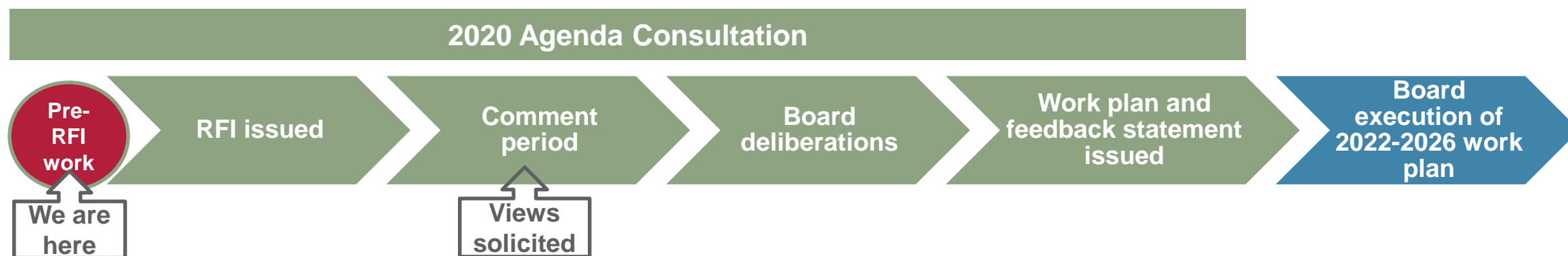# 2020 Agenda Consultation—
Proposed Approach

IFRS Advisory Council

Sept 2019

Nili Shah, Executive Technical Director
April Pitman, Technical Staff

- The Board determines its strategy and work plan, within its remit, every five years. This process is called an agenda consultation.

  - The Trustees conduct a separate Strategy and Effectiveness review of the IFRS Foundation.

- As part of the 2020 Agenda Consultation, the Board will issue a Request for Information (RFI). An RFI is a public consultation that gives stakeholders an opportunity to share their views on the Board's priorities to facilitate the Board's decision-making about its next work plan.

- In developing the RFI, the Board seeks to include appropriate background information and questions to help stakeholders comment on the RFI and ensure the Board obtains sufficient evidence to make sound decisions.

Objective of today's meeting

The objective of today's meeting is to obtain the Advisory Council's views on the proposed <u>approach</u> to developing the RFI for the Board's 2020 Agenda Consultation

The following approach reflects the staff's preliminary recommendation. The Board will discuss the approach in the week of 23 September.

At this time, we are not seeking the Advisory Council's feedback on the <u>contents</u> of the Board's work plan. The Board's RFI will provide all stakeholders with an opportunity to comment on this.

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Questions for the Advisory Council

Question 1 – Board Activities (slides 14-16)

Does this description of the Board's activities give a clear understanding of the choices the Board has to make? Are there other factors or information that should be highlighted regarding the Board's activities?

Question 2 – Research and Standard-Setting Issues (slides 19-20)

A. Do you have any comments on the proposal to include in the RFI a shortlist of potential projects and the additional analysis that will have been performed on them?

B. Do you think the RFI should also include the Board's preliminary view of which potential projects from the shortlist it proposes to add to its work plan?

Question 3 – Pipeline Projects (slide 22)

The Board may not have started all of the pipeline projects from its current work plan when the RFI is issued. Should the Board re-assess the priority of these projects in the 2020 Agenda Consultation?

Question 4 – Other Comments (slides 1-25)

Do you have any other comments on the proposed approach to developing the RFI?

Contents

- Background to the 2020 Agenda Consultation

- Approach to the 2020 Agenda Consultation

- Timetable and next steps

- Appendix—status of pipeline projects

August 2015

Request for Views
2015 Agenda Consultation

Comments to be received by 31 December 2015

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Background to the 2020 Agenda Consultation

1 **Strategic direction and balance of work plan**

2 **Criteria for assessing projects to be added**

3 **Priority of financial reporting issues**

Each agenda consultation focusses on the overall balance and priorities of the Board's activities. Individual projects may still be added to the work plan subsequent to the agenda consultation.

Excerpt from Due Process Handbook

4.3 The IASB is required to undertake a public consultation on its work programme every five years by way of a public *Request for Information*. The IASB normally allows a minimum of 120 days for comment on a work programme (agenda) consultation Request for Information. The primary objective of the review is to seek formal public input on the <u>strategic direction and balance</u> of the IASB's work programme, including the <u>criteria for assessing projects</u> that may be added to the IASB's standards-level programme. The review could also seek views on <u>financial reporting issues that respondents think should be given priority</u> by the IASB, together with any proposals to withdraw from the IASB's work programme any projects that have not proceeded as planned and for which the prospects for progress are limited. Section 5 details how a project is added to the IASB's standards-level programme.

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Timing

	2015 Agenda Consultation	2020 Agenda Consultation
RFI	August 2015	September 2020
Feedback statement	November 2016	Q4 2021
Work plan	2017 – 2021	2022 – 2026

- The Constitution requires Trustees to review and consult on strategy and effectiveness at the latest five years after completion of most recent review. This review differs from the Board's agenda consultation process, although there may be some interaction.
- The Trustees completed their previous review with the issuance of a Feedback Statement in June 2016.

Excerpt from Due Process Handbook

4.5 …The next consultation should commence at the latest five years after the current consultation has been completed.

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Complete major Standards

Conceptual Framework

(completed in 2018)

Insurance Contracts

(completed in 2017)

Better communication in financial reporting

Primary Financial Statements – *ED expected in 2019*

Disclosure Initiative – *completed work on Principles of Disclosure and Materiality, work on targeted Standards-level review ongoing*

Management Commentary – *ED expected in 2020*

Taxonomy - *ongoing*

More support for existing Standards

Allocate additional resource – *completed; more issues addressed and significantly faster processing than in past*

Post-implementation reviews

- IFRS 3, IFRS 8 and IFRS 13 – *completed*
- IFRS 10, IFRS 11 and IFRS 12 – *expected to start in 2019*
- IFRS 5 – *not started*

Focus research programme

Programme refocused

- Research projects – *in process*
- Pipeline projects – *have started work on most, but not all projects, as intended before 2020 Agenda Consultation*

Context for the 2020 Agenda Consultation
Take-aways from 2015 Agenda Consultation

- The significant achievements against the 2015 Agenda Consultation goals demonstrate the benefits of a more focussed agenda and disciplined research process in order to make more timely progress.

- However, the Board may not meet all of its goals, in part, because it added new projects (IFRS 17 amendments; IBOR reform; and update to management commentary, including aspects of environmental, social and governance developments) subsequent to the 2015 Agenda Consultation.

- As such, for the 2020 Agenda Consultation, capacity to add new research and standard-setting projects could potentially be limited:
  - A number of projects are still in process
  - Capacity should be retained for issues arising after conclusion of the 2020 Agenda Consultation
  - Expansion of other activities (slides 14-16) may limit capacity for research and standard-setting
  - Expansion of research and standard-setting projects could affect timeliness of those projects and of other activities (eg, processing of Interpretations Committee submissions)
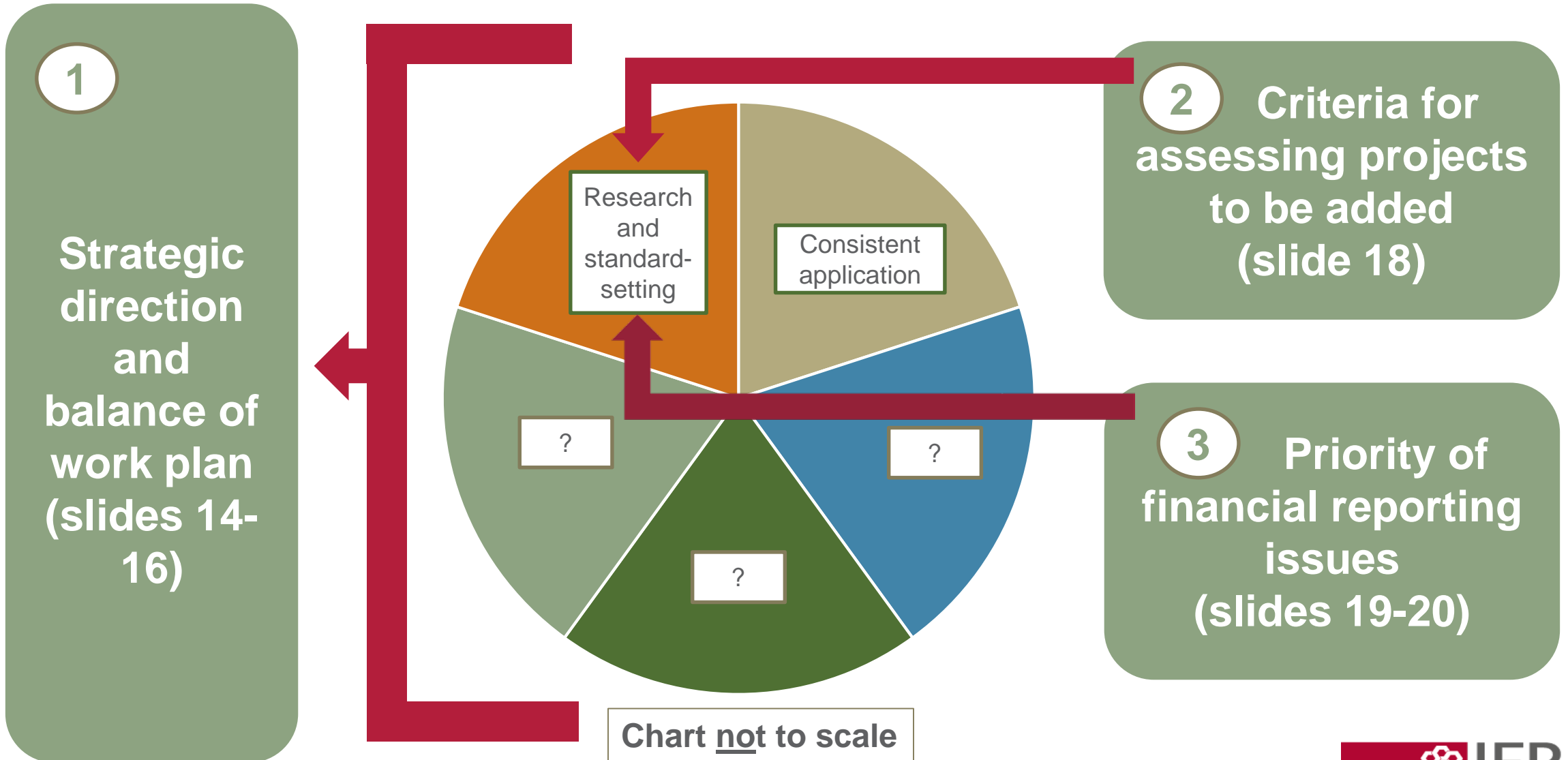
Approach to the 2020 Agenda Consultation

Content of RFI

Content of RFI - overview

1 Strategic direction and balance of work plan (slides 14-16)

2 Criteria for assessing projects to be added (slide 18)

3 Priority of financial reporting issues (slides 19-20)

Research and standard-setting

Consistent application

?

?

?

Chart **not** to scale

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1 Strategic direction and balance of work plan

- The RFI will seek feedback on the strategic direction and balance of the Board's work plan, within the Board's remit:
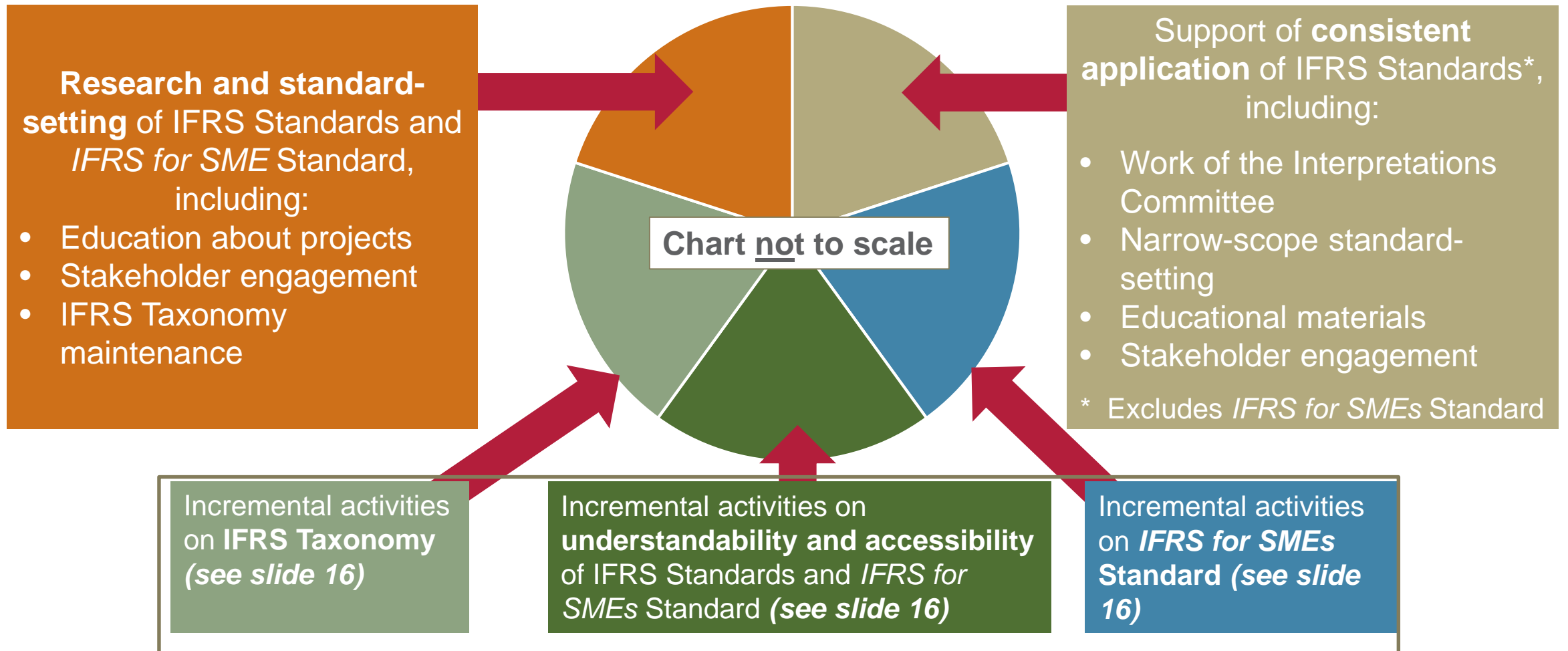
> The Board develops Standards for general purpose financial reporting, the objective of which is to provide financial information about a reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity.

- Feedback received will help define the Board's priority activities, that is, the slices of the pie shown on slide 13. The activities reflected in the pie require a trade-off with each other in determining the balance of the Board's primary activities.

- Determining the balance of activities can never be a science; rather, feedback will provide directional information on how to prioritise the Board's primary activities.

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Research and standard-setting of IFRS Standards and *IFRS for SME* Standard, including:
- Education about projects
- Stakeholder engagement
- IFRS Taxonomy maintenance

Support of **consistent application** of IFRS Standards*, including:
- Work of the Interpretations Committee
- Narrow-scope standard-setting
- Educational materials
- Stakeholder engagement

* Excludes *IFRS for SMEs* Standard

Chart not to scale

Incremental activities on **IFRS Taxonomy** *(see slide 16)*

Incremental activities on **understandability and accessibility** of IFRS Standards and *IFRS for SMEs* Standard *(see slide 16)*

Incremental activities on *IFRS for SMEs* Standard *(see slide 16)*

① Incremental activities

IFRS Taxonomy

- With the growing impact of technology, users are increasingly consuming financial reports prepared in accordance with IFRS Standards electronically.
- The Board already supports electronic consumption through the IFRS Taxonomy.
- Incremental activities include, for example, supporting adoption of the IFRS Taxonomy in more jurisdictions, supporting improved data quality and influencing and educating other participants in the financial reporting ecosystem.

Understandability and accessibility

- The 2017 IFRS Foundation Reputation Survey noted a need to further improve the understandability and accessibility of the Standards.
- The Board already has efforts underway to support the understandability of new and amended IFRS Standards and the *IFRS for SME* Standard.
- Incremental activities include, for example, investigating cross-cutting changes to requirements, structure and language; changing internal processes; developing additional materials to complement the Standards; and using technology to navigate the Standards.

IFRS for SMEs Standard

- The Board undertakes a review of the *IFRS for SMEs* Standard on a periodic basis.
- Incremental activities include, for example, educational material to support consistent application of the Standard and the SME Implementation Group's Q&As on the Standard.

Question for Advisory Council

<u>Question 1 – Board Activities (slides 14-16)</u>

Does this description of the Board's activities give a clear understanding of the choices the Board has to make? Are there other factors or information that should be highlighted regarding the Board's activities?

② Criteria for assessing projects to be added

- The Board will need to prioritise the research and standard-setting issues identified by stakeholders in their feedback to the RFI.

- To do so, the Board will use specified criteria to assess the projects to be added.

- The range and subjectivity of any specified criteria means that prioritising topics on the work plan can never be a science.

- Nonetheless, the RFI will seek to:
  – Obtain information to help the Board assess each potential project against the specified criteria
  – Obtain feedback regarding whether there are other criteria the Board should consider
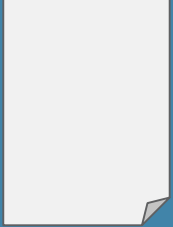
Possible Criteria

- a deficiency in reporting

- the urgency of the matter to users

- the types of entities and jurisdictions affected

- how pervasive or acute the issue is for entities

- interaction with other projects

- complexity and feasibility of project and solutions

- capacity of the Board and its stakeholders to progress a project on a timely basis

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3 Priority of financial reporting issues

- One output of the 2020 Agenda Consultation is a prioritisation of financial reporting issues to be added to the Board's work plan of research and standard-setting projects.

- The RFI seeks to obtain information to facilitate the Board's prioritisation.

- The staff have identified three possible approaches for the RFI to gather information (see slide 20).

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A. Blank sheet of paper

B. Shortlist of potential projects with description, why important, who is affected, potential solutions and size. Board cannot realistically include analysis of all financial reporting issues in the RFI. The shortlist focusses the analysis on the likely potential projects.

C. Shortlist with Board's preliminary view of which projects to add to work plan

Pros

- Most open format to obtain feedback

- Gather better feedback to help Board select projects based on criteria on slide 18

- Stakeholders would have clear plan to comment on
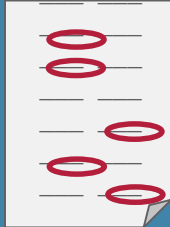
Cons

- Less structure
- Harder to synthesise
- May not get sufficient information to make good decisions

- Stakeholders may find restrictive but can still add other issues not on shortlist

- Board would be making preliminary prioritisation decisions without much data
- Stakeholders may find restrictive— but additional projects could be identified

Staff recommend that the RFI include a shortlist of potential projects (approach B)

Questions for the Advisory Council

Question 2 – Research and Standard-Setting Issues (slides 19-20)

A. Do you have any comments on the proposal to include in the RFI a shortlist of potential projects and the additional analysis that will have been performed on them, ie Approach B?

B. Do you think the RFI should also include the Board's preliminary view of which potential projects from the shortlist it proposes to add to its work plan, ie Approach C?

- In the 2015 Agenda Consultation, the Board created a pipeline of future projects that are not currently active. The Board
  - intended to focus on fewer projects in order to make more timely progress
  - expected to start work on these projects before the next agenda consultation

- Since the 2015 Agenda Consultation, the Board has taken on additional projects not contemplated at that time

- Consequently, it is possible that some pipeline projects may not have started by the publication of the RFI (refer to slide 30 for the current status of pipeline projects, including non-mandatory PIRs)

- These projects could either be:
  - included in the shortlist of potential projects in the RFI for the purposes of re-prioritisation among other potential projects; or
  - assumed to continue to be priorities, as determined in the 2015 Agenda Consultation

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Questions for the Advisory Council

Question 3 – Pipeline Projects (slide 22)

The Board may not have started all of the pipeline projects from its current work plan when the RFI is issued. Should the Board re-assess the priority of these projects in the 2020 Agenda Consultation?

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Pre-RFI outreach approach

Pre-RFI outreach

- The objective of the pre-RFI outreach is to develop the shortlist of potential projects to include in the RFI.
- To develop the shortlist, we will ask for the following information about potential projects:
  - Problem definition
  - Why issue is important (eg, urgency, pervasiveness, effect)
  - Which stakeholders are affected (eg, type, jurisdiction, industry, size)
  - Potential solutions
  - Size of project (large, medium, small)
- We will consult with our usual consultative groups and conduct other targeted outreach to develop the shortlist.

In contrast to the targeted pre-RFI outreach—which is designed to develop a shortlist of potential projects—the RFI will provide the vehicle for formal, broad-based consultation for stakeholders to provide additional information on the shortlist of potential projects; describe other potential projects not covered in the RFI; and make prioritisation recommendations.
The feedback to the RFI will enable the Board to decide on its future priorities.

Questions for the Advisory Council

Question 4 – Other Comments (slides 1-25)

Do you have any other comments on the proposed approach to developing the RFI?

Timetable and next steps

Overview timetable

Date	Milestone / activity
Sept 2019	Consult Advisory Council on proposed approach
Oct 2019-March 2020	Pre-RFI outreach
March 2020	Consult Advisory Council on drafting RFI
April-August 2020	Board deliberations and drafting of RFI
Sept 2020	Publish RFI
Oct 2020-Jan 2021	Outreach and consultation period
Jan 2021	Comment period ends
First meeting 2021	Update Advisory Council on preliminary findings
March–July 2021	Board deliberations and drafting of work plan and feedback statement
Second meeting 2021	Update Advisory Council on work plan and feedback statement
Q4 2021	Publish 2022-2026 work plan and feedback statement

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Next steps for members

In order to help shape the RFI, please send no more than FIVE potential projects for the shortlist to the 2020 Agenda Consultation mailbox (AgendaConsultation@ifrs.org) by **31 October.**
Please include:

- Problem definition

- Why issue is important (eg, urgency, pervasiveness, effect)

The Board may also describe the following in the RFI. If you have any thoughts, we would be interested in hearing them.

- Which stakeholders are affected (eg, type, jurisdiction, industry, size)

- Potential solutions

- Size of project (large, medium, small)

The above steps are intended to develop the RFI.

The RFI itself is the formal vehicle on which to express your views. Feedback on the RFI will provide the Board with evidence to facilitate its decision-making on its next work plan.

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Project	Status
Projects on which work has begun	
Extractive Activities	Review research Q4 2019
Pension Benefits that Depend on Asset Returns	
Provisions	
Subsidiaries that are SMEs	
Projects still in the research pipeline	
Equity Method *	Research has not yet commenced
High Inflation: Scope of IAS 29	
Pollution Pricing Mechanism	
Variable and Contingent Consideration	
Non-mandatory post-implementation review	
PIR of IFRS 5	Work has not yet commenced

* Topic to be investigated after the PIR of IFRS 11 starts

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