

IFRS Foundation Trustees'  
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United Kingdom

Cc: EFRAG

Stockholm November 27, 2015

## Trustees' Review of Structure and Effectiveness

Representing preparers' point of view, the Swedish Enterprise Accounting Group (SEAG) welcomes the opportunity to comment on the Review.

In summary, our main comments are as follows.

- The Foundation should refrain from taking on the responsibility for developing standards for other entities than private sector for profit entities.
- We believe the IASB's current approach to issues concerning the boundaries of financial reporting/wider corporate reporting is appropriate.
- We don't see technological development as a threat to the relevance of IFRS. The IASB should put little effort into issues that relate to the technological transfer, sharing or filing of financial information.
- The work of IFRS IC and post implementation reviews are the best instruments to deal with divergence in practice and interpretation issues.
- The introduction of professional quotas is not an effective way to achieve an appropriate distribution of Trustees. Increasing the number of "at large appointments" could be a way to ensure that the majority of the Trustees represent jurisdictions that allows the application of IFRS.
- The current limitations on the professional backgrounds of the Members of the IASB should be abolished, but we oppose altering the geographical distribution and number of Members. We agree to the proposal to make the terms of the Members renewable for a further term up to five years.
- We agree to extend the intervals between Trustee reviews. An extension should be combined with a time frame within which reviews should be completed.

Answers to the specific questions set out in the request for views are provided in the appendix below.

Kind regards

CONFEDERATION OF SWEDISH ENTERPRISE



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The Swedish Enterprise Accounting Group (SEAG) represents more than 40 international industrial and commercial groups, most of them listed. The largest SEAG companies are active through sales or production in more than 100 countries.

Appendix: Comments on the specific questions set out in the issues paper

Q1 Considering the consequences referred to above, what are your views on whether the IASB should extend its remit beyond the current focus of the organisation to develop Standards; in particular for entities in the private, not-for-profit sector?

*In our opinion, the organisations mandate should not be broadened to include standard development for the not-for-profit sector, even if there is a lack of standardisation in this area. The current competence and resources of the IASB are not adequate for this responsibility and the organisations funding structure is not set up in an appropriate way for this task. We believe that an extended scope of IASB's standard-setting would require some form of restructuring of the organisation and we fear that this would interfere severely with the IASB's ability to fulfil its current duties. A body that is more closely connected to the stakeholders of non-profit entities is likely to be more suitable for the task of developing financial reporting standards for this sector.*

*Of similar reasons as outlined above, we don't think that the Foundation should take on responsibility for the International Public Sector Accounting Standards Board.*

Q2 Do you agree with the proposal that the IASB should play an active role in developments in wider corporate reporting through the co-operation outlined above?

*As regards APMs and other non-IFRS information we agree with the Trustees view that this is a technical issue that is best dealt with by the IASB on an ongoing basis, preferably within the Disclosure Initiative.*

*We also agree that the current forms of co-operation within integrated reporting and similar initiatives in the area of wider corporate reporting, is the best approach to participate in the development. The IASB should not broaden the scope of its own standard setting to address issues outside the traditional boundaries of financial reporting.*

Q3 Do you agree with the Foundation's strategy with regard to the IFRS taxonomy?

*SEAG has previously pointed out that we do not believe that XBRL should be integrated into the standard setting process. Therefore we support the decision to leave XBRL-related and similar technical issues to others.*

*Regarding the development of a common IFRS Taxonomy, we recognise the view that the IFRS Foundation is better suited for taking on the responsibility than for instance national regulators. Nevertheless, we still fear that considerations that regard the IFRS Taxonomy may have a negative impact on the standard setting process and the principle based approach. We acknowledge that the Trustees have expressed that Taxonomy considerations should not dictate the standard-setting process. However, we believe this principle could be more strictly articulated. The aim should be that Taxonomy considerations should have as little impact as possible on IASB's work and*

*the standard setting process. Therefore, decisions that regard the Taxonomy should not involve the IASB Board.*

Q4 How can the IASB best support regulators in their efforts to improve digital access to general purpose financial reports to investors and other users?

*The advantages of electronic filing for supervisory authorities and other governmental bodies are obvious. However, we are concerned that the demand for electronic access to financial information is not primarily market driven. We believe that the Foundations efforts should be directed towards the primary users of financial reports, and not regulatory requests.*

Q5 Do you have any views or comments on whether there are any other steps the IASB should take to ensure that it factors into its thinking changes in technology in ways in which it can maintain the relevance of IFRS?

*No views or comments.*

Q6 What are your views on what the Foundation is doing to encourage the consistent application of IFRS? Considering resourcing and other limitations, do you think that there is anything more that the Foundation could and should be doing in this area?

*We strongly believe that the best way to achieve consistency in application is to develop clear, high quality standards. Therefore, new and amended principles should undergo appropriate field testing, quality control and effect analysis before introduction. During recent years, we have seen several amendments closely to the publication of a new standard. This is an unfortunate development which we believe is detrimental to the credibility of IFRS and the IASB's authority.*

*We believe that achieving high quality standards capable of being applied in practice requires a proper due process and a more extensive due process oversight. The responsibilities and procedures of the Trustees Due process Oversight Committee should include the substance and technical content of the complaints submitted by the IASB's constituents, and not merely the formalities of the standard setting process.*

*After the publication of a new standard, achieving consistent application without undermining the principle based approach can be a challenge. We think that Post Implementation Reviews (PIRs) and the work of the Interpretation Committee should continue to be the key tools to achieve consistency in application onwards. The establishment of Transition Resource Groups (TRGs), that may have a disproportionate influence on the application of a new standards before proper experience have been gained, may be counteractive to the principle based approach and thus should be avoided.*

*According to our view, PIRs should provide direct input to the IASB agenda. Enhanced transparency of the IASB's response and planned actions regarding the outcomes of PIR's is of great value to constituents. We also believe that PIRs of older standards may be a fruitful way to gather evidence*

*on the application of IFRS in practice and to conduct the work within the research agenda.*

*In addition, the IASB's Education Initiative is not a suitable medium to achieve consistency in the application of standards. In our experience, a limited number of preparers take part of the IASB's education activities. The receivers of information mediated within education events may also be limited by the fees charged to participants.*

Q7 Do you have any suggestions as to how the functioning of the three-tier structure of the governance of the Foundation might be improved?

*On an overall basis, we believe the three-tier structure works well.*

Q8 What are your views on the overall geographical distribution of Trustees and how it might be determined? Do you agree with the proposal to increase the number of 'at large' Trustee appointments from two to five?

*The geographical distribution of Trustees should be a fair reflection of the geographical areas where IFRS are applied in practice. A more flexible way to achieve this could be to increase the number of 'at large' appointments from two to five.*

Q9 What are your views on the current specification regarding the provision of an appropriate balance of professional backgrounds? Do you believe that any change is necessary and, if so, what would you suggest and why?

*A balanced representation from relevant professional backgrounds are of importance to withhold relevant competence and for the credibility of the organisation. However, we agree with the conclusion that this can be achieved without the introduction of professional quotas.*

Q10 Do you agree with the proposal to change the focus and frequency of reviews of strategy and effectiveness, as set out above?

*As to the focus of reviews, we agree with the Trustees that the structure of the organisation is less relevant than issues that concern its strategy and effectiveness. Regarding the frequency, we believe that there are reasons to prolong the periods between reviews. If the intervals between reviews are extended, we believe that there should be a time frame within which an initiated review has to be completed.*

Q11 Do you agree with the proposals to reduce the size of the IASB as set out in the Constitution from 16 members to 13 and the revised geographical distribution?

*No, we don't agree with the proposal. We believe that the current number and distribution of Board Members is essential to achieve appropriate geographical representation and professional competence. In addition, IASB's work load does not permit a reduction in the number of Board Members. We*

*also think that it is important to maintain the principle of full-time Board Members to preserve the IASBs independence and credibility.*

Q12 Do you agree with the proposal to delete Section 27 and to amend the wording of Section 25 of the Constitution on the balance of backgrounds on the IASB?

*Yes, we agree.*

Q13 Do you agree with the proposal to amend Section 31 of the Constitution on the terms of reappointment of IASB members as outlined above?

*Yes, we agree.*

Q14 Do you have any comments on the Foundations' funding model as outlined above? Do you have any suggestions as to how the functioning of the funding model might be strengthened, taking into consideration the limitations on funding?

*No.*

Q15 Should the Trustees consider any other issues as part of this review of the structure and effectiveness of the Foundation? If so, what?

*We have no further suggestions concerning this review.*