

Summary of the conclusions of the IFRS Foundation Trustees' meeting

October 2016 Delhi

1. Introduction

The latest meeting of the Trustees of the IFRS Foundation, chaired by Michel Prada, was held in Delhi on 12-14 October 2016.

2. Report of the Trustees' Executive session

The Trustees addressed a number of issues at this meeting.

2.1 Feedback on the Constitutional review

The Trustees reviewed responses to the Exposure Draft *IFRS Foundation Review of Structure and Effectiveness: Amendments to the Constitution* that was published in June 2016. This had set out a number of proposed changes to the Constitution that had been discussed at the Trustees' meeting in May 2016.

The Trustees' conclusions on the 10 Proposals in the ED were as follows

Proposal 1: Geographical distribution of the Trustees

The Trustees noted comments about the proposals to combine North and South America into a single 'Americas' category composed of six Trustees, where respondents noted that the proposal might lead to reduced representation for South America. They also commented on a lack of clarity in the criteria for appointing 'at-large' Trustees. The Trustees concluded that the points raised about the Americas category had been acknowledged in the ED and that there would be no reduction in representation for South America. They agreed to go ahead with the proposal, but asked the staff to refine the guidelines for the appointment of 'at-large' Trustees.

Proposal 2: Professional background of Trustees

The Trustees noted broad support for removing the explicit requirement that normally two Trustees should be senior partners of prominent international accounting firms. They agreed to confirm the proposed amendment but also agreed that this was an opportunity to ensure a balanced and broad range of professional backgrounds on the Board of Trustees. The Trustees agreed that it would be helpful to have senior representatives on the Board of Trustees from the international audit networks, securities market regulators, firms representing investors, preparers, users, academics and officials serving the public interest. It was also agreed that future Trustee appointments should continue to have regard to the need to move towards greater gender equality.

Proposal 3: Remuneration of Trustees

There was broad support for the proposal to amend the basis of annual remuneration for Trustees (from an annual fee plus fee per meeting to a flat annual fee), and it was agreed to implement the change.

Proposal 4: Focus and frequency of reviews of structure and effectiveness of the IFRS Foundation

There was support for the proposal to initiate reviews five years after the last review ended. Some respondents suggested that this could mean up to seven years between the start points of reviews, but the Trustees noted that reviews could start earlier if felt to be appropriate and so agreed to implement the change.

Proposal 5: Size of the International Accounting Standards Board (the Board)

Respondents generally supported the proposal that the Board should be reduced in size. However there was a range of views on the optimum size, with some respondents concerned about the degree of flexibility and discretion inherent in the proposal that the Board should have 13 members with the ability to increase to 14 where appropriate.

The Trustees discussed this and agreed that the Board should have 14 members allocated 4 from each of Europe, Asia-Oceania, and the Americas; 1 from Africa; and 1 'at-large' Board member.

Proposal 6: Professional background of the Board

There was general support for the proposal to make minor amendments to the descriptions of appropriate background and experience for Board members and to include market and financial regulators. The Trustees agreed that the Board should have a balance of professional backgrounds and that no one group should be dominant and approved the proposals.

Proposal 7: Geographical distribution of the Board

Respondents on this issue made similar comments to those made on the geographical distribution of the Trustees proposal (see 1 above). However, given the Trustees' agreement on the size and allocation of the Board described under proposal 5 noted above, there was consensus that most of the issues that had been raised had been appropriately dealt with. Accordingly, the Trustees did not propose further changes on this issue.

Proposal 8: Terms of reappointment of the Board

Respondents were broadly supportive of the proposal to have Board members' second terms normally limited to three years but with flexibility to extend to five years. However, some noted that there was no guidance for the Trustees on the circumstances in which they might offer an extended second term. The Trustees agreed to introduce the second term as proposed, but asked the staff to develop criteria to guide the determination of the appropriate length of the second term.

Proposal 9: Voting requirements for the Board

Respondents suggested that the proposal to reduce the size of the Board could have the unintended consequence of increasing the voting ratio percentages (e.g. on a Board of 16 the supermajority of 10 needed to publish an IFRS an Interpretation or an Exposure Draft is 62.5%; on a Board of 14 the supermajority of 9 is 64.3%). The Trustees agreed that the voting ratio should be kept as close as possible to 60%, and so the majority for a Board of 13 should be set at 8 and for a Board of 14 at 9.

Proposal 10: Meetings of the IFRS Advisory Council

The majority of respondents supported the proposal to reduce the frequency of Council meetings from three to two a year. The Trustees approved the proposal and noted that it would be possible to hold more frequent meetings should the need arise.

Other issues

The Trustees approved some consequential amendments to the Constitution following the agreement to change the timing of the five-yearly strategy and structural reviews of the Foundation, and the extended time frame from three to five years between agenda consultations. They also noted points made by some respondents about the IFRS Interpretations Committee and were informed of the steps that the Board was taking to improve the efficiency of the process of responding to implementation questions and the staff efforts to increase wider awareness and understanding of this process. The Trustees noted that the draft Feedback Statement would be sent to the Monitoring Board for information.

2.2 Agenda Consultation

The Trustees were updated on the outcome of the Board's Agenda Consultation and discussed the near-final draft of the Feedback Statement on the 2015 Agenda Consultation.

They discussed the importance of ensuring that the Board had adequate resources to deliver on the work plan, and noted that the proposed reduced and focused research programme would help with this. They were reassured that there would be sufficient resources available to take on any additional emerging issues.

They also discussed the planned work on disclosures and Better Communication, and the importance of engaging with other stakeholders (including securities regulators) and initiatives on public disclosure.

In conclusion, the Trustees welcomed the Board's conclusions, which would be finalised by the Board at its next meeting.

2.3 Presentation on IFRS Standards in India

The Trustees received an interesting and informative presentation from the Institute of Chartered Accountants in India on the development of Indian Accounting Standards. This set out the work that had been done to review and substantially converge with IFRSs having regard to the needs of the Indian markets, and the small number of carve-outs that had been introduced. The presentation also explained the approach being taken to the long-term objective of full convergence. The Trustees noted and welcomed the rapid progress that had been made with this work and the intention of the Indian standard-setters to continue to work with the Foundation.

2.4 Other issues

The Trustees also discussed a number of other issues including the following

- Progress being made on developing the Foundation's new website.
- The implications for the Foundation of the United Kingdom's referendum on leaving the EU.
- The Foundation's intellectual property, covering both the approach taken in distributing copyright material in the EU and wider issues around protection and licensing.
- A report on fundraising activities in the USA.
- The work of the Foundation's Asia-Oceania office, where the significant increase in adoption of IFRSs in Japan was noted.
- Preparations for the Trustees' next meeting in Paris in January 2017.

2.5 Committee reports

The Trustees received reports from a number of Committees:

- The **Due Process Oversight Committee** met in public for the first time during the Delhi round of meetings¹. The Committee considered Due Process matters around technical activities; the Agenda Consultation; Effects Analysis; the review of Consultative Groups; reporting protocol; and the education initiative, and agreed that the requirements of the Due Process Handbook had been met in all cases. It also received a paper that benchmarked the Foundation's Due Process and transparency

¹ link here to the webcast

against a range of other global and national standard, and concluded that the Foundation had the highest standards in nearly all areas.

- The **Audit and Finance Committee** was updated on the Foundation's financial results for 2016 to date, which showed actual net operating income above budget. The Committee also reviewed the 2016 forecast and the 2017 draft budget and three year plan, as well as a financial update and the 2016-17 budget for the Asia Oceania office. They reviewed the 2017 funding risks and were updated on other current matters.
- The **Human Capital Committee** was updated on the Board evaluation process and proposals for the 2017 remuneration budget as well as receiving a report on staff metrics.
- The **Nominating Committee** progressed work on recruitment for Trustees and Board members and is aiming to conclude this round of appointments shortly. They also made progress on IFRS Interpretations Committee and Advisory Council appointments. Finally a recommendation for the IASB Vice-Chair role was agreed.

3. Report of the Chair of the IASB

Hans Hoogervorst, Chair of the IASB, provided the Trustees with an update on a number of the Board's technical activities.

3.1 Technical work overview

The Trustees were informed of the continuing work on

- a. The Insurance Contracts Standard, where the Board is currently reviewing a pre-ballot draft and conducting field-work on a working draft of the standard. The Board plans to issue the Standard in the first half of 2017; the precise timing will depend on feedback from the field work and the drafting process.
- b. The Conceptual Framework, where the Board sought input from the Accounting Standards Advisory Forum and the World Standard-Setters at their meetings in September. The Board hopes to complete its deliberations in 2016 and plans to issue a revised Conceptual Framework in 2017.
- c. The Disclosure Initiative, where the Board expects to publish a Discussion Paper on the Principles of Disclosure, and to issue the Materiality Practice Statement in 2017.

3.2 Agenda Consultation

As noted above the Trustees discussed the draft Feedback Statement on the Agenda consultation. Mr Hoogervorst outlined the four key conclusions from this process:

- Completion of the remaining major standard-setting projects should be a priority.
- There is support for a focus on Better Communication in financial reporting.

- Support for continued focus on implementation support.
- The research programme should be more focussed.

3.3 IFRS 9 *Financial Instruments* Endorsement

The Trustees were informed that following the Accounting Regulatory Committee's vote in favour of endorsing IFRS 9, the European Parliament had raised no objection and so IFRS 9 would now be endorsed in Europe. The Board issued amendments to IFRS 4 *Insurance Contracts* in September that took account of the effect on insurers of applying IFRS 9 before the new Insurance Contracts standard was finalised. Those amendments will now need to be endorsed as a separate process from IFRS 9.

3.4 Other issues

The Trustees also noted the Board's work on the engagement strategy and the growing focus on implementation activities.

4. Events in Delhi

The Trustees held a number of meetings with their counterparts in the Indian authorities and standard setters, including a very successful and interesting stakeholder event hosted by the Institute of Chartered Accountants of India (ICAI). In addition the staff participated in a technical webinar hosted by the ICAI. The Trustees expressed their thanks to the ICAI for their warm welcome to India and their kind hospitality.