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**Trustees and DPOC Meeting Summary**

October 2018

**Trustees of the IFRS® Foundation**

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This paper reports on a meeting of the Trustees of the IFRS® Foundation, the oversight body of the International Accounting Standards Board (Board). The Trustees are responsible for governance of the IFRS Foundation and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*. Consequently, this paper does not reflect the views of the Board or any individual Board member. Board technical decisions are made in public and reported in the IASB *Update*. Comments on the application of IFRS Standards do not purport to set out acceptable or unacceptable application of IFRS Standards.

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## 1. Introduction

The IFRS Foundation (Foundation) Trustees met in Johannesburg on 16-18 October 2018. Michel Prada chaired the meeting. This was his last meeting as Chair of the Trustees, and the new Chair, Erkki Liikanen, also attended the meeting.

## 2. Report of the Trustees' executive session

### 2.1 Report of the Executive Director

The Trustees received a report from the Executive Director Lee White on activities since the last meeting. This updated Trustees on

- The successful premises move to Canary Wharf
- Improvements made to engagement with Trustees
- Feedback on recent meetings, notably of the Advisory Council and with Asia-Oceania Office
- Progress on agreements on licensing with the European Commission, the Indian Ministry of Corporate Affairs and Institute of Chartered Accountants of India and the major accounting firms

Trustees also received updates on the UK's planned exit from the European Union and on the EU Fitness Check on public corporate reporting.

### 2.2 Governance issues

The Trustees discussed and agreed two governance issues

- Trustees reviewed the responses to the Exposure Draft on proposed changes to the Foundation's *Constitution* to extend the Trustee Chair's term in office. They noted that most commentators had supported the proposal and approved the amendments to the *Constitution* to take effect from 1 December

together with the Feedback Statement that will be published with the revised *Constitution*.

- Trustees agreed proposed changes to membership of the Accounting Standards Advisory Forum (ASAF), with the new membership of the ASAF published [here](#).

### **2.3 Operations Analysis**

The Trustees received presentations on the Foundation's technology and future IT architecture and on resource planning and utilisation. They noted the staff's work on developing a three-year plan on IT architecture and agreed to discuss this further at their next meeting.

### **2.4 Future meetings**

Trustees confirmed that their next meeting would be in Kuala Lumpur in January 2019, with later meetings in Munich and New York.

### **2.5 Committee reports**

The Trustees received reports from Committees.

- The Audit and Finance Committee reviewed the August 2018 year to date results together with the forecast for the year to 31 December. They noted that these continued to show positive variances compared to budget. They also approved the 2018 audit timetable and the Letter of Engagement from the auditors Grant Thornton. They were updated on the costs of the premises move and on the Foundation's compliance with the General Data Protection Regulation requirements.
- The Human Capital Committee discussed human resource matters including proposals for the 2019 pay review.
- The Nominating Committee discussed appointments that are in progress.
- The Education and Content Services Committee discussed strategy and objectives for its future work
- The Due Process Oversight Committee met in public and a summary of the meeting is attached. A recording of the meeting is available on the Foundation's website – <https://www.ifrs.org/groups/due-process-oversight-committee/#meetings>.

## **3. Report of the IASB Chair**

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

### 3.1 Technical work overview

- The Board published in June the Discussion Paper *Financial Instruments with Characteristics of Equity* on how companies issuing financial instruments should classify them in their financial statements.
- The Board has concluded its analysis of the topics in the Principles of Disclosure project and will develop non-mandatory guidance and examples to help entities make more effective judgements about which accounting policies should be disclosed in the financial statements. Separately, the Board is also exploring ways to improve how it develops and drafts disclosure guidance through its targeted Standards level review.
- The Board is continuing work on its Goodwill and Impairment research project and is exploring improvements to disclosures, simplification of the accounting for goodwill, and improvements to the calculation of value in use.
- The Board has continued its discussions on the Primary Financial Statements project and has decided to progress the project from the Research Programme to the Standards-level Programme.
- The Board decided in June to add a project to its research programme to explore the possible effects on financial reporting of interbank offered rate (IBOR) reform. The objective is to monitor developments and determine whether there are any implications for existing accounting requirements where the Board might want to take actions. It was noted that the Board is aware that some aspects of this project may be time critical.

### 3.2 IFRS 17 Insurance Contracts

The Trustees were updated on the work of the Board on supporting implementation of IFRS 17 *Insurance Contracts*. They were also briefed on feedback from stakeholders around the world, including comments raised by the European Financial Reporting Advisory Group (EFRAG) that, in the view of the EFRAG Board, merit further consideration by the Board and may affect its draft endorsement advice to the European Commission. The issues identified from stakeholders would be discussed by the Board in its October meeting.

## 4. Meetings in Johannesburg

The Trustees held a very successful stakeholder discussion and dinner entitled *The future of financial reporting: an African perspective*. This was co-hosted by the South African Department of Trade and Industry and the Financial Reporting Standards Council and included opening and closing remarks by Professor Wiseman Nkuhlu, Trustee of the IFRS Foundation, and a keynote speech by Professor Mervyn King, Emeritus Chairman of the International Integrated Reporting Council.

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

*October 2018*

This meeting of the DPOC was open to the public, and the recording 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 the activities of the International Accounting Standards Board (Board) and the IFRS Interpretations Committee (Committee) for the period May to September 2018. There were no issues in the report where the DPOC was required to confirm that due process had been followed. (See Item 2 below regarding the Post Implementation Review of IFRS 13.)

The DPOC noted that the Board had approved the due process undertaken to date on two narrow-scope projects during the period (on the definition of 'material' in IAS 1 and IAS 8 (final amendment), and on assessing whether a contract is onerous in IAS 37 (exposure draft). They were also updated on the Board's decision to add a project to its research programme to explore the possible effects on financial reporting of interbank offered rate (IBOR) reform; the decision to move the Primary Financial Statements project from the research programme onto the standard-setting programme; and the decision not to establish a specific project consultative group for that project but to rely on existing consultative groups. The DPOC was updated on the support for implementation of IFRS 17 that is being provided by the Transition Resource Group, other developments in connection with the implementation of IFRS 17 and the discussions planned for the October Board meeting at which the Board would consider criteria for evaluating possible amendments to IFRS 17 in light of the concerns and implementation challenges raised by stakeholders.

### **2. Review of the Post Implementation Review of IFRS 13**

The DPOC received a presentation on the due process undertaken in the Post Implementation Review (PIR) of IFRS 13 *Fair Value Measurement*. They noted that the *Due Process Handbook (Handbook)* requires the Board to provide the DPOC with a draft of the PIR report, which refers to the due process steps taken, before it is issued in final form.

The DPOC discussed the timing and scope of the PIR, the steps that had been taken by the Board in conducting the review and the staff's view that the due process requirements had been met. The DPOC confirmed that, based on the materials provided, all necessary due process steps had been followed and, subject to the Board completing its review, the Project Summary and Feedback Statement could be finalised.

### 3. Review of activities and functions of Advisory Groups

The DPOC received and discussed the technical staff's annual review of the Board's consultative groups, as required by the *Handbook*. The DPOC noted that two Groups would be disbanded—the Education Advisory Group and the Transition Resource Group for Impairment of Financial Instruments—on the basis that they have completed their mandate. The DPOC also noted the staff's view that the other Groups were functioning well, and that this view was based on an assessment of the quality of the input received by the Board and staff. The DPOC suggested that it might be worthwhile to consider whether more objective performance indicators could be developed to support future reviews.

### 4. Reporting Protocol: Annual General Report

The DPOC received and noted the report for the year to 30 September 2018 as required by the *Handbook* on comment letters, availability of papers to observers, and the Board's dialogue with securities and other regulators.

### 5. Education material – due process

The DPOC received and noted the annual report on the review of education materials developed by the Foundation to support the implementation and application of IFRS Standards.

The DPOC agreed that on the basis of the information provided in the paper, the materials had received the appropriate review as specified in paragraph 6.44 of the *Handbook*.

### 6. Due Process Handbook review

The DPOC noted the staff's timetable and proposed content for the review of the *Handbook* that built on the DPOC's discussion in its June meeting. The DPOC then discussed a series of papers on the key policy areas, and agreed the proposals for papers to be brought to the January 2019 DPOC meeting, as follows:

(i) Agenda Decisions: Supporting consistent application

The DPOC discussed a proposal that the *Handbook* should be amended to provide the Board with a due process tool that would be subject to a similar process as Committee Agenda Decisions. This would also involve updating the terminology in the *Handbook* and developing a more appropriate term to replace 'rejection notice' for both Committee and Board actions.

The DPOC noted that the IFRS Advisory Council had supported the proposal but had suggested that it should be used sparingly and with care. DPOC members expressed the importance of the proposal not becoming a source of conflict between the Board and the Committee, and staff affirmed that this was not the intention and was extremely unlikely. It was agreed that giving the Board the ability to publish Agenda Decisions would enhance the Board's ability to support the consistent application of IFRS Standards.

The DPOC agreed that staff should develop proposed text to amend the *Handbook* for consideration at the next meeting.

(ii) Adding projects to the Board's Work Plan

The DPOC discussed a proposal to amend the consultation required by paragraph 5.6 of the *Handbook* to require the Board to consult before formally adding a major project to its Work Plan (either the research or standard-setting programme) that was not contemplated in an Agenda Consultation; and to clarify that the consultation required with 'accounting standard-setting bodies' is achieved through consulting the Accounting Standards Advisory Forum, which consists of both national standard setters and regional bodies. It was noted that the intent of the proposal was not to reduce the input the Board is required to seek or receives but rather to improve the effectiveness and efficiency of the consultation.

The DPOC agreed that staff should develop proposed text to amend the *Handbook* for consideration at the next meeting.

(iii) Effects Analysis

The DPOC discussed a proposal for amendments to the *Handbook* to reflect developments to the Board's process on effects analysis, the recommendations of the Effects Analysis Consultative Group (EACG) and the feedback received from the Advisory Council in February 2018. DPOC members discussed the focus of effects analysis as set out by the EACG and were reassured that the Board's practice is to have regard to wider issues than the effect on general purpose financial statements (e.g. including the effect on financial stability and long-term investment). They also noted that the Advisory Council had recommended that the *Handbook* should be more explicit about the use of effects analysis throughout the standard-setting process, including the ex-post analysis through the PIR process. The proposal also reflects the importance of proportionality in the effects analysis process. The DPOC discussed the risk that the Board's approach to effects analysis could be confused with the impact assessment methodology that is used by many regulators and emphasised the importance of clearly articulating the scope and purpose of effects analysis in the *Handbook*.

The DPOC agreed with the need to amend the *Handbook* in this area and the direction of travel set out in the paper, and asked staff to develop a more detailed proposal for the next meeting, including text to amend the *Handbook*.

(iv) IFRS Taxonomy – Due Process

The DPOC discussed proposals about the due process requirements and DPOC oversight of the IFRS Taxonomy. They agreed that the Taxonomy element of the *Handbook* should continue to be a separate annex, but that the *Handbook* should be amended in three areas: first, to clarify the approval and review process associated with the issuance of IFRS Taxonomy due process documents; second, to specify the DPOC's oversight of IFRS Taxonomy content that refers to IFRS Standards; and third, to include in the introduction an explanatory paragraph about the annex.

Staff will develop drafting proposals for the next DPOC meeting.

(v) Protocol for Trustee action for perceived breaches of due process

The DPOC discussed a paper that proposed clarificatory amendments to the *Handbook* to address circumstances in which complaints about perceived breaches of due process are made anonymously. The DPOC concluded that the *Handbook* had provided sufficient guidance on dealing with an anonymous complaint that was received in 2017, and that there was no need to propose an amendment.

**Correspondence**

It was noted that no correspondence had been received for the DPOC's attention.