2. The DPOC will consider the alleged breach and the evidence provided by the complainant, IFRS Foundation staff and the IASB. The alleged breach will also be assessed in the light of the reporting measures set out in this handbook.
- 8.3. Complaints to the DPOC are made by using the procedures set out on the DPOC's web pages of the IFRS Foundation website. Each complaint, together with the name and contact details of the complainant, is posted on the DPOC web pages.
- 8.4. The Director for Trustee Activities is responsible for ensuring that the DPOC receives a report from the appropriate technical staff in response to the complaint. This report is posted on the DPOC pages and is then considered by the DPOC at one of its meetings at which the Chair and/or the Vice-Chair of the IASB are present. The DPOC may request additional information from the Director for Trustee Activities before finalising a response. The response of the DPOC, usually in the form of a letter to the complainant, is also posted on the DPOC web pages.
- 8.5. Although the IASB is required to adhere to these policies and to inform the DPOC of its actions, a limited failure does not render a pronouncement invalid. Retrospective steps can be taken to remedy such a situation if it arises and the DPOC may decide that no additional action is required if the

DPOC concludes that no harm has been done as a result of the breach. In this circumstance the DPOC will make public its conclusions and discussions in line with the reporting requirements set out in paragraph 2.15.

- 8.6. If the majority of the DPOC concludes that the IASB has breached its due process, the DPOC will request that the IASB take action to remedy the breach either within the current phase of the project to which the breach relates, or by taking some additional steps in a future phase of that project.
- 8.7. If the DPOC and IASB cannot resolve differences of opinion as to whether the due process has been breached, or cannot agree on the action to remedy a breach as identified in paragraph 8.6, the matter will be brought to the attention of the Trustees, who will then resolve it. The Trustees may need to convene a meeting to consider the matter. Such a meeting may be held by phone or video if a prompt response is required.
- 8.8. If a due process complaint relates to a project for which the IASB has yet to issue a new IFRS, or amendment to an IFRS, the IASB will not be permitted to complete that particular phase of the project until the discussion is heard. As stated in paragraph 8.5, a breach of due process does not invalidate a pronouncement issued by the IASB. Accordingly, if the matter relates to an IFRS or an amendment to an IFRS which has been issued by the IASB that pronouncement shall remain valid in all respects until the due process complaint has been addressed by the DPOC. In such cases the DPOC should address the complaint as expeditiously as possible, taking into consideration the effective date of the pronouncement.
- 8.9. The Director of Trustee Activities, in consultation with the DPOC Chair, will prepare a full brief for consideration by the Trustees. If the Trustees attending the meeting believe that the IASB is in breach of its due process, the IASB must do whatever the Trustees decide is necessary to be satisfied that due process is resumed.
- 8.10. The Trustees cannot raise technical accounting considerations as evidence of a breach of due process.

Glossary of terms

Annual Improvements: Narrow-scope or minor amendments to IFRSs or Interpretations that are packaged together and exposed in one document even though the amendments are unrelated.

Comment letter: A letter received by the IASB in response to a consultation document. All comment letters are made public and can be viewed on the IFRS Foundation website.

Consultative group: A group which the IASB or IFRS Interpretations Committee consults. Such groups provide the IASB with feedback based on research, experience or background, for example, in order to offer different perspectives on a given topic. Consultative groups have their membership reviewed and endorsed by the DPOC. For each new IFRS or major amendment, the IASB must consider whether it should establish a consultative group. If the IASB decides not to establish a consultative group it must explain its reasons in a public meeting.

Discussion paper: A paper issued by the IASB that presents the analysis and collective views of the IASB on a particular topic. The matters presented will have been discussed in public meetings of the IASB. Discussion papers are issued for public comment, the feedback from which informs the IASB and helps it to assess whether and how to develop a new or amended IFRS.

Draft for editorial review: A draft of a due-process document that the IASB and its staff use to gather drafting feedback. A draft for editorial review draft might be distributed to selected groups or be made available more generally on the IFRS Foundation website, or both. Reviewers are asked for feedback on whether the draft document is clear and reflects the technical decisions made by the IASB. A draft for editorial review draft does not include an invitation to comment because the purpose of such a review is not to question the technical decisions. A draft for editorial review draft is not a mandatory step.

Effect Analysis: A document published with a new or amended IFRS that summarises the IASB's assessment of the likely effect of the new requirements. The assessment of likely effects is undertaken as the new requirements are developed.

Exposure draft: A draft of a proposed IFRS, amendment to an IFRS or Interpretation. An exposure draft sets out a specific proposal and includes a draft Basis for Conclusions and, if relevant, dissenting views. An exposure draft is a mandatory due process step.

Fieldwork: Work conducted with interested parties to help the IASB assess the likely effects of a proposed IFRS. Fieldwork might include experimentally applying new proposals to individual transactions or contracts as if the proposed IFRS were already in effect, asking for feedback on the proposed wording of a particular proposal or assessing the extent of system changes that would be required if a proposed IFRS were implemented. Fieldwork also

includes gathering examples from practice to help the IASB gain a better understanding of industry practices and how proposed IFRSs could affect them.

IASB Update: A summary of decisions made at a public meeting of the IASB.

IFRIC Update: A summary of decisions made at a public meeting of the IFRS Interpretations Committee.

IFRS: Standards and Interpretations approved by the IASB, and International Accounting Standards (IASs) and SIC Interpretations that were issued under previous Constitutions. Interpretations are developed by the IFRS Interpretations Committee before being ratified and issued by the IASB. Interpretations are part of IFRSs and carry the same weight as an IFRS.

IFRS Advisory Council: An advisory body that provides a formal vehicle through which organisations and individuals with an interest in international financial reporting can participate. The participants have diverse geographical and functional backgrounds. The Advisory Council's objective is to give advice to the IASB on priorities, agenda decisions and on major standard-setting projects. The members of the Advisory Council are appointed by the Trustees.

Invitation to comment: A document that accompanies a discussion paper or exposure draft and sets out the matters on which the IASB is seeking feedback.

Post-implementation review (PIR): A review of an IFRS or major amendment to an IFRS. It is undertaken by the IASB.

Practice guidance: Non-mandatory guidance developed by the IASB, normally on a topic not addressed by an IFRS—such as guidance on Management Commentary.

Feedback Statement: A document that gives direct feedback to those who submitted comments on the exposure draft. It identifies the most significant matters raised in the comment process and explain how the IASB responded to those matters.

Public hearing: A meeting with interested organisations to listen to and exchange views on specific topics. Public hearings include round-table meetings and discussion forums.

Re-exposure: A formal request for comments on a revised version of an exposure draft.

Research paper: A paper issued by the IASB that was not developed by in public meetings, thereby distinguishing it from a discussion paper. Research papers may be prepared by the staff of the IASB or by one or more people seconded to the IASB with the purpose of developing the paper. Research papers may also be prepared by other standard-setters or bodies, normally at the request of the IASB. A research paper is not a mandatory due process step.

Request for Information: A formal consultation step that the IASB undertakes to receive feedback and information on a specific aspect of one of its projects. A Request for Information normally helps the IASB to prepare an exposure draft or finalise an IFRS. A request for information is not a mandatory due process step.

Simple majority: For the IASB, a simple majority is achieved when more than half of the IASB members vote in favour of a decision in a public meeting attended by at least 60 per cent of the IASB members or when more than half of the IASB members vote in favour of a issuing a document by way of ballot. Abstaining is equivalent to voting against a proposal.

Snapshot: A high-level and simplified summary of the main aspects of a discussion paper or exposure draft.

Supermajority: For the IASB, a supermajority is achieved when 9 members ballot in favour of the publication of a document if the IASB has 15, or fewer, appointed members, or 10 in favour if the IASB has 16 appointed members. Abstaining is equivalent to voting against a proposal.

Sweep issue: A matter identified during the balloting of a document that needs to be discussed by the IASB or the Interpretations Committee in a public meeting, to resolve a technical matter.

Appendix 1—History and approval

This appendix summarises the development of the IASB and Interpretations Committee Handbooks.

Although the appendix accompanies the IFRS Foundation Due Process Handbook, it is not an integral part of the handbook and may be updated from time to time by the IASB and its staff.

In establishing its consultative arrangements, the IASB originally drew upon and expanded the practices of national standard-setters and other regulatory bodies. The IASB sought to enhance its procedures in 2004 and proposed a series of steps to improve transparency. Those steps, after public consultation, were incorporated into practice.

In **March 2006** the Trustees published the *Due Process Handbook* for the first time.

In **October 2008** the Trustees added Appendix IV (Trustees' oversight role).

In **July 2009** the major changes made to the IFRS Foundation *Due Process Handbook* in 2009 were:

- The group tasked with regularly reviewing IASB procedures changed from the Trustees' Procedures Committee to the Trustees' Due Process Oversight Committee
- The sections describing Project Summaries and Feedback Statements were added
- The 'Cost/Benefit Analysis' section was renamed 'Impact Analysis'
- A section describing Post-implementation reviews was added and combined with segments of the previous section in its place referencing the initiation of studies post-publication.

In **December 2010**, as a consequence of the Trustees' second five-yearly review of the Constitution, the handbook was amended to:

- reflect the change of the name of the IASC Foundation to the IFRS Foundation,
- the International Financial Reporting Interpretations Committee (IFRIC) to the IFRS Interpretations Committee (Interpretations Committee) and
- the Standards Advisory Council (SAC) to the IFRS Advisory Council; and
- the objective of the IFRS Foundation was also added to the handbook. These changes were approved in December 2010.

In **February 2011** the Trustees:

- introduced a three-yearly public review of the IASB's technical work programme, in response to comments received during the second Constitution Review of the IFRS Foundation; and
- also added enhanced criteria for determining whether a matter could be exposed as part of the annual improvements process.

In **May 2012** the DPOC oversaw a major re-write of the due process handbooks of the IASB and Interpretations Committee to:

- combine the separate IASB and Interpretations Committee handbooks into one document. This reflects steps taken, as a consequence of a review of the Interpretations Committee, to have the IASB and its Interpretations Committee work more closely together. In addition, the new handbook incorporates the due process protocol developed by the DPOC. The DPOC also took the opportunity to redraft existing requirements in a more principled way and using plain English.
- describe the three-yearly public review of the IASB work programme. The handbook clarifies that the focus of the review is strategic and is not designed to add individual projects to the IASB's work programme. Instead, the focus is on seeking formal, public input on the strategic direction and balance of the IASB's work programme.
- reflect the changes to the DPOC in enhancing its role. The DPOC's responsibilities in overseeing the due process of the IASB and the Interpretations Committee are outlined. This section also describes the protocols for the action Trustees can take in the event of a perceived breach of due process.
- no longer refer to the liaison roles that the IASB had with individual standard-setters when it was first set up. The section is now broader and anticipates the likely steps the IASB will take to develop a more formal network of standard-setters and others.
- include a more extensive discussion of the process of assessing the likely effects of an IFRS. More importantly, the handbook reflects the fact that the IASB has begun the process of embedding this assessment throughout the development of an IFRS rather than simply having an assessment document at the end of the process.

The other more substantive changes are:

- A research programme is described, which will become the development base from which potential standards-level projects will be identified. The use of a Discussion Paper as the first external due process document has been moved into this research programme and would precede a proposal to add a major standards-level project to the IASB work programme. Previously, a Discussion Paper was required as a step after a project has been added to the standards-level programme.
- A new section has also been added that describes the oversight of the *Conceptual Framework* as a standing activity of the IASB.
- A new section on maintenance has been added, which formalises the practice the IASB and Interpretations Committee have been following for addressing matters that are narrow in scope. It clarifies that the more formal project proposal processes, such as prior consultation with the Advisory Council, were always intended to apply to new IFRSs and major amendments. The IASB has the discretion to initiate changes that are narrow in scope to IFRSs

as part of the general maintenance of IFRSs. The new section also explains how the activities of the IASB and its Interpretations Committee are closely related.

- The sections explaining post-implementation reviews have been expanded and now describe in more detail how the IASB expects to develop each review. This section includes an explanation of the related public consultation.
- Two changes have been made to comment periods. The first increased the minimum comment period for exposing the draft of a rejection of a request for an Interpretation request from 30 days to 60 days. This change responds to concerns that the Interpretations Committee is not receiving sufficient feedback on draft rejection notices. The other change relates to re-exposure of a document. The IASB can have a reduced comment period for documents it plans to re-expose. Some re-exposure documents are intended to focus on a narrow aspect of an exposure draft, rather than being a fundamentally different document. A minimum 120-day comment period may not be necessary in some cases and may lead to an undue delay in the publication of a final IFRS. A minimum comment period of 60 days would be permitted.

The redrafted handbook was also updated to reflect actual practice and includes expanded discussions of some matters that seem not to be well understood:

- References to observer notes have been replaced by a simple principle that all IASB papers are made available for observers. There is also a clearer basis for withholding material and an example of such an instance is provided.
- The IASB has used a Request for Information document to seek feedback on many topics, for example, the three-yearly agenda consultation and a targeted request for input on the practical implications and approach to impairment. The handbook explains the purpose of this type of consultation and the process for issuing such a request.
- The process for correcting typographical and other editorial errors is explained.
- The nature of technical votes in meetings has been explained, as well as how they relate to the ballot process. The balloting process is also set out, including the role of review drafts in this process. This section replaces the current references to fatal flaw reviews, and provides an explanation of the scope of such reviews.

- The nature and purpose of education sessions and small group sessions are explained, along with a description of the role of assigned IASB members.
- The purpose of staff papers is explained, including the relative responsibilities of IASB members and staff.
- The different types of consultative groups the IASB uses, such as working groups and expert advisory panels, are explained. This section also clarifies which types of meeting must be held in public and which groups have their membership ratified by the DPOC.
- The manner in which the IASB uses fieldwork to support the development of IFRSs (which the current handbook refers to as ‘field testing’ and ‘field visits’) is explained. Fieldwork can include components of field tests and field visits, but may also include other methods of collecting information to assess the feasibility and cost of a potential IFRS.
- The fact that IASB members may dissent from the ratification of an Interpretation. The dissent of an IASB member, along with their reasons, is published in the Approvals section of the Interpretation.
- The purpose of the Annual Improvements criteria is clarified as helping the IASB to decide whether it would be appropriate to expose several unrelated proposals to amend IFRSs in a single document rather than separately.

The draft Handbook was issued for public comment for 120 days. A summary of the comments received and how the IFRS Foundation responded to them in finalising this edition of the Due Process Handbook, is set out in a Feedback Statement which can be accessed at [insert web link].