AGENDA

IFRS Foundation Trustees meeting – Due Process Oversight Committee

New York	October 2019	**Agenda Ref 1F (b)**
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Due Process Handbook Review—Summary of feedback

Purpose

1. This paper:

   (a) summarises the comments received on the proposed amendments to the *Due Process Handbook* (Handbook) for topics, other than agenda decisions, for which the Due Process Oversight Committee (DPOC) sought specific feedback; and

   (b) asks the DPOC whether it agrees with the staff recommendations for finalising the proposals for those topics.

2. In analysing the comments received, the staff has remained focussed on the reliability and legitimacy of the standard-setting process and other activities governed by the Handbook.

3. This paper is structured as follows:

   (a) Analysis of comments received on the main proposals:

      (i) Effect analysis;

   (b) Analysis of comments on other matters:

      (i) Educational material;

      (ii) Adding projects to the Board's work plan;

      (iii) IFRS Taxonomy; and

      (iv) Consequential amendments to the IFRS Foundation *Constitution*.

4. Many respondents also offered specific drafting suggestions. Such suggestions will be considered during the finalisation of the drafting of the amendments.
5. This paper asks the DPOC the following questions based on the staff recommendations:

1) Effect analysis

Do members of the DPOC agree to finalise the proposed amendments relating to effect analysis subject to the following matters:

a) Clarifying the connection between greater transparency in financial reporting and financial stability;
b) Explaining in the feedback statement that consideration of financial stability in the context of effect analysis does not override the objective of financial reporting as described in the *Conceptual Framework* or the Board's remit as described in the IFRS Foundation *Constitution*;
c) Clarifying that the phrase 'where relevant' is used to describe that the Board may consider it useful to draw the connection between an increased level of transparency in financial reporting and financial stability in explaining to a broader stakeholder audience the benefits that a new Standard may bring; and
d) Distinguishing between the type of analysis undertaken for an exposure draft and the analysis undertaken when a new IFRS Standard is issued.

2) Educational material

Do members of the DPOC agree to finalise the proposed amendments relating to educational materials subject to:

a) clarifying the difference between educational material and other types of material to support the consistent application of IFRS Standards;
b) highlighting that consideration is given to the complexity of the underlying Standard when determining the required level of review for educational material.

3) Other matters
Do the DPOC agree to a) rectify a contradiction in the table added to the IFRS Taxonomy annex; and b) finalise the proposed amendments relating to: i. adding projects to the Board's work plan; and ii. the consequential amendments to the IFRS Foundation *Constitution*.

Effect analysis

6. One of the main aspects of the proposed amendments to the Handbook related to the Board's process for analysing the potential effects of an IFRS Standard, also known as effect analysis. The proposed amendments sought to better reflect the Board's current convention for analysing the effects and the recommendations made by the Effects Analysis Consultative Group (EACG), an independent body set-up in 2013 by the IFRS Foundation Trustees to advise the Board on its methodology for effect analysis.

7. Most respondents supported the proposals relating to effect analysis and appreciated the enhanced explanation of the Board's approach to analysing the effects of an IFRS Standard. Some respondents noted that the proposals appropriately reflect the developments of the Board's work in the area. However, some respondents raised some concerns and suggestions for improvement.

Financial stability

8. The proposed amendments in respect of effect analysis sought to clarify that the Board may analyse how greater transparency in financial reporting as a result of standard-setting is likely to affect financial stability. The proposed amendments clarify that the Board will make this connection through its effects analysis process only 'where relevant'. This is explained in paragraph 3.80 of the proposed amendments:

> IFRS Standards provide high-quality, transparent and comparable financial information about individual entities, which can enhance financial stability in the

> global economy. The Board has regard to effects on financial stability when assessing the effects of new financial reporting requirements where relevant […]

9. This proposed amendment reflects some of the recent work undertaken by the Board in this area, notably in the Effect Analysis Report that accompanied IFRS 17 *Insurance Contracts*, as well as the recommendations of the EACG. Some respondents welcomed that financial stability was specifically mentioned in the proposed scope of effect analysis . One respondent noted that the proposal accurately reflects the Board's recent work in the IFRS 17 effect analysis. Another respondent indicated that the reference to financial stability is appropriate because it provides for a broader public interest perspective into the Board's analysis of the effects.

10. Some respondents disagreed with the proposal to introduce a reference to financial stability in paragraph 3.80 because they think that considering the effects on financial stability is beyond the Board's remit. For instance, a few respondents stated that they think that it contradicts and/or goes beyond what is described as the objective of financial reporting in the *Conceptual Framework for Financial Reporting*. Paragraph 1.2 of the *Conceptual Framework* says the objective of general purpose financial reporting is 'to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity'. One respondent said that the proposal was not consistent with the Board's conclusion in paragraphs BC1.23–BC1.26 of the Basis for Conclusions on the *Conceptual Framework.* In discussing the information needs of regulators these paragraphs conclude that 'providing financial information that is relevant and faithfully represents what it purports to represent can improve users' confidence in the information, and thus contribute to promoting financial stability'.

11. One respondent questioned if including financial stability in the scope of the Board's work was even moving beyond the Board's constitutional responsibility to provide 'high-quality understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles' (IFRS Foundation *Constitution*, paragraph 2(a)). Another respondent questioned why financial stability was singled out for inclusion in the scope of the Board's work, with no similar reference to assessing the effects of strengthening the accountability of financial markets, or

contributing to economic efficiency, both of which are also included in the IFRS Foundation's Mission Statement.

12. Some respondents state that there is a lack of clarity in the proposed amendment because there is no definition or description of financial stability. One respondent, sceptical about highlighting financial stability in the context of effect analysis, said that if the reference to financial stability remains, the Handbook should explain what is meant by the term in the context of the Board's effect analysis work. The same respondent also requested explanation of the use of the term 'where relevant' in paragraph 3.80 of the proposed amendments.

13. The intention of the proposal to introduce a reference to financial stability was to acknowledge the connection between developing high-quality financial reporting standards and long-term financial stability. This notion derives from the IFRS Foundation's Mission Statement:

> Our mission is to develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world. Our work serves the public interest by fostering trust, growth and long-term financial stability in the global economy.

14. The proposed amendment was also intended to reflect the IFRS Foundation's membership of the Financial Stability Board and the role which financial reporting standards play in contributing to financial stability. This connection was also made by the EACG:

> As a condition of membership of the Financial Stability Board (FSB), the IASB is committed to pursue the maintenance of financial stability, maintain the openness and transparency of the financial sector and implement international financial standards. The objective or mandate of the FSB is to promote the stability of financial markets as a whole. The IASB's responsibility or objective is to focus on ensuring that investors have high quality, transparent and comparable information (general purpose financial reports) about individual entities.

18. The proposed amendments are not seeking to alter the objective of financial reporting as explained in the *Conceptual Framework* or extend the Board's remit. The intention of the proposed amendments is to enable the Board to utilise the effect analysis process to explain how greater transparency in financial reporting as a result of new requirements is likely to affect financial stability if it deems this to be relevant. The reason that financial stability has been singled out over other notions in the mission

statement, such as accountability and efficiency, is to reflect the Board’s work in recent years. As noted, a consideration of the effects on financial stability formed part of the IFRS 17 effect analysis report.

19. In the proposed amendments the DPOC were also cautious not to bind the Board through the effect analysis process to consider financial stability every time it undertakes standard-setting. This is the reason the phrase ‘where relevant’ is used. As discussed, the Board considered the effect on long-term financial stability and explained its rationale in the IFRS 17 effect analysis report. It explained that ‘improved transparency resulting from IFRS 17 is expected to contribute to long-term financial stability by revealing useful information that will enable actions to be taken in a timely way’. Typically, the effect analysis report that may accompany an issued Standard is produced for a broader audience (for example policymakers involved in the endorsement process) than other documents produced when a Standard is issued, such as the basis for conclusions or illustrative examples.

20. The IFRS Foundation is clear the transparency provided by high quality accounting standards is indispensable for, and contributes to, long-term financial stability. The Board may feel that it is useful for the understanding of benefits that a new Standard may bring to draw the connection between an increased level of transparency in financial reporting and financial stability. The use of the term ‘where relevant’ seeks to capture this.

21. The feedback on the proposals in this area highlights the need to:

(a) Clarify the connection between greater transparency in financial reporting and financial stability;

(b) Explain in the feedback statement that consideration of financial stability in the context of effect analysis does not override the objective of financial reporting as described in the *Conceptual Framework* or the Board’s remit as described in the IFRS Foundation *Constitution*; and

(c) Clarify that the phrase ‘where relevant’ is used to describe that the Board may consider it useful to draw the connection between an increased level of transparency in financial reporting and financial stability in explaining to a broader stakeholder audience the benefits that a new Standard may bring.

Ensuring an analysis of the effects throughout the standard-setting process

22. The proposed amendments to the Handbook sought to highlight more clearly that the process of assessing the effects occurs through the standard-setting process and that the Board explains its views on the likely effects at each stage of the process.

23. Many respondents welcomed the enhanced explanation provided. However, some respondents called for:

    (a) further clarity about how the Board ensures its analysis of the effects takes place throughout the standard-setting process;

    (b) further information to be provided on the methodology used; and

    (c) a separate effect analysis report to be published at each due process stage.

The process of analysing the effects

24. Some respondents did not think that paragraph 3.77 of the proposed amendments, which describes the process of the Board's analysis of the effects, was clear about how the Board conducts its analysis throughout the standard-setting process. One respondent explained

> paragraph 3.77 describes the process of analysing the effects, but when describing the process for standard-setting projects does not distinguish between the Exposure Draft stage and the finalisation stage. It also appears to suggest that the Board assesses alternative accounting solutions to issues at the standard-setting phase whereas we believe that the Board considers alternative solutions at the research phase of a project [UK FRC].

25. Paragraph 3.77 of the proposed amendments explains that:

> The process of assessing the likely effects is intrinsic to the development of financial reporting requirements. Therefore, the Board assesses the likely effects throughout the development of a new or amended IFRS Standard, tailoring its assessment to the stage of the process of developing the new or amended Standard. For example, at the research phase, the Board focuses on assessing the nature of the financial reporting deficiency being addressed, seeks to define the problem and proposes possible solutions, focusing particularly on the likely benefits of developing new financial reporting requirements. At the standard-setting phase, the Board is developing a specific proposal for a new or amended Standard. Accordingly, the Board focuses on assessing the potential costs and benefits of implementing that proposal, and on assessing any alternatives. The Board tailors the level of analysis to the nature of the proposed change to financial reporting.

26. The proposed paragraph seeks to clarify that during the research phase of a project and through the publication of a discussion paper (where such a course is followed) the Board's analysis focuses on the perceived financial reporting deficiency being addressed (the problem definition) and analyses various potential solutions. A discussion paper will also discuss the potential costs and benefits of the possible solutions proposed. Stakeholders can comment at this stage on the defined problem, the proposed solutions and the potential cost and benefits of standard-setting. When a project enters the standard-setting phase and an exposure draft is published, the proposals are at a more developed stage. This means that the problem is more clearly defined, and the proposed solution is informed by the feedback to that point. At the stage at which the Board is preparing to issue a final Standard, the analysis of the effects is further informed by additional stakeholder feedback and a more detailed analysis can take place.

27. The staff recognise that the drafting of paragraph 3.77 of the proposed amendments could be improved. The staff recommend that the paragraph be amended to distinguish between the type of analysis undertaken in the exposure draft phase of a project and the analysis undertaken when a new IFRS Standard is issued. However, the staff think that the reference to the Board assessing the potential costs and benefits of 'any alternatives' at the standard-setting phase of a project should remain. This conveys that the Board continues to consider technical alternatives leading up to the finalisation of a Standard. This is also specifically acknowledged in the recommendations made by the EACG.

Further transparency in methodology

28. A few stakeholders indicated that they would welcome further explanation about the methodology used by the Board when undertaking its effect analysis. Two respondents from the preparer community explained that they would welcome further Board engagement with preparers early in the effect analysis process to gather their views as early as possible.

29. The proposed amendments seek to better specify the objectives and requirements for the Board when it analyses the effects throughout the development of an IFRS Standard. The intention is not to codify a specified and perhaps confining

methodology for the Board to comply with when undertaking this work. The staff understand that the Board's methodology is continuing to evolve in this area.

30. The way in which the Board gains information about the potential effects of a new IFRS Standard relies on stakeholder responses to due process documents, outreach and, for major Standards, field testing. The Board conducts outreach with a wide range of stakeholders and seeks to engage with key stakeholder groups (including preparers) as early as possible in developing a Standard. The Handbook currently indicates that the Board may also conduct field testing of a Standard to gain a better practical understanding of its proposals and that the Board determines which stakeholders to engage with. If the Board determines that it does not need to conduct field testing it explains its reasoning to the DPOC (see paragraph 3.73 of the proposed amendments). The Board varies its approach to effects analysis to have regard to the nature of the project, as applying the same approach in all cases would run the risk of reducing its effectiveness.

31. The effect analysis report that accompanied IFRS 17 explained the methodology used by the Board in undertaking its analysis and the amount of outreach and testing undertaken which helped to inform that analysis.

32. The staff recommend that no further explanation is added to the proposed amendments regarding the Board's methodology. Doing so would not improve the reliability or legitimacy of the standard-setting process.

Reporting the effects

33. A few stakeholders requested that a separate effect analysis report be produced at each stage of the standard-setting process. Paragraph 3.81 of the proposed amendments explains how the Board reports its analysis of the effects at each stage of the standard-setting process:

> The Board explains its views on the likely effects at each stage of the development of a new or amended IFRS Standard. The level and format of the analysis is tailored and reflects the nature of the change to financial reporting and the stage of development. For instance, in the research phase, an analysis of the perceived financial reporting deficiency being addressed and the possible solutions are an integral part of the discussion paper. In the standard-setting phase, the Board explains why it is proposing a particular change to financial reporting requirements, including referring to the evidence it has collected and any outreach it has

undertaken, in the basis for conclusions to the exposure draft. When a major Standard is issued, the Board issues a separate effects analysis report that summarises the likely effects and how the Board made its assessments. This report is included as part of the documents accompanying the Standard balloted by the Board. For other new requirements, the Board presents its views as part of the basis for conclusions accompanying the new requirements.

31. This paragraph explains that if the Board issues a discussion paper, the Board's consideration of the effects forms an integral part of a discussion paper. At this stage of the process, the Board is considering the perceived financial reporting deficiency that needs to be addressed (the problem definition) and the possible alternatives in dealing with that problem rather than setting out a draft Standard. When the Board issues an exposure draft, the basis for conclusions will typically have a separate section dedicated to an analysis of the potential effects of the draft Standard. The Board may also pose a question in the exposure draft about the cost and benefits of the proposals giving stakeholders the opportunity to comment on that section. When the final Standard is issued, a separate effect analysis report is published in the case of a major Standard, or an effect analysis section is included as part of the basis for conclusions. In either case this explains the Board's understanding of the effects to that point and how the Board made its assessments. After a Standard is issued the Post-implementation Review process provides an opportunity for the Board to hear from stakeholders on the effects of the Standard in practice.

32. The staff do not think the Board should be required to produce a separate effect analysis report at each stage of standard-setting. This is because such a step would not add to the effectiveness or efficiency of the effect analysis process or add to information reported. Indeed it would duplicate processes such as the development of a discussion paper. It would therefore not improve the legitimacy of standard-setting.

Effects analysis for the Interpretations Committee

33. Some respondents explained that the process and explicit consideration of effect analysis should be extended to the work of the Interpretations Committee, some highlighting IFRIC Interpretations and others also agenda decisions published by the Committee.

34. The staff note that the effect analysis section is intended to apply to the development of IFRS Standards. The definition of IFRS Standards includes IFRIC Interpretations, hence the proposals relating to effect analysis apply also to IFRIC Interpretations.

35. However, the staff do not think the scope of effect analysis should be extended to cover agenda decisions. Agenda decisions are first and foremost a decision of the Interpretations Committee not to undertake standard-setting and this does not require an analysis of the effects of this decision. The tentative decision is exposed for public comment and stakeholders can comment if they agree with the Interpretations Committee’s assessment that no standard-setting is required. In addition, an agenda decision (as proposed to be confirmed in the updated Handbook) is an analysis of existing requirements in IFRS Standards the effects of which are considered in writing the Standard that is applied by the Committee as a basis for an agenda decision.

Educational material

36. The proposed amendments relating to educational material sought to update the Handbook to recognise some of the newer materials being produced by the IFRS Foundation and to provide a logical review process involving Board members. Three categories of educational materials were proposed:

    (a) high-level summaries of requirements in an IFRS Standard to be reviewed by at least one Board member;

    (b) more detailed materials explaining the requirements in a Standard to be reviewed by at least two Board members; and

    (c) material explaining or illustrating how a Standard may be applied in particular transactions or circumstances to be reviewed by at least three Board members (referred to as category (c) material in this paper).

37. This specified increased level of Board review was intended to ensure the quality of the educational materials and maintain their legitimacy. It also ensures that materials do not add or change the requirements in the Standards.

38. Most respondents were generally supportive of the proposed amendments. One respondent, a regulator, welcomed the clarification that educational material cannot add or change the requirements in the Standards, noting that producing educational material is an area ‘where there is a risk of conducting quasi standard-setting’.

39. However, some respondents raised the following matters to be considered in finalising the amendments:

    (a) the difference between agenda decisions and educational material:

        (i) difference in decision processes;

    (b) proposed due process requirements:

        (i) the need for external review of educational material;

        (ii) Board member approval;

    (c) the nature of educational material.

The difference between agenda decisions and educational material

40. A few respondents highlighted that the description of educational material could more clearly articulate the difference between this material and explanatory material in many agenda decisions. These respondents said that there is no discernible difference between the way explanatory material in agenda decisions and educational material are described in the Handbook. Both are described as ‘not [having] the status of the Standards and cannot add or change requirements in the Standards’. More specifically, an accounting firm explained that they could not determine the difference between educational material to be published by the Board and the proposed Board agenda decisions.

41. The respondents who drew this connection are correct in so far as both materials, namely category (c) material and explanatory material in agenda decisions, might demonstrate how an IFRS Standard applies in particular circumstances. However, there are differences that have been articulated above and which merit different due process. Agenda decisions are, first and foremost, a formal decision not to undertake standard-setting in response to a submitted question and typically respond to situations in which there is diversity in practice. That decision is exposed for comment to obtain feedback on the decision not to undertake standard-setting and for any comment on the explanatory material.

42. Educational material is as the name suggests material that is published when the Board thinks it would be helpful to explain the requirements in IFRS Standards. This is typically undertaken in a more user-friendly style that can take multiple formats (for

example webcasts or articles) in order to aid stakeholders' understanding in applying a Standard. The staff think that the drafting in the final amendments can be amended to clarify the differences between agenda decisions and (notably category (c)) educational material.

Decision processes

43. Some members from the regulatory community recommend:

> […] that the Handbook describe the decision process for determining which type of non-authoritative material, such Agenda Decisions, Practice Statements, or educational materials, to develop. [IOSCO]

44. The proposed amendments to the Handbook do not seek to describe the decision process for determining which type of material should be produced. First, with respect to the Interpretations Committee, whether an agenda decision is published is largely determined by whether a submission is received and then the process specified in paragraphs 5.13–5.19 of the proposed amendments. Second, paragraph 6.39 of the Handbook specifies when the Board might produce a Practice Statement. Developing a Practice Statement would involve an exposure draft which would give stakeholders the opportunity to comment on the appropriateness of that form of guidance. Thirdly, with respect to educational material to assist in the implementation of an IFRS Standard, the staff continue to think this is an area for which the Board uses it judgement in determining whether to publish material and the nature of that material. The Board should not be constrained in when it can publish information to assist in the understanding of its requirements, particularly after a Standard has been recently issued.

Proposed due process requirements

45. Some respondents raised the following matters about the proposed due process requirements associated with educational material.

The need for external review of educational material

46. One respondent, a preparer representative group, suggested that educational material can have a major impact and therefore should follow an equivalent due process to an agenda decision. A few respondents, typically national standard-setters, proposed that it would be appropriate for the category (c) educational material, which explains how

a Standard should be applied to specific transactions or circumstances, to have some form of external review before being published. Their rationale is that they do not see a substantive difference in status between this type of educational material and agenda decisions published by the Interpretations Committee. One respondent explained that:

> The introduction of different levels of review of educational material (from one to three IASB members) implies that some educational material will have a pervasive effect. In these cases, EFRAG considers that some external formal due process is warranted, depending on the type of educational material. This is particularly relevant for educational material that is similar to the Implementation Guidance attached to an IFRS Standard, which is subject to due process before the Standard is issued [EFRAG].

47. The staff think that a requirement for educational material to follow an equivalent due process to an agenda decision or to be exposed for comment is unnecessary. This is for the following reasons:

    (a) Board level review rather than public exposure is an appropriate level of due process scrutiny to ensure that educational material does not add or change IFRS Standards and is legitimate. This type of educational material is less formal than an agenda decision and may take a variety of formats such as an article or a webinar.

    (b) Educational material is typically produced in the period before a Standard becoming widely effective. Sometimes it covers aspects of new Standard for which the Board has become aware that stakeholders have questions. Given the nature of the material, exposure is unlikely to provide meaningful input and it would also reduce the Board's flexibility in being helpful and responsive.

    (c) If stakeholders were to consider that a piece of educational material does not sufficiently illustrate a specific element of a Standard and there is diversity in practice, then they can submit a question to the Interpretations Committee. The Committee would then follows its process to consider if there is a need for standard-setting.

Board member approval

48. One accounting firm questioned

> if educational material is reviewed by one or two Board members, then that material is treated as 'Board approved'. However, the material may not reflect the opinions of the entire Board. Does this mean that approval by one, two or three Board members is sufficient to express the views of the Board with authority? [EY]

49. Two respondents noted the deletion of the sentence in the existing Handbook that the technical staff have a responsibility to ensure 'that any educational material is not confused with an IFRS [Standard] or perceived as being mandatory'. One respondent, a national standard-setter, explained that they think the Handbook should consider not just the nature of the materials in determining level of review, but also the complexity of the underlying Standard.

50. The staff do not think that the purpose of Board review is to ensure that the educational material captures the entire Board's view. Paragraph 8.9 of the proposed amendments explains that the review involved in educational material is for quality assurance purposes, including to ensure that that the material 'does not add or change requirements in the Standards and is clearly distinguished from the Standards'. This is why the number of Board members involved in the review increases in line with the specificity of the educational material. The staff also think that the proposed amendment to paragraph 8.9 better expresses the notions in the deleted sentence that educational material is not part of IFRS Standards.

51. The staff acknowledge the importance of considering the complexity of the underlying Standard when determining the level of review required for educational material. The staff recommend reflecting this in finalising the amendments.

Nature of educational material

52. Two national standard-setters said that the proposed differing levels of Board member review imply that some educational material could have a pervasive effect. Another national standard-setter said that educational material should not deal with specific facts and circumstances unless they are clearly unrelated to an accounting issue in a specific jurisdiction.

53. The staff think that some educational material might focus on particular aspects of a new Standard when the Board becomes aware of some questions in practice, such as a

result of interactions with consultative groups or through outreach. Nonetheless, any examples used in educational material to illustrate the application of the Standard will typically still be generic to highlight the key points of principle to be considered in applying the Standard rather than focussing on a narrow, highly-specific fact pattern. In addition, requiring three board members to review material rather than two does not necessarily imply those materials have a more pervasive effect. Rather it reflects a greater degree of detail in the materials and hence the need for a more thorough level of review to ensure materials do not inadvertently add or change requirements in IFRS Standards.

54. As noted above, in finalising the proposals relating to educational material, the staff recommend clarifying the difference between educational materials and other types of material to support the consistent application of IFRS Standards and to highlight that consideration is given to the complexity of the underlying Standard when determining the level of review required.

Adding projects to the Board's work plan

55. The proposed amendments to the Handbook sought to streamline and make more logical the requirements regarding the consultation that must be undertaken before the Board adds a new project to its work plan. Currently, outside the five-yearly Agenda Consultation, paragraph 5.6 of the Handbook requires the Board to consult the Advisory Council and the Accounting Standards Advisory Forum (ASAF) before adding a project to its standard-setting programme. This means that the Board is not required to consult before adding a project to its research programme, even if that project was not considered in the previous Agenda Consultation. But it also means that the Board must consult with these parties before moving a project from its research programme to its standard-setting programme, even if that research project was added to its work plan as a consequence of the previous Agenda Consultation.

56. The effect of the proposed amendments would be to:

(a) require the Board to consult before formally adding a major project to the work plan (either the research programme or the standard-setting programme) if that project was not specifically contemplated in the most recent Agenda Consultation; and

(b) explain in cases in which a project was specifically contemplated in the most recent Agenda Consultation, the Board is not required to consult the Advisory Council and ASAF when it moves a project from the research programme to the standard-setting programme.

57. The vast majority of respondents were supportive of these proposed amendments. Two respondents disagreed with the proposals and one respondent who agreed with the proposals raised one point to consider about the Board's changing priorities. All three respondents are national standard-setters.

58. The first respondent noted that as the Board's work priorities can have corresponding economic effects it is necessary to consult both the Advisory Council and ASAF before adding projects to the Board's standard-setting agenda. The second respondent, who disagreed with the proposed amendments suggested that consulting the Advisory Council and ASAF aids the efficient allocation of resources to projects. The respondent explained that the proposed amendments may result in the Board relying on out-of-date feedback from the latest Agenda Consultation.

59. The third respondent noted that paragraph 4.6 of the proposed amendments mentions the consultation procedure only if the Board intends to add a project to its work plan, but it does not address with equal detail the situation in which the Board decides to change its priorities in response to changing circumstances.

60. The staff think that the proposed amendments allow the Board to receive sufficient and timely input on its agenda from all stakeholders while avoiding the duplicative and potentially time-consuming process of the current Handbook, bearing in mind the Board's experience of the typical time in which financial reporting priorities change. In particular:

(a) before proceeding to the standard-setting phase of a project, the Board may have received recent feedback on a due process document; and

(b) the revised paragraph 3.54 complements paragraph 4.6 of the proposed amendments to the Handbook and allows for periodic input from the Advisory Council on the Board's 'work plan, project priorities and strategic issues related to the application and implementation of IFRS Standards'.

61. The proposed amendments also require the Board to consult the Advisory Council and ASAF before adding a major project to its work plan that was not contemplated in the previous Agenda Consultation, thereby ensuring consultation where none is provided for in the current Handbook. The staff recommend finalising the proposals in this area subject to minor drafting amendments.

IFRS Taxonomy Due Process

62. The increasing importance of the role of the IFRS Taxonomy in recent years resulted in the DPOC publishing a separate annex on the due process associated with the IFRS Taxonomy in 2016. The proposed amendments in the current Handbook review were intended:

    (a) to specify the DPOC's role overseeing the due processes associated with IFRS Taxonomy content; and

    (b) to improve the clarity of the approval and review process associated with IFRS Taxonomy updates by adding a table summarising the requirements.

63. The vast majority of respondents supported the proposed amendments. A few respondents noted a contradiction in the table specifically in the sections that explain the approval and review processes involved in finalising IFRS Taxonomy updates. These respondents advised this should be rectified in the final amendments. The staff agree with this and will amend the table accordingly in drafting.

Consequential amendments to the IFRS Foundation Constitution

64. In the proposed amendments, the DPOC updated references to the remit of the IFRS Advisory Council to reflect that the Council's role, especially since the establishment of ASAF, is to act as a strategic advisory body to the Board (and Trustees) rather than a technical consultative body. As a result of these proposals, the IFRS Foundation Trustees proposed consequential amendments to the IFRS Foundation *Constitution* to align it with the proposed amendments to the Handbook.

65. Respondents were supportive of these proposed amendments and as a result the staff recommend finalising the amendments subject to potential minor drafting amendments.