

Chairman's Report to the IFRS Foundation IFRS Advisory Council Meeting September 2019

1. The Advisory Council met on 18 and 19 September 2019. In addition to the Advisory Council members, the meeting was attended by the Chair of the Trustees of the IFRS® Foundation, Erkki Liikanen, and fellow Trustees Larry Leva and Michel Madelain, as well as ten International Accounting Standard Board® members and many IFRS Foundation staff.
2. [In order to receive more detail about the topics discussed and to hear the public meeting verbatim, Trustees may also be interested in accessing web-based records of the meeting, in addition to reading this report. Both the agenda and papers for the meeting and the meeting recording are available at:
<https://www.ifrs.org/news-and-events/calendar/2019/september/ifrs-advisory-council/>
3. The significant items on the agenda were the discussion and provision of advice in relation to:
 - the effect of technology on the investment process and the potential consequences for the IFRS Foundation;
 - the IFRS Foundation's approach to monitoring and motivating consistent adoption and application of IFRS Standards;
 - risks confronting the IFRS Foundation;
 - the digital experience for IFRS Foundation customers and stakeholders; and
 - the proposed approach to 2020 Agenda Consultation.
4. In relation to the effect of technology on the investment process and the potential consequences for the IFRS Foundation, the Advisory Council heard from 4 diverse panel members from the investment industry about how they used technology for these purposes. The insights provided were extremely useful for all who heard them. The Advisory Council broke into breakout groups and considered 4 specific questions arising from the Panel discussion:
 - What impact will technology have on the need for IFRS Standards in the future?
 - What impact will technology have on the need for the IFRS Taxonomy in the future?
 - Are market forces supplanting benefits of an IFRS Taxonomy?
 - Other takeaways from the panel discussion.

The feedback provided from the Advisory Council included:

- what impact will technology have on the need for IFRS Standards in the future?
 - The future of financial statements was validated and the need for IFRS Standards was perceived in fact to be greater in the future;
 - The Board needed to be careful about making changes to standards and to consider the implications, as changes to standards impact the technological analysis of data a lot;
 - The Foundation should work in partnership with others; and
 - In conclusion, members felt that technology enables a lot.
- what impact will technology have on the need for the IFRS Taxonomy in the future?
 - No change in relation to views on taxonomy as a result of panel comments;
 - IFRS taxonomy will continue to be relevant; and

- Members support the Foundation continuing to grow and extend the taxonomy and to ensure it is flexible.
 - Are market forces supplanting benefits of an IFRS Taxonomy?
 - No big changes foreseen;
 - Importance of retention of the IFRS taxonomy for branding purposes; and
 - Members encourage the Foundation to work in partnership with others.
 - Other takeaways from today's panel
 - The Foundation to consider its core competencies; which are potentially around recognition and measurement and the process of standard-setting;
 - Those core competencies that the Foundation has can bear fruit in a lot of other areas;
 - The Foundation should consider lending a hand or otherwise get involved in other relevant standard-setting arenas;
 - Noting the ongoing relevance and importance of non-financial information
 - The issue of importance or otherwise of audited v unaudited—encourage the Foundation to investigate this a bit further; and
 - Encourage IASB to consider its approach to the Management Commentary project.
5. Advisory Council members considered and discussed in a plenary session various aspects in relation to the consistent adoption and application of IFRS Standards. In particular, the Advisory Council members considered to what extent should the IFRS Foundation refresh its approach to monitoring consistent adoption and application. What are the objectives in monitoring the status? How should the Foundation monitor? What should the Foundation communicate? It also considered how the Foundation might motivate consistent adoption and application.

Feedback from the Advisory Council members included:

- General agreement on the need and overarching objectives of monitoring consistent adoption and application. The key objectives identified were maintaining the IFRS brand and obtaining feedback. General other individual feedback was identified by individual members.
- In relation to how the Foundation should monitor:
 - Consider working in partnership with others; including data aggregators about producing the information;
 - In relation to consistent application, the Foundation should consider in advance of issuing Standards matters in relation to translation and cultural application of language to ensure that Standards are written to encourage consistent application; and
 - Include consistent application in each post implementation review.
- In relation to the motivation of consistent application and adoption
 - Consider sharing more information about the benefits of adopting—"the paradise of IFRS"
 - Again, consider working in partnership; and
 - Key is involvement in the local community.

6. In breakout sessions, Advisory Council members considered the risks confronting the Foundation.

In general members were in agreement with the risks that had been identified by the Foundation. However, there was a suggestion that risks around financing should be considered for inclusion. It was also generally agreed that the risks as currently presented were very high level and/or narrow and there may well be some “drill down” that should be considered within each of the identified risks. Members provided specific suggestions. This was particularly the case in relation to geopolitical risks.

There were no significant new actions identified for the Foundation to consider to minimise the impact of the risks; although a number of actions identified could be considered further by the Foundation.

Members also considered the Foundation’s risk appetite and tolerance for each of the principal risks. Members generally noted that this was a hard question to answer and suggested that maybe the Foundation should think about risk appetite a different way. It was acknowledged that brand is the biggest risk and that the Foundation should hold this as “risk averse”. It was noted that the Foundation does need to be innovative and develop and so in relation to aspects of innovation and development, there is no need to be risk averse.

7. The Advisory Council considered in breakout sessions the digital experience for Foundation customers and stakeholders. In particular, the Advisory Council considered how the Foundation’s digital experience should evolve, what developments should be prioritised over the next three years and who the Foundation learn can from. Feedback from Advisory Council members largely focused on the website as the primary digital experience and included:
 - Noting that the current website does include a huge amount of information, is transparent and is seen as a role model;
 - Understand who the customers and users are, noting that each customer has a different approach and need;
 - Include multi-language facilities on the website;
 - Ensure that the website is intuitive;
 - Create communities and a community forum on the website;
 - Carefully consider the IFRS brand in a digital world;
 - Work in partnership for the future development of the website; and
 - Use younger people to provide advice.
8. Advisory Council members considered the proposed approach to the 2020 Agenda Consultation. Members were generally supportive of management’s proposals, however, they provided various aspects of specific advice. The majority of members supported the proposal to include a shortlist of potential projects as well as a suggestion to include some form of preliminary Board thoughts on the topics, rather than the Board’s full preliminary views of which potential projects from the shortlist it proposes to add to its work plan. Members advised the Board to be conscious of its use of language and the perception of meaning in articulating its view. In addition, a resounding majority of members supported the proposal to reassess the priority pipeline projects from its previous work plan that had not yet been commenced. Members also advised the Foundation to consider how best to determine and communicate the criteria for determining the appropriate work plan.

MEETING REPORT

IFRS® Advisory Council meeting

9. The Advisory Council received an update on recent trustee activities and, in particular, noted the June meeting of Trustees in Munich and the activities planned for the October meeting of Trustees in New York.
10. The Advisory Council received an update on recent activities of the Board and the IFRS Foundation. Particular items of note were:
 - Recent activities including in relation to IBOR, IFRS 17 and the successful annual conference held in London in June;
 - The considerable Foundation activities and time line required between Board decisions and the release of documents to the public; noting that further work is being undertaken as a result of IFRS Advisory Council previous advice on making sure that the public are aware of these timelines.
 - The expected release of documents in the near future being: Primary Financial Statements, Goodwill and Impairment and Rate Regulated Activities;
 - Discussion on the proposed move from research topics to standard-setting topics in relation to amending IAS 37 in relation to provisions and in relation to subsidiaries that are SMEs. While IFRS AC members did not disagree with a potential move, they provided feedback to the Foundation for consideration in relation to these projects.
11. This was the last meeting for a number of Advisory Council members, most of whom had served for 6 years. Appreciation was shown for their significant contribution over their term of office.
12. I thank all of those who were part of the meeting for their preparation and contribution to the lively, value-adding debates.