Advisory Council Advice
Review of the past 18 months
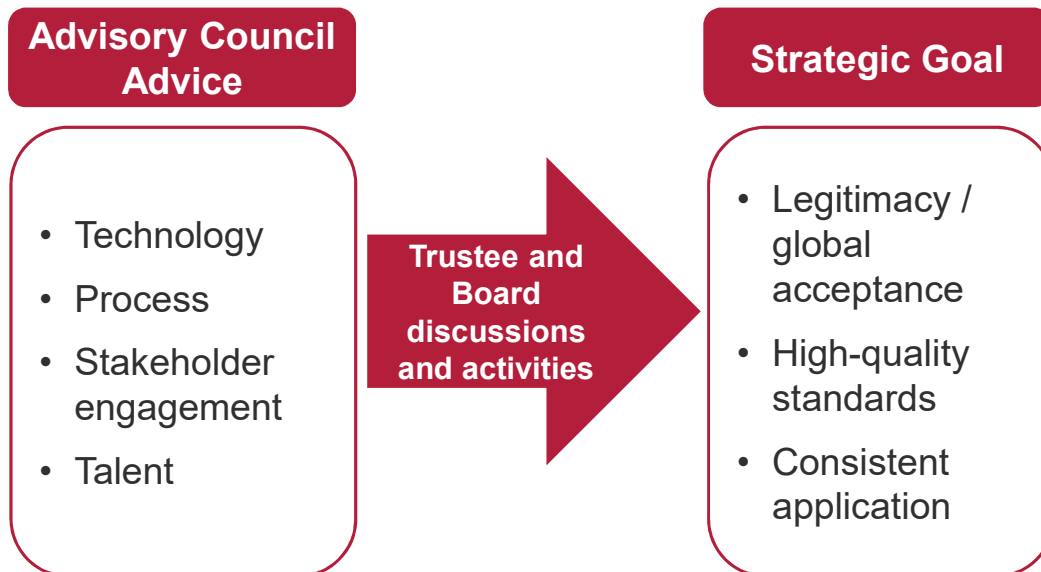
IFRS

Linking Advisory Council advice and IFRS Foundation strategic goals

Advisory Council Advice

- Technology
- Process
- Stakeholder engagement
- Talent

Trustee and Board discussions and activities

Strategic Goal

- Legitimacy / global acceptance
- High-quality standards
- Consistent application

Strategic advice, by its nature, can take time to implement. It can take even longer for the effect of this advice to manifest itself.

As such, the purpose of this session is to look back on progress over the last 18 months (that is, the feedback from the October 2017, March 2018 and September 2018 meetings) and review where we stand.

Feedback over this time period involved one of four areas: technology, process, stakeholder engagement and talent. This slide shows how Advisory Council advice in these four areas link to the IFRS Foundation's strategic goals, through its connection to Trustee and Board discussions and activities.
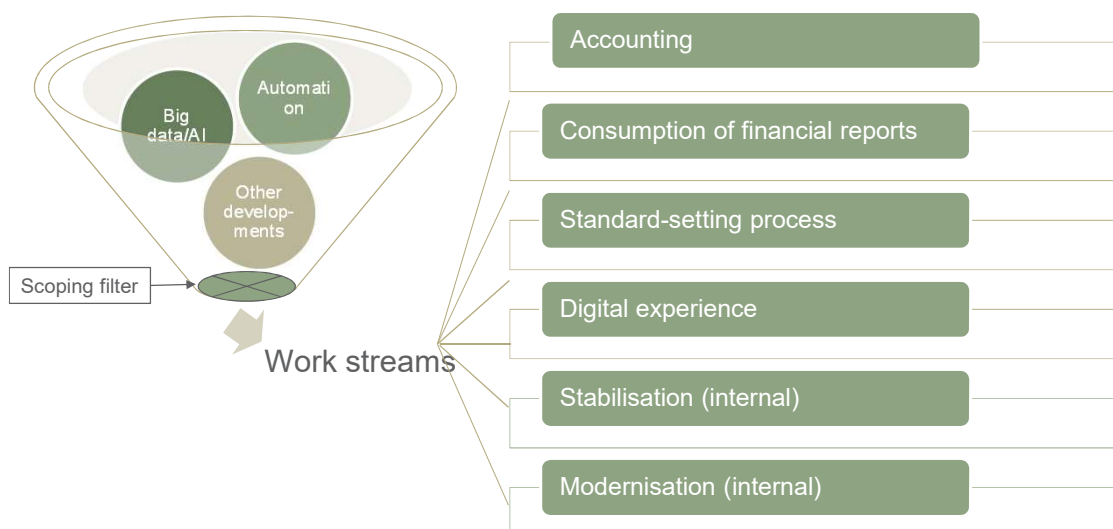
Technology

Technology

Advisory Council Advice Excerpts from October 2017 Minutes	IFRS Foundation Activities
Tsunami of technological changes will impact accounting, corporate reporting and the IFRS Foundation	
Clear, future role exists for some form of financial reporting and for some form of principles-based accounting standards and, therefore, the IFRS Foundation	• Executive Director and Executive Technical Director are champions
Stakeholders will need to deal with unstructured data and with judgments being made in a real-time environment	• Workstreams identified; next steps being defined (see slide 5)
Identify a champion in a leadership position	• IFRS Taxonomy strategy discussed in September 2018 (see slide 6)
Consider technology throughout the organisation, including internal processes and external communications	
Include on future Advisory Council agendas	

The Council received a very informative presentation from, and held a discussion with, Antony Jenkins (Founder and Executive Chair, 10X Future Technologies) on the effect of technology on the future of accounting, corporate reporting and the IFRS Foundation. Members of Council then considered in breakout groups some key questions around the effect of technology. Your advice and our efforts are presented on this slide.

**Technology landscape
Implications for the IFRS Foundation**

5

Accounting

Consumption of financial reports

Standard-setting process

Digital experience

Stabilisation (internal)

Modernisation (internal)

Scoping filter

Work streams

Big data/AI

Automation

Other developments

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This slide captures the different technology-related workstreams affecting the IFRS Foundation:

- **accounting**: accounting-related questions, such as how to account for crypto-assets, are considered through the Interpretations Committee and the Board's long-standing processes.

- **consumption of financial reports**: this workstream considers how technological developments will change the way information is consumed. Will those changes affect our ongoing development of the IFRS Taxonomy, which enables digital consumption of financial information? See slide 6 for further discussion of the IFRS Taxonomy.

- **standard-setting process**: this workstream considers whether the way in which we write Standards needs to change as more and more users consume financial reports digitally and the constraints of paper-based reporting are removed? It also considers how technology can make the standard-setting process more efficient, for example in data analysis. While this workstream has yet to begin in earnest, some staff have begun experimenting with new technologies to improve financial statement analysis.

- **digital experience**: this workstream focuses on determining how advances in technology that enable improved interaction with external stakeholders can be used to help the Foundation more effectively achieve its mission. For example, our flagship conference has historically been an in-person event. This year, at our London

conference in June, we are considering small-scale experiments to engage virtual attendees at certain sessions and facilitate in-person networking and participation through a conference app. This workstream was discussed at the January 2019 Trustees meeting.

- **stabilisation:** this workstream covers upgrades and improvements to existing infrastructure and applications under the most significant risk and which are required to run day to day activities. This workstream was discussed at the January 2019 Trustees meeting.

- **modernisation:** Based on existing risks and with assessment of the needs of relevant teams, this workstream focuses on modernising our internal core applications and existing public applications such that the Foundation can efficiently meet our day-today business needs in the medium and long term. This workstream was discussed at the January 2019 Trustees meeting.

As slide 5 depicts, technology affects the IFRS Foundation in several ways. One consideration is the effect of technology of the consumption of financial reports. The role of the IFRS Taxonomy is integral to this consideration.

At the September 2018 meeting, members discussed the role of the IFRS Foundation in supporting high-quality electronic financial reporting and its consumption and, in particular, the IFRS Taxonomy. Your advice and our efforts are presented on this slide.
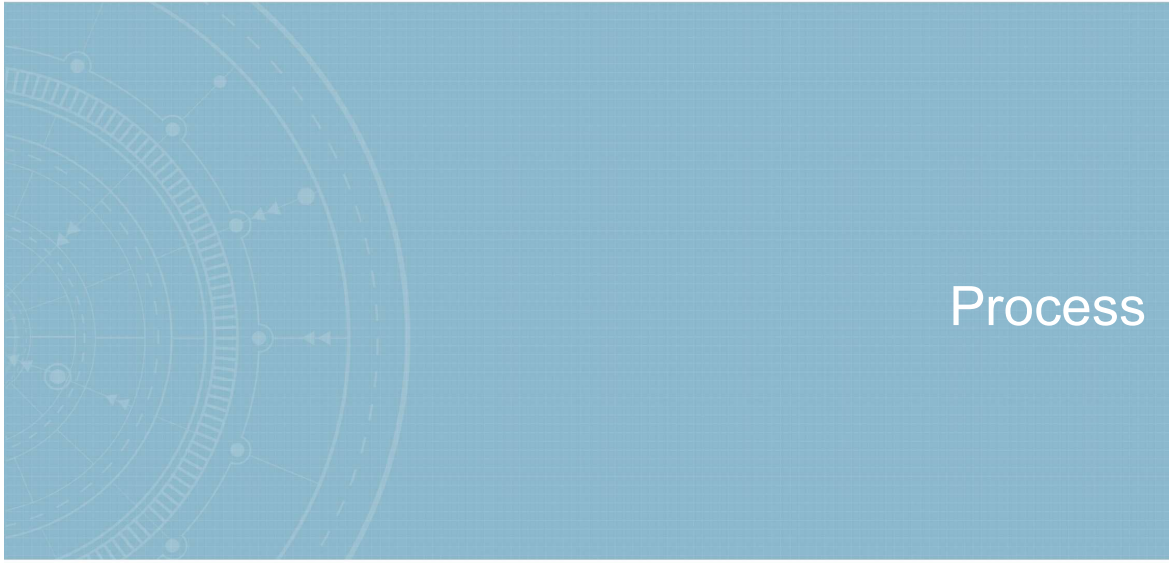
Process

IFRS

Perceptions about Timeliness

Advisory Council Advice Excerpts from September 2018 Minutes	IFRS Foundation Activities

• Better communication is seen as the key to reducing the perception of timeliness issues.
• Quality trumps timeliness in standard setting.
• Timeliness is not necessarily seen as an issue in reality.
• There is, however, a need to both recognise and address the perception of a lack of timeliness.
• Flexibility (and nimbleness) of approach for different projects and different stakeholders may assist in reducing perceived timeliness issues.
	• Continued improvements in project and process management to:
	  • Improve communications
	  • Improve deadline estimates
	  • Improve timeliness, where possible

In September 2018, the Advisory Council discussed concerns arising from the 2017 Reputation Survey about timeliness.

The staff presented different ways of defining 'timeliness', such as (a) the achievement of target dates, (b) the length of the process and (c) response times in addressing requests. The staff also presented on key components of due process and stakeholder engagement, which contribute significantly to the credibility of the IFRS Foundation, but also involve time.

Members discussed what 'timeliness' means and the appropriate balance between timeliness on the one hand and due process and stakeholder engagement on the other. Your advice and our efforts are presented on this slide.

Comment Letters – Process and Impact of Technology

Advisory Council Advice Excerpts from September 2018 Minutes	IFRS Foundation Activities
• The Board was encouraged to be flexible and creative about how best to obtain feedback, without reducing either the quality of feedback or the comprehensiveness of stakeholder engagement. The Advisory Council noted that one size does not necessarily fit all. In particular, Council members suggested that the Board consider having a wide range of tools to seek feedback so the Board can get appropriate feedback and engagement for each type of stakeholder. • The Board ensures that it provides clarity about what it is seeking in the way of feedback.	• This feedback has been provided to the Board and Trustees. • The staff plans to further progress these recommendations in the future.

At the September 2018 meeting, the Advisory Council discussed ways to improve the effectiveness of feedback received on consultative documents (such as Discussion Papers and Exposure Drafts), to ensure broad representation and high-quality, transparent and more timely feedback. Members also discussed whether technology could support these goals.

Due Process Handbook Review

| Advisory Council Advice
Excerpts from September 2018 Minutes	IFRS Foundation Activities
The possible utilisation of agenda decisions by the Board in addition to their use by the Interpretations Committee to support the consistent application of IFRS Standards.

The Advisory Council members advised the Trustees and Board to ensure that:
• there is a clearly articulated rationale for the proposal.
• there are appropriate safeguards and clear criteria about the use of such a tool to avoid proliferation of Board agenda decisions.
• any perception that the proposal blurs the line between the work of the Board and the role of Interpretations Committee is managed.

The majority of the members of the Advisory Council supported the Board having such an additional tool in its tool box, with the right safeguards, although there was a significant minority who did not support it. | • Discussed with Trustees' Due Process Oversight Committee (DPOC) in October 2018.
• Proposal to be incorporated in Due Process Handbook Exposure Draft, expected to be issued in Q2 2019.
• Proposal emphasises that Board Agenda Decisions will not supplant Interpretations Committee's existing processes and are expected to be published only in rare circumstances. |

The Trustees' DPOC is in the process of reviewing and updating the Due Process Handbook. As part of this review, the staff asked for feedback on the following matters:

- The possible utilisation of agenda decisions by the Board, in addition to their use by the Interpretations Committee, to support the consistent application of IFRS Standards. (See slide 10)
- The current requirement in the Due Process Handbook for the Board to consult on the addition of a project to its standard-setting agenda in between its formal agenda consultations. (See slide 11)
- Potential improvements to the effectiveness of our Effects Analysis process, including scope, timing, content and methodology. (See slide 12)

Due Process Handbook Review

Advisory Council Advice Excerpts from September 2018 Minutes	IFRS Foundation Activities
<u>Current requirement in the Due Process Handbook for the Board to consult on the addition of a project to its standard-setting agenda between its formal agenda consultations</u>. The discussion was focused on moving an item from the research agenda to the standard-setting agenda, using the example of the Primary Financial Statements project. Advisory Council members were clear that they did not want to reduce the level of consultation. They also thought that if timeliness was an issue, then there were ways to be consulted other than at the biannual meeting of the Advisory Council. The Advisory Council encouraged the Due Process Handbook review to focus on both the clarity and flexibility of how to meet the current requirement.	• Discussed with DPOC in October 2018. • Plan to propose in Due Process Handbook Exposure Draft that Board be required to consult before formally adding a major project to its Work Plan if that project was not subject to consultation in the previous Agenda Consultation. • This would apply whether the project is to be added initially to either the research or standard-setting programme. • The intent is not to reduce the input the Board is required to seek or receives but rather to improve the effectiveness and efficiency of the consultation.

Effects Analysis

Advisory Council Advice Excerpts from February 2018 Minutes	IFRS Foundation Activities
• Maintenance of flexibility of approach is important; being proportionate and scalable depending on the project. The approach adopted is actively determined at the beginning of the project. • The Effects Analysis process is explicitly embedded throughout a project. • The Effects Analysis content remains narrower, rather than wider. However–specifically acknowledge in the Effects Analysis that it cannot be divorced from wider implications. • Quantitative numbers are often very hard to determine. Assumptions made to be disclosed. • The scope of post-implementation reviews to include a post-effects analysis. • A statement by the Board to clarify the differences between the basis for conclusions, the effects analysis and the post-implementation review.	• Discussed with DPOC in October 2018 and January 2019. • Incorporated in Due Process Handbook Exposure Draft, expected to be issued in Q2 2019.

Stakeholder Engagement

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Conference Strategy

Advisory Council Advice Excerpts from February 2018 Minutes	IFRS Foundation Activities

• What is key, is, to start with:
  • the objective (for example education, stakeholder concern, networking or brand enhancement)
  • with whom (for example types of stakeholder or jurisdiction) and then
  • identify a strategy and the right tools to achieve the objectives.
• This may, or may not, include a conference.
• Conferences are simply a tool to support the Foundation achieving its goals
• Conferences may not be the best vehicle for educational objectives; however, they may be suited to help achieve the objectives of stakeholder engagement and/or brand enhancement. Alternatively, a keynote speech at a non-IFRS conference may also achieve these same objectives more economically.
• Physical presence in a jurisdiction from the Foundation is likely to be a relevant strategy/activity.
• Cost v benefit analysis is an important consideration in determining any appropriate strategies.
	• With the Advisory Council's advice, the questions of objectives and tools are foremost in our minds as we consider our historical practices.
	• There are a number of objectives that conferences effectively support (eg, brand enhancement, relationship building, outreach and education). As such, we will still hold our flagship conference in June 2019 in London.
	• We are considering small-scale experiments to engage virtual attendees at certain sessions and facilitate in-person networking and participation through a conference app, as a low cost way to support many of the same above objectives, but on a wider scale.

At the February 2018 meeting, the Advisory Council discussed the IFRS Foundation conference strategy. In particular, members discussed the objective of conferences, how those objectives should be prioritised and whether there may be better ways to achieve those objectives. Your advice and our efforts are presented on this slide.

Academic Engagement Strategy

Advisory Council Advice Excerpts from February 2018 Minutes	IFRS Foundation Activities

• Key priority within academic liaison strategy is research
• Shared strategic ideas for making research more effective (eg, include earlier in process)
• Consider the public acknowledgement and recognition of their work that is needed by academic researchers
	• Feedback incorporated into updated academic strategy, effective in 2019, with a focus on research
	• Communication of Board's research needs to stimulate more research evidence
	  • Improved internal processes to identify research needs on a more timely basis
	  • Communication through academic conferences
	  • Communication on website
	• More focus in providing recognition of academic research on website, at conferences and in Board papers

In February 2018, the Advisory Council discussed a draft strategy for engagement with academics. Members discussed the draft academic strategies and their priority:
- Improving Board and staff awareness and understanding of academic research relevant to the Board's standard-setting activities.
- Encouraging academics to engage in research that is relevant to the Board's standard-setting activities, and to communicate that research evidence to us.
- Supporting academics teaching IFRS Standards (outside the scope of this discussion)
- Engaging with academics so they are supportive of IFRS Standards
- Communicating the Board's academic activities

Members also discussed possible engagement activities including:
- Research forums, conferences and programmes
- Calls for academic literature review and specific research
- Participation in academic committees and advisory groups
- Newsletter
- Academic advisory group
- Adding academics on staff

Your advice and our efforts are presented on this slide.

ASAF and Social Media Strategy

Advisory Council Advice Excerpts from February 2018 Minutes	IFRS Foundation Activities

ASAF
• Divided views on incorporation of ASAF into Constitution
• Unsupportive of consultation with ASAF as a mandatory due process step
	• Discussed with Trustees in June 2018. See Feedback Statement.
	  • Trustees decided not to amend *Constitution* to incorporate ASAF.
	  • Trustees decided not to include consultation with ASAF as a mandatory due process step.

Social media strategy • Supported engagement on social media • Initial strategy includes 'push' only, rather than two-way social media debate	• We are not using social media as a two-way dialogue • We continue to build presence on key platforms and use these as a means of pushing our information to as wide an audience as possible.

In February 2018, the Advisory Council received an update on the 2018 ASAF Review, which is currently in progress. Staff specifically asked for member views on two key matters:

• Should the ASAF be formally incorporated into the IFRS Foundation's Constitution?
• Should consultation with ASAF be a mandatory due process step in the Due Process Handbook?

At that meeting, the Advisory Council also debated the IFRS Foundation's social media strategy.

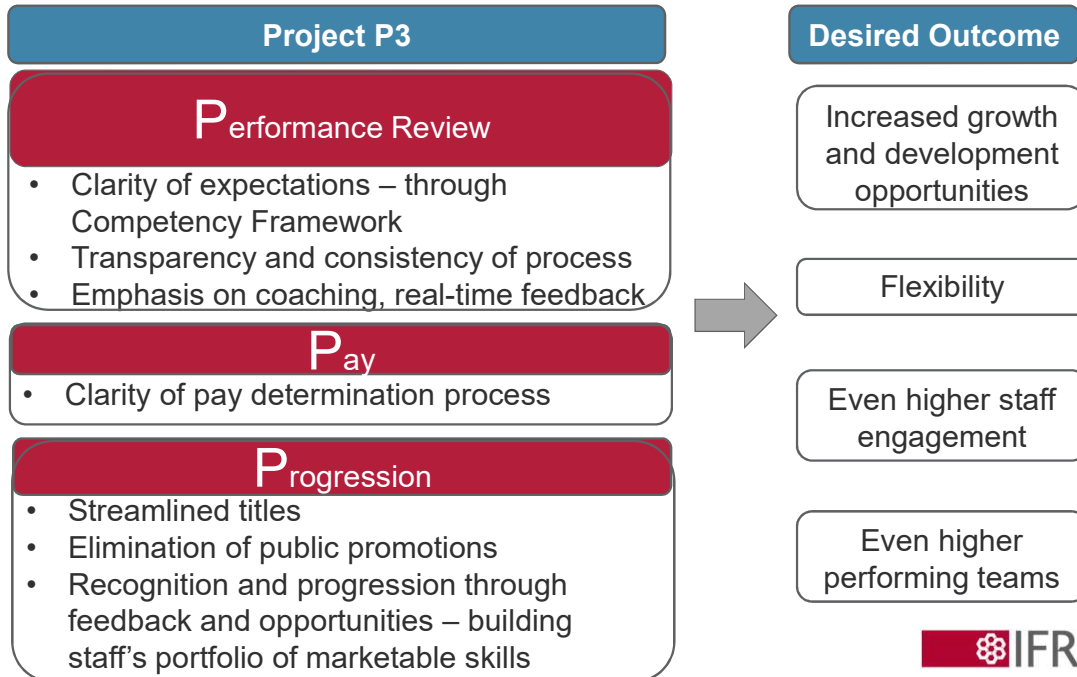Your advice and our efforts are presented on this slide.

Talent

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Talent

Advisory Council Advice Excerpts from September 2018 Minutes	IFRS Foundation Activities

Advisory Council members provided many rich and varied insights for the IFRS Foundation to consider around the following themes, seen as common strategic trends in the attraction and retention of talent:
 	
• the social purpose of the organisation and its direct impact on the individual;
• the need to be a learning organisation;
• flexibility;
• the breadth and depth of required skill sets;
• diversity and inclusiveness; and
• the consideration of continuous, real time, feedback on performance.
	• Discussed with Trustees in January 2019.
	• IFRS Foundation's mission has a clear social purpose. Staff also initiate efforts to contribute to charitable causes.
	• Executive Director and Executive Technical Director have increased emphasis on professional development through flexible teams, real-time feedback, enhanced communication of work opportunities and increased training.
	   • This is expected to further develop breadth and depth of skill sets, which will facilitate further team flexibility and staff development.
	   • It is also expected to support 'cognitive diversity' through broader staff experiences, as well as greater self-awareness (eg, unconscious bias training).
	• Technical leadership also launched 'Project P3' in October 2018 (see slide 19).

In September 2018, the Advisory Council discussed strategic trends on the future of talent and how organisations remain relevant. The Advisory Council identified common strategic trends in the attraction and retention of talent, which is discussed on this slide, along with our recent efforts.

Objectives of Project P3

Project P3	Desired Outcome

Performance Review

- Clarity of expectations – through Competency Framework
- Transparency and consistency of process
- Emphasis on coaching, real-time feedback

Pay

- Clarity of pay determination process

Progression

- Streamlined titles
- Elimination of public promotions
- Recognition and progression through feedback and opportunities – building staff's portfolio of marketable skills

Increased growth and development opportunities

Flexibility

Even higher staff engagement

Even higher performing teams

IFRS