Agenda paper 7

Refreshing the IASB strategy—Generation 3

IFRS Advisory Council
November 2023
Over the last two decades, the IASB has established its credibility issuing IFRS Accounting Standards that are applied globally, whilst diversifying its activities to include supporting consistent application, the IFRS Taxonomy, and the *IFRS for SMEs* Accounting Standard.

**Today’s discussion**

*As the IASB moves into its third decade what does success look like?*

**Next steps (for future Trustees meetings)**

*How do we achieve success? What activities should we start / stop / continue?*

*How do we measure success?*
Objective of this session

1. Set the scene on the IASB’s past strategy—to help define future success
   - Slides 4-14

2. Receive thoughts on areas to explore in defining future success
   - Slides 15-16

3. Receive your initial input about a definition of future success (to be discussed in further detail at future meetings)
   - Slide 17
1. Set the scene on the IASB’s past strategy—journey
## IASB 2002—2023: IASB strategy

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Increase application → become global</th>
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<tbody>
<tr>
<td></td>
<td>Respond to market demand</td>
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### What has the market demanded?
- Facilitate ‘global passporting’ of cross-listed companies
- Facilitate foreign investment
- Fill reporting needs of other (non-public) entities
- Facilitate consistent application
- Facilitate digital reporting

We have no legal authority – strategy has been about winning hearts and minds.
How the IASB became global

<table>
<thead>
<tr>
<th>Generation 0</th>
<th>Generation 1</th>
<th>Generation 2</th>
<th>Generation 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU adoption</td>
<td>US permits for foreign registrants</td>
<td>Brazil requires</td>
<td>India converges</td>
</tr>
<tr>
<td>Voluntary adoption</td>
<td>Canada requires</td>
<td>Japan permits</td>
<td>Arabia requires</td>
</tr>
<tr>
<td>2002</td>
<td>2011</td>
<td>2023</td>
<td>2023</td>
</tr>
</tbody>
</table>

146 jurisdictions permit or require for domestic publicly accountable entities

Abbreviations on slide 18
IASB 2002—2023: Filling the demand

<table>
<thead>
<tr>
<th>Generation 0</th>
<th>Generation 1</th>
<th>Generation 2</th>
<th>Generation 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>IASB &amp; FASB accelerate convergence</td>
<td>FASB Agreement, IFRS 1—6 Improvements project, IFRS 7, IFRS 8</td>
<td>Effects Analysis, EEG formed, IFRIC enhanced</td>
<td>Consistent application, IFRS 17 Conceptual Framework</td>
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<td></td>
<td>IFRS for SMEs</td>
<td>Post-implementation reviews, ASAF formed</td>
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<tr>
<td></td>
<td>IFRS 9</td>
<td>IFRS 10—13, IFRS 9 completed</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>IFRS 15, IFRS 16</td>
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</tbody>
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No. of jurisdictions

Year

Abbreviations on slide 18
IASB 2002—2023: IASB strategy

**Generation 0**

2000 International Accounting Standards Committee agrees to restructure itself into the IASB.

In 2005 7,000 EU companies applied IFRS Accounting Standards for the first-time.

**Generation 1**

2002 EU announced a new law which would require IFRS Accounting Standards for consolidated financial statements of listed groups.

Rapid global application of IFRS Accounting Standards including Australia, Hong Kong, New Zealand, South Africa, Brazil, Canada, Chile, Israel, Korea.

**Generation 2**


Expands work on supporting consistent application.
1. Set the scene on the IASB’s past strategy–today
Success leads to challenges

**Success**

- Globally applied IFRS Accounting Standards
- Recognised as high quality global financial language and consistently applied
- Robust development through consultation

**Challenges**

- Managing diverse stakeholder expectations (slide 11)
  - Managing multiple products (slide 12)
  - Complexity of Accounting Standards (slide 13)
- Increased risk of fragmentation— carve-outs, deferrals
  - Brand risk – requires continuous support for consistent application, much of which is beyond our control (slide 14)
Managing diverse stakeholder expectations

### Experience and resources of companies

<table>
<thead>
<tr>
<th>Economies</th>
<th>Developed</th>
<th>Emerging</th>
<th>Developing</th>
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</thead>
</table>

### Market objectives (some unintended)

<table>
<thead>
<tr>
<th>Global passporting</th>
<th>Reporting needs of other entities:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Private company - capital attraction</td>
</tr>
<tr>
<td></td>
<td>- Statutory reports</td>
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<tr>
<td></td>
<td>- Tax accounting</td>
</tr>
<tr>
<td>Foreign investment</td>
<td>- Central bank financial reports</td>
</tr>
<tr>
<td></td>
<td>- Influence non-profit and public sector accounting</td>
</tr>
</tbody>
</table>

### Professional objectives

For example, investors demand for information needs to be balanced with cost to preparers
Multiple products and services

**IFRS Accounting Standards**
- Designed to promote a global language to help with global allocation of resources
- Subsidiaries without public accountability

**IFRS for SMEs Accounting Standard**
- Based on IFRS Accounting Standards, simplified to reflect needs of users and resources of SMEs

**Practice Statements**
- Management commentary
- Materiality

**IFRS Taxonomy** — digital consumption of financial reporting

**Consistent application** — active support on the practical application
Complexity—do products meet market needs?

Do our products address market needs?

IFRS Accounting Standards

Less complex listed entities, for example entities operating in a single jurisdiction

Less complex entities that hold assets entrusted to them, for example private banks, small insurers

Developed for global capital allocation

Developed for private entities and those without fiduciary capacity

IFRS for SMEs Accounting Standard
Working in the ecosystem supporting consistent application

Education materials seek to influence

Enforcement we rely on..

Balancing intervention with benefit to users and cost to preparers

Preparers
Prepare financial statements applying IFRS Accounting Standards

Auditors
Audit compliance with IFRS Accounting Standards

Regulators
Enforce application of IFRS Accounting Standards

Users
Create better market discipline
2. Receive thoughts on areas to explore in defining future success
Areas for exploration in defining future success

*Is there anything else we should consider?*

1. **Do we understand status quo?**
   - Adoption status and extent of application in jurisdictions

2. **What is the market objective?**
   - What purpose?
   - Which entities?
   - Can we learn from the ISSB?

3. **Do IASB products and services meet the market objective?**
   - High quality standards
   - Application support
   - Understandability

4. **Implications of change**
   - What are the consequences to our stakeholders and our organisation if we expand and/or curtail activities
3. Receive your initial input about a definition of future success

(To be discussed in further detail at future meetings)
Abbreviations
### Abbreviations:

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ASAF</td>
<td>Accounting Standards Advisory Forum</td>
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<tr>
<td>EEG</td>
<td>Emerging Economies Group</td>
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<tr>
<td>Effects Analysis</td>
<td>An assessment on the likely costs of implementing proposed new requirements and the likely ongoing associated costs and benefits of each new IFRS Standard—the costs and benefits are collectively referred to as effects.</td>
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<tr>
<td>FASB</td>
<td>Financial Accounting Standards Board (US)</td>
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<td>IFRIC</td>
<td>IFRS Interpretations Committee</td>
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<tr>
<td>Post-implementation review</td>
<td>Review of an IFRS Accounting Standard after a period of implementation.</td>
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