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**Trustees and DPOC Meeting Summary**

October 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 New York on 16-17 October 2019.

## 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 status of the Stakeholder Engagement Register to provide better information about International Accounting Standards Board (Board) members' engagement with key stakeholders outside formal meetings. Trustees noted that the first data from the Register would be published in December;
- Analysis of the monthly dashboard of key performance indicators
- The ongoing improvements to engagement and communications between the Foundation and Trustees;
- Funding and licensing matters; and
- The work the Asia Oceania office. It was noted that Mr White had recently engaged with the IOSCO Asia-Pacific Regional Committee meeting in Tokyo.

The 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 continued their discussion of strategic issues that started at their meeting in January 2019. They focused on non-financial reporting including sustainability reporting and agreed to discuss these issues in more detail at their

next meeting. They also noted that the IFRS Foundation Constitution requires the Trustees to review their strategy every five years and that this process would start in 2020.

### **2.3 Governance issues**

The Trustees received a presentation on the Foundation's on the annual Risk Review for the Foundation and discussed the Foundation's approach to managing and mitigating risk. They noted that this had been discussed in detail by the Audit Finance and Risk Committee and agreed that there would be value in reviewing the Foundation's risk appetite in some areas.

### **2.4 Operations Analysis**

The Trustees received a presentation on work of the Foundation's Legal and Compliance team including intellectual property protection, licensing, commercial contracts and compliance issues.

### **2.5 Committee reports**

The Trustees received reports from Committees.

- The Business Process and Technology Committee received an update on progress on the Foundation's Business Process and Technology Project and approved the Programme Definition Document for the project.
- The Audit and Finance and Risk Committee reviewed the September 2019 year to date results which showed a positive result against budget largely as a result of timing differences and foreign exchange gains. The Committee was updated on the expenditure on the BP&T project and discussed how best to manage the Foundation's accumulated reserves. They also discussed and approved amendments to the Foundation's whistleblowing and anti-harassment policies.
- The Human Capital Committee discussed human resource issues mainly around staff remuneration.
- 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 Board reported on its recent technical activities.

### 3.1 Technical work overview

- In September, the Board completed the first phase of its project on IBOR Reform and its Effects on Financial Reporting by publishing *Interest Rate Benchmark Reform*. This amends the new and old financial instruments Standards (IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*), as well as the related Standard on disclosures (IFRS 7 *Financial Instruments: Disclosures*). The Board has now started Phase 2 of the project.
- As was noted in the June Trustees meeting, the Board issued an Exposure Draft of proposed amendments to IFRS 17 *Insurance Contracts* in June with a 90-day comment period. The Board's objective remains to publish any resulting amendments to IFRS 17 in mid-2020
- The Board is continuing work on accounting for goodwill, including consideration of the reintroduction of amortisation, and improved disclosures. The Board is developing a Discussion Paper that will seek views on whether to retain the impairment-only approach or return to an amortisation approach. Its preliminary view is that it should retain the impairment-only model.
- The Board has begun work on its 2020 Agenda Consultation, as required every five years by the *Due Process Handbook*. The primary objective of an agenda consultation is to seek input on the strategic direction and balance of the Board's work plan. The Board expects to issue a Request for Information in September 2020 and conclude the Agenda Consultation in the fourth quarter of 2021 with the issuance of a Feedback Statement and the Board's Work Plan for 2022–2026.

## 4. External Engagement

In the course of their meeting, the Trustees received presentations and had discussions with two external guests. First, they met with Nicolas Veron, Senior fellow at Bruegel, Brussels and the Peterson Institute for International Economics in Washington, DC.

Second, they met with Curtis Ravenel, Global Head, Sustainable Business and Finance, Bloomberg LP, and Secretariat for the Task Force on Climate Related Financial Disclosures.

The Trustees also held a very successful stakeholder event which was co-hosted by the CFA Institute, entitled *Financial reporting: remaining relevant in a changing world*. This included a keynote speech by Bob Pozen (senior lecturer, MIT Sloan; former chairman, MFS; former chairman, SEC Advisory Committee on Improvements to Financial Reporting), and a panel discussion between Hans Hoogervorst and Russell Golden, moderated by Jason Zweig from the Wall Street Journal.

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

15 October 2019

This meeting of the DPOC was open to the public, and the recording is available on the IFRS Foundation website. The key issues discussed 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 June to September 2019. 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 the Board had issued an Exposure Draft of proposed amendments to IFRS 17 *Insurance Contracts* in June 2019 with a 90-day comment period (as approved by the DPOC). The Board planned to start considering the feedback on the Exposure Draft at its October 2019 meeting, and to issue any resulting amendments to IFRS 17 in mid-2020.

The DPOC also noted that the Board had completed its redeliberations of the Exposure Draft *Interest Rate Benchmark Reform* in August and issued the amendments in September. The Board had now started its work on Phase 2 of the project and expected to issue an Exposure Draft as promptly as possible given the continuing urgency of this work.

The DPOC was updated on the Board's work on primary financial statements, goodwill and impairment and rate regulated activities. They briefly discussed the Board's work on the agenda consultation and noted that the Board consults the Trustees in developing and pursuing its technical agenda in accordance with the requirements of the IFRS Foundation *Constitution*.

### 2. Annual reports from the IASB

The DPOC received and discussed the three annual reports that are required by the Due Process Handbook (on Consultative Groups, Reporting Protocols and Education materials).

On the review of consultative groups, the DPOC noted that staff planned to bring a paper on assessing effectiveness of the groups to the DPOC.

On education materials, the DPOC confirmed that on the basis of the information provided in the paper, materials developed in the previous 12 months had received the appropriate review as specified in paragraph 6.44 of the Due Process Handbook. The DPOC noted that the proposed amendments to the Handbook would match the due process requirements more closely to the type of material now being developed.

### 3. Review of the Due Process Handbook

The DPOC noted that 53 letters had been received in response to the Invitation to Comment on amendments to the Due Process Handbook. It agreed with the staff's proposal that responses to the main matters arising from the feedback should be agreed at the meeting, except those relating to agenda decisions. It also agreed to hold an additional DPOC meeting by a public conference call in mid-December to seek to finalise its responses to the feedback on agenda decisions. This would mean that the revised Due Process Handbook could be finalised in the first quarter of 2020. The DPOC considered the comments received as follows

- (a) The DPOC discussed and agreed the staff's proposed approach to addressing the comments on educational material; adding projects to the Board's work plan; the IFRS Taxonomy; and consequential amendments to the IFRS Foundation *Constitution*. They also agreed the staff's proposed approach to addressing the comments made on other matters raised by respondents.
- (b) On the comments on effects analysis, the DPOC noted that some commenters expressed concern about the Board considering financial stability when assessing the effects of standard setting. The DPOC agreed with the Board's focus on transparency as a key driver of financial stability, to be applied where relevant, and agreed that this link between transparency and financial stability should be made clearer in the Handbook.
- (c) On agenda decisions, the DPOC noted that comments had focussed on three matters – improving the description in the Handbook of agenda decisions; the benefit of giving the Board the ability to publish agenda decisions; and the process for approving IFRS Interpretation Committee agenda decisions.

The DPOC discussed the first of these matters in detail. It noted that the Board was clear that while agenda decisions are not part of IFRS Standards their content is derived from existing requirements and is intended to promote consistent application of the Standards.

The DPOC noted the importance of fostering consistent application of IFRS Standards and the part that agenda decisions played in that process. They agreed with the staff view that an agenda decision sets out how the Standards apply to a specific fact pattern, and therefore that to be in compliance with IFRS Standards an entity needs to apply an agenda decision if it is relevant to their circumstances. The challenge was to find a way of clearly explaining this in the Handbook.

The DPOC also had regard to the staff and Board view that agenda decisions, while their content is derived from existing requirements, can provide new insights for those applying IFRS Standards and so application of an agenda decision should not typically be treated as the correction of an error.

The DPOC asked staff to consider how the Handbook could be amended to clarify that agenda decisions explain how IFRS Standards apply to specific fact patterns and, thereby clarify that preparers of financial statements facing similar fact patterns should apply the agenda decision. The staff proposals will be considered by the DPOC at their December meeting.

On the other issues raised by commenters described above, the DPOC noted that many commenters did not support the proposals for the Board to be able to publish agenda decisions. They also briefly discussed whether to enhance the due process for Committee agenda decisions by requiring their approval by a supermajority or requiring more formal involvement of the Board before their publication. They agreed that these issues should be addressed in the December meeting.

#### **4. Complaints**

The DPOC noted that no complaints had been received about due process.