

# MEETING REPORT

IFRS® Advisory Council meeting

London 9 June 2017

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TOPIC Chair's report from the 4-5 April 2017 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 4 and 5 April 2017**

1. The Council met on 4 and 5 April 2017. The Council was pleased to have Trustee Sir Callum McCarthy and 8 Board members in attendance at various times during the meeting as well as many of both the technical and operational IFRS Foundation staff.
2. The Council welcomed ten new members to its ranks.
3. The significant topics on the agenda were discussion and provision of advice in relation to :
  - (a) Financial Stability and the role of the IFRS Foundation;
  - (b) Plans for the Education Initiative;
  - (c) Developments in wider corporate reporting; and
  - (d) Communications plans and outreach strategy in relation to each of the Materiality Practice Statement and the Principles of Disclosure Discussion Paper.

The discussion on the Education Initiative was 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 information on the strategic work plan for 2017. The Council received, in private session, an update in relation to the new IFRS website.

5. Members of the Council received an update from Sir Callum McCarthy on Trustee activities with the emphasis being placed on the recent Trustees meeting held in Paris, France.
6. Members of the Council received a very informative presentation from, and held discussion with, Svein Andersen, the Secretary General of the Financial Stability Board. The presentation and discussion related both to a macroeconomic perspective of financial stability and specifically about the key role of financial reporting standards as a foundation of financial stability. Members of Council then considered in breakout groups some key questions around the role of the IFRS Foundation in financial stability.
7. The following were key themes to emerge from the plenary session:
  - (a) Financial reporting is the foundation for a range of other regulatory tools; hence the accounting cannot be flawed;
  - (b) The Financial Stability Board is a strong supporter of the work on both IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*;
  - (c) Without extra disclosures financial reporting is not enough from a regulatory perspective; and
  - (d) If new financial reporting requirements lead to more volatility than previously seen then it is the responsibility of the prudential regulators to both recognise and deal with this.
8. The following were key themes to emerge from the break-out sessions:
  - (a) There was broad support for a role of the IFRS Foundation in financial stability; however with the proviso that financial stability is a byproduct of financial reporting and not the main objective.
  - (b) An acknowledgment that transparency is important and that nothing is transparent unless it is explained. In addition an encouragement for the Board to consider ensuring that message around transparency is communicated.
  - (c) A suggestion to consider the role of the IFRS Foundation in financial stability alongside other projects such as wider corporate reporting and the disclosure initiative.
9. In a private session Members of the Council considered, in both plenary session and breakout groups, selected plans for the Education Initiative. Although there were

divergent views on the detail, there was broad agreement from Members on the themes for the Education Initiative. The following key aspects of advice were provided:

- (a) There needs to be an acknowledgement of different education requirements in different jurisdictions.
- (b) The IFRS Foundation should focus resources on areas where it can make a real difference. In particular there was broad support for the IFRS Foundation taking a role in education at a governance level.
- (c) Consider providing more clarity about what is meant by education and the weight of authority of different outputs from the IFRS Foundation.

10. Developments within the IFRS Foundation in wider corporate reporting were discussed by Members of Council. In particular the Council were informed of the IFRS Foundation research progress to date on the topic as well as the recommendations made to the Board at its March meeting. Members of Council provided advice as follows:

- (a) An acknowledgement that wider corporate reporting is becoming more important and that there is a role for the Board; although that role is not yet clear. Broad support and encouragement for the Board to both undertake further research to obtain more information and to work with another body to consider further the role that the Board can play.
- (b) The Board should not be writing its own integrated reporting standards.
- (c) Support for further research before considering revising the Management Commentary Practice Statement.

11. The communications strategy for the Materiality Practice Statement was discussed by Members of Council. Advice provided included that the Board should be cognisant of:

- (a) The timing of the release in relation to company year-ends;
- (b) The significant extent to which financial statements are likely to require revision as a result of the Statement;
- (c) Considering the communications strategy as a promotion and marketing exercise;
- (d) Engaging with audit committees and Non-Executive Directors as an education strategy; and

- (e) Engaging with regulators to assist in the understanding of the practical changes likely to be made to financial statements.
12. Members of Council also discussed the outreach strategy for the Principles of Disclosures Discussion Paper. There was encouragement for the Board to consider doing the outreach in conjunction with the Materiality Practice Statement communications.
13. Roxana Damianov, as a member of the Council, supported by Michael Komarek shared with the Council relevant activities around the adoption of the IFRS Taxonomy by ESMA, the body that Roxana represents on the Council. Of particular relevance, and subject to discussion, was the dichotomy between extensions and standardisation of the taxonomy and principles based standards.
14. Goro Kumagai, Vice Chair of the Council, provided an update on the progress of the IFRS Foundation Asia Oceania office.
15. The Members of Council considered and provided advice on communications around implementation support activities.
16. In private session IFRS Foundation commercial arrangements and royalties were considered by Council Members.
17. In conjunction with the Council meeting, breakfast meetings were held with specific focuses on, respectively, investors and emerging markets.
18. The Council noted the significant progress made by the IFRS Foundation in developing the key infrastructure and measurement tools to give the required support for the development of high quality financial reporting standards.
19. The Council noted that this was the last meeting of the IFRS Advisory Council that Aida Vatrenjak would take the lead role of organisation of the Council and IFRS Foundation liaison; and thanked her for her enormous contribution to the significant progress the Council has made during her tenure in providing valuable strategic advice
20. 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.