

Chairman's Report
IFRS Advisory Council
February 2021

1. The Advisory Council met on 23 February 2021 by videoconference. In addition to the Advisory Council members, the meeting was attended by the Chair of the Trustees of the IFRS® Foundation, Mr. Erkki Liikanen, as well as several International Accounting Standard Board® (Board) members and IFRS Foundation staff.
 2. The agenda and papers for the meeting and the meeting recording are available at: www.ifrs.org/news-and-events/calendar/2021/february/ifrs-advisory-council/
 3. The Advisory Council Chair, Mr. Bill Coen, welcomed eight new members to the Council.
 4. Mr. Liikanen announced the appointment of Prof Dr Andreas Barckow, a current Advisory Council member, as Board Chair from July 2021 and the appointment of two new IFRS Foundation Trustee vice chairs. He thanked members of the Advisory Council that had participated in the Trustee Consultation on Sustainability Reporting. Mr. Liikanen highlighted the following priorities since the Council had last met:
 - Trustees' Consultation Paper on Sustainability Reporting – the Trustees had considered the responses to the first three questions in the consultation paper, noting the impressive quality and quantity of participation in the consultation. Emerging from the considered responses to the consultation were:
 - Urgent need for establishing global sustainability standards
 - Strong support for the IFRS Foundation to play a role in setting sustainability standards
 - Further work needed by the Trustees on the requirements for success and other conditions required to establish a Sustainability Standards Board (SSB).
 - Reorganisation of the work of the Trustees – a Steering Committee had been set up to guide Trustee consideration of sustainability reporting.
 - Work on developing post-covid-19 working practices
- Mr. Liikanen expressed an appreciation for the work of the Board and the IFRS Foundation's staff in the difficult covid-19 circumstances.
5. Hans Hoogervorst, Chair of the Board, provided an update of the Board's activities since the last meeting (Agenda Paper 1). He noted the consultations that had been published since the Council's last (November 2020) meeting:
 - Discussion Paper *Business Combinations under Common Control* published in November 2020;
 - Exposure Draft *Regulatory Assets and Regulatory Liabilities* published in January 2021; and
 - Exposure Draft proposing to extend the relief provided in May 2020 to lessees accounting for covid-19-related rent concessions published in February 2021.

He also noted that the Exposure Draft on *Management Commentary* is expected to be published by the end of April 2021.

Mr. Hoogervorst provided updates related to the Post-implementation Reviews of:

- IFRS 9 *Financial Instruments* – the Board had begun a Post-implementation Review of the Classification and Measurement requirements, and
- IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* – the Board had published a Request for Information in November 2020.

Mr. Hoogervorst also noted that the Board had published educational material to:

- highlight how existing requirements in IFRS Standards require companies to consider climate-related matters when their effect is material to the financial statements. This educational material was published in response to stakeholders' demand for more information and complements the article by Nick Anderson published in 2019 on this topic, and
- help companies apply going concern requirements. This educational material is a part of the Board's work to support stakeholders in applying the Standards in the current covid-19 situation.

Ensuing discussion among AC members covered:

- concerns about inconsistent disclosures on IFRS 9 *Financial Instruments* expected credit losses
- the performance of IFRS 9 impairment model in the current climate of government intervention
- the high volume of current consultations and resulting strain on stakeholder capacity
- the importance of educational material on going concern in covid-19 circumstances
- the need for an understanding of how sustainability issues affect valuation of entities
- the complementarity between the *Management Commentary* project and sustainability reporting.

6. Agenda Paper 2 updated the Advisory Council on the response to the Trustees' consultation on sustainability reporting, including how the response is being analysed and the steps that will be taken, once the analysis is complete. Mr. Lee White, Executive Director, highlighted the important role of the Advisory Council in the consultation, noting that more than 70% of Advisory Council members provided a response.

The Advisory Council discussion considered the following themes:

- The delineation between the work of the Board, in particular *Management Commentary*, and the work of the potential SSB. It was also suggested that discipline around terminology may help stakeholders understand the different remits of the current board and the proposed board.

- The ongoing engagement and collaboration by the IFRS Foundation with the Group of Five¹ and other bodies including, but not limited to, the European Commission, to ensure existing initiatives are built upon, and work by the Foundation does not slow progress or duplicate steps already taken.
- The strong credibility that the IFRS brand can give to sustainability reporting.
- The importance of continuing engagement with market participants and other stakeholders over the coming months.
- The desire for knowing the timing of the release of sustainability standards.
- Steps that need to be taken to ensure appropriate funding and technical expertise are in place to support the establishment of a SSB, and the importance of ensuring work on financial reporting is not compromised during this process.
- The need to revise the IFRS Foundation Constitution, and the timeline for this process, in order to give the IFRS Foundation a mandate to expand its remit beyond financial reporting.

It was agreed that Mr. White and Mr. Coen would consider how the April meeting of the Advisory Council can add further value to this work.

7. Agenda Paper 3 reported the IFRS Foundation's developing ideas on post-covid-19 working practices and sought Advisory Council feedback on alternatives and trends on the future of work.

Feedback amongst Advisory Council members included:

- The need for a sound structure that overarches diverse personal employee preferences. One size does not fit all – different employees may thrive in different environments.
- In the global competition for talent, what does talent want?
- The merit of taking a gradual approach towards remote working options, including the benefits of experimentation and trust in developing post-covid-19 working practices versus the dangers of setting a rigid framework for such practices without allowing for change.
- The importance of equity for employees by ensuring that everyone works in similar conditions (eg considering quality of home office environment).
- Challenges of a hybrid working model (where some employees work in the office and others work remotely) and the importance of effective chairing of hybrid meetings.
- The idea of having core days when most employees are at the office and flexible days when people can work at home.
- Awareness that an office working environment can help maintain an international culture, attract secondees on fixed-term contracts, build relationships and develop ideas and staff by participating in and overhearing conversations.
- Current success may be due to existing relationships which may not be sustainable with employee turnover.

¹ The Climate Disclosure Project, the Climate Disclosure Standards Board, the Global Reporting Initiative, the International Integrated Reporting Council and the Sustainability Accounting Standards Board.

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IFRS® Advisory Council meeting

- The opportunity for global organisations to hire employees who work remotely from other countries and would not otherwise consider relocation to the country of the office, balanced with consideration of tax consequences of employees located in different countries.
 - Performing a 360-degree review by asking employees and their immediate colleagues on how effective they can be could help identify optimal working practices.
8. In a closed session Mr. Coen summarised the findings of his review of the effectiveness of the Advisory Council. He said he would highly recommend to his successor similar ongoing engagement with the Trustees.

In the discussion that followed, the Advisory Council considered the following points:

- Geographical representation
 - Proposed SSB
 - Length of membership terms
 - Frequency of meetings
 - The use of working groups
9. Mr. Coen closed the meeting by thanking the Advisory Council members for their preparation and contribution to the meeting.