

# AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

Conference call      **OCTOBER 2020**

**Agenda ref 1C**

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## Consultative Groups—Annual Review

### Introduction

1. This paper provides the DPOC with the technical staff’s annual review of the IFRS Foundation’s consultative groups for the period October 2019 to September 2020.
2. No formal action is required to be taken by the DPOC.

### Background

3. Paragraphs 3.59–3.66 of the *Due Process Handbook* set out the provisions relating to consultative groups. The *Handbook* notes that the IFRS Foundation usually establishes a consultative group, such as a specialist or expert advisory group, for each of the Board’s major projects in order to give the Board access to additional practical experience and advice.
4. The *Handbook* goes on to state:
  - 3.66 All consultative groups are reviewed by the IFRS Foundation staff each year to assess whether each group is continuing to serve the function for which it was established and whether the membership should remain the same. The outcome of the review is presented to the Board and the DPOC.
5. Paragraph 2.8(c) sets out the DPOC’s responsibilities with respect to consultative groups:
  - 2.8 The DPOC is responsible for:
    - (c) reviewing the composition of consultative groups to ensure an appropriate balance of perspectives and overseeing the monitoring by the Board and the technical staff of the effectiveness of those groups
6. The Board currently has seven standing groups and three project consultative groups. During the review period, the Transition Resource Group for Revenue Recognition was disbanded as advised at the DPOC’s meeting in October 2019.

## Review

7. The staff has reviewed the consultative groups in line with paragraph 3.66 of the *Handbook*. The table in the Appendix provides an overview of the groups.
8. Activities of the consultative groups in the period are summarised in the table starting on page 5. For each group we have, for example, highlighted the number of meetings held, the attendance at the meetings and the nature of the topics discussed.
9. The table also highlights the extent to which we have sought feedback from the memberships of the consultative groups about their assessment of the effectiveness of the meetings. In that regard, in the period we have continued to extend the use of surveys of the groups' members. These surveys typically gather views after a meeting about the relevance of the topics discussed, the quality of meeting materials and our engagement in the meeting. This feedback helps us maximise the benefits we obtain from the groups.
10. In previous years, the DPOC has suggested considering whether more objective performance indicators could be developed to support engagement with the consultative groups (and this review). As a result we revised the way we presented this review to the DPOC last year and have developed it further this year. In addition, we discussed the role and use of KPIs in the Board's technical activities with the Advisory Council in May. The presentation to the Council included some of the KPIs included in the table starting on page 5. The Council did not offer any specific suggestions of further KPIs that could be used in relation to the consultative groups. However, the discussion did provide useful advice about how we might use KPIs, as well as the need to exercise caution in their use. As we consolidate our stakeholder engagement activities (including with the Consultative Groups) in a single team under the leadership of Fred Nieto and develop the stakeholder engagement strategy, we will further consider the Council's feedback.

### *Staff conclusion*

11. We consider all currently active consultative groups to be serving the function for which they were established. The Board has received useful input from all the consultative groups that have met in the period.

## **Matters arising from the review**

### *Effect of the covid-19 pandemic on meetings*

12. Since early March, we have continued to hold consultative group meetings but by video conference and (for the majority of meetings) with live streaming for our stakeholders. This will continue for all remaining planned meetings this year.
13. As reported to the Trustees at their May meeting, there have been some changes to the schedule of planned meetings this year. The July Accounting Standards Advisory Forum (ASAF) meeting was cancelled, and the July joint meeting of the Global Preparers Forum (GPF) and the Capital Markets Advisory Committee (CMAC) was deferred until October, with the agreement of their chairs. This joint meeting will in effect replace the standalone meetings of these groups originally scheduled for October and November.
14. Apart from the pandemic, the rescheduling of these meetings reflects that many of the Board's projects are either out for consultation or nearing completion of the preparation of the project's consultation document, as well as the extension of the comment periods on our main consultations. Input from ASAF, GPF and CMAC in July was therefore not urgently required. However, we organised three workshops for small groups of GPF and CMAC members in August and September to discuss early feedback on the proposals in the Exposure Draft for the Primary Financial Statements project. The feedback from these will be reported at the October GPF and CMAC joint meeting.

### *Consultative Group for Rate Regulation*

15. As planned, the Consultative Group for Rate Regulation did not meet in the review period. The Group last met three years ago. However, some members and observers of the Group have provided input on the draft of the forthcoming Exposure Draft. We will determine in the coming months how to use the Group in the next phase of the project. This will also entail reviewing the membership of the Group.

### *Management Commentary Consultative Group*

16. As planned, the Management Commentary Consultative Group had one meeting during the review period. Based on the original planning and mandate, the Group provided input before the Board's discussions to leverage members' practical experience and expertise. The Group has not met in 2020, but we have regularly updated the Group on the Board's tentative decisions as the Board's discussions on the project have progressed. Members

have also been asked for input on the draft of the forthcoming Exposure Draft. We plan to consider the role and membership of the Group for the next phase of the project during the consultation period on the Exposure Draft.

*Transition Resource Group for Insurance Contracts*

17. The Transition Resource Group for Insurance Contracts did not meet in the period. Between February 2018 and April 2019—shortly before the Board published the Exposure Draft of the recently finalised amendments to the Insurance Contracts Standard, IFRS 17—the TRG met four times covering the 127 submissions received. At present, no further TRG meetings are scheduled. However, the TRG has not been disbanded and is available for consultation by the Board if needed. In addition, there is still scope for stakeholders to make us aware of implementation questions.

*Islamic Finance Consultative Group*

18. The Islamic Finance Consultative Group last met as part of the 2019 World Standard Setters Conference. It has not met in the review period, but we continue to monitor the demand and need to discuss specific questions about the application of IFRS Standards to Islamic finance transactions, liaising with the chair of the Group.

Consultative group	Meetings per mandate	Meetings in review period	Date of last meeting	Attendance at each meeting	Topics on which consulted	Feedback to Group	Feedback requested from Group (see para 9)	Continuing to serve function
<b>Standing Groups</b>								
Accounting Standards Advisory Forum	Normally 4 per year	3 (April meeting by video conference)	April 2020	All 12 NSS members represented at each meeting	Various of the Board's projects, including the Agenda Consultation, the PIR of IFRSs 10-12; IBOR Reform; Goodwill and Impairment; Primary Financial Statements; FICE and Dynamic Risk Management.	At each meeting we provide ASAF with a summary of how the advice given at the previous meeting has or will be used.  We continue to identify the Board papers in which ASAF members' advice has been considered by the Board.	We undertook a formal survey following the April meeting. Feedback on the overall assessment of meeting averaged 5 out of 5.	✓
Capital Markets Advisory Committee	At least 3 times per year	2 (March meeting by video conference)	March 2020	October: 17 of 19 members; March: 13 of 17	Selected projects from the Board's work plan with a focus on those relating to Better Communication in Financial Reporting.	At each meeting we provide CMAC with a summary of how the advice given at the previous meeting has or will be used.	We undertook a formal survey following the October meeting and we discussed views about the March video meeting to identify what worked well and what could be improved.	✓
Global Preparers Forum	At such times and locations as it determines	2	March 2020	October: 11 of 13 members; March: 11 of 13		At each meeting we provide GPF with a summary of how the advice given at the previous meeting has or will be used.	We undertook formal surveys following both meetings. Feedback on the overall assessment of the March meeting averaged 4.6 out of 5.	✓

Consultative group	Meetings per mandate	Meetings in review period	Date of last meeting	Attendance at each meeting	Topics on which consulted	Feedback to Group	Feedback requested from Group (see para 9)	Continuing to serve function
Emerging Economies Group	Generally 2 per year	2 (May meeting by video conference)	May 2020	December: 10 of 12 members; May: 11 of 12	Principal topics: <ul style="list-style-type: none"> <li>• Primary Financial Statements</li> <li>• Goodwill and Impairment</li> <li>• Management Commentary Practice Statement</li> </ul>	At each meeting we present a cumulative log of topics discussed at previous meetings showing how the advice given has or will be used.	At the December 2019 meeting the members discussed the format and content of future EEG meetings. There was an open and constructive dialogue with members supporting holding in-person meetings and continuing the format whereby the first day of the meeting focuses on a single topic.	✓
SME Implementation Group	The Group's work is largely undertaken by email.  Two introductory video conference meetings (primarily for the benefit of new members) held in July 2020			25 of 29 members	Q&A on Application of the undue cost or effort exemption when measuring fair value on transition to the <i>IFRS for SMEs</i> Standard.  Second Comprehensive Review of the <i>IFRS for SMEs</i> Standard.	As part of the Second Comprehensive Review of the <i>IFRS for SMEs</i> Standard, SMEIG members' advice has been requested in developing Board papers. Copies of the Board papers and the Board's tentative decisions are distributed to SMEIG members.	n/a	✓
Islamic Finance Consultative Group	Not specified - currently aiming to meet around once a year	0	Met as part of the WSS meeting September 2019	n/a	n/a	n/a	n/a	✓ see para 18

Consultative group	Meetings per mandate	Meetings in review period	Date of last meeting	Attendance at each meeting	Topics on which consulted	Feedback to Group	Feedback requested from Group (see para 9)	Continuing to serve function
IFRS Taxonomy Consultative Group	Frequency, format & timing of meetings driven by the number & timing of taxonomy releases and nature of topics	3  (June and July by video conference)	July 2020	January: 21 of 22 members & observers; June: 26 of 28; July: 23 of 28	Matters relating to the IFRS Taxonomy (strategy, development and proposed updates)	A summary of the meeting is circulated to the ITCG (and posted to the website) after each meeting.	We surveyed members before the January 2020 meeting and after the June 2020 meeting. Feedback on the overall assessment of the June meeting averaged 4.2 out of 5.	✓
<b>Project Consultative Groups</b>								
Consultative Group for Rate Regulation	Not specified - meet as required	0	October 2017	n/a	n/a	n/a	n/a	see para 15
Management Commentary Consultative Group	Not specified - meet as required	1	December 2019	13 of 16 members and all 4 observers	Provided input on various topics relating to the Board's Management Commentary project	A summary of the meeting is circulated to the MCCG and reported to the Board (and posted to the website) after each meeting. At the subsequent meeting, staff update the MCCG on Board decisions and how the MCCG's input has been considered.		✓ see para 16
Transition Resource Group for Insurance Contracts	Not specified - meet as required	0	April 2019	n/a	n/a	n/a	n/a	✓ see para 17

## APPENDIX

Consultative group	Objective	Composition	Chair	Board member representation at meetings
<b>Standing Groups</b>				
Accounting Standards Advisory Forum	Advisory forum in which members can constructively contribute to the Board's technical projects	12 National Standard-setters and regional bodies	Hans Hoogervorst (Chair)	The Vice-Chair plus Board advisers for the topic under discussions
Capital Markets Advisory Committee*	To provide the Board with regular input from the international community of users of financial statements	No more than 20 members (currently 17 members)	Co-chaired by Glen Suarez and Jeremy Stuber (independent)	Nick Anderson (Board member) plus Board advisers for the topic under discussions
Global Preparers Forum*	To provide the Board with regular input from the international community of preparers of financial statements	Up to 16 members (currently 12 members)	Ian Bishop (independent)	Martin Edelmann (Board member) plus Board advisers for the topic under discussions
Emerging Economies Group	To enhance the participation of emerging economies in the development of IFRS Standards	12 permanent members (NSS) plus the chair	Darrel Scott (Board member)	Hans Hoogervorst and Jianqiao Lu also attended the meeting in China in December 2019. Tadeu Cendon and Jianqiao Lu supported the chair at the video meeting in May 2020.
SME Implementation Group	To support the international adoption of the <i>IFRS for SMEs</i> Standard and monitor its implementation	At least 12 members and not more than 30 members (currently 29 members) Trustees approved membership changes in June 2020	Darrel Scott (Board member)	Darrel Scott, Jianqiao Lu, Ann Tarca and Tadeu Cendon participated in the video meetings in July 2020
Islamic Finance Consultative Group	To focus on challenges that may arise in the application of IFRS Standards to instruments and transactions commonly referred to as Islamic finance	No size mandated - currently 15 members	Faiz Azmi (independent)	Martin Edelmann (vice-chair of Group and Board member)
IFRS Taxonomy Consultative Group	To assist the Board in its IFRS Taxonomy and related activities	16–20 members including the Chair and the Vice-Chair (currently 20 members plus 4 observers) DPOC approved membership changes in February 2020	Ann Tarca (Board member)	Other Board advisers attend



## APPENDIX

Project Consultative Groups				
Consultative Group for Rate Regulation	To help the Board in its project on rate-regulated activities by providing a variety of expert perspectives, including those of preparers, auditors, users of financial statements and regulators	13 members plus 2 observers	Board member chaired	Other Board advisers
Management Commentary Consultative Group	To provide the Board with access to practical experience and expertise in developing, implementing and using management commentary regimes, and to advise the Board as it develops proposals for updating the Practice Statement	16 members plus 4 observers	Hans Hoogervorst (Chair)	Other board advisers
Transition Resource Group for Insurance Contracts	To support implementation of the new Insurance Contracts Standard (IFRS 17)	15 members plus 3 observers	Martin Edelmann (Board member)	Other Board advisers

\*While the Capital Markets Advisory Committee (CMAC) and Global Preparers Forum (GPF) function as standing consultative groups for the IASB, they are established as bodies independent from the IFRS Foundation. Consequently, members of CMAC and GPF are appointed by the CMAC members and the GPF Nominations Committee, in accordance with the CMAC Charter and GPF Constitution respectively. We support the GPF and CMAC in identifying candidates. The CMAC charter allows the IASB to propose or reject a new candidate.