

AGENDA PAPER

IFRS Advisory Council Meeting

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Agenda ref 7

TOPIC *Investment community engagement strategy – seeking input from the Advisory Council*

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This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council. The views expressed in this paper are those of the authors. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS.

Purpose of this session

1. We are seeking the views of the Advisory Council as part of the IASB's strategic review of its investment community engagement programme. Specifically, in this session we would like to discuss the following questions with you:

a. What do you think should be the objective(s) of the IASB's investment community engagement programme? Do you believe its current investor-related engagement activities meet those objectives? Do you think the IASB should focus on speaking to a specific type of user (eg asset managers, asset owners/institutional investors, retail investors, debt and equity analysts, credit ratings analysts, other)?

b. Do you have a clear understanding of the process undertaken by the Board and project teams to embed the views of the investment community into their decision-making?

c. The IASB strives to develop Standards that offer decision-useful information to the providers of capital. Do you believe the IASB places appropriate weight on the information needs of the investment community in its decision-making process?

d. Given the limitations on investors' time and priorities, do you think the IASB should be doing anything differently to incentivise and engage investors to provide us feedback on our work?

Background

2. The objective of (general purpose) financial reporting forms the foundation of the IASB's *Conceptual Framework for Financial Reporting* (the Conceptual Framework)¹. That objective is *to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity*².
3. The Conceptual Framework also defines the primary users of financial reporting. These are *existing and potential investors, lenders and other creditors [who] cannot require*

¹ OB1 of the Conceptual Framework.

² OB2 of the Conceptual Framework

*reporting entities to provide information directly to them and must rely on general purpose financial reports for much of the financial information they need.*³

4. The variety of investors that comprise the ‘primary user’ may result in varying priorities and needs when it comes to looking at financial reporting. If the Board is to write useful accounting standards it must therefore find a way to understand and meet the needs of these many individuals at the same time.⁴ To this end, the IASB has developed an investor engagement programme as part of its project outreach activities. The programme has made slow but significant progress over the last eight years. Its activities are documented in the dedicated section of the IASB’s website: <http://www.ifrs.org/Investor-resources/Pages/Investors-and-IFRS.aspx>.
5. When the programme commenced, investors and analysts rarely voiced their views. In contrast to companies and audit firms, they appeared unwilling to engage proactively with the Board. Recognising the need for more focus and resources, in 2010 the IASB appointed its first investment community engagement leader. Since 2010 the role and hence engagement with investors and other primary users has seen significant development, including an increase in the quality, breadth and depth of the Board’s outreach activities. There has been significant work done to increase the base of contacts within the investment community and to provide more of an investor focus to the messaging of the project teams.
6. The current investment community engagement leader (Barbara Davidson) took over the role in early 2013 and inherited a substantial pool of investment professional contacts prepared to talk to the IASB about reporting, as well as the enthusiasm of colleagues who recognize the importance of investor outreach. But with a fresh pair of eyes and past experience comes the desire to challenge – to identify opportunities to do things better, more strategically and more effectively.
7. As a result, in November 2013 the IASB engaged an independent consultant (Alison Thomas) to help conduct a strategic review of all elements in the IASB’s investment community engagement activities. The review includes interviews with significant stakeholders in the standard-setting process and an analysis of the current contacts database, training materials, staff development needs and project processes.

³ OB5 of the Conceptual Framework

⁴ OB9 of the Conceptual Framework.

8. The questions in this paper form part of the first step of this review. The next steps will include drafting a detailed strategy plan, performing a gap analysis, agreeing priorities, an implementation plan, and assessing resources.