

# MEETING REPORT

IFRS® Advisory Council meeting

London 10 November 2016

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TOPIC Chair's report from the 31 October/1 November 2016 Advisory Council meeting

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## **Report of the IFRS Advisory Council Chairman to the Trustees of the IFRS Foundation and the International Accounting Standards Board (the Board) subsequent to the Advisory Council (the Council) meeting of 31 October and 1 November 2016**

1. The Council met on 31 October and 1 November 2016. The Council was pleased to have Trustees Michel Prada and Werner Brandt, and 7 Board members, in attendance at various times during the meeting as well as many of both the technical and operational IFRS Foundation staff.
2. At the beginning of the meeting the Members of Council noted the very sad sudden death of Wayne Upton. They also congratulated Sue Lloyd on her appointment as Vice Chair of the Board. The Members of Council also noted a comment from the Chairman that the meeting agenda was very supportive of the future theme of the Board – Better Communication.
3. The significant topics on the agenda were discussion and provision of advice in relation to:
  - The scope of the Primary Financial Statements Research Project;
  - Implementation support for the new Insurance Contracts Standard;
  - Key Performance Indicators for the IFRS Foundation; and
  - Any implications of Brexit for the IFRS Foundation.

A number of these discussions were held in private session.

4. Members of the Council received an update from the Chairman of the Board and staff members providing details of recent activities of both the Board and the IFRS Foundation, as well as an update on the progress on the strategic work plan for 2016. The Council received, in private session, a preview of the new IFRS website.
5. Members of the Council received an update from the Chairman of the Trustees on recent Trustee activities with the emphasis being placed on the recent Trustees meeting held in Delhi, India. . This included a brief summary of the outcomes of the Trustees' Review of Structure and Effectiveness and the proposed changes to the Constitution, which will be published later in the month.

6. Members of the Council considered in both plenary session and in breakout groups some key questions around the strategic direction of the Primary Financial Statements research project. By way of introduction the Chairman of the Board indicated that the project was not going to be an easy task, however that it was worthwhile and exciting. Members of Council were presented with the dilemmas facing the Board in relation to perceived conflicts between comparability and flexibility and alternative performance measures. There were many thoughts from Members of the Council emanating from the breakout groups. The general consensus of advice from the Members of the Council was:
- a. There is a tension between flexibility and comparability;
  - b. There is support for the Board to provide more of an anchor in relation to the format of, and sub totals within, the statement of financial performance although the Members of Council emphasised that any guidance should not be too prescriptive;
  - c. The Board should be cautious around the development of templates as well as around providing any prescriptive guidance concerning recurring and non recurring items;
  - d. The Board cannot ignore Alternative Performance Measures (APM's); although the Members of Council acknowledged that they are not necessarily the direct responsibility of the Board – except to the extent of providing more guidance around subtotals; and
  - e. The Board should consider working more with Securities Regulators in relation to APM's and should keep a watching brief of further developments in this area.
7. Members of the Council provided advice to the Board in relation to the ways to support the implementation of the new Insurance Contracts Standard. The key messages were:
- a. The use of a transition resource group is appropriate; however there needs to be a clearly defined scope, with the key topics to discuss being determined early and emphasis that the purpose of the transition resource group is for education purposes and not to advocate any changes to the standard. It needs to take account of different audiences, actuaries, local legislation, regulators;
  - b. All of the available tools for implementation support should be used. Members of Council also made suggestions that consideration should be given as to how the new web site could be used to assist; for example through collaborative engagement;
  - c. Ensure that the Board collaborates with others providing guidance; whether global or local; and
  - d. A detailed implementation plan should be developed and published at the same time as the Standard itself.
8. In private session the Members of Council considered and provided advice in relation to potential key performance indicators that could be used by the IFRS Foundation to monitor certain aspects of its strategic work plan, focussing in particular on measures of effectiveness rather than efficiency. There were many suggestions made and IFRS

Foundation staff acknowledged that these would be very helpful in finalising the key performance indicators for the 2017 strategic work plan currently being finalised. In particular, there were consistent messages that the Foundation should focus on the quality of the standard setting process and outreach, and that stakeholder surveys would be a valuable tool for assessing trends in external perceptions of the Foundation's work. The Chairman of the Board noted that it will be important to keep the key performance indicators simple and focussed.

9. Anne Simpson, as a member of the Council, shared with the Council relevant activities of the Council of Institutional Investors (CII), the body that Anne represents on the Council. Of particular relevance, and subject to discussion, was a draft policy from the CII in relation to the CII support for US and other standard-setting bodies.
10. In private session the Members of Council considered and provided advice around the implications of Britain leaving the EU. The Members of Council reported back a number of observations; however in substance supported the staff paper that although there is a lot of uncertainty there are no immediate matters that the IFRS Foundation needs to address. It needs to continue to deliver on its vision. The Members of Council in particular agreed that the predominant concern is to reassure staff around the uncertainties.
11. In conjunction with the Council meeting, breakfast meetings were held with specific focuses on, respectively, investors and emerging markets.
12. Members of Council acknowledged the contribution of, and thanked, those members who complete their terms at the end of this year.
13. I thank all those that were part of the meeting—Council members, Board members, Trustees and the Foundation staff for their lively and discerning contributions.