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**IFRS® Advisory Council meeting – Agenda Paper 5****Trustees and DPOC Meeting Summary**

March 2019

**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 Kuala Lumpur for the first time on 30-31 January 2019. The meeting was chaired for the first time by the new Chair, Erkki Liikanen, and three new trustees (Dr Suresh P Kana, Kasuyuki Masu, and Sarah J. Al Suhaimi) all attended their first 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:

- Engagement with the European Commission since the last Trustees meeting. Trustees noted the keynote speech that Erkki Liikanen had made in November to the European Commission Conference;
- Engagement with the Monitoring Board and Deputies since the last Trustees meeting;
- Continuing improvements to engagement with Trustees and analysis of the monthly dashboard of key performance indicators;
- The results and successful outcome of the first Foundation staff engagement survey, which was conducted in November; and
- Progress on agreements on licensing with the major accounting firms.

Trustees also received an update on the risk to the Foundation of the UK's planned exit from the European Union.

## **2.2 Strategy review**

The Trustees discussed a global environment scan and considered the key strategic themes that now face the Foundation. They focused on the potential impact on financial reporting and digitalisation, and the increasing importance of sustainability reporting. They noted the importance of the Board continuing to support consistent application of IFRS Standards and asked for a briefing on this issue at their June 2019 meeting. They also agreed to explore strategic issues in more depth at that meeting.

Trustees also received a presentation on strategic issues around the IFRS Taxonomy.

## **2.3 Governance issues**

The Trustees reviewed and approved the business case for improvements to the Foundation's business process and technology, and agreed processes for continuing Trustee oversight of the project.

## **2.4 Operations analysis**

The Trustees received presentations on the work plan for the Asia-Oceania Office and on the Foundation's People Strategy.

## **2.5 Future meetings**

Trustees confirmed that their next meetings would be in Munich in June 2019, New York in October 2019, and Brussels in early 2020

## **2.6 Committee reports**

The Trustees received reports from Committees.

- The Audit and Finance Committee reviewed the 2018 flash results and noted that the variances against budget. They held a conference call with the audit partner from Grant Thornton and approved the 2018 audit plan and timetable.
- The Human Capital Committee discussed human resource issues including proposals for the 2019 Foundation staff pay review.
- The Nominating Committee discussed appointments that are in progress.
- 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.

## **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 has considered the concerns and challenges identified during entities' implementation of IFRS 17 *Insurance Contracts* and is evaluating the need for making possible amendments to the Standard, taking into account the need to ensure that any amendment neither results in a significant loss of useful information for users of financial statements nor disrupts or delays implementation of this much-needed Standard. The Board has tentatively decided to propose some amendments to the Standard as well as a one-year deferral of the effective date of the Standard to 1 January 2022. Discussions at the Board are continuing, and the Board plans to publish an Exposure Draft in the first half of 2019.
- The Board has moved its project on IBOR (interbank offered rate) reform and its effects on financial reporting from the research to the Standards-level programme. The Board is initially focused on urgent matters that might affect financial reporting before IBOR reform is enacted and will shortly be asked to consider possible narrow-scope amendments to the financial instrument standards.
- The Board is pursuing the objective of simplifying the accounting for goodwill, including consideration of the reintroduction of amortisation, and improved disclosures. The Board aims to publish a Discussion Paper in the second half of 2019.
- The Board has continued its discussions on the Primary Financial Statements project and has reached several tentative decisions including defining the term 'operating profit'. The Board aims to publish a consultation document at the end of 2019.

### 4. Meetings in Kuala Lumpur

The Trustees met with the members of the Asian-Oceanian Standard Setters Group. They also discussed the work of the IFRS Foundation Advisory Council with its chair Joanna Perry.

They also held a very successful stakeholder dinner which was co-hosted by the Malaysian Accounting Standards Board. This included opening and closing remarks by Tan Sri Azlan Zainol, Chair of the Malaysian Financial Reporting Foundation, and a keynote speech by the Honourable Tuan Lim Guan Eng, Minister of Finance Malaysia.

## Report of the IFRS Foundation® Due Process Oversight Committee Meeting

January 2019

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 for the period October to December 2018. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.

The DPOC noted that in December the Board had published its Project Summary and Feedback statement on the Post Implementation Review of IFRS 13 *Fair Value Measurement*, and that the DPOC had reviewed the due process undertaken at its meeting in October. The DPOC also received an update on the Board's discussion of possible amendments to IFRS 17 *Insurance Contracts* and were informed of the Board's consideration of a shortened comment period for its proposed amendments and that staff expects to ask the DPOC for approval for this in due course.

### 2. IBOR Reform

The DPOC received a presentation on the *IBOR Reform and its Effects on Financial Reporting* project. The project is expected to proceed in two phases. In the first phase, the Board is addressing the issues currently arising as a result of the uncertainties created by IBOR reform. In the second phase, it will address the issues arising on transition from IBORs to alternative risk-free rates once more information is available about those rates. The principal area of discussion with the DPOC was the potential for a short comment period for the proposed narrow-scope amendments to IFRS 9 and IAS 39. The DPOC noted the urgency of the issues, and the likelihood that they would be asked to agree a shortened comment period.

### 3. Review of the Due Process Handbook

The DPOC noted the staff's timetable for the review and the proposed amendments to the *Due Process Handbook (Handbook)* to address the issues agreed at their October 2018 meeting. They noted the staff's proposed timetable, and the intention for the DPOC to approve the revised Handbook package (including the Invitation to Comment) in a public call in March, and for the proposed amendments to the *Handbook* to be exposed for comment in April or May.

The DPOC noted that the proposed amendments to the *Handbook* might not address concerns from some stakeholders that the Board's standard-setting process is insufficiently timely. However, they also noted that the IFRS Advisory Council had been clear in their assessment that the quality of Standards was more important than timeliness, and that stakeholders who wanted greater timeliness did not want the quality and transparency of the Board's due process to be reduced.

(It should also be noted that the processes mandated and addressed in the *Handbook* are not the only or even principal areas on which considerations of

timeliness should be focused. The subject of timeliness is therefore a subject also to be addressed outside of the *Handbook* review.)

The DPOC then received and discussed a series of papers on the key policy areas and agreed the proposals for revisions to the *Handbook*.

(i) Agenda Decisions

The DPOC discussed a proposal that the *Handbook* should be amended to specify explicitly the objective of including explanatory material in an Agenda Decision; the nature of that material; and the principle that an entity should be entitled to sufficient time to determine whether it needs to change an accounting policy as a result of an Agenda Decision and to implement the change.

The DPOC noted that the Board had unanimously agreed at its meeting in December 2018 that the status and role of Agenda Decisions should not be changed and that they did not have the same status as IFRS Standards or constitute standard-setting. They approved the proposed clarifications for the *Handbook* but noted the importance of using wording in the proposed amendments that appropriately reflects the status and importance of Agenda Decisions.

(ii) Effects Analysis

The DPOC discussed proposed amendments to the *Handbook* relating to effects analysis. These built on the DPOC's conclusion at its meeting in October 2018 that the *Handbook* should reflect

- (a) The recommendations of the Effects Analysis Consultative Group (EACG);
- (b) Feedback from the Advisory Council; and
- (c) Developments to the Board's process on effects analysis

The DPOC noted that the proposed changes in some areas went beyond the EACG recommendations, and that they had regard to the Board's consideration of effects analysis throughout the standard-setting process. They approved the proposed amendments to the *Handbook*.

(iii) Education Material

The DPOC did not discuss this paper.

(It should be noted that following the meeting the DPOC was advised that no correspondence had been received that required their attention.)