

# AGENDA PAPER



IFRS® Advisory Council

London      October 2017

Agenda Paper 4

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Update on Trustee Activities

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At the Advisory Council meeting, Sir Callum McCarthy and Richard Thorpe will give an update on the Trustees' activities in the last six months and provide a look forward to the November meeting of the Trustees.

For background information, the published minutes of the last meeting of the Trustees and the most recent report of the Due Process Oversight Committee are included below.

## Minutes of the Trustees' Meeting

### 1. Introduction

The IFRS Foundation (Foundation) Trustees met in Tokyo 23–24 May 2017. Michel Prada chaired the meeting.

### 2. Report of the Trustees' executive session

#### 2.1 Strategic Work Plan 2017

The Trustees received a report on the Foundation's progress on the work plan.

Trustees discussed:

- the SEC's recent announcement that foreign private issuers would be required to file electronic reports using the IFRS Taxonomy. It was agreed that this was an important development, and noted that the SEC and ESMA were cooperating on implementation of the Taxonomy.
- the Memorandum of Understanding with the World Bank, published on 12 May 2017. The MOU represents a strategic opportunity for enhanced cooperation between the two organisations, and will help the Foundation to support the needs of smaller developing economies.
- other operational and strategic considerations about funding and about the Foundation's intellectual property.

The report also highlighted:

- progress on the Foundation's engagement strategy with investors;

- progress on communicating how the Foundation responds to implementation and application questions about IFRS Standards and the work of the IFRS Interpretations Committee (see also item 3.3 below);
- educational activities; and
- updates on work promoting full adoption of IFRS Standards in some jurisdictions.

## 2.2 Financial stability and the role of accounting standards

As part of their work on wider strategy, the Trustees received a presentation on the interaction between IFRS Standards and financial stability. The presentation highlighted the importance of high-quality disclosures as mitigants for threats to stability.

## 2.3 The Foundation's location

The Trustees reaffirmed their view that the Foundation should remain in London in the short to medium-term and to reassess when the position in the UK is clearer. They also agreed that staff should continue to engage with UK authorities with a view to delivering the best outcome for the Foundation. The Trustees also agreed on a mechanism for providing support and advice to the staff on negotiations during the months when there are neither full Trustees meetings nor meetings of the Audit and Finance Committee.

## 2.4 Reputation review

The Trustees received a presentation on the Reputation Review, a survey commissioned from the company, Ebiquity. The survey sought views about the Foundation and its work from a range of senior stakeholders, via 50 telephone interviews and 58 online surveys. The results were positive, particularly when compared with other similar organisations. In discussion, the Trustees noted the importance of engaging with investors and other users of IFRS Standards. The Trustees agreed that the results of the survey should be published and that the staff should develop an action plan to respond to survey findings for consideration at their next meeting.

## 2.5 Other issues

The Trustees were updated on a number of issues including:

- progress on delivering the International Priorities Strategy and the venues for Trustee meetings in 2018 (which will be held in Hong Kong, London and Johannesburg);
- the work of the Asia Oceania Office; and
- a presentation on the Foundation's new website.

## 2.6 Committee reports

The Trustees received reports from a number of Committees (the Due Process Oversight Committee met in public and the report of the meeting is below).

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- The Executive Committee was updated on funding matters, the proposed office move, and staffing arrangements.
- The Audit and Finance Committee reviewed the April 2017 results against budget, which showed net income exceeded budget, largely because of timing issues at the beginning of the financial year (i.e. amounts are not received evenly over the course of the year) and exchange gains on contributions received. The Committee also received updates on the work of the Risk Group and the Hedging and Investment subcommittee. The Committee agreed the process for completing and submitting the US Form 990, which is required by the US Internal Revenue Service. The Committee discussed progress on the Foundation's objective of building an unrestricted fund balance to an amount greater than one year of operating expenditure. The Committee agreed that it would be appropriate to consider increasing the balance to allow for increased costs on key issues including the proposed office move and technology enhancements.
- The Human Capital Committee discussed the outcome of the 2017 remuneration review and the Investors in People accreditation report.

### 3. Report of the IASB Chair

Hans Hoogervorst, the chairman of the International Accounting Standards Board (Board) reported on its recent technical activities.

#### 3.1 Technical work overview

- The Board issued IFRS 17 *Insurance Contracts* on 18 May 2017. This is the first truly global insurance standard, developed to help investors and others to understand insurers' risk exposure, profitability and financial position (see paragraph 3.4). The Trustees discussed the work of supporting, endorsing and implementing the Standard as well as the importance of getting support from investors.
- Balloting is underway, and the Board is expected to issue the revised *Conceptual Framework for Financial Reporting* later in 2017.
- The Board published the Discussion Paper, *Disclosure Initiative - Principles of Disclosure* in March 2017 with a comment period open until October 2017, as a first step in its Better Communication in Financial Reporting initiative. The Board is also close to finalising a Materiality Practice Statement and publishing the Exposure

Draft Definition of Material Information. The Board also started technical discussions on the Primary Financial Statements project.

- The Board plans to publish a Discussion Paper on Financial Instruments with Characteristics of Equity later in the year.

### **3.2 Wider corporate reporting**

The Board is continuing to work on how to take a more active role in wider corporate reporting. Such work could involve a research project to investigate revising and updating the non-mandatory IFRS Practice Statement *Management Commentary*.

### **3.3 Supporting implementation**

The Trustees were updated on the work of the Board on supporting implementation of the Standards and in particular the steps being taken to improve communication of the work of the IFRS Interpretations Committee in dealing with implementation and application questions.

### **3.4 Update on IFRS 17 *Insurance Contracts***

Sue Lloyd, the Vice-Chair of the Board, presented on the issuance of IFRS 17 and the key communication messages. Trustees noted the importance of preparers making clear disclosures about the effect of the new standard during the period of transition to full implementation. They also noted the importance of engagement with investors.

## **4. Meeting with the Asian-Oceanian Standard Setters Group (AOSSG)**

The Trustees met with AOSSG to discuss mutual support and collaboration between the members of the AOSSG and the IFRS Foundation. The Trustees thanked the AOSSG members for their participation and reaffirmed their strong support for the AOSSG in their work.

## **5. Meetings in Tokyo**

The Trustees held a panel discussion and stakeholder event entitled *Constructive Dialogue between Preparers of Financial Statement and Investors* in conjunction with the Japanese Financial Accounting Standards Foundation and the Accounting Standards Board of Japan. The Deputy Prime Minister of Japan, Mr Taro Aso, delivered welcoming remarks, which focused on the ongoing work to develop the constructive dialogue between companies and investors in Japan — and how accounting standards contribute to this dialogue.

## **Report of the IFRS Foundation® Due Process Oversight Committee meeting May 2017**

This was the third meeting of the DPOC to be open to the public, and the recording of the meeting is available on the IFRS Foundation website. The key issues in the public session were as follows.

### **1. Update on technical activities**

The DPOC received an update on technical activities, and a report on the due process actions for International Accounting Standards Board (Board) projects. They noted in particular that the Exposure Draft for a narrow-scope amendment to IFRS 9 (Prepayment features with Negative Compensation), for which the DPOC approved a comment period of no less than 30 days at its January 2017 meeting, had been published in April. The DPOC confirmed the Board's decision not to publish a draft Interpretation that had been proposed by the IFRS Interpretations Committee to address modifications and exchanges of financial liabilities. The Board's rationale was that there is sufficient guidance in the Standard and, hence, that it was not necessary to issue an Interpretation. The DPOC noted that the Board's decision was consistent with the requirements in the *Due Process Handbook* [which specify that a draft Interpretation is not published if four or more Board members object to its publication].

The DPOC confirmed that it was satisfied that all projects are proceeding in a manner consistent with the requirements of the *Due Process Handbook*.

### **2. Implementation activities for the Insurance Contracts Standard**

The DPOC received a report on progress on the Board's planned implementation activities for IFRS 17 *Insurance Contracts* since the Committee's January meeting. They were updated on the plans for a transition resource group (TRG), which will provide a public forum that will support implementation of the Standard and inform the Board of emerging implementation questions. They noted that the TRG would be drawn from preparers and auditors who are involved in the process of implementing IFRS17, and that the group will be selected to provide a geographic spread of members and inclusion of members that have access to a range of views. In discussion staff explained that it was not planned to include investors in the TRG

membership, as focus is on those involved in detailed implementation issues. However, it was acknowledged that investors are important stakeholders in the process of understanding and implementing the Standard, and staff confirmed that plans were underway to engage with them in parallel with the TRG work. DPOC members also emphasised the importance of TRG members having a role in leadership and influence over consistent implementation of the Standard.

The DPOC commended the work underway to develop an inclusive approach to promote consistent implementation.

### **3. Conceptual Framework project: due process ‘lifecycle’ review**

The DPOC received a presentation on the due process steps completed in the Conceptual Framework that demonstrated that the Board complied with the requirements of the *Due Process Handbook* through the work done to complete the project. The Committee noted the topics that had been particularly challenging and controversial, and the work the Board had done to consult and consider stakeholders’ views. The DPOC also noted the Board’s approach to providing feedback on key elements of the project, and the challenges of undertaking effects analyses on a project that did not directly affect Standards.

The DPOC commended the rigour of the papers and the approach taken by the Board and confirmed that:

- a) All necessary due process steps had been followed for developing the *Conceptual Framework* and *References to the Conceptual Framework*; and
- b) The Committee’s review of due process on the Conceptual Framework is now complete.

### **4. Correspondence**

It was confirmed that no correspondence requiring the DPOC’s attention had been received.

### **5. SME Implementation Group (SMEIG): proposed reappointments for second term**

The Chair explained that the DPOC had discussed and approved the proposed reappointment of SMEIG members in the Committee’s private session because the paper had included details of the proposed members. He indicated that the paper would be posted on the Foundation’s website with the papers for the meeting but with the names of the members omitted.