

MEETING REPORT

IFRS® Advisory Council meeting

(Amended on 18 08 2020 for typo in para 10)

Chairman's Report IFRS Advisory Council May 2020

1. The Advisory Council met on 27 and 28 May 2020 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® 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:
www.ifrs.org/news-and-events/calendar/2020/may/ifrs-advisory-council/
3. The Advisory Council received an update on recent trustee activities including:
 - various stakeholder engagements, including with the Monitoring Board, EFRAG and the CFA Institute;
 - a revised version of the Due Process Handbook will soon be published;
 - the ongoing search to identify new Trustees and an IASB Chair;
 - the use of technology; and
 - sustainability reporting.
4. Agenda items that were discussed and on which Advisory Council advice was provided pertained to:
 - the monitoring, assessment and adoption of international policies and the implications for the IFRS Foundation;
 - the digital experience for IFRS Foundation customers and stakeholders as well as the potential consequences for the IFRS Foundation;
 - the role and application of key performance indicators (KPIs) for the Board's technical activities; and
 - the Advisory Council Chairman's strategic review of the role and composition of the Advisory Council.
5. With regard to the monitoring, assessment and adoption of international policies and the implications for the IFRS Foundation, the Advisory Council received presentations from two global standard setting bodies (ie the Basel Committee on Banking Supervision – BCBS – and the International Organization of Securities Commissions – IOSCO) and the International Monetary Fund. Each organisation shared some of the pertinent lessons learnt from their experience in monitoring and assessing standards. Some of the key takeaways were:
 - The importance of a structured, transparent approach – each organisation has publicly available “handbooks” that describe how their respective programmes work;
 - Dedicated, well-trained resources are required to conduct these programmes, which are time-consuming processes as illustrated by the critical role of interpretation in these assessments and the important role of judgement, which can be controlled by a robust quality control process, multilayers of safeguards and experienced assessors;
 - Publication is a key element of each the programmes but there was also a recognition that such transparency must take account of the need for confidentiality;

MEETING REPORT

IFRS® Advisory Council meeting

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- The monitoring programmes had the effect of improving incentives for implementation and motivating adoption; and
- Proportionality and remaining mindful of country profiles and the nature of these monitoring engagements are essential elements of each programme.

Reactions among Advisory Council members and possible implications for the IFRS Foundation include the following:

- Monitoring consistent adoption should be a priority;
- IFRS Foundation guidance would be needed to promote consistency, especially under exceptional circumstances; and
- If the IFRS Foundation were to take forward an assessment initiative, it would need to establish a formal process with a dedicated team and resources. That would help the Foundation to monitor, assess and obtain regular feedback on the level of adoption among jurisdictions.

A few comments were raised on the separate topic of consistent application (rather than consistent adoption), noting its importance.

6. The Advisory Council received a presentation from the Director of External Affairs on the Foundation's digital experience. It reviewed the Foundation's strategic framework and approach to stakeholder engagement vis-à-vis the digital experience and how both of these support the Foundation's constitutional objectives.

The proposed digital framework was well received by Advisory Council members and key takeaways and reactions were as follows:

- The need for educational material and implementation guidance was emphasised;
- Implementing machine learning search capabilities was suggested as this could increase the relevance of search results by learning from users' searches;
- The importance of having IFRS.org show up as a prominent search result on external search engines (eg Google) was highlighted;
- Consideration should be given to developing an IFRS app, which could include an e-version of the standards, educational materials, news/research, etc. and could be subscribed to or offered for free.
- Adopting an experimental and evaluative framework should be considered as this would promote a reasonable sequencing of development and implementation followed by assessment and reassessment;
- The tension between the commercial aspect of IFRS Standards (ie paid-for content) and the broader accessibility of information was recognised;
- Accessibility of information is important, eg the ease of navigating the standards, which could include the following measures:
 - a richer segmentation (from very easy to very technical) of the contents;
 - an improvement in the website's functionality;
 - simplified access to adoption/application support and related materials;
 - a deeper linkage between standards and related content (ie agenda decisions, implementation materials, etc);
- Presenting information in languages other than English should be considered;
- The persona cards were viewed as very useful and several suggestions were offered:
 - segmentation of *people* is useful but the segmentation of *contents* may be more efficient;
 - persona cards should be considered for auditors, IASB staff, and certain organisations (eg IMF, IOSCO);

MEETING REPORT

IFRS® Advisory Council meeting

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- caution should be exercised against having too many persona cards to maintain.
 - Caution about considerable resources to develop the content was emphasised;
 - The benefit of reduced cost of participation was discussed;
 - The virtue of the current approach for bringing different views together against the risk of the proposed platform becoming an echo chamber was considered.
7. Advisory Council members were updated on the role and application of KPIs for the Board's *technical* activities as distinct from matters such as funding, financial and staff-related KPIs. The update reviewed the areas of the Board's technical work that will benefit from the use of KPIs; the types of KPIs to be used; the manner in which KPIs support the Foundation's key objectives as well as KPIs' limitations; and the use and interpretation of KPI data.

Advisory Council members discussed various aspects of the Board's technical work that should be monitored with KPIs. With respect to KPIs and the quality of the standard-setting process, the following feedback was provided:

- The ease with which standards can be translated as a basis for assessing clarity of drafting should be considered;
- An analysis of the length and complexity of standards may help avoid complex language (eg surveying local standard setters as to the number of person-weeks required to translate the standard);
- Global adoption could be seen as a measure of the quality of standards;
- The amount and quality of questions evaluated by the IFRS Interpretations Committee could provide insight; and
- The volume of comments received on exposure drafts issued by the Board could also provide information.

Members also discussed technical work that should be monitored with KPIs in the context of timeliness and stakeholder engagement. Regarding stakeholder engagement, various measures could be considered as KPIs including:

- The degree of a standard's acceptance by the public;
- Use of a spiderweb indicator to capture the depth of outreach; and
- Web-based analytics to perform sentiment analysis on what is trending now as a way of obtaining real time feedback.
- Improvement in stakeholder engagement and responses to comment letters by the Foundation

Advisory Council members also offered general feedback on the use of KPIs that included:

- KPIs based on external information may be more objective;
- Surveys are a good tool to assess the extent to which organisational objectives have been achieved;
- The interaction between groups of KPIs was advised (eg timeliness and stakeholder engagement);
- A distinction was made between KPIs that are developed for internal management purposes and KPIs that will be made available publicly. The KPIs communicated externally should be those that stakeholders are interested in and for which there is robust governance;
- It is important to be clear on the unit of account when using KPIs - project level or organisational level. This way it is easier to distinguish between Board responsibility and externalities;

MEETING REPORT

IFRS® Advisory Council meeting

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- Use of KPIs is important – you manage what you measure – as is ongoing improvement (eg developing further some of the existing indicators such as post implementation reviews- PIRs); and
- KPIs should be linked to the IFRS brand and its health.

Members recognised the utility of KPIs but also expressed the need to exercise caution for the following reasons:

- Significant caution about what is measurable may not be very useful and what is useful may not be easy to measure;
 - Judgement is important in interpreting KPIs and not overemphasising targets;
 - Not achieving a target KPI can be a function of external factors rather than quality of the standard; and
 - Leading KPIs may be less useful for management purposes (eg quality of the standards can be assessed through the evaluation process or through the PIRs).
8. Advisory Council members were also provided with a high-level summary of the series of small group meeting discussions that were conducted in April among the Council Chairman and members. The focus of those meetings was to review the role and composition of the Council – a vital function for any well-managed organisation. Members’ feedback serves as an important input to the Chairman’s ongoing strategic review of the Council as mandated by the Trustees. The review focused specifically on the Council’s:
- Mandate and role;
 - Size and diversity of composition, especially in terms of members’ professional profiles, geography, gender; and
 - Operations, effectiveness and ongoing support of Trustees and the Board.
9. The Advisory Council received an update on recent activities of the Board since the Council’s previous meeting. Particular items of note were:
- Recent publication of consultation documents:
 - Exposure Draft, *General Presentation and Disclosure*;
 - Discussion Paper, *Business Combinations, Goodwill and Impairment*;
 - Request for Information, *Comprehensive Review of the IFRS for SMEs Standard*; and
 - Final guidance on IBOR reform (phase 1) and various other narrow-scope amendments.
 - Responses to Covid-19 were also published in support of application, including educational material related to application of:
 - IFRS 9 *Financial Instruments* in accounting for expected credit losses (ECLs) in the current environment; and
 - IFRS 16 *Leases* and other Standards to rent concessions granted as a result of the covid-19 pandemic.
 - The Board also published updated timelines for certain initiatives in response to Covid-19.
10. This was the first meeting for a number of Advisory Council members. While the inability ~~opportunity~~ to meet face-to-face was regrettable though necessary due to the pandemic, appreciation was expressed of new Council members’ interest in serving on the Council as well as existing members’ continued dedication.

MEETING REPORT

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11. I thank all of those who participated in the Council meeting for their flexibility and willingness to conduct the meeting via videoconference. The meeting was nonetheless lively and fruitful.