

MEETING REPORT

IFRS Advisory Council meeting

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TOPIC Chairman's report from the February 2016 Council meeting

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Report of the IFRS Advisory Council Chairman to the Trustees and the International Accounting Standards Board (the Board) on the February 2016 Advisory Council meeting

1. The Council met on 24 and 25 February 2016. The significant topics on the agenda were consideration of, and advice pertaining to:
 - Feedback received from the Request for Views on the Review of Structure and Effectiveness of the IFRS Foundation.
 - IFRS Foundation strategy and IFRS Foundation funding (each of these was held in closed session).
 - The future of corporate reporting.

In addition to the internal presenters, the Council welcomed presentations both from external parties with respect to the future of corporate reporting and from two Council members who shared with the Council the activities of their representative organisations in the arena of IFRS Standards.

2. The Council noted that there were some common themes to emerge from the meeting, namely:
 - Opportunities around communications, both from the Board and the IFRS Foundation as well as by members of the Council.
 - The future of corporate reporting and the role of financial reporting within it are becoming pervasive.
 - Clarity of language and the importance when drafting IFRS Standards and other documents to consider those for whom the English language is not their first language.
3. Members received an update from the IASB Chairman and staff members on recent Board activities. The Council watched the recently released educational video—*IFRS Standards, why do they matter?* Members were congratulatory about the video. The IASB Chairman noted the recent organisational changes bringing together implementation and education into one operational unit. Again, members were congratulatory about this initiative and felt that it reflected external needs well.

4. Members received an update from the Chairman of Trustees and Foundation staff on recent Trustee activities and in particular the Trustee meeting held in January.
5. The Council received, in a private session, a presentation on the IFRS Foundation Strategy approved by the Trustees at their January meeting. Members provided some feedback and also noted that more information would be made available publicly in the IFRS Foundation Annual Report.
6. The Council discussed, and provided advice in relation to, the strategy for Post-implementation Reviews (PIR). Members suggested that the primary objective of a PIR should be about whether application of the Standard is providing useful relevant information. Members supported the view that not every Standard would necessarily need a PIR and that an assessment should be made at a high level before a full PIR is implemented. Members were also generally of the view that the PIR regime was not the appropriate regime with which to review older Standards. Individual members also made a number of specific recommendations.
7. The Council received a presentation on the feedback received, and the Trustees' tentative decisions on, the Request for Views of the Review of Structure and Effectiveness of the IFRS Foundation. Members considered certain governance aspects of the feedback received, in break-out sessions. Key elements of the advice provided were:
 - An expression of caution about expanding the scope of the Board to include not-for-profit entities.
 - Both the Trustees and the Board should appoint the best people for the job and there should be clear criteria to determine the relevant factors. A level of flexibility around appointments should be retained.
 - The Council agreed that geographical diversity, particularly for the Trustees (less so for the Board) is an important criterion.
 - With respect to how to determine the geographical diversity for the Trustees there was:
 - significant support for increasing the members at large;
 - some support for combining the Americas into one geographical area; but
 - very little support for relating appointments to funding provided to the IFRS Foundation
 - There was very little support for increasing the size of the Board above the current membership of 14; 13 or 14 was suggested as being an appropriate number.
8. The Council had a closed session presentation and discussion on IFRS Foundation Funding. The Council noted that the understanding provided by the presentation was valuable and that it would be useful for Members to have access to an Aide-Memoire so that they could discuss elements of the Funding situation both within their member organisations and within their geographical regions. There were a number of specific pieces of advice provided by Members about potential opportunities for further 'commercial' funding that Members felt fitted in with the public interest nature of the IFRS Foundation.
9. On the subject of the future of Corporate Reporting, the Council received external presentations from the Federation of European Accountants (FEE) on their recent consultation documents, and the Financial Stability Board and the Carbon Tracker

Initiative on the implications of climate change on both financial reporting and wider corporate reporting. The Council discussed particular aspects of these presentations in break-out groups. The key messages from the Council were:

- Acknowledgment that we are at the beginning of a journey in relation to the future of corporate reporting and that there is wide support for the Board to become more engaged in this area of work. The Council noted the intention of the IFRS Foundation/Board to dedicate resource to this area.
- Members agreed that the ‘core and more’ approach considered in the FEE consultation document largely makes sense. However it was noted that more clarity is needed on both who defines ‘core’ and what it is defined as.
- The Council acknowledged that there is a significant question about how the area of Corporate Reporting can progress in a co-ordinated way, because there are currently so many different parties involved.
- There is no need for urgent action by the IFRS Foundation in relation to the matters raised on climate change. However, the Board should monitor developments in this area.

10. The Council received a high-level summary of the feedback received on the *Conceptual Framework* Exposure Draft. Members provided the following advice as to how this project could be progressed:
 - Suggestion that the Board should look to finalise the *Conceptual Framework* on a timely basis ,with some suggestions to complete it in stages.
 - Some suggested that the *Conceptual Framework* should be a living document (ie update it as needed in the future). However, others expressed the view that a *Conceptual Framework* that changes frequently would not provide clarity to the stakeholders.
 - Performance reporting and liabilities equity (FICE) projects are closely linked to the *Conceptual Framework*. Disclosure may help solve some issues on FICE.
 - Some suggestions about how to incorporate the notion of prudence.
 - Some suggestions for further research (for example, the use of other comprehensive income, measurement and the probability recognition criterion).
11. The Council received presentations from Members Vincent Papa (CFA Institute) and Lothar Weniger, supported by Hilary Eastman, (CRUF) about their respective member organisations and how they engaged with IFRS Standards.
12. In conjunction with the Council meeting, breakfast meetings were held with specific focusses on, respectively, investors and emerging markets.
13. Council members discussed in a private session a proposal to change the number of meetings a year to two.
14. I thank all those that were part of the meeting—Members, IASB members, Trustees and Foundation staff for their lively and passionate contribution. There is no doubt in my mind that the advice provided by the Council is of high quality and adds to the quality of the IFRS Foundation outcomes.