

AGENDA PAPER

IFRS Advisory Council Meeting

LONDON 13-14 October 2014

Agenda ref 6

TOPIC *Investment community engagement strategy update*

PRESENTER Barbara Davidson

CONTACT bdavidson@ifrs.org

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Purpose of this session

1. In February 2014 the staff presented a paper to the Advisory Council which summarised the strategy review of our investment community engagement programme. We also asked the Advisory Council members to consider their views on various aspects of the investor engagement programme¹.
2. In this session we will update the Advisory Council on the activities that have been undertaken to begin implementing the investor engagement strategy.

Background

1. The objective of general purpose financial reporting 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 [emphasis added].
2. The IASB invites all to offer feedback on its published documents. However, investors, especially on the buy-side, rarely voice their views. In contrast to other stakeholders, they are often unwilling to or unsure of engaging with us. We have heard many reasons for this:
 - (a) they are not accountants and /or accounting is not their ‘day job’;
 - (b) they don’t receive support for engaging with us from senior management ; and
 - (c) concerns about voicing accounting views that may differ from clients’ views.

¹ AP7 *Investment community engagement strategy – seeking input from the Advisory Council*

² Excerpted from *The Conceptual Framework for Financial Reporting* paragraph OB2.

3. As a result, in late 2013 we commenced a review of our investment engagement programme with the aim of more effectively engaging with the investment community.

Implementation of strategy

1. Based on this review, we have decided to divide the investment community strategy and related implementation into three parts:
 - (a) identifying ways of more efficiently and effectively interacting with the investment community;
 - (b) developing a value proposition that we can offer to investors; and
 - (c) educating the technical staff and Board.

More efficient and effective interaction with the investment community

2. The investment community is diverse and decentralised. In addition, the IASB has a large number of investor contact names in its database. In the past, outreach to those names has been relatively ad hoc. There was no clear game plan in terms of who to approach on a given topic, or why. As a result, there was often a feeling of ‘recreating the wheel’ each time we began investor outreach activities on a different project. In response to this, we have developed a three-pronged approach to more efficiently and effectively interact with the investment community.

Direct relationship programme

3. We refer to the first approach as a ‘direct relationship programme’. The direct relationship programme is a ‘one-to-one’ stream that will target individuals or organisations whose participation in the standard-setting process is deemed important for due process, for input into a particular Standard or project, and/or whose visibility in the reporting debate offers unique insight. From our deliberations and consultations, we concluded that the focus of the one-to-one programme should be:
 - (a) the heaviest users of IFRS within the asset owner/manager community;
 - (b) the primary advisors to the major asset owners/managers; and
 - (c) leading voices in the reporting debate.
4. In order to determine the heaviest users of IFRS on the buy-side, we have used a customer relationship management database to identify top global asset managers based on non-US equity assets under management. We have used non-US equities under management as a proxy for identifying the population of users of IFRS financial statements. From there we identify whether the staff, Board members or Trustees have contacts in those

organisations. Once we have developed a way of contacting the organisation, we assign and then introduce Board Members to top level management (eg CIOs).

5. We have also been able to identify the primary advisors of such organisations through the same database, our own contacts, or desk research. Often we already have relationships with those advisors or their colleagues in previous outreach activities.
6. In order to identify the leading voices in the reporting debate, the head of the investor engagement programme has been participating in the regional stakeholder engagement meetings. Via discussions about current issues as well as identifying significant investors in the related jurisdictions, we have begun targeting key organisations and developing plans for developing and/or furthering our relationships. Again, this may include reaching out to our contacts for introductions. We have already begun meeting with some such investors to discuss their views and concerns.

‘One-to-many’ programme

7. The second approach is referred to as ‘one-to-many’ or open channel. As noted at the beginning of this paper, while the IASB invites all to offer feedback on its published documents, the response from investors to invitations to comment is minimal. The ambition of the ‘open channel’ or ‘one-to-many’ programme is to leverage a variety of dissemination channels to bring a broader base of investors into the standard-setting process in a resource-effective fashion.
8. We are implementing this approach in various ways, including:
 - (a) publication of a periodic investor newsletter—the *Investor Update* (with two issues to date);
 - (b) creating and posting investor education materials on our website (eg webcasts recorded in conjunction with the CFA Institute);
 - (c) increasing the frequency of Investor Perspectives articles;
 - (d) improving the look and content of our investor webpage (the Investor Centre); and
 - (e) creating an investor Twitter account where we tweet investor-relevant activities and articles.

Trusted third party channel

9. The final approach is referred to as a ‘trusted third party’ channel. The IASB already uses a number of third parties as it gathers input from the investment community. This includes investment organisations, which might conduct surveys or arrange round tables, local standard-setters, academics, and so on. Creating a trusted third party channel would ensure that the input sought is based upon an appropriate understanding of the topics

under review, is relevant to the IASB's outreach activities, and avoids undue bias in the selection of views canvassed or in the interpretation of opinions expressed.

10. We plan to place focus on this approach after the first two have become more systematic—likely towards the end of 2014/beginning of 2015.

Value proposition

11. Understanding that investors are inherently transaction based, we realised that we must develop a 'value proposition' to further engage the investment community. The proposed 'value proposition' recognises that outreach must be informative, relevant, and time and cost efficient. It also recognises that the IASB must give something back to the investment community if it wants to hold investors' attention and develop longer-term relationships. Similar to implementation of the investor strategy, we have also divided the value proposition into three parts.
12. The first two parts are the IASB's request from the investment community. The first includes taking a long-term, relationship management approach by developing relationships at multiple levels within an investor organization – starting with a 'tone at the top'. This would include:
 - (a) an annual meeting between a senior executive of the investment organisation (CIO or Research Director) and our Board members/Trustees;
 - (b) requesting that senior management at the organisation encourage analysts to work with the IASB (eg to understand how accounting requirements are changing, and to discuss the analysts' information needs); and
 - (c) the investment organisation leading the profession by encouraging greater participation in the reporting debate.
13. The second part of the value proposition is requesting a designated point of contact within the investment organisation to help the IASB efficiently disseminate information and organise outreach meetings (eg help identify the right analysts with whom to speak).
14. The third part is what the IASB can give back to the investment community. Specifically, this consists of an offer and a promise by the IASB to provide investor education to the organisation's analysts and portfolio managers, and at client meetings. Investor education could include:
 - (a) Web-based education materials (eg webcasts on new and current standards).
 - (b) One-to-one education sessions with analysts at the organisation –to discuss topics of their choosing or to provide them with updates on changes to Standards that could affect their work. Such education sessions could be tailored to specific sectors, jurisdictions, etc.

- (c) Providing access to IASB staff and Board members who are experts in specific accounting topics.

Staff and Board education

- 15. In 2013 we hired a former equities analyst to fill a new investor education role (Investor Education Manager). In addition to developing education materials for investors, the Investor Education Manager will also help educate the Board and staff on various areas. These include better understanding how the investment community uses financial information, producing outreach materials that are less accounting-focused and that instead contain more investor-relevant information, and the types of valuation methods and metrics that investors employ.
- 16. To implement this part of the strategy we have started holding staff training and development sessions about investors. The sessions are taught by either the Investor Education Manager or external investor contacts that are willing to share their work or views with the staff and answer the staff's questions. So far these sessions have included information about how the investment community works (buy-side versus sell-side), key metrics that may be used by the investment community in different sectors, as well as how individual investors consider various accounting results in their analysis.
- 17. The Investor Education Manager is also a good source of internal advice on how to deal with the investment community. He also helps the staff prepare for their investor meetings and shares information with them on a regular basis (eg research reports that are relevant to the various project teams).

Summary

- 18. As a result of the implementation work to date we have already seen positive changes in the reaction to our investment community engagement programme. Examples include:
 - (a) Positive feedback on our [investor newsletter](#). For example, we were contacted by—and have subsequently met with— senior level director of research who read our newsletter.
 - (b) Better engagement by Board members with buy-side investors in their outreach activities and engagement strategies.
 - (c) Better engagement by the staff. A few have approached the investor community engagement team with ideas on how they might contact investors they have met during outreach activities to keep them up to date on projects.

- (d) Very positive reaction to the ‘value proposition’ by significant asset management and owners as well as corporate governance groups. We believe this concept will continue to gain momentum and increase involvement of the buy-side in the standard-setting process.

Next steps

19. We will continue to implement the strategy as discussed above and bring specific issues to the Advisory Council members or to the Investor Subcommittee, as appropriate.

Question for the Advisory Council

Do Advisory Council members have any questions on the strategy implementation to date or any comments on activities the investor engagement team should consider in the future?