

AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

Video conference **OCTOBER 2021**

Agenda ref 1C

CONTACT Nili Shah
Fred Nieto

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 2020 to September 2021.
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.

Review

7. The staff, in conjunction with the Board members responsible for each consultative group, has reviewed the consultative groups in line with paragraph 3.66 of the *Handbook*. The staff has also reported the main themes from this review to all Board members.
8. The table in the Appendix provides an overview of the groups and their activities during the period. 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. Our review also considers survey data from:
 - (a) consultative group members¹ (external surveys) from Accounting Standards Advisory Forum (ASAF), Capital Markets Advisory Committee (CMAC), Global Preparers Forum (GPF) and the IFRS Taxonomy Consultative Group. These surveys gather views after a meeting about the relevance of the topics discussed, the quality of meeting materials and our engagement in the meeting. Respondents are asked to provide ratings ranging from 1-poor to 5-excellent, and to provide any additional feedback in written comments.
 - (b) a pilot programme for staff and Board members (internal surveys) attending the ASAF, Emerging Economies Group (EEG), CMAC and GPF meetings. These surveys gather views after a meeting about the usefulness of the input obtained and effectiveness of the individual meeting sessions. Respondents are asked to provide ratings ranging from 1-poor to 5-excellent, and to provide any additional feedback in written comments. As discussed at your June 2021 meeting we initiated this pilot programme in May 2021, in response to the DPOC's direction at the October 2020 meeting, to replace the informal feedback previously provided verbally with formal effectiveness indicators.
10. The internal and external surveys have provided data to discuss ways to continue to build on the effectiveness of the consultative groups. We plan to extend these surveys to all consultative groups and build a time series of data to better facilitate our future assessments of consultative group effectiveness.

¹ The term 'member' refers to members and, as applicable, observers.

Staff conclusion

11. Based on the information in the Appendix and a review of the internal and external surveys with Board members responsible for each group, 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 of interest arising from the review*Effect of the covid-19 pandemic on meetings*

12. Throughout the review period, due to the ongoing covid-19 pandemic we have continued to hold consultative group meetings 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. During this period, feedback from some group members highlighted observations about the virtual meeting environment:
 - (a) ease, efficiency and cost-effectiveness, given that travel was not possible.
 - (b) challenges due to technological connectivity issues (CMAC and GPF). As an interim solution in response to this feedback we increased our levels of pre-meeting technology support provided to members.
14. Looking ahead to 2022:
 - (a) we expect further improvements to come from investment in new technology.
 - (b) we will explore new ways to conduct our consultative group meetings to capitalise on the opportunities created by virtual meetings, while mitigating some of the disadvantages. These approaches may include use of hybrid meetings and/or a mix of some in-person and some virtual meetings and ad hoc virtual meetings when needed by project developments.

Consultative Group for Rate Regulation

15. The Group met (virtually) in February 2021, soon after publication of the Exposure Draft *Regulatory Assets and Regulatory Liabilities*. At this meeting, the staff provided an overview of the proposals and asked for advice on outreach during the consultation period. The staff expect to call at least one more meeting of the Group once the comment

letters have been reviewed; depending on the feedback received from comment letters one meeting may be sufficient.

16. We have observed a possible need for change to the membership, given some departures from the Group and our desire for greater participation from preparers in some jurisdictions, and users of financial statements generally. Given the limited number of changes to the members and the expected future use of the Group, the Board's thinking is to identify possible new members by drawing on the support of the national standard-setters and our experience of which countries and industries are affected, rather than undertaking a public call for members.
17. The staff are currently analysing comment letters received to present to the Board at its meeting in October. The analysis of the feedback received will help determine the next steps for the project, which will provide more insight about the expected future use of the Group. We will update the DPOC on the Group at a future date so that it can review whether there is an appropriate balance of perspectives, including geographical balance in line with paragraph 3.62 of the Due Process Handbook.

Management Commentary Consultative Group

18. In May 2021, the Board published the Exposure Draft *Management Commentary*. The Exposure Draft sets out the Board's proposals for a comprehensive new framework for management commentary. In the months leading up to publication of the Exposure Draft, members of the Management Commentary Consultative Group were updated on the Board's discussions and provided comments on a first draft of the proposals. Following publication of the Exposure Draft, Group members attended virtual education and Q&A sessions at which the staff summarised the proposals, explained how input from the Group had helped the Board shape the proposals, and answered questions about the proposals. Group members are now helping the Board conduct outreach on the proposals. Some have helped facilitate meetings with stakeholder groups, and some took part in a panel discussion at the IFRS Foundation's World Standard-setters Virtual Conference on 28 September 2021.
19. We are now considering the role and membership of the Group for the next phase of the project. We will update the DPOC at a future date on how we expect to use the Group and on any plans to change the membership. This will need to take into consideration any work that will be undertaken with the potential International Sustainability Standards

Board (ISSB) and, thus, the Group may need to be considered in consultation with the ISSB.

Islamic Finance Consultative Group

20. The Islamic Finance Consultative Group has not met in the review period, but we continue to monitor the demand and need to discuss specific challenges in, and questions about, the application of IFRS Standards to Islamic finance transactions, liaising with the chair of the Group. We plan to hold a meeting of the Group in the near future and are confirming existing members are interested and available to continue participation. We will update the DPOC at a future date about any proposed changes to the Group's existing membership.

SME Implementation Group

21. The Group's work was largely undertaken by email until mid-2020. Following the completion of the first phase of the second periodic comprehensive review of the *IFRS for SMEs* Standard with the publication of a Request for Information, the Group met twice in the period (in February and September 2021) to develop recommendations to help the Board decide the direction of the review and work towards the publication of an Exposure Draft proposing amendments to the *IFRS for SMEs* Standard.
22. The Group currently has 28 members and three observers. Nine members of the Group will end their second three-year term on 30 June 2022 and cannot be reappointed. In 2022, we will ask Trustees for approval to publish a call for candidates and later for approval of members to appoint.

Consultative group	Meetings per mandate	Meetings in review period	Date of last meeting	Attendance at each meeting	Topics on which consulted	Feedback to Group	Continuing to serve function
Accounting Standards Advisory Forum	Normally 4 per year	4	June 2021	All 12 members represented at each meeting	Various of the Board's projects, including the Agenda Consultation, Business Combinations under Common Control, Extractive Activities, Management Commentary, PIR of IFRS 10, 11, 12, PIR of IFRS 9— Classification & Measurement, Goodwill and Impairment, Primary Financial Statements, Rate-regulated Activities.	<p>At each meeting we provide ASAF with a summary of how the advice given at the previous meeting has or will be used.</p> <p>We continue to identify the Board papers in which ASAF members' advice has been considered by the Board.</p>	✓

Consultative group	Meetings per mandate	Meetings in review period	Date of last meeting	Attendance at each meeting	Topics on which consulted	Feedback to Group	Continuing to serve function
Capital Markets Advisory Committee	At least 3 times per year	3	June 2021	October: 16 of 16 March: 14 of 16 June: 15 of 16	Various of the Board's projects including Financial Instruments with Characteristics of Equity, Goodwill and Impairment, IBOR Reform and its Effects on Financial Reporting—Phase 2, Management Commentary, Primary Financial Statements, Third Agenda Consultation, Business Combinations under Common Control, Disclosure Initiative—Targeted Standards-level Review of Disclosures, PIR of IFRS 10,11 and 12, PIR of IFRS 9— Classification & Measurement, Rate-regulated Activities	At each meeting we provide CMAC with a summary of how the advice given at the previous meeting has or will be used.	✓

Consultative group	Meetings per mandate	Meetings in review period	Date of last meeting	Attendance at each meeting	Topics on which consulted	Feedback to Group	Continuing to serve function
Global Preparers Forum	At such times and locations as it determines	3	June 2021	October: 11 of 16 March: 11 of 16 June: 13 of 16	Various of the Board's projects, including the Agenda Consultation, Business Combinations under Common Control, Management Commentary, PIR of IFRS 10, 11, 12, PIR of IFRS 9— Classification & Measurement, Goodwill and Impairment, Financial Instruments with Characteristics of Equity, IBOR Reform and its Effects on Financial Reporting, Primary Financial Statements, Rate-regulated Activities.	At each meeting we provide GPF with a summary of how the advice given at the previous meeting has or will be used.	✓

Consultative group	Meetings per mandate	Meetings in review period	Date of last meeting	Attendance at each meeting	Topics on which consulted	Feedback to Group	Continuing to serve function
Emerging Economies Group	Generally 2 per year	2	May 2021	All 12 members represented at each meeting	Various of the Board's projects, including disclosure initiative projects, Goodwill and Impairment, Lack of Exchangeability, PIR IFRS 10, 11, 12, Rate-regulated activities, Business Combinations under Common Control, IFRS for SMEs Standard review.	At each meeting we present a cumulative log of topics discussed at previous meetings showing how the advice given has or will be used.	✓

Consultative group	Meetings per mandate	Meetings in review period	Date of last meeting	Attendance at each meeting	Topics on which consulted	Feedback to Group	Continuing to serve function
SME Implementation Group	n/a – the chair of the SMEIG decides if a meeting is necessary	2	September 2021	February 2021: 26 of 29 members September 2021: 22 of 28 members	Second Comprehensive Review of the <i>IFRS for SMEs</i> Standard.	A summary of the meeting is circulated to the SMEIG after each meeting. At the September 2021 meeting the SMEIG was informed about the tentative decisions made by the Board based on the recommendations developed by the SMEIG in February 2021.	✓
Islamic Finance Consultative Group	Not specified - generally aiming to meet around once a year	0	Met as part of the WSS meeting September 2019	n/a	n/a	n/a	✓ see para 20
IFRS Taxonomy Consultative Group	Frequency, format & timing of meetings driven by the number & timing of taxonomy releases and nature of topics	4	September 2021	October: 17 of 23 members February: 21 of 24; June: 24 of 24; September: 18 of 24	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.	✓
Consultative Group for Rate Regulation	Not specified - meet as required	1	February 2021	n/a	n/a	n/a	✓ see para 15-17

Consultative group	Meetings per mandate	Meetings in review period	Date of last meeting	Attendance at each meeting	Topics on which consulted	Feedback to Group	Continuing to serve function
Management Commentary Consultative Group	Not specified - meet as required	0	December 2019	17 of 20 members	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 18-19
Transition Resource Group for Insurance Contracts	Not specified - meet as required	0	April 2019	n/a	n/a	n/a	✓

APPENDIX

Consultative group	Objective	Composition	Chair	Board member representation at meetings
Standing Groups				
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	Andreas Barckow (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 16 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 16 members)	Ian Bishop (independent)	Bertrand Perrin (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	Tadeu Cendon (Board member)	Bruce Mackenzie and Jianqiao Lu supported the chair at the video meetings in December 2020 and May 2021.
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 28 members, of which nine not eligible for reappointment in June 2022)	Jianqiao Lu (Board member)	Ann Tarca, Bruce Mackenzie and Tadeu Cendon participated in the video meetings in February 2021 and September 2021
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 16 members	Faiz Azmi (independent)	Bruce Mackenzie (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
Project Consultative Groups				

APPENDIX

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	Nick Anderson (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	Board member chaired	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.