

June 2016

IFRS Foundation

Trustees' Review of Structure and Effectiveness: Feedback Statement on the July 2015 Request for Views



**Trustees' Review of Structure and Effectiveness:
Feedback Statement on the July 2015
Request for Views**

June 2016

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IFRS® FOUNDATION TRUSTEES' REVIEW OF STRUCTURE AND EFFECTIVENESS: FEEDBACK STATEMENT

Introduction

- 1 This Feedback Statement sets out a summary of the comments received by the Trustees of the IFRS Foundation ('the Foundation') in response to their July 2015 document *Request for Views - Trustees' Review of Structure and Effectiveness: Issues for the Review* ('the RFV'). This Feedback Statement also sets out the Trustees' decisions on the review, having considered the comments received.
- 2 This Feedback Statement should be read in conjunction with an Exposure Draft ('ED') of proposed changes to the Foundation's *Constitution*, which is being published at the same time as this document.

Background

- 3 The Foundation's *Constitution* (Sections 17 (c) and (d)¹) requires the organisation to undertake a review every five years "of the entire structure of the IFRS Foundation and its effectiveness, such review to include consideration of the geographical distribution of Trustees in response to changing global economic conditions, and publishing the proposals of that review for public comment".
- 4 As explained in the RFV, the Trustees have carried out this review in the context of their *Strategic Overview* for the period 2015-17 that identifies four primary strategic goals for the organisation in support of its mission, as follows:
 - (1) to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles;
 - (2) to pursue the global adoption of IFRS Standards ('the Standards');
 - (3) to support the consistent application and implementation of the Standards globally; and
 - (4) to ensure that the IFRS Foundation, as an organisation, is independent, stable and accountable.
- 5 The RFV also explained that this review was focusing on a number of particular areas, given the number of previous reviews that have already been undertaken by the Trustees and the achievements that have been made, in particular since the publication in February 2012 of the Trustees' last *Strategy Review* report². As a consequence, in the RFV, the Trustees sought comments in three main areas as follows:
 - (a) the relevance of the Standards;
 - (b) the consistent application of the Standards; and
 - (c) the governance and financing of the IFRS Foundation.

1 IFRS Foundation (2013) *Constitution*, available at: <http://www.ifrs.org/The-organisation/Governance-and-accountability/Constitution/Documents/IFRS-Foundation-Constitution-January-2013.pdf>.

2 IFRS Foundation (2012) *Report of the Trustees' Strategy Review 2011– IFRSs as the Global Standards: Setting a Strategy for the Foundation's Second Decade*, available at: <http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Strategy-Review/Documents/TrusteesStrategyReviewFeb2012.pdf>.

Comments received on the RFV

- 6 In response to the RFV, 97 comment letters have been received. A list of respondents is at Appendix A and a statistical summary by type of respondent and geographical region is at Appendix B. All the comment letters are available on the Foundation's website³. In addition, a number of outreach events were undertaken, as listed at Appendix C⁴. The IFRS Advisory Council has also been consulted on a regular basis throughout the review, in particular in offering its advice on a pre-publication draft of the RFV (in June 2015), on the issues raised in the RFV (November 2015), and on the feedback to the RFV, including consideration of potential alternatives for the geographical distribution of the membership of the Trustees and the size and geographical distribution of the International Accounting Standards Board ('the Board') (February 2016).

The Trustees' responses to feedback

- 7 The table at Appendix D to this document sets out in detail the issues raised in the RFV, the feedback received from constituents, as well the Trustees' responses in the light of that feedback. Appendix F provides more detail of the feedback received for each of the issues raised in the RFV.
- 8 The following paragraphs provide a summary of the decisions reached by the Trustees and actions proposed in each of the main areas of the review.

Relevance of the Standards

Differential reporting for SMEs

- 9 The Trustees reaffirm their decision as outlined in the RFV to take forward any work regarding differential reporting for SMEs in the context of the European Commission's ('EC's') proposals for a Capital Markets Union ('CMU'). In terms of action, discussions with the EC have started on the "the possibility of developing a voluntary tailor-made accounting solution, which could be used for companies admitted to trading on SME Growth Markets"⁵.

Should the Board develop Standards for other entities?

- 10 The Trustees have decided not to expand the Board's remit at this time to encompass financial reporting standards for the public sector. The Board will continue with its current liaison arrangements with the International Public Sector Accounting Standards Board ('IPSASB').
- 11 The Trustees have also decided not to expand the Board's remit at this time to encompass financial reporting standards for the private, not-for-profit ('NFP') sector. That said, the Trustees continue to support the need for transparent financial reporting requirements for NFP bodies. In this regard, the Trustees have decided that the Board should be involved in any initiatives or working groups regarding financial reporting standards for the NFP sector and contribute as necessary.

3 All the comment letters in response to the RFV are available on the Foundation's website at: <http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Pages/Comment-letters.aspx>.

4 Summary reports from the outreach events are set out in the outreach summary presented to the Advisory Council at its meeting in February 2016 (Agenda Paper, AP 4B for that meeting refers), available at: <http://www.ifrs.org/Meetings/MeetingDocs/Advisory%20Council/2016/2016-02-AP4B-Review-Outreach-summary.pdf>.

5 European Commission (2015) *Action Plan on Building a Capital Markets Union* (COM(2015)468), available at: http://ec.europa.eu/finance/capital-markets-union/docs/building-cmu-action-plan_en.pdf, see page 13.

The scope of the Standards

- 12 The Trustees confirm that the Board should continue to examine the reporting of 'non-IFRS' (sometimes referred to as 'non-GAAP') information. Within the technical staff, there has been a restructuring to set up an enlarged team to focus on improving the effectiveness of the communication of information in financial reports, whose responsibilities cover the Board's projects on the Disclosure Initiative, Primary Financial Statements and the IFRS Taxonomy, as well as wider corporate reporting. The issue of non-IFRS information will be examined in the context of this new team.
- 13 The Trustees also confirm the Board's current approach to wider corporate reporting. The Board will co-operate with, and monitor the developments of, bodies with responsibilities for areas across the whole range of corporate reporting (such as the Corporate Reporting Dialogue ('CRD'), and the International Integrated Reporting Council ('IIRC')). The Board is dedicating a staff resource to this area, where the plan is to develop a study of what the future role of the Board should be in the wider corporate reporting landscape.

The IFRS Taxonomy, and wider developments in technology

- 14 The Trustees reaffirm the Foundation's strategy for the IFRS Taxonomy and have agreed proposals as to how that strategy should be taken forward and enhanced to address the main challenges related to its adoption and implementation. In so doing, the Trustees re-emphasise that IFRS Taxonomy considerations should not constrain the principles-based approach to Standard-setting.
- 15 Electronic reporting is already in use in a number of jurisdictions that have adopted the Standards around the world and the expectation is that most regulators will move towards requiring some kind of electronic reporting in the medium to long term. The Foundation's Taxonomy supports the electronic reporting of IFRS financial statements. However, as outlined in Appendix D (see Issue 6), challenges remain as electronic filing and reporting moves from individual early-adoption projects to wider use with a demand from investors for cross-border consistency and comparability. At the same time financial reporting continues to evolve and so does the technology supporting electronic financial reporting and electronic filing.
- 16 The Trustees believe that the Foundation has a role in ensuring high quality reporting in the digital world. In order to achieve this, there is a need to support the implementation of electronic reporting in the same way as the implementation of the Standards is supported, and that the implementation of IFRS electronic reporting should be as close to the Standards as possible. Therefore, in order to achieve its mission, the Foundation needs to own the digital representation of its Standards, with the objective of ensuring that the IFRS Taxonomy is fit for purpose and can be used effectively in a fully automated environment.
- 17 A key aspect of the IFRS Taxonomy strategy is working to improve the quality of the data investors get from electronic filings. As part of this, the Foundation will consult more widely with investors, especially those making more use of the newer technologies, to examine the current usefulness of the IFRS Taxonomy and electronic reports and identify possible future improvements. In addition, the Foundation will enhance its co-operation with, and support, for, securities regulators. Among other things, the Trustees have tasked the staff to take up an offer by the International Organization of Securities Commissions ('IOSCO') to discuss how the Foundation might best support regulators in their efforts to improve digital access to general purpose financial reports.

- 18 Technology is an area where further research needs to be undertaken. It is difficult to see which of the technological innovations seen today may have an impact on financial reporting and the Standards, and it is even harder to predict where future innovations will go. The Trustees agree that the Foundation and the Board should formalise how they track technological developments, including establishing a network of experts to provide advice on technological issues and their potential impact on the Standards. This network of experts will comprise individuals from a variety of backgrounds, and the Foundation will work with them using a variety of different mechanisms (for example, roundtables and individual meetings). The Trustees note that the IFRS Advisory Council will also be focusing on this area in order to help the Foundation monitor developments.

Interaction with the investor community

- 19 Although not formally part of the RFV, the Trustees also note that a key factor in maintaining the relevance of the Standards is maintaining relationships and obtaining feedback from those that use the Standards. In that regard, the Foundation and the Board have focussed on, and will continue to focus on, developing and maintaining relationships with a diverse range of investors. This has the aim of facilitating outreach discussions for technical staff and Board members to obtain a balanced range of views from users of financial statements on the Board's projects.
- 20 The launch of the *Investors in Financial Reporting* programme (December 2014) has complemented the investor team's outreach and education activities by specifically encouraging greater involvement from the buy-side community. As of May 2016 the programme's membership includes 18 of the leading investment organisations from across the globe. The team has also developed an extensive library of investor resources to further inform investors about the Board's standard-setting activities.
- 21 In the future, the team seeks to expand on its current activities by seeking to develop more interactions with members of the *Investors in Financial Reporting* programme. As well, the team sees opportunity to increase the number of investor relationships in specific regions that remain relatively underrepresented.

Consistent application of the Standards

- 22 The responses to the RFV revealed general support for the Foundation's increased efforts to encourage consistent application of the Standards, following the *Strategy Review* report. The Trustees note that the Board has received similar messages in the responses to its Request for Views on its Agenda Consultation. In the light of the feedback to both consultations, the Trustees have agreed a strategy to support the consistent application of the Standards. This strategy is consistent with the strategy laid out in the RFV and described in the *Strategy Review* report, and the *Strategic Overview* for 2015–2017.
- 23 This strategy is based on the view that the Board's role is to develop the Standards and that others are better positioned to deal with implementation and enforcement responsibilities. However, inconsistent application of the Standards undermines the benefits of the Standards and damages the IFRS brand. The Foundation therefore has a strong strategic interest in consistent application of the Standards.
- 24 Therefore, the Foundation's strategy for consistent application will focus on producing high-quality, easily understandable and well-drafted Standards, which are based on clear principles. An area of particular focus will be on monitoring quality-control procedures relating to amendments to Standards.

- 25 The Foundation is also bringing greater focus to the area of consistent application by combining implementation, adoption support and education activities into a single team. The creation of this team will allow the Board to better support the application and implementation of Standards on a globally consistent basis.
- 26 This team will focus on two main areas of other activities that support consistent application:
- (a) activities that support the maintenance of existing Standards in the light of inappropriate diversity in accounting practice; and
 - (b) activities that support implementation more generally.
- 27 With regard to supporting the maintenance of existing Standards, the team will focus on maintaining an effective interpretations process for responding to application questions. The team will be looking at ways to improve the efficiency of this process, including the work of the IFRS Interpretations Committee ('IFRIC'), while ensuring that there is still thorough research and analysis of the application questions raised. Supporting the maintenance of existing Standards will also include performing post-implementation reviews of Standards.
- 28 With regard to supporting implementation more generally, the team will focus on:
- (a) continuing to develop the support the Board has been providing for newly-issued Standards before they become effective in order to improve the consistency and quality of implementation. The Board believes that early involvement before the effective date of a Standard helps improve the understanding of its objectives and requirements, thereby reducing the risk of practices inconsistent with the Board's objectives becoming established;
 - (b) more closely aligning the work of the Education Initiative with other implementation activities to more directly support consistent application of the Standards, including exploring opportunities to maximise the use of the Foundation website and new online delivery mechanisms for educational materials; and
 - (c) continuing to develop relationships with organisations involved in the application of the Standards to:
 - (i) support them in their role of fostering consistent application; and
 - (ii) obtain feedback on specific issues in practice or the quality of implementation of the Standards more generally.

Governance and financing of the Foundation

Three-tier structure of the Foundation

- 29 Based on the positive feedback from nearly all respondents, the Trustees reaffirm that the three-tier governance structure of the Foundation remains appropriate. A number of respondents made comments regarding the Monitoring Board (see Appendix D, Issue 16) which are outside the remit of this review and are for the Monitoring Board itself to consider. These comments have been communicated to the Monitoring Board.

Trustees

- 30 The *Constitution* requires the Trustees to review the geographical distribution of their membership. As noted in Appendix D (Issue 17), a substantial body of opinion among respondents (albeit still in the minority) supported linking membership in the Trustees and the Board to commitment to the Foundation, as measured by adoption (or a commitment to adopt) the Standards and/or jurisdictions making a funding contribution to the Foundation.
- 31 Having carefully considered the feedback, the Trustees have reaffirmed their view that the geographical distribution of the Trustees should continue to be representative of the world's capital markets and ensure a broad international base and that membership should not be linked directly to either a jurisdiction making a financial contribution to the Foundation or adopting the Standards. That said, the Trustees also acknowledge that jurisdictions that have not adopted the Standards or have not been contributing to the Foundation's financing should not be over-represented. In response to the feedback and their further deliberations, the Trustees therefore propose that the geographical distribution should be adjusted in a way that achieves an appropriate balance between these different perspectives. As a consequence, the Trustees are proposing to rebalance the geographic distribution of the Trustees, namely to combine the North America and South America categories into one 'Americas' category. The Trustees have agreed that for each of the geographical regions specified, there needs to be a reasonable spread of jurisdictions from which the members originate. Additionally, the Trustees have agreed to increase the at-large category by one, with a total of three members. The detailed proposals are set out in the accompanying ED of proposed changes to the *Constitution*.
- 32 The Trustees have also decided to further enhance the transparency of the organisation and in particular the oversight role of the Trustees by holding meetings of the Due Process Oversight Committee ('DPOC') for the most part in public session.
- 33 The Trustees are proposing an amendment to the *Constitution* with regard to the balance of professional backgrounds of the Trustees, to remove the reference to the normal allocation of two seats to senior partners of prominent international accounting firms. The proposal is set out in the accompanying ED of proposed changes to the *Constitution*.

Focus and frequency of reviews of structure and effectiveness

- 34 In the light of the feedback to the RFV, the Trustees have decided to change the focus of their periodic review to be one of *strategy* and effectiveness, and to amend the *Constitution* to specify that a review of the entire strategy and effectiveness of the organisation (including, as appropriate, its structure) should commence, at the latest, five years after the previous review has been completed. The detailed proposals are set out in the accompanying ED of proposed changes to the *Constitution*.

Board

- 35 In the light of the feedback to the RFV and the proposals referred to in paragraph 31 above with regard to the geographical distribution of the Trustees, the Trustees are proposing to rebalance the geographic distribution of the Board, again to combine the North America and South America categories into one 'Americas' category. In addition, the Trustees propose that the size of the Board shall be reduced to 13 members, albeit with the flexibility to appoint a 14th (at-large) member if appropriate. The detailed proposals are set out in the accompanying ED of proposed changes to the *Constitution*.

- 36 The Trustees are also proposing to amend the voting requirements for the Board, as set out in the RFV. The detailed proposals are set out in the accompanying ED of proposed changes to the *Constitution*.
- 37 The Trustees are proposing amendments to the *Constitution* with regard to the balance of professional backgrounds of the Board. The detailed proposals are set out in the accompanying ED of proposed changes to the *Constitution*.
- 38 In the light of the feedback to the RFV, the Trustees are also proposing to amend the *Constitution* to provide for the possibility that, while the normal renewal period for Board members remains three years, reappointments for up to five years may be available on a case-by-case basis in exceptional circumstances. The detailed proposals are set out in the accompanying ED of proposed changes to the *Constitution*.

Funding of the Foundation

- 39 The RFV asked respondents for their views on the Foundation's funding model and how its functioning might be strengthened. In the light of the feedback to the RFV on this issue, the Trustees reaffirm their view as set out in the RFV that the Foundation should have a broad and sustainable source of funding that enables the independence of the Board and that this funding regime should essentially be based on national financing regimes, proportional to a country's relative Gross Domestic Product ('GDP'), which would establish a levy on companies or provide an element of publicly supported financing. However, as this funding regime has yet to be achieved fully, in the light of the mostly positive feedback received, the Trustees affirmed that their current three-pillar funding model remains appropriate for the time being.

Other matters

- 40 The RFV included a general question as to whether the Trustees should consider any other issues as part of this review. Respondents to the RFV did raise a number of other matters and these are covered in the detailed table at Appendix D. One of them relates to the fact that respondents commented on the convergence process with US GAAP and the lack of progress in the effort to have the US adopt IFRS Standards. Some respondents stated that convergence was still very important in order to make financial statements around the world as comparable as possible, and encouraged the Board to work with the US Financial Accounting Standards Board ('FASB'), and other national standard-setters, to ensure that national GAAPs are converged as much as possible with IFRS Standards. That said, other respondents stated that there should be less of a focus on convergence, and that convergence should not be achieved at all costs.
- 41 The Trustees have also discussed and agreed the importance of maintaining an effective relationship with the FASB on maintaining convergence and how that might be achieved, within the overall context of the move to multilateral co-operation, in particular through the Accounting Standards Advisory Forum ('ASAF'). The Trustees agree with the comments made on the importance of maintaining the achievements already made. Hence, the document at Appendix E describes how the Board intends to meet the convergence success metric in the Foundation's *Strategic Plan*.

Next steps on the review

- 42 As noted above, the Trustees' decisions on the issues raised in the review are outlined in more detail in Appendix D. In a number of areas, those decisions require changes to the *Constitution*. The proposed changes to be made are set out in an ED that is being published at the same time as this Feedback Statement. The Trustees plan to consider the feedback to the ED and complete this review of structure and effectiveness at their meeting in October 2016.

APPENDIX A: LIST OF COMMENT LETTER RESPONDENTS TO THE REQUEST FOR VIEWS

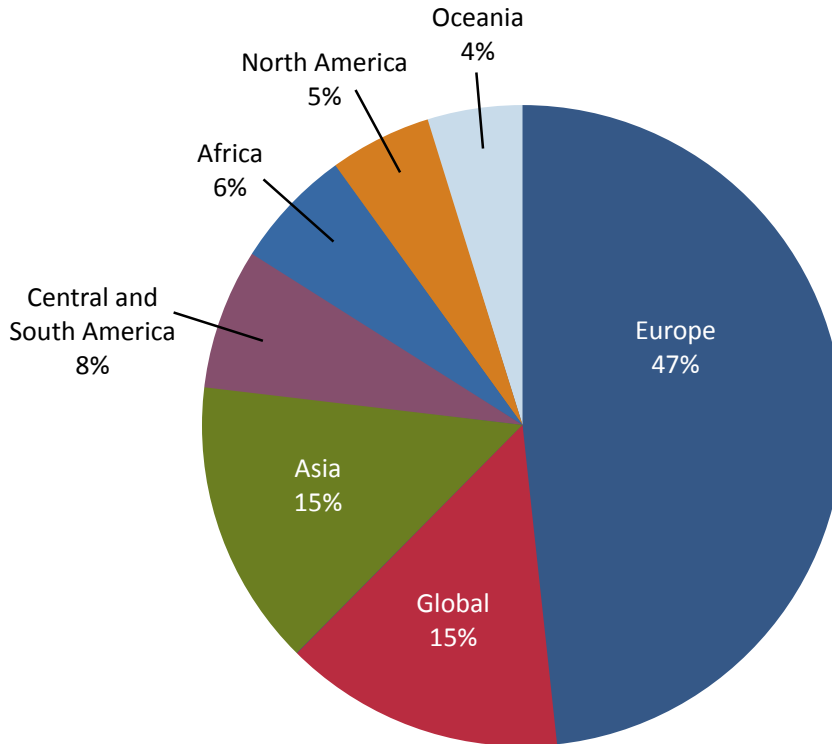
Comment Letter (CL) Number	Name of Respondent	Country/Region
1	International Federation of Accountants ('IFAC')	Global
2	Federation of Accounting Professions of Thailand	Thailand
3	European Records of IFRS Consolidated Accounts ('ERICA') Working Group of the European Committee of Central Balance Sheet Data Offices	Europe
4	Accounting Standards Council of Singapore	Singapore
5	German Insurance Association ('GDV')	Germany
6	David Avila (Individual)	UK
7	External Reporting Board ('XRB') of New Zealand	New Zealand
8	Charity Commission and the Office of the Scottish Charity Regulator Statement of Recommended Practice ('SORP') Committee	UK
9	Management Accounting for Non-Governmental Organisations ('Mango')	UK
10	American Institute of Certified Public Accountants ('AICPA')	USA
11	Tom Espley (Individual)	UK
12	European Securities and Markets Authority ('ESMA')	Europe
13	Insurance Europe	Europe
14	Bond	UK
15	Malaysian Accounting Standards Board ('MASB')	Malaysia
16	Australian Accounting Standards Board ('AASB')	Australia
17	International Federation of Red Cross and Red Crescent Societies ('IFRC')	Global
18	International Rescue Committee - UK	UK
19	International Potato Center	Global
20	Grant Thornton	Global
21	South African Institute of Chartered Accountants ('SAICA')	South Africa
22	Stephen Omondi Okoth (Individual)	Kenya
23	International Committee of the Red Cross ('ICRC')	Global
24	Keidanren	Japan
25	KPMG	Global
26	UK Financial Reporting Council ('FRC')	UK
27	Swedish Enterprise Accounting Group ('SEAG')	Sweden
28	RSM International Limited	Global
29	Accounting Standards Committee of Germany ('ASCG')	Germany
30	Financial Reporting Technical Committee of the Financial Reporting Standards Council ('FRSC') of South Africa	South Africa
31	ACTEO/AFEP/MEDEF	France
32	PricewaterhouseCoopers ('PwC')	Global

Comment Letter (CL) Number	Name of Respondent	Country/Region
33	CPA Australia	Australia
34	Chie Mitsui, on behalf of a group of Japanese information users, preparers and public accountants	Japan
35	China Accounting Standards Committee, Ministry of Finance, People's Republic of China	China
36	Médecins Sans Frontières	Global
37	The Corporate Accounting Committee ('CAC') of the Securities Analysts Association of Japan ('SAAJ')	Japan
38	Financial Accounting Standards Foundation ('FASF') and Accounting Standards Board of Japan ('ASBJ')	Japan
39	The Japanese Institute of Certified Public Accountants ('JICPA')	Japan
40	The Institute of Certified Public Accountants of Kenya ('ICPAK')	Kenya
41	Ngo-federation	Belgium
42	Chartered Institute of Management Accountants ('CIMA')	Global
43	Pan African Federation of Accountants ('PAFA')	Africa
44	Institute of Chartered Accountants in England and Wales ('ICAEW')	UK
45	Institute of Chartered Accountants in Scotland ('ICAS')	UK
46	Dutch Accounting Standards Board ('DASB')	Netherlands
47	Association of Chartered Certified Accountants ('ACCA')	Global
48	Danish Accounting Standards Committee ('DASC')	Denmark
49	International Association of Insurance Supervisors ('IAIS')	Global
50	WaterAid	Global
51	The Investment Association	UK
52	Accounting Standards Board of Canada ('AcSB')	Canada
53	Alexander de Croo (Deputy Prime Minister and Minister for Development Cooperation)	Belgium
54	Federation of European Accountants ('FEE')	Europe
55	EY	Global
56	Association for Financial Markets in Europe ('AFME')	Europe
57	European Banking Authority ('EBA')	Europe
58	Accounting Standards Oversight Council	Canada
59	European Accounting Association ('EAA')	Europe
60	International Organization of Securities Commissions ('IOSCO') Committee on Accounting, Audit and Disclosure (C1)	Global
61	Mazars	Global
62	Ibracon	Brazil
63	Korea Accounting Standards Board ('KASB')	Korea
64	Comissão de Valores Mobiliários ('CVM')	Brazil
65	Norwegian Accounting Standards Board ('NASB')	Norway
66	Sayer Vincent	UK
67	Deloitte	Global
68	Swiss Holdings	Switzerland

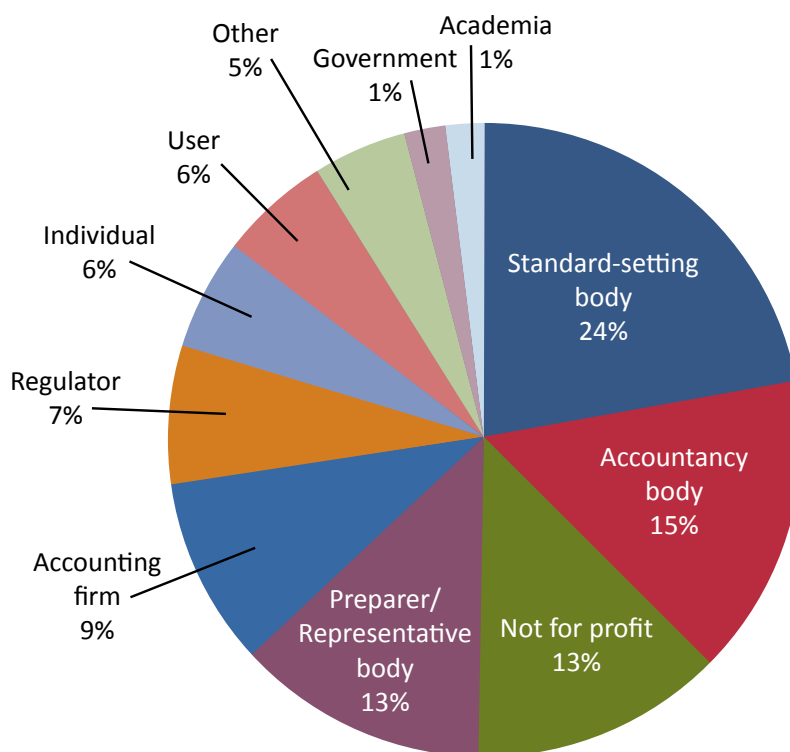
Comment Letter (CL) Number	Name of Respondent	Country/Region
69	CFA Society UK	UK
70	Canadian Bankers' Association ('CBA')	Canada
71	Quoted Companies Alliance ('QCA')	UK
72	Basel Committee on Banking Supervision ('BCBS')	Global
73	World Intellectual Capital/Assets Initiative ('WICI')	Global
74	European Commission	Europe
75	Fundação de Apolo ao Comité de Pronunclamentos Contábeis ('FACPC')	Brazil
76	International Integrated Reporting Council ('IIRC')	Global
77	Brazilian Development Bank ('BNDES')	Brazil
78	Core Humanitarian Standard ('CHS') Alliance	Global
79	BDO	Global
80	Asian-Oceanian Standard-Setters Group ('AOSSG')	Asia-Oceania
81	Hong Kong Institute of Certified Public Accountants ('HKICPA')	Hong Kong
82	Australian Financial Reporting Council	Australia
83	Swedish Financial Reporting Board	Sweden
84	Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais ('APIMEC')	Brazil
85	Autorité des normes comptables ('ANC')	France
86	Denise Juvenal (Individual)	Brazil
87	International Financial Governance Consortium ('IFGC') African Academy of Sciences ('AAS')	Africa
88	Corporate Reporting Users Forum ('CRUF')	Global
89	ACBAR	Afghanistan
90	Ade Cahyadi (Individual)	Indonesia
91	BUSINESSEUROPE	Europe
92	Consejo Mexicano de Normas de Información Financiera ('CINIF')	Mexico
93	European Financial Reporting Advisory Group ('EFRAG')	Europe
94	Organismo Italiano di Contabilità ('OIC')	Italy
95	Instituto de Contabilidad y Auditoría de Cuentas ('ICAC')	Spain
96	United Utilities Group plc	UK
97	CFA Institute	Global

APPENDIX B: STATISTICAL SUMMARY OF COMMENT LETTERS BY GEOGRAPHICAL REGION AND TYPE OF RESPONDENTS

Respondent summary by geography



Respondent summary by respondent type



APPENDIX C: SUMMARY OF OUTREACH EVENTS ON THE REQUEST FOR VIEWS

Date	Group/Location
w/c 7 September 2015	Asia-Oceania Office, Tokyo
14 September	ESMA IFRS Project Group, Paris
17 September	Accounting Regulatory Committee ('ARC'), Brussels
21 September	EFRAG Board, Brussels
28 September	World Standard-Setters ('WSS'), London
29 September	International Forum of Accounting Standard-Setters ('IFASS'), London
5 October	EuroCRUF, London
27 October	Taxonomy Consultative Group ('ITCG'), London
2–3 November	Advisory Council, London
4 November	Global Preparers Forum ('GPF'), London
6 November	Capital Markets Advisory Committee ('CMAC'), London

APPENDIX D: SUMMARY OF FEEDBACK RECEIVED ON THE REQUEST FOR VIEWS AND TRUSTEES' RESPONSES

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
	Relevance of IFRS Standards		
1	The Trustees said that they did not plan to examine again the issue of differential reporting for Small and Medium-sized Entities ('SMEs') as part of this review, but expressed a willingness to consider further any implications for financial reporting by SMEs with the European Commission ('EC') and other constituents across the whole world in the context of the EC's proposals for a Capital Markets Union ('CMU') (RFV, paragraph 18)	<p>A small number of respondents to the RFV commented on this issue, with the views being mixed. Some welcomed the proposal to work with the EC and other constituents across the world on the issue, but others did not see this as a priority.</p> <p>Please see paragraphs F2-F3 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees have reaffirmed their view that any work on this issue should be considered in the context of the EC's CMU proposals as set out in the RFV.</p> <p>The EC's CMU Action Plan, published in September 2015, includes a reference that the EC will "explore" with the Board "the possibility of developing a voluntary tailor-made accounting solution, which could be used for companies admitted to trading on SME Growth Markets"⁶.</p> <p>Discussions with the EC are underway. The EC's first status report on the CMU, published in April 2016, noted that this is one of the areas where preparatory work is being undertaken for some of the actions planned for adoption by the EC in 2017 and 2018⁷.</p>
2	The Trustees said that they do not intend, as part of this review, to consider further the possible expansion of the scope of the International Accounting Standards Board ('the Board') to encompass financial reporting standards for the public sector , given the recent reforms to the governance of the International Public Sector Accounting Standards Board ('IPSASB') (RFV, paragraph 21).	<p>A large majority of respondents to the RFV agreed with the Trustees' view. A few respondents expressed a view that, in principle, the scope of the Foundation's remit should encompass public sector entities, but only one continued to press the case that the organisation should take on the governance of IPSASB now.</p> <p>Please see paragraphs F4-F6 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees have reaffirmed their view that the Board's remit should not be expanded to encompass financial reporting standards for the public sector. As noted in the RFV, the Board will continue its current liaison arrangements with IPSASB.</p>

6 European Commission (2015) *Action Plan on Building a Capital Markets Union* (COM(2015)468), available at: http://ec.europa.eu/finance/capital-markets-union/docs/building-cmu-action-plan_en.pdf, see page 13.

7 European Commission (2016) *Capital Markets Union: First Status Report* (SWD(2016)147), available at: http://ec.europa.eu/finance/capital-markets-union/docs/cmu-first-status-report_en.pdf, see page 7.

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
3	<p>The Trustees sought views on whether the scope of the Foundation's mandate should be expanded to encompass financial reporting standards for the private, not-for-profit ('NFP') sector, taking into account the consequences of any such development (RFV, paragraph 22 and Question 1).</p>	<p>The majority of respondents did not favour an expansion in scope, arguing that the Board should remain focused on for-profit entities and prioritise the completion of a number of major on-going projects. Respondents expressed concern that an expansion could detract the Board's current focus, as well as putting undue pressure on the organisation's already limited resources, including the need for additional funding. A number questioned whether the cross-border activities of NFPs were extensive enough to justify the demands for the development of international standards for their sector. A small number considered that the extension of the remit to NFPs was something for the longer-term.</p> <p>That said, a substantial minority of respondents, in particular NFP organisations and representative bodies, supported such a proposal. Arguments in favour included the demand for international standards for NFPs, with many referring to the report referred to in the RFV⁸, the need for much more harmonisation of funders' requirements (the view expressed is that without reliable and comparable standards, funders have to carry out extensive checks on organisations the give money to), and the importance of setting a clear benchmark for what good financial reporting looks like for NFPs.</p> <p>A number of respondents suggested that further research on the issue should be undertaken before coming to a view.</p> <p>Please see paragraphs F7-F22 of Appendix F for more detail of the feedback received on this area.</p>	<p>In the light of the feedback received, the Trustees, at their meeting in January 2016, directed the staff to perform further analysis on whether or not the Board's remit should be expanded to encompass financial reporting standards for the private, NFP sector.</p> <p>The Trustees subsequently considered the further analysis that had been undertaken by the staff, including reviewing current NFP reporting regimes and the current use of IFRS Standards by NFP organisations. The Trustees also considered the demands for, and the concerns with, international standards for NFP entities, together with the implications for the Foundation and the Board should the remit be expanded to cover financial reporting by NFP entities. The Trustees acknowledged that there is demand from the NFP sector for international standards and benefits to be gained from their development and continue to support the need for transparent financial reporting requirements for NFP bodies. However, in discussion, the Trustees agreed with the staff recommendation that the remit of the Foundation and the Board should not at this time be formally expanded at present to encompass NFP financial reporting. In reaching this decision, the Trustees took account of the views expressed by the majority of respondents to the RFV, respondents to the Board's Agenda Consultation, and the IFRS Advisory Council. The Trustees concluded that it would be inappropriate to expand the remit of the Foundation, with the consequent pressure on the Foundation's resources, at a time when the Board still has a full agenda in relation to financial reporting by for-profit corporate entities and the consistent application and implementation of IFRS Standards.</p> <p>That said, the Trustees see merit in the Board working with other parties, such as a number of national standard-setters that participate in the International Federation of Accounting Standards Setters ('IFASS'), who have already declared an interest in investigating the possibility of developing international accounting standards for NFPs, to further this goal. This would not entail a formal expansion of the Foundation's remit, and would not involve the Board taking a leadership role in this area, but would help to start the work necessary as a first step to accomplish the goal of international NFP accounting standards.</p> <p>Moreover, the Trustees believe that this issue should be considered again as part of their next review of strategy and effectiveness.</p>

8 UK Consultative Committee of Accountancy Bodies ('CCAB') (February 2014) *International financial reporting for the not-for-profit sector*.

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
4	<p>The Trustees noted that the reporting of 'non-IFRS' information (sometimes referred to as 'non-GAAP') information, including the reporting of what some refer to as alternative performance measures) had become the focus of much debate, but felt that the issue was a technical one within the competence of the Board and, as such, should be examined within the context of the Board's <i>Agenda Consultation</i> rather than this review (RFV, paragraph 25).</p>	<p>A minority of respondents provided comments, mostly to agree that this is something that should be examined by the Board as part of its technical agenda.</p> <p>Please see paragraphs F23-F24 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees have reaffirmed their view that any work on this issue is within the competence of the Board, noting that this issue is being examined by the Board. Within the technical staff, there has been a restructuring to set up an enlarged team to focus on improving the effectiveness of the communication of information in financial reports, whose responsibilities cover the Board's projects on the Disclosure Initiative and Primary Financial Statements and the IFRS Taxonomy, as well as wider corporate reporting. The issue of non-IFRS information will be examined in the context of this new team.</p>
5	<p>The Trustees stated their view that the organisation's existing forms of co-operation with bodies responsible for areas across the whole range of corporate reporting was a more appropriate approach than the Board expanding the scope of its work into areas outside the traditional boundaries of financial reporting (RFV, paragraph 25 and Question 2).</p>	<p>A large majority of those who responded on this issue agreed with the Trustees' view, with a number of respondents cautioning against the Board taking on further responsibilities in this area. That said, a minority commented that the Foundation and the Board should take a more pro-active, leadership role in this area, with a number calling on the organisation to develop a strategy in relation to the possible future direction of reporting corporate performance and the implications for the Standards in meeting the needs of key users.</p> <p>Please see paragraphs F25-F27 of Appendix F for more detail of the feedback received on this area.</p>	<p>In the light of the feedback, the Trustees reaffirmed the Board's current approach to co-operation with, and monitoring developments of, bodies with responsibility for areas across the whole range of corporate reporting. The Board will co-operate with, and monitor the developments of, bodies with responsibilities for areas across the whole range of corporate reporting (such as the Corporate Reporting Dialogue, and the International Integrated Reporting Council), and dedicate a staff resource to this area. The staff dedicated to this area will develop a study of what the future role of the Board should be in the wider corporate reporting landscape. As described in issue 4 above, the new team focussing on improving the effectiveness of communication of information in financial reports will encompass the work being done on wider corporate reporting.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
6	The Trustees sought views as to whether constituents agreed with the Foundation's strategy with regard to the IFRS Taxonomy (RFV, paragraphs 29-32 and Question 3).	<p>A large majority of those who responded agreed with the Foundation's strategy, many with caveats, in particular to reinforce the view expressed by the Trustees in the RFV that Taxonomy considerations should not dictate the standard-setting process.</p> <p>Please see paragraphs F28-F32 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees have reaffirmed the Foundation's strategy for the IFRS Taxonomy.</p> <p>The Trustees have also considered and agreed the staff's proposals on how to take forward and enhance that strategy, which are designed to meet a number of challenges related to the adoption and implementation of the IFRS Taxonomy, which relate to:</p> <ul style="list-style-type: none"> (a) a perceived conflict working with principles-based reporting in an electronic world; in particular, entity-specific disclosures in electronic reporting, which can impact data quality and are implemented inconsistently; (b) the effect on data quality of the overall inconsistent implementation of electronic reporting and the IFRS Taxonomy; and (c) the need to support all types of user, in particular those interested in larger scale data-orientated quantitative research. <p>To address these challenges, the Foundation and the Board will:</p> <ul style="list-style-type: none"> (a) undertake a review of the current limits on the content scope of the IFRS Taxonomy and make any recommendations for future action. Work on content scope will also look at the potential for improving the way that electronic filing works with principles-based reporting, in particular entity-specific disclosures; (b) further increase and enhance its efforts in working with securities regulators, including taking a more active role in the way that regulators implement electronic filing, consulting with regulators to identify the most useful ways of working together to improve consistency in electronic reporting, and working together to develop a framework and/or set of principles for the filing of electronic financial statements prepared in accordance with the Standards; and (c) look to support a wider range of users, in particular users of large scale (or 'big data') analytic techniques and data aggregator firms. In addition, work will continue to improve the accessibility of the current IFRS Taxonomy for users without a background in electronic financial reporting.

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
7	The Trustees sought views on how the Board might best help regulators in their efforts to improve digital access to general purpose financial reports to investors and other users (RFV, paragraphs 33–34 and Question 4).	<p>A number of respondents expressed the view that the Board can best help regulators in this area by having a quality IFRS Taxonomy. Some respondents – including the International Organization of Securities Commissions ('IOSCO') – suggested that the Board should liaise with regulators on this issue, with one suggesting that an annual forum with regulators should be arranged. A few respondents expressed concern that the Board needed to avoid infringing into the domain of securities regulators and that this area should be left to the regulators themselves.</p> <p>Please see paragraphs F33–F38 of Appendix F for more detail of the feedback received on this area.</p>	<p>At their meeting in January 2016, the Trustees encouraged the staff to take up an offer made by IOSCO's Committee C1 to discuss how the Foundation might best support regulators in their efforts to improve digital access to general purpose financial reports. The staff are in contact with IOSCO's Committee C1. In addition, the staff are holding discussions on this issue with the European Securities and Markets Authority ('ESMA'), including the work on the European Single Electronic Format ('ESEF') and ESMA's proposal to require the use of the IFRS Taxonomy for the consolidated financial statements of companies listed on an EU regulated market.</p> <p>More generally, as noted in issue 6 above, the Foundation and the Board will further increase and enhance its efforts in working with securities regulators.</p>
8	The Trustees sought views and comments on the steps that the organisation should take to ensure that the Board factors into its thinking changes in technology in ways in which it can maintain the relevance of IFRS Standards (RFV, paragraphs 35–39 and Question 5).	<p>Respondents generally, but not exclusively, supported the proposal to establish a network of experts to help and provide advice on technological developments and how the Foundation and/or the Board should respond to, and where appropriate, exploit such developments. A few respondents referred to the work on digital reporting that has been, and will be, conducted by the UK Financial Reporting Council's ('FRC's') Financial Reporting Lab, which should serve as a useful input.</p> <p>A minority of respondents took the view that the organisation should focus on the content of the Standards, rather than the technology, which they regarded as simply a way to access and communicate financial information determined by the Standards.</p> <p>Please see paragraphs F39–F45 of Appendix F for more detail of the feedback received on this area.</p>	<p>At their meeting in January 2016, the Trustees reaffirmed their view that the Foundation should establish a network of experts to provide advice on technological developments and their potential impact on IFRS Standards, and directed the staff conduct further work on this network.</p> <p>At their meeting in May 2016, the Trustees considered and agreed the staff's proposals regarding how the Foundation and the Board should formalise how they track technological developments, including establishing a network of experts as proposed in the RFV and making use of existing relationships with investors. The network of experts will comprise individuals from a variety of backgrounds, and the Foundation will work with them using a variety of different mechanisms (for example, roundtables and individual meetings). The Trustees also agreed that the staff should research current use and the impact of technology in financial reporting and look to improve their technology expertise.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
	Consistency of application and implementation		
9	<p>In the RFV, the Trustees set out what the Foundation has been doing to encourage the consistent application of IFRS Standards in six areas (set out in issues 10–15 below).</p> <p>The Trustees sought views on what the Foundation has been doing to encourage consistent application and asked respondents whether there is anything more that the Foundation should be doing in this area (RFV, paragraphs 43–65 and Question 6).</p>	<p>Generally, respondents were supportive of the Foundation's existing efforts to encourage consistent application (whilst also agreeing that the primary responsibility for this rests with others). They thought that consistent application of the Standards was an appropriate strategic goal, and the Foundation's efforts in this area were appropriate.</p> <p>However, many respondents cautioned that 'consistent application' was a slightly misleading term in that absolute uniform application of the Standards could, and should, never be achieved as long as the Standards remain principles-based. Consistent application of the Standards necessarily will depend on the specific circumstances of each entity applying the Standards, and different judgements would be appropriate if those judgements are faithful to the objectives and principles in the Standards.</p> <p>Please see paragraphs F46–F51 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees considered the staff's proposals on a proposed strategy for the Foundation to encourage consistent application of IFRS Standards and agreed with the staff recommendations in this area.</p> <p>Details of the conclusions and actions in each of the six areas are set out below. In terms of the overall strategy, the highlights are set out in paragraphs 22–28 of this document (see pages 7 and 8).</p>
10	<p>The first of the six areas referred to above was that the Board should <i>produce clear, understandable and enforceable Standards</i>.</p>	<p>Respondents were of the view that a critical factor in supporting consistent application is producing high-quality, easily understandable and well-drafted Standards, which are based on clear principles.</p> <p>Respondents commented in particular on the Board's approach to finalising the issuance of a Standard, or amendments to a Standard.</p> <p>Respondents supported setting principle-based Standards, and think that the Board should avoid introducing what they would view as excessive requirements.</p> <p>Respondents also noted the importance of clear English to support high-quality translations.</p> <p>Please see paragraphs F52–F58 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees note that the Board has a process in place that supports the objective of producing high-quality, easily understandable and well-drafted Standards, which are based on clear principles.</p> <p>Furthermore, in the past year, quality-control procedures relating to the finalisation of narrow-scope amendments and Standards have been enhanced. The Board will continue to monitor, develop and improve upon these procedures.</p> <p>In the past year, the Board has discussed its approach to finalising the issuance of Standards with the Due Process Oversight Committee ('DPOC') (in particular, in the context of IFRS 16 <i>Leases</i>). The careful and considered process applied in finalising IFRS 16 creates a model that can be applied when finalising other major, new Standards. A particular area of focus will be on monitoring the quality-control procedures as applied to amendments to Standards.</p> <p>The Board will consider whether it can enhance procedures around translation, for example by considering whether and when to specifically seek input in its exposure drafts on the use of terminology in Standards that may be hard to translate or more difficult to understand for non-native English speakers.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
11	<p>The second of the six areas was that the Board should <i>produce guidance consistent with a principles-based approach to standard-setting</i>.</p> <p>The RFV noted that the Board has supported the implementation of newly-established Standards by establishing two Transition Resource Groups ('TRGs').</p>	<p>Generally, respondents viewed providing implementation support for newly-issued Standards (ie activities to help all stakeholders understand, interpret and implement newly-issued Standards) as an important implementation activity.</p> <p>Respondents had mixed views around the usefulness of TRGs, but a majority of respondents did support them.</p> <p>Please see paragraphs F59-F63 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees note that the Board has increased its support of newly-issued Standards since 2014. For example, the Board:</p> <ul style="list-style-type: none"> (a) formed TRGs for revenue recognition and the impairment of financial assets following the issuance of IFRS 15 <i>Revenue from Contracts with Customers</i> and IFRS 9 <i>Financial Instruments</i>. (b) has developed, and is continuing to develop, education materials (including webcasts on specific topics) and conferences to support the implementation of IFRS 16. (c) has created implementation pages on the Foundation's website for IFRS 15 and IFRS 16 that summarise all of the materials available, and ongoing Board activities, supporting the implementation of these Standards. <p>The Board will continue to consider ways to best support the implementation of newly-issued Standards in the light of the implementation environment. This includes considering, on a case by case basis, whether and how to use a TRG for major, new Standards. It also includes considering how to make use of technology to reach many stakeholders.</p>
12	<p>The third of the six areas was that the Board should <i>co-operate with other parties who are responsible for, or facilitate, consistent application</i>.</p>	<p>Respondents supported the Board's efforts to work together with those who foster consistent application, including securities and prudential regulators, national standard-setters and the international audit networks.</p> <p>Please see paragraphs F64-F68 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees agree that the Board will continue to develop its relationships with organisations involved in the application of the Standards including securities regulators, prudential regulators, national standard-setters and the international audit networks. The Trustees view co-operation with these organisations as an important way of fostering consistent application.</p> <p>In addition, these relationships provide the Board with information about current accounting practice that helps it to identify whether an improvement to the Standards is required. The Board also gathers more general information about the quality of implementation of the Standards, for instance the quality of implementation in different regions. This helps inform the Board about whether and what education or implementation support is needed.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
13	<p>The fourth of the six areas was <i>the work of the IFRS Interpretations Committee ('IFRIC')</i>.</p> <p>The RFV noted that, following a review of the efficiency and effectiveness of the IFRIC in 2012, the IFRIC has been provided with a broader range of tools to respond to application questions, including proposals to the Board for narrow-scope amendments and providing non-mandatory explanations through agenda decisions.</p>	<p>Respondents thought that the Board should avoid introducing too many requirements for the sake of consistent application, or attempting to resolve local or regional issues. Respondents supported principle-based Standards.</p> <p>Respondents generally supported the enhancements made to the IFRIC process in 2012. A number noted that issues submitted to the IFRIC provide useful information in identifying topics to be considered more widely by the Board. Many also noted the importance of addressing issues submitted to the IFRIC on a timely basis.</p> <p>Many respondents thought that the Board should be cautious in making narrow-scope amendments, particularly when a number of issues have been identified regarding a particular topic or Standard. In that case, a wider review of the topic or Standard by the Board may be needed.</p> <p>Respondents asked the Board to group together narrow-scope amendments to Standards, both when proposing change and finalising change.</p> <p>Some respondents noted the importance of coordinating with the US Emerging Issues Task Force on implementation issues relating to converged requirements.</p> <p>Please see paragraphs F69-F73 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees agree that the Board should be cautious in its approach to proposing narrow-scope amendments to ensure that those amendments (a) do not create new issues or (b) substantively change the level of detail provided in the Standards such that they would no longer be viewed as principle-based.</p> <p>The Board will continue to apply an evidence-based approach to identifying the need for change before proposing any change, including change that arises from narrow-scope amendments.</p> <p>The Board is considering the unresolved issues submitted to the IFRIC, together with responses received to the Agenda Consultation, in setting its priorities.</p> <p>The Board has taken steps to improve the interaction between the IFRIC and the Board, and continues to look at other ways to improve the efficiency of the process of responding to implementation questions. This will include monitoring whether holding IFRIC meetings via videoconferencing has any significant effect on efficiency. Nonetheless, the Board notes that assessing the time taken to respond to questions needs to reflect that the type of questions that the IFRIC ought to be addressing requires thorough research and analysis, and that the work of the IFRIC is subject to rigorous due process.</p> <p>Rather than publishing a number of narrow-scope amendments separately within a relatively short timeframe, the Board will endeavour to publish narrow-scope amendments together.</p> <p>The IFRS Foundation <i>Strategic Plan</i> includes coordinating with the FASB on interpretation discussions and post implementation reviews, and considering convergence in amendments and interpretations.</p>
14	<p>The fifth of the six areas was <i>education activities in support of consistent application</i>.</p>	<p>There were few specific comments in this area, but views were mixed. While some respondents supported the efforts of the Education Initiative and thought that it was a useful tool to encourage consistent application, others thought the responsibility for providing educational materials should lie with other parties.</p> <p>Please see paragraphs F74-F77 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees note that the Board's experience on supporting implementation of newly-issued Standards highlights that there is scope to more closely align the work of the Education Initiative with other implementation activities.</p> <p>The Board will consider how to maximise the potential of its existing education materials to support consistent application and explore new initiatives. This includes exploring opportunities to maximise the use of the Foundation website and new online delivery mechanisms.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
15	The sixth of the six areas was <i>post-implementation reviews ('PIRs')</i> .	<p>Many respondents thought PIRs are a useful tool both for the Board to be made aware of the implementation issues with a Standard, and also to help identify the topics that should be investigated further.</p> <p>Respondents also had specific comments about PIRs, including:</p> <ul style="list-style-type: none"> • that the Board extend the use of PIRs to older Standards; • that a tiered approach should be adopted for PIRs; • mixed views on how soon to conduct a PIR after the effective date of a new Standard; and • the importance of the Board collaborating with the FASB on any PIR relating to a converged Standard, in order to maintain convergence. <p>Please see paragraphs F78–F83 of Appendix F for more detail of the feedback received on this area</p>	<p>The Trustees note that the Board has completed two PIRs. It expects to start the next two PIRs over the next six to nine months.</p> <p>The Board recognises the benefit of using the PIR process to undertake broad-scope research about older Standards.</p> <p>In line with the comments made by the Trustees in the RFV, the Board thinks that it should gain more experience of performing PIRs before it considers any formal change to the due process requirements around PIRs, including the requirement to undertake a PIR for all new Standards, normally after two years of implementation. The Trustees expect to undertake a review of the PIR process after the Board has completed the next two PIRs.</p> <p>The IFRS Foundation <i>Strategic Plan</i> includes coordinating with the FASB on PIRs, and considering convergence in amendments and interpretations.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
	Governance and financing		
16	The Trustees sought views as to how the functioning of the three-tier structure of the governance of the Foundation might be improved (RFV, paragraphs 68–77 and Question 7).	<p>Respondents were nearly unanimous in their support of the general three-tier structure of governance used by the Foundation. However, respondents did have a number of specific suggestions regarding the Monitoring Board.</p> <p>Respondents requested greater transparency and clarity regarding the role and activities of the Monitoring Board. These respondents thought that there should be more information provided about the ways in which the Monitoring Board provides oversight and support to the Trustees, how the Monitoring Board promotes the Standards in their own jurisdictions, and the issues of public interest that they refer to the Board. A few respondents criticised the Monitoring Board for failing, for example, to add value to the organisation and said that their role does not appear to be sufficiently different from the role of the Trustees.</p> <p>Several respondents also suggested that the Monitoring Board be more involved in the funding of the Foundation, and that funding, as well as adoption of the Standards, be considered in the appointment of Monitoring Board members. A few respondents suggested that the size of the Monitoring Board be increased because of the increase in countries adopting the Standards.</p> <p>Please see paragraphs F85–F92 of Appendix F for more detail of the feedback received on this area.</p>	The Trustees have reaffirmed the view expressed in the RFV that the three-tier structure is appropriate for the organisation's mission. The comments made by respondents regarding the Monitoring Board are for the Monitoring Board itself to consider. The comments were communicated to the Monitoring Board.

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
17	<p>The Trustees sought views on the overall geographical distribution of Trustees and how it might be determined, including a specific proposal to increase the number of 'at-large' Trustee appointments from two to five (RFV, paragraphs 78–81 and Question 8).</p>	<p>Respondents' views were mixed. The majority of respondents agreed with the proposal to increase the number of at-large Trustee appointments, although a significant minority disagreed.</p> <p>Those who agreed with the proposal generally did so because the proposals would give the Foundation the ability to find the best candidates and the flexibility to adapt to changing circumstances. Those who disagreed with the proposal generally did so because they favoured set geographical requirements and thought that an expansion of at-large Trustees would make Trustee appointments too subjective and prone to political considerations.</p> <p>A substantial body of opinion among respondents (albeit still in the minority) supported linking membership in the Trustees and the Board to commitment to the Foundation, as measured by adoption (or a commitment to adopt) the Standards and/or jurisdictions making a funding contribution to the Foundation.</p> <p>A number of respondents from regions where the level of adoption of the Standards is high (notably Asia-Oceania and Europe) argued that the level of representation from those regions should not be reduced.</p> <p>Please see paragraphs F93–F107 of Appendix F for more detail of the feedback received on this area.</p>	<p>At their meeting in January 2016, the Trustees noted the comments made relating to the adoption of the Standards, the funding of the Foundation and representation on the Foundation and its bodies. The comments had implications for the proposals made by the Trustees in the RFV about the geographical distribution of the Trustees, and both the geographical distribution and size of the Board, which would require careful thought. The Trustees had an initial discussion but made no decisions on these issues at this meeting. The Advisory Council discussed these comments and the potential implications for the geographical distribution of the Trustees at its meeting in February 2016, including consideration of a number of alternatives.</p> <p>At their meeting in May 2016, the Trustees considered the staff's proposals on the geographical distribution of their membership and how it should be determined. The Trustees reaffirmed their view that the geographical distribution of the Trustees should continue to be representative of the world's capital markets and ensure a broad international base and that membership should not be linked directly to either a jurisdiction making a financial contribution to the Foundation or adopting the Standards. That said, the Trustees also acknowledge that jurisdictions that have not adopted the Standards or have not been contributing to the Foundation's financing should not be over-represented. The Trustees therefore propose that the geographical distribution should be adjusted in a way that achieves an appropriate balance between these different perspectives.</p> <p>In considering the geographical distribution, the Trustees agreed that the current categories of 'North America' and 'South America' as specified in the <i>Constitution</i> should be combined into a single 'Americas' category. In agreeing this, the Trustees noted that this proposal:</p> <ul style="list-style-type: none"> (a) would increase the flexibility around Trustee appointments while at the same time being consistent with the core idea that the Trustees' geographical allocation should be representative of the world's capital markets and to ensure a broad international base; (b) would be consistent with the geographical distribution of the relatively-recently established Accounting Standards Advisory Forum ('ASAF'), which also has a geographical distribution of members, with 'Americas' being one of the categories; and (c) would eliminate the confusion around whether countries like Mexico or other Central American countries should be classified as North American countries or South American countries.

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
			<p>However, the Trustees also agreed that for each of the geographical regions specified, there needs to be a reasonable spread of jurisdictions from which the members originate.</p> <p>The Trustees also agreed to retain the category of at-large appointments and to increase their number, as a means of providing a degree of flexibility in making appointments. The Trustees have also agreed a number of guidelines of how such appointments should be used, which would provide for the appointment from the following:</p> <ul style="list-style-type: none"> (a) individuals with global experiences who do not fit easily into any one geographical category; (b) individuals from emerging economies; (c) individuals from countries who do not fit easily into any one geographical category; or (d) individuals from one of the specific geographical regions referred to in the <i>Constitution</i>, but who – in the opinion of the Trustees – are assessed as having exceptional skills and experience that would be to the overall benefit of the Trustees as a group. <p>In the light of these decisions, the Trustees are proposing that the geographical distribution of their membership as set out in the <i>Constitution</i> should be amended to the following:</p> <ul style="list-style-type: none"> - Americas: 6 members - Asia-Oceania: 6 members - Europe: 6 members - Africa: 1 member - At-large: 3 members. <p>The Trustees considered carefully the requests from a number of respondents to increase the number of members from Africa, but concluded it was premature to do so when considering that their membership should be representative of the world's capital markets. The Trustees' view is that, at this stage, it would be preferable to use the at-large category to appoint a second African Trustee if a suitable candidate can be identified.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
18	<p>The Trustees sought views on the current specification in the <i>Constitution</i> regarding the provision of an appropriate balance of professional backgrounds among the Trustees and whether any change is necessary (RFV, paragraphs 82-84 and Question 9).</p>	<p>Respondents generally agreed that the Trustees should be made up of members with diverse professional backgrounds and that there should not be a quota used to determine the Trustees in this regard. However, a few respondents did support the use of quotas in this area.</p> <p>Views were mixed on whether the <i>Constitution</i> should specifically mention that normally two of the Trustees would be senior partners of prominent international accounting firms. Some respondents supported the inclusion of this wording, while others said it was not appropriate and negated the principle of not having a quota in this area.</p> <p>Some respondents also made other specific suggestions about the professional backgrounds of Trustees. Some respondents suggested that there should be more Trustees from regulatory bodies, industry, accountancy, and the user community.</p> <p>Please see paragraphs F108-F114 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees have considered the current specification in the <i>Constitution</i> and decided that the references to the appropriate balance of professional backgrounds should be kept flexible. With that in mind, the Trustees propose to delete from the <i>Constitution</i> the reference in Section 7 that: "Normally, two of the Trustees shall be senior partners of the prominent international accounting firms".</p> <p>In addition, the Trustees draw attention to the fact that, in relation to the appointment of Trustees, the Monitoring Board participates in the nominations process and approves the appointment of all Trustees. As made clear in the RFV, the broad qualities required of Trustees are set out in the Foundation's <i>Constitution</i> and are specified in vacancy notices which are advertised publicly, together with the appointment procedures that are followed. The detailed process for Trustee appointments, together with the role specification for Trustees, is available on the Foundation's website at: http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Pages/Process-and-Timetable-for-Trustee-Appointments.aspx.</p> <p>Finally, the Trustees confirmed that they would continue their efforts, as described in the RFV, to encourage representatives from the investor community, and to recruit more female members as opportunities arise, but without specifying any particular quota.</p>
19	<p>The Trustees sought views on a proposal to change the focus of the periodic review of structure and effectiveness to one of <i>strategy</i> and effectiveness and, on the frequency of such a review, to specify that a new review should commence, at the latest, five years after the previous review has been completed (RFV, paragraph 86 and Question 10).</p>	<p>Most respondents agreed with the proposal, although many said that their support was contingent on the fact that the Foundation would have the flexibility to initiate a review less than five years after the last one if such a review was needed. A minority disagreed, taking the view that the reviews are too important and the Foundation is not established enough to justify a reduction of frequency.</p> <p>A few respondents requested that the timing of the strategy reviews and the Agenda Consultation be aligned.</p> <p>A few respondents also suggested that a review of the strategy and effectiveness of the organisation could be performed by an external party.</p> <p>Please see paragraphs F115-F122 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees have decided to take forward the proposal to change the focus of their periodic review to be one of strategy and effectiveness (including, as appropriate, the structure of the organisation). Accordingly, as proposed in the RFV, the Trustees plan to amend the wording of Section 17 of the <i>Constitution</i> to specify that a review of the entire strategy and effectiveness of the organisation should commence, at the latest, five years after the previous review has been completed.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
20	<p>The Trustees sought views on a proposal to reduce the size of the Board as specified in the <i>Constitution</i> to 13 members and to amend the normal geographical distribution of Board members. The Trustees also considered the Board's voting requirements and proposed that, with a Board of 13 members, the approval of 9 members would be required for the publication of a Standard or an Interpretation. If the Board had fewer than 13 members, the Trustees proposed that the approval of 8 members would then be required (RFV, paragraphs 87–93 and Question 11).</p>	<p>Respondents' views were mixed on the proposal to reduce the size of the Board to 13 members. Roughly the same number of respondents agreed and disagreed with the proposal, although those who disagreed were split between retaining a 16-member Board, as specified in the <i>Constitution</i>, or retaining the current 14-member Board.</p> <p>Respondents had few specific comments regarding the voting requirements of the Board beyond agreeing with the proposal in the RFV. A few respondents requested that the voting requirements be higher than the current thresholds.</p> <p>Regarding the geographical distribution of the Board, the views expressed were generally the same as those expressed about the Trustees' geographical distribution, but within the context that the main qualifications for Board membership shall be professional competence and practical experience.</p> <p>Please see paragraphs F123–F140 of Appendix F for more detail of the feedback received on this area.</p>	<p>In the light of the feedback, the Trustees considered the staff's proposals on the size of the Board and the geographical distribution of its membership and how it should be determined.</p> <p>The Trustees propose that the size of the Board be reduced to 13 members, albeit with the flexibility to appoint a 14th (at-large) member if appropriate.</p> <p>On voting requirements, the Trustees decided to confirm the proposal in the RFV that, with a Board of 13 or 14 members, the approval of 9 members would be required for the publication of a Standard or an Interpretation. If the Board had fewer than 13 members, the Trustees proposed that the approval of 8 members would then be required.</p> <p>On the geographical distribution, the Trustees' decision reflected their conclusions on the geographical distribution of the Trustees, noting that for the Board the main qualifications for membership remain professional competence and practical experience. The Trustees are proposing that the geographical distribution of the Board membership as set out in the <i>Constitution</i> should be amended to the following:</p> <ul style="list-style-type: none"> - Americas: 4 members - Asia-Oceania: 4 members - Europe: 4 members - Africa: 1 member - At-large: 1 member (if appropriate).
21	<p>The Trustees sought views on a proposal to amend the references to the balance of professional backgrounds of Board members as referred to in the <i>Constitution</i>, include a proposal to delete Section 27 (RFV, paragraph 94a and Question 12).</p>	<p>Most respondents agreed with the proposed amendments. However, some respondents disagreed with the inclusion of regulators, arguing that regulators are already represented within the Foundation and that standard-setting should not be framed by regulatory viewpoints are concerns.</p> <p>Some respondents were also concerned about removing the phrase 'recent practical experience' from the <i>Constitution</i>, arguing that this is an important factor that should be considered in the appointment of Board members.</p> <p>Some respondents also made a number of other suggestions regarding different backgrounds or factors that should be considered in the appointment of Board members.</p> <p>Please see paragraphs F141–F163 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees have noted the concerns expressed by some respondents as to the inclusion of regulators, but would observe that including a reference to "regulators" would reflect the current position. The Trustees do not take the view that this would lead to standard-setting being framed by regulatory viewpoints and concerns. As a consequence of this, having reflected on the feedback, the Trustees have decided to propose amending the wording in Section 25 to state that the Board should include "auditors, preparers, users and market and/or financial regulators".</p> <p>In the light of the feedback received, the Trustees decided to retain the reference to "recent" experience. The Trustees have also decided to change the phrase "recent practical experience" to "recent relevant professional experience" on the grounds that the term "practical experience" may also be interpreted as being unduly limited.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
22	<p>The Trustees sought views on a proposal to amend the references in the <i>Constitution</i> on the terms of reappointment of Board members to provide for a second term of up to five years (RFV, paragraph 94b and Question 13).</p>	<p>Most respondents agreed with the proposal. These respondents agreed with the rationale put forth in the RFV, stating that a longer reappointment period would increase flexibility in reappointments, provide continuity for major projects with long lifecycles and be helpful for the steep learning curve that Board members have. These respondents also approved of the consistency between the reappointment of the Chair, Vice-Chair, and rest of the Board members.</p> <p>Some respondents disagreed with the proposal, arguing that this would make Board members too removed from recent practical experience. Some of these respondents stated that, if the reappointment period was made longer, it should be phrased as a three-year reappointment with an option to extend to five years, if appropriate, to ensure that two five-year terms not become the norm.</p> <p>A number of respondents also provided various other comments regarding the reappointment of Board members. Some respondents stated that it is very important to stagger appointments and reappointments. Other respondents stated that it is important to formalise reappointment criteria so that the Trustees do not reappoint Board members as a matter of course.</p> <p>Please see paragraphs F164-F178 of Appendix F for more detail of the feedback received on this area.</p>	<p>In the light of the feedback received, the Trustees have decided to amend the guidance in the <i>Constitution</i> regarding reappointment of Board members. The Trustees propose that the normal renewal for Board members remain three years but that reappointments of up to five years may be available on a case-by-case basis in exceptional circumstances. The Trustees also decided to propose that the <i>Constitution</i> should state that renewal of appointments 'may' be made, to clarify that reappointment will not be automatic and will be subject to procedures developed by the Trustees for such renewals. Finally, the Trustees decided to delete the distinction between the terms of the Chair, Vice-Chair and the other members of the Board. The Trustees propose to adopt these changes with retrospective application.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
23	<p>The Trustees sought views as to how the functioning of the Foundation's funding model might be strengthened, taking into account the limitations on funding (RFV, paragraphs 96–102 and Question 14).</p>	<p>Respondents acknowledged the importance of the Foundation establishing a stable, long-term system of funding that enables the independence of the Board in its standard-setting. The challenges and limitations faced by the Foundation were referred to by a number of respondents, and there was a general acceptance that – given these challenges and limitations – the current three-pillar system of funding (publicly-sponsored contributions, private contributions, and self-generated income) was appropriate.</p> <p>While supporting the principle of raising financing through publicly-sponsored contributions, respondents expressed a variety of views on the basis on which such contributions should be raised. Some respondents were content with the 'simple' Gross Domestic Product ('GDP') basis. A number of respondents suggested alternatives to that GDP approach, including a GDP per capita basis.</p> <p>A number of respondents have also suggested that the Foundation should seek funding contributions from major international organisations, including development organisations.</p> <p>As noted in the comments made above, a substantial minority of respondents expressed a view that the geographical distribution in the Foundation and its bodies should be linked more closely to the financial contribution of the relevant jurisdiction to the Foundation.</p> <p>A number of respondents commented on the level of funding received from the accounting firms, with some acknowledging that such funding is at present necessary but also raising the perception concern about the potential risk to the Board's independence as noted by the Trustees in the RFV.</p>	<p>The Trustees have reaffirmed their view as set out in the RFV that the Foundation should have a broad and sustainable source of funding that enables the independence of the Board and that this funding regime should essentially be based on national financing regimes, proportional to a country's relative GDP, which would establish a levy on companies or provide an element of publicly supported financing. However, as this funding regime has yet to be achieved fully, the Trustees affirmed that their current three-pillar funding model is appropriate for the time being.</p> <p>The Trustees will look to clarify the communication of the jurisdictional requirements once the Foundation's desired funding regime is in place and have tasked the staff to develop and present proposals for such clarifications, to be ready as and when required.</p> <p>The Trustees also noted that the level of contributions from the major accounting firms has been cited as a source of concern for some stakeholders as a potential risk to the Board's independence. While the Trustees acknowledge this concern, as referred to in the RFV, in their view it is one of perception rather than reality. The Trustees reiterate the comments made in the RFV that a review by the technical staff of a sample of submissions made by the accounting firms has revealed that the firms take different views on particular issues and do not raise issues that would in any way compromise the Board's independence. In addition, the Trustees' oversight activities and the robust standard-setting due process, together with the organisation's accountability to the Monitoring Board, serve to ensure and protect the Board's independence. The Trustees note that when they reach their long-term goals for the funding of the Foundation, as described above, such a level of contribution from the major accounting firms will no longer be needed. In the interim, however, the Trustees are comfortable with these contributions being made for the reasons provided above.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
		<p>Some respondents commented on the proposal that the Foundation should look to increase revenue from self-generated income, for the most part to emphasise the need for caution and not to compromise the organisation's public interest mission. Some respondents thought that the Foundation should not charge for any educational materials it produces, or at the very least questioned whether using the Education Initiative more to generate revenue could be compatible with the public interest mission.</p> <p>Please see paragraphs F179–F191 of Appendix F for more detail of the feedback received on this area.</p>	
	Other issues		
	The Trustees asked whether respondents had any other issues that, in their view, the Trustees should consider as part of the review (RFV, Question 15).	Respondents raised issues in a number of areas, as set out below.	

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
		Trustees	
24		<p>Although there was nearly unanimous support for the general three-tier governance structure of the Foundation (as described in issue 16 above), some respondents thought that the Trustees should take a more active role in their oversight of the Board. These respondents thought that the Trustees were too focussed on the process of standard-setting and were not providing enough oversight and support of the actual substance of what the Board does. These respondents had various suggestions in terms of how the Trustees could improve their oversight.</p> <p>A few respondents commented on the timing of the Board's Agenda Consultation, with one taking the view that the strategic direction resulting from the Trustees' review should have first been determined. Another respondent suggested that the Trustees, rather than the Board, should have asked the question about the frequency of Agenda Consultations.</p> <p>Please see paragraphs F192-F196 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees note the comments that have been made by respondents and take the view that it is clear that many stakeholders do not fully appreciate the oversight role that the Trustees do play, which demonstrates a need for the Foundation to make more transparent and better communicate that role. The Trustees are clear that their role is one of oversight and that the Board has complete responsibility for all technical matters. Within that clear division of responsibilities, the Trustees, in particular through the DPOC, not only examine the due process followed by the Board, but also consider the Board's rationale for making certain major technical decisions, while acknowledging the fact that it is for the Board, and the Board alone, to make such decisions.</p> <p>To further improve transparency and communication, the Trustees have decided that in future the meetings of the DPOC should be held in public session (while the DPOC will retain discretion to hold some of each meeting in private, the presumption will be that the meeting will be open). In so doing, the Trustees hope that this additional transparency will demonstrate that how their oversight is more than process and compliance-driven, while at the same time respecting the Board's decision-making on technical issues.</p> <p>The Trustees, in particular through the DPOC, are monitoring the progress of the Board's Agenda Consultation. The DPOC has considered what its role is, and should be, as part of this exercise, noting that among their duties, the Trustees should consider, but not determine, the Board's agenda.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
25		<p>Board</p> <p>A number of respondents made a few other miscellaneous comments about the Board. A number of respondents suggested that part-time members be added to the Board to increase diversity of geography and background and bring recent practical experience, while at the same time not requiring the same resources as a full-time board member. However, one respondent disagreed with adding any part-time Board members. Several respondents also agreed with the RFV's proposal to look at ways to address the gender imbalance on the Board without introducing any specific quota.</p> <p>One respondent called for the process of selection of the Board (and Interpretation Committee) members to be made more transparent.</p> <p>Please see paragraphs F197–F198 of Appendix F for more detail of the feedback received on this area.</p>	<p>With regard to the suggestions about part-time members of the Board, the Trustees did not propose any change to the Constitution, which (in Section 24) provides that up to three members of the Board may be part-time members. That will remain unchanged.</p> <p>In terms of the gender balance of the Board, the Trustees reaffirm the comments made in the RFV that they will continue to look at ways to address the gender balance on the Board, but without specifying any particular quota.</p> <p>In terms of the selection of Board members, a detailed description of the nominating process for the Board is already available at: http://www.ifrs.org/About-us/IASB/Members/Pages/Process-for-IASB-Member-Appointments.aspx.</p> <p>The Trustees think that the description of the selection process describes the steps in the process, and the factors the Nominating Committee should consider when deciding on its preferred candidate, in an appropriate amount of detail.</p>
26		<p>Global adoption</p> <p>Respondents also commented on the primary strategic goal of global adoption of the Standards, although the RFV did not ask any specific questions on this subject.</p> <p>Respondents were nearly unanimously supportive of the strategic goal in general but had varying specific comments. Views were mixed on the role of limited amendments to the Standards in terms of global adoption—some felt that the Foundation should be more flexible in allowing these in limited circumstances if doing so would encourage the adoption of the Standards, while others felt that amendments or carve-outs (or gradual convergence) should never be allowed in adoption of the Standards as it would impair their quality.</p> <p>Please see paragraphs F199-F202 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees welcome the support for the primary strategic goal and reaffirm their commitment to the long-term goal of the global adoption of IFRS Standards as developed by the Board, in their entirety and without modification. In response to the feedback, the Trustees acknowledge that different jurisdictions apply different approaches in working towards adopting the Standards. As set out in the RFV, the Trustees continue to work in pursuit of the long-term goal of global adoption. Within the context of that long-term goal, the Trustees have agreed a series of secondary strategic goals, which provide for some flexibility. Most notably, the Trustees continue to acknowledge that convergence, although not a substitute for adoption, may be an appropriate short-term strategy and that the Foundation should continue to work with such jurisdictions to assist them in their convergence efforts and to encourage them to move from convergence to adoption.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
		Convergence with the US	
27		<p>Many respondents commented on the convergence process with US GAAP and the lack of progress in the effort to have the US adopt IFRS Standards. Some respondents stated that convergence was still very important in order to make financial statements around the world as comparable as possible, and encouraged the Board to work with the US Financial Accounting Standards Board ('FASB'), and other national standard-setters, to ensure that national GAAPs are as converged with the Standards as possible, achieving substantially similar reporting for like transactions and events. This effort should include maintaining existing converged standards. Other respondents stated that there should be less of a focus on convergence, and convergence should not be achieved at all costs; the Foundation should focus more on jurisdictions which have adopted the Standards.</p> <p>Please see paragraphs F203-F204 of Appendix F for more detail of the feedback received on this area.</p>	<p>As described in issue 26, the Trustees reaffirm their commitment to the long-term goal of the global adoption of IFRS Standards. The Trustees recognise the need for flexibility in their pursuit of this goal. The Trustees note that the IFRS Foundation <i>Strategic Plan</i> identifies continuing work with the FASB on maintaining the convergence that has been achieved as a strategic goal. For future work streams, the Agenda Consultation remains the primary consideration for determining the Board's agenda and priorities, the Board will also take into consideration the work streams of the FASB and other major standard-setters, within the overall context of the move to multilateral co-operation, in particular through ASAF. The Trustees, the Board and the staff are all working to maintain effective relationships with the US Financial Accounting Foundation ('FAF') and the FASB.</p> <p>Additionally, a public document containing the Foundation's strategy for convergence, which reflects the comments above, with US GAAP is being published with this feedback statement (see Appendix E). This document emphasises that maintaining the convergence that has been achieved with US GAAP, and maintaining relationships with the FAF and FASB, are important to the Foundation and the Board.</p>
		Due process	
28		<p>A few respondents also commented specifically on other parts of due process not mentioned in the RFV. Many respondents complimented the Board on its extensive due process, with a few wondering if the process could be made simpler or more efficient. Others mentioned the DPOC and requested that they take a more substantive role in the oversight of due process, looking at the substance of complaints rather than just making sure that rules have been followed.</p>	<p>The Trustees note and welcome the support expressed by respondents for the Board's due process. The Trustees' discussions of and decisions on the comments received regarding the Board's voting requirements, and the role of the DPOC are discussed elsewhere in this feedback statement. In response to the Board's Agenda Consultation, the Trustees have also agreed that the interval between Agenda Consultations should be extended from three to, at latest, five years. Apart from those decisions, the Trustees do not think there are any further changes to be made to due process as part of this Review.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
		Status of ASAF and criteria for ASAF membership	
29		<p>Generally, respondents supported the creation of ASAF, stating that this was an important addition to the Board's standard-setting process that gives national standard-setters another important role. One respondent called for ASAF to be referred to in the <i>Constitution</i>. Another respondent called for what it views as improvements in the criteria for ASAF membership.</p> <p>Please see paragraphs F206-F207 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees note that the issue of the status of ASAF was looked at in the review of ASAF undertaken in 2014-2015. That review generated positive feedback about the ASAF, with strong support for the ASAF and the Board's commitment to the ASAF. In a short time, the ASAF has established itself as a key advisory group to the Board. The Feedback Statement on the review of ASAF was published in May 2015 and reflected the Trustees' decisions. As that Feedback Statement makes clear, ASAF is not going to be enshrined in the <i>Constitution</i> at the present time. The Trustees have decided to wait before considering the issue further, at least until after the next rotation of ASAF members has occurred.</p> <p>The review of the ASAF also looked at membership issues. The Trustees do not plan to reopen issues relating to the ASAF so soon after the completion of the review of ASAF.</p> <p>The Feedback Statement on the review of ASAF can be accessed at: http://www.ifrs.org/Alerts/PressRelease/Documents/2015/ASAF_Feedback-Statement_May2015.pdf.</p>
		Public Accountability	
30		<p>One respondent called for the Board to articulate the criteria and the class of entities it has in mind for which IFRS Standards are intended in the <i>Preface to International Financial Reporting Standards</i> ('the <i>Preface</i>'). At present, a definition of 'public accountability' is included in the IFRS Standard for Small and Medium-sized Entities ('<i>IFRS for SMEs</i>') and is used to describe the class of entities for which the <i>IFRS for SMEs</i> is not intended.</p> <p>Please see paragraph F208 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees note that the current <i>Preface</i> states that IFRS Standards "are designed to apply to the general purpose financial statements and other financial reporting of profit-orientated entities". The Board's view is that IFRS Standards are intended and designed to apply to any profit-orientated entity, regardless of whether or not it has public accountability. On this basis, the reference in the <i>Preface</i> is appropriate. That said, the Board recognises that the needs of users of entities without public accountability differ from those with it and given that, together with the need to balance costs and benefits from a preparer perspective, led the Board to articulate those entities to which the <i>IFRS for SMEs</i> could and could not apply in the way that it did.</p>

No.	Issues on which views were sought and, where applicable, proposals made	Feedback	The Trustees' response
		Meaning of IFRS Standards as issued by the Board	
31		<p>One respondent asked for clarification of what was meant by 'IFRS as issued by the IASB', in particular where a jurisdiction has an endorsement process that allows it to make changes to the Standards, even if only to the effective date of adoption.</p> <p>Please see paragraph F209 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees' view is that the meaning of IFRS Standards as issued by the Board is clear. The endorsement process followed by a jurisdiction is a matter for that jurisdiction. If a jurisdiction makes changes to the Standards that results in entities in that jurisdictions not being able to comply with the requirements of the Standards, then those entities will not be able to assert that they comply with the Standards as issued by the Board. The Board has articulated this in IAS Standard 1 <i>Presentation of Financial Statements</i>, which states that (in paragraph 16): "An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs".</p>
		Mission Statement	
32		<p>One respondent expressed the view that all the Foundation's objectives stated in the <i>Constitution</i> should be taken into account in the Foundation's <i>Mission Statement</i>.</p> <p>Please see paragraph F210 of Appendix F for more detail of the feedback received on this area.</p>	<p>The Trustees do not believe that all the objectives need to be reflected in the <i>Mission Statement</i>. In launching the <i>Mission Statement</i> in April 2015, the Board Chair Hans Hoogervorst made very clear that it dealt only with the Foundation's primary objective and that its purpose was to explain why that objective is so important. The speech is at: http://www.ifrs.org/Alerts/Conference/Documents/2015/Speech-Hans-Hoogervorst-mission-statement-April-2015.pdf.</p>
		Status and context of the Conceptual Framework	
33		<p>One respondent observed that the <i>Constitution</i> states that the Standards shall be "based on clearly articulated principles", a statement that creates a paradox as it is not clearly supported by the status and content of the Conceptual Framework, which are inspired by a "common law" approach and give "aspirational" value to the principles.</p> <p>Please see paragraph F211 of Appendix F for more detail of the feedback received on this area.</p>	<p>This is an issue for the Board as part of its conceptual framework project. As part of its Conceptual Framework project, the Board discussed the status of the Conceptual Framework at its April 2016 meeting in Agenda Paper 10A⁹. At this meeting the Board decided tentatively to retain the current status of the Conceptual Framework: it is not a Standard, and does not override Standards. There is no contradiction between that status and the statement that the Standards are based on clearly articulated principles. The principles are articulated in the Standards, and are sometimes subject to specified exceptions. The principles in the Standards are based on the concepts described in the Conceptual Framework.</p>

9 This paper is available at: <http://www.ifrs.org/Meetings/MeetingDocs/IASB/2016/April/AP10A-Conceptual-Framework.pdf>.

APPENDIX E: SUCCESS METRIC FOR 2016 STRATEGIC OBJECTIVES: MAINTAINING CONVERGENCE

The *IFRS Foundation Strategic Plan for 2016* identifies continued work with the US Financial Accounting Standards Board ('FASB') on maintaining convergence as a strategic goal, with a success metric of "maintaining effective relationship with FASB to protect convergence achievements".

The issuance of the Leases standard marks the completion of the MoU work programme. While no new joint projects are planned, our stakeholders continue to emphasise the value of convergence in key areas, albeit 'not at all costs'. Consistent with this approach, this document describes how the Board intends to meet the convergence success metric in our strategic plan.

1. Maintaining converged standards

- **Starting point for converged standards:** Maintenance of converged standards is an important input to the International Accounting Standards Board's (the Board) agenda and standard-setting decisions
- **Seeking feedback on divergence:** Exposure Drafts that propose divergence from previously converged positions should include a question on whether the benefits of the proposed approach outweigh the reduction in convergence
- **PIRs:** We will coordinate with the FASB on post implementation reviews and interpretation discussions and to consider convergence in amendments and interpretations

2. Relevance of convergence to future work streams

- **Topics and Timing:** While the Agenda Consultation remains the primary consideration for determining the Board's agenda and priorities, we will also take into consideration the work streams of the FASB as well as other major standard-setters. The Board will also seek feedback on its future agenda from members of the Accounting Standards Advisory Forum, of which the FASB is a member
- **Resources:** The Board will seek to build on the work of National Standard Setters, including the FASB, in its research and standard-setting work

3. Encouraging effective relations

- **Board to Board discussion:** We will seek to have an annual face-to-face bilateral meeting to discuss projects/respective agendas, and additional dialogue (face-to-face or video) where needed
- **Multi-level cooperation:** Trustees, Board members and Staff will be encouraged to identify and maintain open channels with their counterparts

APPENDIX F: DETAILED SUMMARY OF FEEDBACK RECEIVED ON THE REQUEST FOR VIEWS

- F1 This appendix contains a detailed summary of the comments received by the Trustees of the IFRS Foundation in response to their July 2015 document *Request for Views - Trustees' Review of Structure and Effectiveness: Issues for the Review* ('the RFV'), organised by issue addressed in the RFV.

Relevance of IFRS Standards

Differential reporting: Small and Medium-sized Entities (SMEs)

- F2 The RFV noted that the International Accounting Standards Board ('the Board') last year completed a comprehensive review of the *IFRS for SMEs*. As part of that review, the Board had considered whether the scope of this Standard should be expanded to cover some or all publicly accountable entities, but had concluded that it should not. The issue, however, remains a live one with the European Commission's proposal to develop a Capital Markets Union ('CMU') and the Trustees proposed in the RFV to consider this issue further in the context of the CMU.
- F3 A small number of respondents commented on this, with the views being mixed, with some welcoming the Trustees' proposal to work with the EC and other constituents across the world on the issue, but others not seeing it as a priority. SwissHoldings (CL68) argued that it should not be for the Board, but rather local stock exchange regulators to decide whether or not they wish the *IFRS for SMEs* to be used for some of their publicly traded entities. The South African Institute of Chartered Accountants ('SAICA') (CL21) called for the *IFRS for SMEs* to be delinked from the development of the full Standards, with its own framework and Board.

Scope: extending the remit of the Board - public sector entities

- F4 The RFV noted that, given the recent changes agreed to the governance of the International Public Sector Accounting Standards Board ('IPSASB'), with the establishment of a Public Interest Committee ('PIC'), the Trustees did not intend, as part of this review, to consider further the possible expansion of scope to encompass the public sector.
- F5 A large majority of respondents agreed with the Trustees' view. A few respondents expressed a view that, in principle, the Foundation should encompass public sector entities, but only Deloitte (CL67) continued to press the case that the organisation should take on the governance of IPSASB now.
- F6 The Monitoring Board gave draft comments on the RFV to the Trustees in January 2016. In this area, the Monitoring Board generally agreed with the Trustees' view, including that the current liaison arrangements with IPSASB should be continued.

Scope: extending the remit of the Board – non-profit entities

- F7 The RFV referred to the demand for developing international Standards for the NFP sector and the current lack of an international standard-setter doing so. The RFV asked for views on whether the scope of the Foundation's mandate should be expanded to encompass NFP bodies, taking into account the consequences of such a development in terms of the organisation's objectives, the agenda of the Board and the resources available to undertake this work.

Respondents against expanding the remit to cover NFP reporting

- F8 The majority of respondents did not think the Foundation should expand their remit to encompass NFP financial reporting at this stage. Nearly all of these respondents said that the Foundation should focus its limited resources on fulfilling its current remit. Some of these respondents acknowledged that there is a need for international standards for NFP financial reporting, and some of these respondents said that it was something the Foundation could look at in the longer-term, but these respondents were united in stating that currently the Foundation should not expand its remit in this area.
- F9 The majority of respondents who opposed the expansion of the Foundation's remit to cover NFP financial reporting comprised many different types of constituent groups, including:
- (a) standard-setters (for example, the Canadian Accounting Standards Board ('AcSB') (CL52), the Accounting Standards Board of Japan ('ASBJ') (CL38) and the Dutch Accounting Standards Board ('DASB') (CL46));
 - (b) preparer organisations (for example, ACTEO-AFEP-MEDEF (CL31), the Canadian Bankers' Association ('CBA') (CL70) and Insurance Europe (CL13));
 - (c) accounting firms (for example, BDO (CL79), Deloitte (CL67) and EY (CL55));
 - (d) regulators (for example, the European Securities and Markets Authority ('ESMA') (CL12) and the International Organization of Securities Commissions ('IOSCO') (CL60)); and
 - (e) professional accountancy bodies (for example, the Federation of European Accountants ('FEE') (CL54) and SAICA (CL21)).
- F10 Many of these respondents argued that expanding the remit of the Foundation to cover NFP financial reporting would involve a significant amount of resources and change to the organisation in terms of acquiring the expertise necessary to set NFP financial reporting standards, and the changes in governance that would be necessary to reflect the expanded remit. These respondents included European Financial Reporting Advisory Group ('EFRAG') (CL93), XRB New Zealand (CL7), The Federation of Accounting Professions of Thailand (CL2) and Mazars (CL61). Many respondents also commented that there would need to be changes made to the Foundation's funding regime to reflect the expanded remit. These respondents included Grant Thornton (CL20), Keidanren (CL24) and Mazars (CL61).
- F11 Respondents also gave other arguments against expanding the remit of the Foundation to cover NFP financial reporting:
- (a) the demand for international standards for NFPs, or the absence of these standards, is not enough to justify expanding the Foundation's remit; the majority of NFP organisations are smaller, do not have international operations and rely on domestic funding (for example, BDO (CL79) and the Accounting Standards Council of Singapore ('SASC') (CL4));
 - (b) the objectives and usage of NFP financial statements are diverse and are different from for-profit entities; it will be very challenging to develop international NFP standards (for example the Japanese Institute of Certified Public Accountants ('JICPA') (CL59) and CPA Australia (CL33));
 - (c) there are already local frameworks in place in many jurisdictions for NFP financial reporting, with unique provisions reflecting the jurisdiction; it would be costly and possibly very difficult to replace these frameworks (for example, the AcSB (CL52) and the SASC (CL4));

- (d) another organisation should take responsibility for this effort (although some of these respondents said that the Board should still maintain some involvement in the initiative) (for example, Insurance Europe (CL13)); and
- (e) there is no need for expanding the remit as it is possible that the Standards could work for NFPs without any amendments (for example, the Hong Kong Institute of Certified Public Accountants ('HKICPA') (CL81)).

F12 Some respondents suggested that, before the Foundation commit to expanding its remit in this area, more research be undertaken to determine the size of the demand and the implications for the Foundation of making this decision. These respondents included the Asian Oceanian Standard-Setters Group ('AOSSG') (CL80), XRB New Zealand (CL7), IFAC (CL1), the Institute of Chartered Accountants of England and Wales ('ICAEW') (CL 44) and the JICPA (CL59).

Respondents supportive of expanding the remit to cover NFP reporting

F13 A number of NFP organisations and representative bodies responded to the RFV to support the Foundation expanding its remit to cover NFP financial reporting. These respondents argued that there is a real demand for international standards for NFP entities, citing evidence from the February 2014 report of the United Kingdom ('UK') Consultative Committee of Accountancy Bodies ('CCAB') *International financial reporting for the not-for-profit sector*¹⁰. In an online survey conducted as part of that report, 72% of 605 survey respondents thought that it would be useful to have international standards for NFP organisations.

F14 The respondents supporting expanding the Foundation's remit to cover NFP financial reporting were mainly stakeholders in the NFP sector, such as preparers (for example, the International Federation of the Red Cross (CL17), Water Aid (CL50) and Médecins Sans Frontières (CL36)); NFP professional associations (such as Bond (CL14) and Mango (CL9)); accounting firms (for example, Sayer Vincent (CL66)), government bodies (such as the Charity Commission for England and Wales (CL8)), one funder (Alexander de Croo, who is a minister in the Belgian government (CL53)); and individual accountants working in the NFP sector (such as Tom Espley (CL11) and Stephen Omondi Okoth (CL22)).

F15 Although most of the comments received supporting expanding the remit to NFP financial reporting were from the NFP sector, some respondents from outside the sector supported this expansion. These respondents included a number of professional accounting bodies from the UK (for example, the Association of Chartered Certified Accountants ('ACCA') (CL47), and the Institute of Chartered Accountants of Scotland ('ICAS')) and various standard setters (for example, the Australian Accounting Standards Board ('AASB') (CL16), the China Accounting Standard Committee ('CASC') (CL35), the Consejo Mexicano de Normas de Información Financiera ('CINIF') (CL92), and the Malaysian Accounting Standards Board ('MASB') (CL15)).

¹⁰ The CCAB report can be accessed at: <http://www.ccab.org.uk/documents/IFRNPO-FullReport-Final-07022014.pdf>.

- F16 Respondents that supported expanding the Foundation's remit to encompass NFP financial reporting provided various reasons for this, including:
- (a) NFPs currently face many different demands from their funders because of the lack of standardisation in financial reporting—this means that significant resource is devoted to meeting funders' requirements when a single financial reporting regime would remove much of this time and cost.
 - (b) there are multiple NFPs who have international links, whether through receiving funds from multiple jurisdictions or operating in multiple jurisdictions—these international NFPs need international accounting standards.
 - (c) international standards would provide clear benchmarks of what good financial reporting looks like and would help to ensure quality and inspire trust in NFP financial statements; this should help funders of financial statements.
 - (d) there are several key issues in accounting for NFPs that are not currently addressed in IFRS Standards; these include non-exchange transactions, fund accounting, narrative reporting, valuation of NFP-specific assets (such as non-monetary resources like gifts in kind and donated services), and other conceptual issues like the objective of general purpose financial reporting for NFPs.
- F17 A number of respondents specifically cited the UK as a jurisdiction where introducing guidance for NFP financial reporting has helped to improve the quality and reliability of financial statements, reduced the need for donors to have different requirements, and addressed many different issues in NFP financial reporting. However, these respondents would all prefer comprehensive international standards over the local guidance in the UK.
- F18 Some of these respondents also acknowledged that the Foundation did not necessarily currently have the competency to establish NFP accounting standards, but that they could work with the International Federation of Accountants ('IFAC') and/or the IPSASB to gain this competency.
- F19 Finally, a number of respondents also requested that international standards be aligned with international development goals, and data analysis such as the International Aid Transparency Initiative¹¹.

Other feedback

- F20 Regarding expanding the remit of the Foundation to cover not-for-profit financial reporting, the Monitoring Board found that the limitations of expertise and resources available to the Foundation would not easily allow for such an expansion. The Monitoring Board therefore advised that the Foundation maintain its remit of standard-setting for private, for-profit entities. The Monitoring Board noted that even within its current remit, the Foundation carries a large amount of work still to be completed.
- F21 The staff reported the feedback to the RFV to the Advisory Council at its meeting in February 2016 (AP 4 for that meeting refers¹²). In her report of the meeting, Advisory Council Chairman Joanna Perry notes that members expressed 'caution' about expanding the remit to cover NFP organisations¹³.

11 The International Aid Transparency Initiative ('IATI') is a global campaign to create transparency in the records of how aid money is spent. The initiative hopes to ensure that aid money reaches its intended recipients.

12 AP4 and accompanying papers on the RFV feedback can be accessed at: <http://www.ifrs.org/Meetings/Pages/IFRS-Advisory-Council-February-2016.aspx>.

13 This report can be accessed at: <http://www.ifrs.org/Meetings/MeetingDocs/Advisory%20Council/2016/Meeting-Report-Feb-2016.pdf>.

F22 Financial reporting by NFPs featured on the agenda of the April 2016 meeting of the International Forum of Accounting Standard-Setters ('IFASS'), with some participants in that group advocating the development of a single-set of international financial reporting standards for NFPs. At the meeting, a number of IFASS participants indicated that they would be willing to volunteer to join a working group to investigate the potential for developing such standards. The potential to establish such a group is currently being investigated.

Boundary of financial reporting: 'non-IFRS' information

F23 The RFV noted that a focus of much debate concerns the reporting of 'non-IFRS' information (what some refer to as Alternative Performance Measures or 'APMs'). The Trustees outlined their view that they regard this as a technical issue within the competence of the Board, which is looking at such reporting within the context of the Disclosure Initiative project.

F24 Although the Trustees did not seek views on the issue, a minority of respondents provided comments, mostly to agree that this is something that should be examined by the Board as part of its technical agenda. SwissHoldings (CL68) wished to emphasise its view that the increasing tendency of companies to report APMs shows that in several areas the financial statements using the Standards have lost their relevance, so that any work by the Board on this issue should be addressed as a high priority.

Scope: wider corporate reporting

F25 The RFV noted the continuing developments in wider corporate reporting and the Foundation's current level of co-operation with the International Integrated Reporting Council ('IIRC') and others in such developments. The Trustees expressed the view that they see this co-operation as the Board playing an active role in such developments and as being a more appropriate approach than the Board broadening the scope of its work into areas outside the traditional boundaries of financial reporting.

F26 A large majority of those who responded on this issue agreed with the Trustees' view, with a number of respondents cautioning against the Board taking on further responsibilities in this area. That said, a minority commented that the Foundation and the Board should take a more pro-active, leadership role in this area, with a number calling on the organisation to develop a strategy in relation to the possible future direction of reporting corporate performance and the implications for the Standards in meeting the needs of key users.

F27 The Monitoring Board agreed with the Trustees' view in this area, while acknowledging the importance of and recent developments in wider corporate reporting. The Monitoring Board urged the IASB to continue strengthening co-operation with the relevant organisations operating in the areas outside of the traditional boundaries of financial reporting such as the IIRC and to remain fully aware of developments across the whole range of corporate reporting.

Structured digital reporting: IFRS Taxonomy

F28 The RFV sought views on whether stakeholders agreed with the Foundation's strategy with regard to the IFRS Taxonomy, including the shift to focus more on the Taxonomy itself rather than the computer language (XBRL) used to render and view the Taxonomy.

F29 The RFV also noted that regulators in many jurisdictions have taken, or plan to take, steps to improve digital access to general purpose financial reports, although the approaches taken remain diverse and inconsistent. The Trustees sought views as to how the Board can best support regulators in their efforts to improve digital access.

- F30 A significant majority of the respondents were in agreement with the stated strategy for the IFRS Taxonomy. Many of those in agreement emphasised that they agreed in particular with two points of the strategy:
- (a) that the focus should be more on IFRS Taxonomy itself than the associated electronic reporting technology; and
 - (b) that the IFRS Taxonomy concerns should not dictate standard-setting.
- F31 The Pan-African Federation of Accountants ('PAFA') (CL43) suggests that the Board "must first encourage regulators to embrace technology in their operations if they are to appreciate the importance of technology". Suggestions also include advocating the creation of electronically-accessible repositories for financial statements.
- F32 A few respondents indicated that the resourcing of the IFRS Taxonomy should be carefully considered in the light of the resource needed for standard-setting activities.
- F33 Fewer respondents provided specific answers to the RFV's question regarding how the Board can best support regulators in their efforts to improve digital access to general purpose financial reports, but of those that did comments included that:
- (a) regulators should be involved in any efforts to improve digital access as it is primarily their responsibility; and
 - (b) the IFRS Taxonomy already provides good support in this area.
- F34 A few commenters provided specific suggestions for how the IFRS Foundation could interact with regulators on the IFRS Taxonomy and access to electronic financial statements included a suggestions for an annual regulators' forum (for example, the Korea Accounting Standards Board ('KASB') (CL63)). Also, the Federation of Accounting Professions of Thailand (CL2) suggested that the Foundation should:
- (a) create a framework for digital access to general-purpose financial reports through electronic depositories and provide some role models that regulators in each jurisdiction can apply to suit their regulations and economic context.
 - (b) develop key principles and Standards of electronic depositories, so each jurisdiction can use them as underpinnings in the development of local regulations. Guidelines or key issues that each jurisdiction should consider or prepare for further applications will also be very useful.
- F35 A few other respondents included suggestions that some kind of guidance or education for regulators would be welcome. A few respondents (for example, SAICA (CL21) and Mazars (CL61)) also stated that it is not the role of the Board to support regulators in their effort to improve digital access to general financial reports as it would interfere with the primary objective of standard-setting.
- F36 IOSCO (CL60) indicated that its Committee C1 (Committee for Issuer Accounting, Auditing and Disclosure) would be pleased to discuss the matter of regulator support.

- F37 The topic was also discussed with the Taxonomy Consultative Group ('ITCG') at the October 2015 meeting. Key points from this discussion included:
- (a) the Foundation could take a more leading role to support dialogue between different regulators and encourage the sharing of knowledge and broader thinking, but also would need to include other participants such as investors. In particular coordination on IFRS Taxonomy regulatory and entity-specific extensions is important.
 - (b) a better explanation of the role of the IFRS Taxonomy within Standard-setting could improve the understanding of how the taxonomy works in relation to principle-based standard-setting.
- F38 The Monitoring Board supported the Foundation's strategy in this area, and regards the work in this area as an important means of improving access to general purpose financial reports. The Monitoring Board is also supportive of the Board's efforts to continue research on how regulators in different jurisdictions are implementing digital reporting.

Wider developments in technology

- F39 The RFV noted the Trustees' view of the importance of considering how technology might affect how financial information is shared and accessed more generally and proposed that the Foundation might establish a network of experts to help and provide advice. The RFV also noted that the Foundation plans to undertake some research about how technology is changing and how the Board's development of the IFRS Taxonomy and its work on filing should respond to those changes.
- F40 A number of stakeholders, including the IFRS Advisory Council, have stressed the importance of the Foundation ensuring that the relevance of the Standards is maintained in the face of developments in technology. In the RFV, the Trustees sought views on what else the Board should be doing in this area.
- F41 Respondents generally, but not exclusively, supported the proposal to establish a network of experts to help and provide advice on technological developments and how the Foundation and/or the Board should respond to, and where appropriate, exploit such developments. A small number of respondents noted that there was a need to clarify the relationship between such a network, if established, and the present IFRS Taxonomy Consultative Group. A few respondents referred to the work on digital reporting that has been, and will be, conducted by the UK Financial Reporting Council's ('UK FRC's') Financial Reporting Lab, which should serve as a useful input. Where mentioned, respondents also generally supported the proposal to research how technology is changing.
- F42 A few respondents provided suggestions for areas that the Foundation should consider. These included:
- (a) big data and other data analytics;
 - (b) sources of financial information; and
 - (c) the methods and formats used for communicating financial statements.

- F43 A minority of respondents took the view that the organisation should focus on the content of the Standards, rather than the technology, which they regarded as simply a way to access and communicate financial information determined by the Standards. The Norwegian Accounting Standards Board ('NASB') (CL65) went as far as to say: "If changes in technology with other means of reporting in the future remove the needs for accounting standards, so be it".
- F44 EY (CL55) also suggested that the Foundation consider: "Technology also may change the way in which standards, interpretations, training materials, meeting updates, etc., are available. The Foundation website may also need to change as a result of changes in technology. The Foundation should monitor developments in these areas as well in order to maintain the relevance of IFRS."
- F45 The Monitoring Board agreed that it is important for the Foundation to ensure the relevance of the Standards is maintained in the face of developments in technology, and supported the proposal in the RFV regarding a network of experts.

Consistent application of IFRS Standards

Overview

- F46 The RFV outlined the range of actions that the Foundation has been pursuing in helping to ensure the consistent application of the Standards (in six particular areas, as set out below), while recognising that the primary responsibility for this rests with others, in particular preparers, auditors and regulators. In the RFV, views were sought on what the Foundation is doing currently in this area and whether it could and should be doing anything more, taking into account resourcing and other limitations.
- F47 Generally, respondents were very supportive of the Foundation's existing efforts to encourage consistent application (whilst also agreeing that the primary responsibility for this rests with others). They thought that consistent application of the Standards was an appropriate strategic goal, and the Foundation's efforts in this area were appropriate.
- F48 However, many respondents did caution that 'consistent application' was a slightly misleading term in that absolute uniform application of the Standards could, and should, never be achieved as long as the Standards remain principles-based. Consistent application of the Standards necessarily will depend on the specific circumstances of each entity applying the Standards, and different judgements should not be a problem if those judgements are faithful to the objectives and principles in the Standards.
- F49 Generally, respondents thought that the best thing the Foundation can do to encourage consistent application of the Standards is to produce high-quality, easily understood, easily-translated Standards based on strong principles. Respondents thought that the Board should remain focussed on setting principles-based standards and should avoid introducing too many rules just for the sake of consistent application, or attempting to solve local or regional problems. The Board should make amendments to standards only when those amendments are strictly necessary, and should not attempt to provide accounting guidance for every possible transaction.

- F50 The Monitoring Board offered some general feedback to the Trustees regarding consistent application of the Standards. The Monitoring Board thinks that the Board should be involved in ensuring consistent application and implementation of the Standards and is supportive of the Foundation increasing its focus on implementation issues and challenges, while avoiding frequent changes to the Standards themselves.
- F51 The Monitoring Board requested that the Board work cooperatively with regulators and be responsive to requests for clarification in the interpretation of the Standards to ensure consistent implementation. In this regard, the Monitoring Board thought that the Board could consider enhancing the activities of the Transition Resource Groups ('TRGs'), the IFRS Interpretations Committee ('IFRIC') and other relevant bodies of the Foundation.

Clear, understandable and enforceable Standards

- F52 The RFV noted that the *Due Process Handbook* outlines the procedures followed by the Board in finalising the issue of a Standard or Interpretation to ensure that it is clear, understandable and enforceable. The RFV also noted the Foundation's *Official IFRS Translation Process* for translating Standards from English into other languages.
- F53 Few respondents commented specifically on translation, but those that did generally supported the Foundation's strategy in this area and noted that clear, understandable English in the Standards is important to facilitate high-quality translations. There were a few other miscellaneous comments regarding translation as follows:
- (a) the AcSB (CL52) recommended that translation be a more integrated part of the development of IFRS Standards, as translated versions of Standards may be official versions in some jurisdictions; they also recommended that the Board ask for input on translated versions of the proposals.
 - (b) CINIF (CL92) recommended that the Foundation review the times for review of due process documents, as translation adds on a lot of time to the review.
 - (c) the European Accounting Association ('EAA') (CL59) stated that different translations do cause inconsistent applications, and that local non-official translations have developed. They recommended that the Foundation should participate in these voluntary translations.
- F54 Many respondents, however, commented on the Board's approach to finalising the issue of a Standard. These respondents thought that improving the quality control around the final stages of publishing a standard would help to encourage consistent application of Standards by helping the Board to publish higher-quality Standards. These respondents argued that, for many recently published Standards, there have been many amendments, editorial corrections, and submissions to the IFRIC about these Standards soon after their publication. These respondents thought that such amendments hurt the credibility of the Standards and do not provide an incentive for preparers to take an early start in implementing the Standards. Some other respondents pointed to the extent of change between Exposure Drafts and final standards, or between pre-final and post-final drafts of a final standard, as evidence of a lack of quality control as well.

- F55 While some respondents thought that these issues were the result of the Board being too willing to amend Standards without allowing opportunity for judgement, most respondents thought that these issues could be at least partly solved by improving the quality control around drafting final Standards. Some of these respondents argued that, while the deliberations around major projects take several years, the drafting of final Standards takes a relatively short time. These respondents urged the Board to take the sufficient time needed to ensure a high-quality final Standard, with the clearest drafting possible.
- F56 Many of the suggestions provided by respondents in this area centred around improving the process around the 'fatal flaw' editorial review draft that the Board provides to selected external reviewers for their opinion on whether the draft is clear and reflects the technical decisions made by the Board. These suggestions included the following:
- (a) to increase the transparency about the drafting process, and in particular the fatal flaw draft, including how reviewers have been selected and how the comments received have been handled (for example, the ASBJ (CL38) and BDO (CL79));
 - (b) to make the fatal flaw draft publicly available to all of the Board's constituents (for example, ACTEO-AFEP-MEDEF (CL31), BusinessEurope (CL91) and EFRAG (CL93)), or to discuss the fatal flaw draft in a public Board meeting (for example, EY (CL55)). However, some respondents specifically cautioned against this (for example, BDO (CL79) and ESMA (CL12));
 - (c) to include more reviewers for the fatal flaw draft, or extend the time for review (for example, the Autorité des Normes Comptables ('ANC') (CL85), the UK FRC (CL26) and the Financial Reporting Standards Council of South Africa ('FRSC') (CL30));
 - (d) to hold separate targeted fatal flaw reviews of specific wording in the draft that may be hard to interpret or involve judgement.
- F57 Many respondents encouraged an increase in field testing proposals. Some of these respondents recommended performing targeted field testing, focussing on the most complex areas of a standard and targeting the appropriate participants (for example, the AcSB (CL52) and EFRAG (CL93)).
- F58 Some of these respondents suggested that the *Due Process Handbook* be amended to take into account the above suggestions on improving quality control. A few respondents suggested that improvements to the process around the fatal flaw draft should be the subject of a separate consultation, with the Foundation analysing the causes of the issues with recently-issued standards and exploring how an increase in quality control could have prevented these (for example, Deloitte (CL67), Mazars (CL61) and the ICAEW (CL44)).

Guidance consistent with a principle-based approach to standard-setting

- F59 The RFV noted that, in order to provide guidance consistent with a principle-based approach to standard-setting, the Board and IFRIC provide application guidance and examples to understand and implement the principles in a Standard in a consistent manner. The RFV also noted that the Board has established two TRGs in support of this area.

- F60 Most respondents welcomed the establishment of TRGs and support their continuation. Many of these respondents, however, did not think that TRGs are needed after the publication of every Standard; these respondents generally thought that TRGs should be used for major complex Standards that bring significant changes in practice. Some respondents, however, thought that TRGs should be used for every new Standard.
- F61 These respondents supported TRGs as a useful means of implementing a Standard, giving stakeholders the opportunity to discuss difficult areas of implementation and allowing for broader dissemination of information helpful to implementation. These respondents did not think that TRGs should necessarily result in amendments to recently-issued Standards; rather, they should be used as a means of discussion of difficult areas of implementation and might result in the production of educational materials or referrals to the IFRIC. These respondents thought that the TRGs for IFRS 9 and IFRS 15 have been helpful in implementing those Standards, and that the Board should use the experience from these TRGs in developing future TRGs.
- F62 However, a few respondents did not support the use of TRGs. These respondents thought that TRGs do not need to be a standard part of the Board's due process because they can encourage a rules-based mind-set to standard-setting, discourage judgement in implementing Standards, and impact the credibility of newly-established Standards. These respondents thought that the efforts of TRGs could best be addressed through education initiatives or better quality control and field testing before publication (for example, the ACCA (CL47) and the AASB (CL16)).
- F63 There were a number of other miscellaneous comments received on TRGs:
- (a) a few respondents questioned the timing of TRGs and recommended that they should remain active up until the effective date of a new Standard (for example, the AcSB (CL52) and ESMA (CL12)).
 - (b) other respondents thought that the Board should clarify the authority and remit of TRGs, for example, how TRGs' responsibilities interact with the responsibilities of other bodies and whether the Board should endorse the views of TRGs (for example, EY (CL55), EFRAG (CL93) and SAICA (CL21)).
 - (c) respondents recommended that the Board formalise how the composition of a TRG is determined (for example, ESMA (CL12)).
 - (d) a few respondents mentioned that they were concerned about the different answers the Board and the US Financial Accounting Standards Board ('FASB') have reached in their respective TRGs on the newly-issued revenue recognition standards (for example, the CFA Institute (CL97)).
 - (e) the International Association of Insurance Supervisors ('IAIS') (CL49) recommended that there be a TRG on the upcoming replacement of IFRS 4.

Co-operation with others

- F64 The RFV referred to the fact that Trustees' earlier *Strategy Review* stated that the Board should work with a network of securities regulators, audit regulators, standard-setters, accounting bodies and other stakeholders to ensure consistent application of the Standards nationally. The RFV also provided some specific examples of the Foundation's cooperation with securities regulators in this regard.

- F65 Respondents generally supported the Foundation's and Board's efforts in cooperation with stakeholders, in particular the cooperation with securities regulators described in the review. Respondents named a range of other stakeholders that they believed it was important for the Board to maintain cooperation with, including accounting professional bodies, auditors, academics and accounting firms. These respondents offered many reasons why cooperation with stakeholders is important for consistent application; stakeholders can alert the Board when there is diversity in practice or implementation issues, stakeholders have knowledge of local economic and regulatory environments, and stakeholders can promote consistent application of the Standards amongst their members.
- F66 In April 2016, the Economic and Monetary Affairs Committee ('ECON') of the European Parliament ('EP') agreed on the text of a *Report on International Accounting Standards (IAS) evaluation and the activities of the International Financial Reporting Standards (IFRS) Foundation, the European Financial Reporting Advisory Group (EFRAG) and the Public Interest Oversight Board (PIOB)*¹⁴. This report, which was voted on and passed by the EP at its Plenary Session in June 2016, includes a number of calls on the Board and the Foundation to address particular aspects. This report includes (in Sections 9 and 10) comments supportive of the Foundation's cooperation with IOSCO, as follows:
- “...welcomes the IFRS Foundation and IOSCO protocols in view of the key issues, identified by the G20, concerning regulation of securities markets; considers this cooperation to be necessary in order to meet the need for high-quality global accounting standards and to encourage application of consistent standards across varying national settings...is convinced that the exchange of information between the IASB and IOSCO on growing IFRS use should be viewed not only as a stocktaking exercise, but also as an opportunity to identify instances of best practice; welcomes, in this regard, the annual ‘enforcer discussion session’ introduced by IOSCO in order to inform the IASB about key implementation and enforcement issues...”
- F67 Some respondents specifically commented about how the Board can best cooperate with the Accounting Standards Advisory Forum ('ASAF') and national standard-setters. Most of these respondents thought that the Board should utilise ASAF and national standard-setters better, giving them more responsibility and opportunity to provide input to the Board. Some respondents suggested that standards-setters especially be used in the research phase of projects.
- F68 A few respondents also suggested that the Board should focus on multilateral, rather than only bilateral, cooperation with its stakeholders (for example, BDO (CL79) and KPMG (CL25)).

IFRIC

- F69 The RFV noted recent developments in the work of the IFRIC and the impact of those developments on its output.
- F70 Respondents offered a number of comments on the IFRIC. Some respondents praised the work of IFRIC generally, saying that its function is of critical importance and a significant amount of resources should be devoted to its work. However, other respondents criticised IFRIC, stating that it is seen in practice as slow and unresponsive, with a long lag between submissions and decisions, and that IFRIC sometimes addresses ‘symptoms’ of problems with Standards, rather than the underlying causes.

14 The report can be accessed at: <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+REPORT+A8-2016-0172+0+DOC+PDF+VO//EN>.

F71 In this respect, a number of respondents recommended that the effectiveness and efficiency of the IFRIC should be improved and that the timeline between when an issue is submitted and when it is resolved should be shortened. These respondents suggested:

- (a) to streamline the interaction between the Board and the IFRIC (for example, the European Banking Authority ('EBA') (CL57) and ESMA (CL12));
- (b) to examine the interaction between current or forthcoming major projects on minor amendments to ensure that there is no overlap or conflict (for example, CPA Australia (CL33));
- (c) to 'batch' narrow-scope amendments (for example, the AASB (CL16));
- (d) to ensure there is adequate time at each meeting to discuss issues, that the analysis of issues is thorough, and that IFRIC members are adequately prepared for meetings to minimise the chances of issues being sent back to the staff for further analysis (for example, the Association of Financial Markets in Europe ('AFME') (CL56) and Deloitte (CL67));
- (e) to maintain the number and length of IFRIC meetings; these respondents disagreed with the proposed reduction in meetings and/or making some meetings videoconferences (for example, Deloitte (CL67), ESMA (CL12) and Grant Thornton (CL20));
- (f) to appoint some IFRIC members as full-time members (for example, the KASB (CL63));
- (g) to assign each staff member to different sets of standards to give them an expertise in these standards (for example, the KASB (CL63));
- (h) to hold separate meetings on agenda decisions and interpretations (for example, SAICA (CL21)).

F72 Many respondents specifically mentioned the agenda decision-making process. Some of these respondents were concerned that the IFRIC's agenda decisions are non-authoritative guidance (for example, the AcSB (CL52) and the FRSC (CL30)). Others wondered if the bar was set too high in terms of deciding whether to accept or reject agenda requests and thought that the IFRIC was rejecting too many requests (for example, BDO (CL79)). ESMA (CL12) argued that the number of submissions to the IFRIC has decreased and recommended that the Foundation examine the reasons for this decrease. SwissHoldings (CL68) requested more clarity on why agenda requests are rejected. Finally, respondents such as ESMA (CL12) and Grant Thornton (CL20) requested that the IFRIC avoid using the existence of research projects as a reason for not providing short-term clarification on issues that relate to those research projects.

F73 Respondents also had a number of other miscellaneous suggestions regarding the IFRIC as follows:

- (a) to clarify the appointment process and ensure that IFRIC members are from a sufficient mix of backgrounds and are from jurisdictions with backgrounds in applying the Standards (for example, ANC (CL85), the DASB (CL46) and the Japanese Institute of Certified Public Accountants ('JICPA') (CL39)). ESMA (CL12) specifically requested that securities regulators and accounting enforcers be included on the IFRIC;
- (b) to coordinate with the US Emerging Issues Task Force on implementation issues relating to converged guidance (for example, Deloitte (CL67) and PwC (CL32));
- (c) to make the nomination and selection process for IFRIC members more transparent (for example, the KASB (CL63));

- (d) to use the IFRIC to aid the Board in other matters, such as collecting issues for post-implementation reviews (for example, EFRAG (CL93));
- (e) to allow Board and staff members to submit issues to the IFRIC, rather than just external stakeholders (for example, Grant Thornton (CL20));
- (f) to introduce more due process requirements, similar to annual improvements, for more fundamental interpretations (for example, SwissHoldings (CL68)).

Education activities in support of consistent application

- F74 The RFV described the Foundation's Education Initiative and its recent work. The RFV noted that the delivery of education in general across the world is undergoing development, and that there is an opportunity for the Foundation to assess if it should focus on providing multimedia-style content education programmes.
- F75 Views were mixed on the Education Initiative. While some respondents supported the efforts of the Education Initiative and thought that it was a useful tool to encourage consistent application, others thought the responsibility for providing educational materials should lie with other parties.
- F76 Respondents had some specific comments on the Education Initiative. Some respondents thought that the Foundation should not charge for any educational materials it produces. Many of these respondents argued that there is a tension between using education materials to help in consistent implementation, and charging for these materials so fewer entities will have access to them, particularly the entities that most need them (for example, EFRAG (CL93) and the Institute of Certified Public Accountants of Kenya ('ICPAK') (CL40)). These respondents argued that the Foundation will have stiff competition if it decides to charge for these educational materials as many parties are already producing similar materials, and that preparers naturally turn to their auditors as the first source of education about the Standards (for example, the Accounting Standards Committee of Germany ('ASCG') (CL29)).
- F77 Other respondents:
- (a) requested more clarity about the authoritative status of educational materials, and the due process surrounding the publication of these materials (for example, ESMA (CL12));
 - (b) suggested that the Education Initiative should focus on podcasts, webcasts, and conferences rather than written materials, and should make it easier to find educational materials on the Foundation website (for example, Keidanren (CL24) and SAICA (CL21));
 - (c) suggested that the Foundation website host a list of university courses or links to teaching materials (for example, the EAA (CL59));
 - (d) suggested that the Foundation host educational conferences in jurisdictions that have newly adopted the Standards (for example, the FRSC (CL30)).

Post-Implementation Reviews

- F78 The RFV noted that the Board is committed to performing post-implementation reviews ('PIRs') of all new Standards and major amendments. The RFV also summarised the PIR on IFRS 8 and noted that the DPOC took the view that the process was an appropriate one to be followed in future post-implementation reviews, with the Trustees undertaking a review of the process when the Board has further experience of PIRs. The RFV also specifically mentioned the *Due Process Handbook's* statement that a PIR is normally commenced two years after full implementation and asked if that time period was sufficient.

- F79 Of the respondents who commented on PIRs, there was near-unanimous support for these reviews generally as important tools to encourage consistent application of Standards. A few respondents did request more clarification of the procedures associated with PIRs, such as how the Board selects Standards for review and what actions should be taken based on feedback received.
- F80 There were a number of comments received on how PIRs interact with standard setting, and the majority of these comments urged the Board to be more efficient in this regard. Many respondents thought that the Board should concentrate on acting on issues identified in a PIR on a timely basis; these respondents thought that such issues need not always be added to the research agenda, or deferred because of upcoming Agenda Consultations (for example, Insurance Europe (CL13) and Keidanren (CL24)). Other respondents said that the Board need not always wait for a PIR if it is clear that standard-setting action is currently needed (for example, BDO (CL79) and ESMA (CL12)). A few respondents recommended that the feedback statements of PIRs should be clearer about next steps and how they fit into the standard-setting process (for example, EFRAG (CL93) and the DASB (CL46)).
- F81 Many respondents also commented on the appropriate amount of time to wait before carrying out a PIR. A few respondents thought that the two years of full implementation of a new Standard mentioned in the *Due Process Handbook* was an appropriate balance between allowing enough time after implementation to gather evidence, and resolving any issues in a timely manner (for example, Insurance Europe (CL13) and the SASC (CL4)). The majority of respondents, however, argued that two years was not long enough and suggested that the gap be three or four years (for example, BDO (CL79), ESMA (CL12) and the Danish Accounting Standards Committee ('DASC') (CL48)). Most of these respondents wanted a level of flexibility in timing to consider differences from standard to standard. ANC (CL85) argued that there should be no set amount of time but that a PIR should be conducted whenever the Board considers it necessary.
- F82 Finally, some respondents commented on the scope of PIRs. Many of these respondents argued that PIRs should be performed for all Standards, not just new Standards (for example, the Instituto de Contabilidad y Auditoría de Cuentas ('ICAC') (CL95) and the SASC (CL4)). There were a few other suggestions made on the subjects of PIRs as follows:
- (a) EFRAG (CL93) suggested that the Board should consult on which existing standards should be subjects to PIRs and the relative priority of these standards;
 - (b) ESMA (CL12) and the Organismo Italiano di Contabilita ('OIC') (CL94) suggested that PIRs be mandatory for older standards with a large number of application issues that did not have a PIR after publication;
 - (c) Mazars (CL61) and the DASB (CL46) requested that the Board consider the results from the Agenda Consultation when considering for which standards to perform PIRs.
- F83 Respondents had a number of miscellaneous suggestions or concerns in relation to PIRs as follows:
- (a) SwissHoldings (CL68) stated that PIRs have overlooked issues due to a desire to reduce changes in standards or avoid a fundamental rethink of standards;
 - (b) ICAEW (CL44) suggested that the scope of PIRs is too wide and should not allow for the reconsideration of basic principles of a standard; it would be better to focus on how the principles of a standard are applied;

- (c) the ASBJ (CL38) suggested the Board should clarify the procedures associated with PIRs, as it is not always clear how the Board selects a standard for a PIR, and what actions are taken based on the feedback received;
- (d) ANC (CL85) suggested that third parties should perform PIRs;
- (e) the EAA (CL59) recommended that academic research play a more important role in PIRs.

Other comments

F84 Respondents had a number of other miscellaneous suggestions on how to encourage consistent application of the Standards:

- (a) the relationships and responsibilities between the different tools used for consistent application should be clarified and formalised (for example, ANC (CL 85));
- (b) the Board should spend more time on research and understanding issues at the beginning of a standard-setting process to ensure that the highest-quality standards are produced (for example, the AASB (CL 16));
- (c) the Standards should be clearer in distinguishing mandatory from non-mandatory guidance (for example, the SASC (CL4) and the AOSSG (CL80));
- (d) the Board should avoid publishing extensive application guidance which questions the robustness of the mandatory guidance or risks undermining the underlying principles in the Standard; alternatively, a minority of respondents requested more application guidance (for example, the CBA (CL70) and the HKICPA (CL81));
- (e) the Board should make full use of effects analyses throughout the standard-setting process. A few respondents specifically mentioned the Effects Analysis Consultative Group and urged the Foundation to take on the recommendations of that Group (for example, Deloitte (CL67) and EFRAG (CL93));
- (f) the Foundation should focus more on researching local interpretations of the Standards (for example, Grant Thornton (CL20)); alternatively, other respondents specifically cautioned against standard setting just because of local or regional circumstances (for example, the CBA (CL 70) and CPA Australia (CL33)) or stated that the Foundation should support local interpretations (for example, the CASC (CL35));
- (g) the Foundation should focus on addressing the underlying issues when problems arise in consistent application and not only aim to address the surface symptoms of those issues (for example, AOSSG (CL80));
- (h) the Foundation should examine the accessibility of the Basis for Conclusions; this contains material that may aid consistent application, but it is not adopted as an accompanying document to the Standards in some reasons because of intellectual property restrictions (for example, AOSSG (CL80) and SASC (CL4));
- (i) the Foundation should investigate providing more guidance regarding the terminology used in IFRS Standards, for example the different terms of likelihood that are used (for example, AOSSG (CL80) and ANC (CL85));
- (j) the Foundation should do more research about how IFRS Standards are being applied in practice across the globe (for example, the CFA Institute (CL 97));

- (k) the Foundation should consider how best to assist emerging economies that have recently adopted IFRS Standards; it is unclear what the Emerging Economies Group has done in this area (for example, CPA Australia (CL33));
- (l) the Foundation should support a database of best practice and worst practice application of the Standards (for example, the EAA (CL59));
- (m) the Foundation should undertake an independent review of the standard-setting process (for example, EFRAG (CL 93)); and
- (n) the Foundation should support an understanding of the concept of judgement (for example, the Institute of Chartered Accountants in Scotland ('ICAS') (CL45)).

Governance and financing

The three-tier governance structure

- F85 The RFV described the current three-tier governance structure of the Foundation (providing for the exercise of public accountability to and by the Monitoring Board, governance and oversight by the Trustees, and standard-setting and related activities by the Board and the IFRIC). The RFV reaffirmed the Trustees' view that the three-tier structure remains appropriate for the organisation's mission, but sought views on the functioning of this structure and any suggestions as to how it might be improved.
- F86 Respondents were overall supportive of the three-tier structure, in providing independence of the standard-setting within a framework of public accountability. Many take the view that no substantial changes are necessary. Nevertheless, some respondents made comments specific to the Monitoring Board and to the link between adoption, funding and representation, which are covered in separate sections below.
- F87 Other than that, a number of suggestions were made with regard to the functioning of the three-tier structure, in particular:
- (a) a small number of respondents sought greater clarity in the respective roles of the Monitoring Board and the Trustees (for example, IFAC (CL1) and ICAEW (CL44)).
 - (b) a few respondents have called for the Trustees to extend their oversight role. As an example, Keidanren (CL24) has suggested that the Foundation should "thoroughly examine (1) whether the way the IASB develops Standards is in line with the IFRS Foundation's strategic goals, and (2) whether the IASB develops Standards in an efficient manner and maintains an appropriate due process". In a similar vein, the UK FRC (CL26) suggested that the Trustees should set the strategic direction of the Board's standard-setting agenda, hold the Board to account for following this strategy and "assess the performance of the IASB as a whole by reference to adherence to the words and the spirit of the due process requirements and by reference to the quality and timeliness of its outputs". However, other respondents emphasised the importance of the Board's independence in the three-tier governance structure.
 - (c) a few respondents have also suggested that the Monitoring Board should also take on a wider role (as set out in the next section).

F88 The Monitoring Board did not think there was an imminent need nor an immediately available model for changing the current three-tier structure of governance and noted that the structure would be subject to review in the context of future reviews.

The Monitoring Board

F89 The RFV noted that the Monitoring Board is a separate body that is responsible for the public interest oversight of the Foundation. As such, the Trustees noted that it was not within their remit to consider any comments related to the Monitoring Board as part of the current review.

F90 Having said that, a number of respondents did make comments related to the Monitoring Board. The European Commission ('EC') submitted a response to the RFV (CL74), including a number of proposals for improving the operations of the Monitoring Board and the criteria for membership (not only for the Monitoring Board, but the Foundation and its bodies as well). This was the only formal response submitted by a member of the Monitoring Board¹⁵.

F91 Respondents have also made a number of other suggestions in relation to the Monitoring Board, notably:

- (a) the focus of the work of the Monitoring Board – the EC's response recommends that the Monitoring Board "should refocus its attention from issues of internal organisation to discussing matters of public interest that could be referred to the IFRS Foundation";
- (b) the scope of the work of the Monitoring Board – a number of respondents have called for a wider expansion of its role. For example, the ANC (CL85) takes the view that the Monitoring Board should liaise with public authorities from jurisdictions that have adopted the Standards to identify their stakes and take into account their policies¹⁶. The ANC also believes that the Monitoring Board should participate 'more deeply' in the definition of the strategy. The DASB (CL46) stated that "The Monitoring Board or the Trustees should have oversight over the IASB's agenda-setting, Post-implementation reviews and the due process oversight committee both in form and in substance". The ASBJ (CL38) called on the Foundation to better explain how its funds are used to the Monitoring Board (and other contributors)¹⁷;

15 There was also a response from IOSCO (CL60), but this came from the Committee on Accounting, Auditing and Disclosure (C1), rather than the organs of IOSCO that are members of the Monitoring Board, namely the Board of IOSCO and the Growth and Emerging Markets Committee.

16 Similar comments are made in CL29 Accounting Standards Council of Germany, albeit putting the emphasis on the Trustees to liaise with jurisdictions to ensure that their needs are duly considered.

17 In fact, the Memorandum of Understanding (MoU) between the Monitoring Board and the Foundation already provides for the Monitoring Board to review the adequacy and appropriateness of Trustee arrangements for financing.

- (c) membership – the expansion of the membership of the Monitoring Board is still a work-in-progress following the Monitoring Board's review of governance in 2011 and 2012¹⁸. Most of the comments received in this area related to the need to link membership of the Monitoring Board geographically to adoption of the Standards and/or funding of the Foundation, which is summarised later in this Appendix. Apart from that, aside from the criteria for membership, BusinessEurope (CL91) wondered whether the current composition of the Monitoring Board is drawn from a sufficiently broad range of stakeholders in the world's capital markets to ensure that the public accountability and public interest oversight aspects of the Foundation's activities are fully covered. The ANC (CL85) also calls for a broader membership to include those more closely linked to public authorities, with jurisdictional authorities more involved in the selection of members. Such a representational model would more directly relate membership to the exercise of sovereignty by jurisdictions. The DASB (CL46) made similar comments, proposing that the Monitoring Board should have members appointed as representatives of jurisdictions. In addition, ICPAK (CL40) has sought more representation from Africa, while the IAIS (CL49) wants observer status on the Monitoring Board;
- (d) transparency of the Monitoring Board – a number of respondents are seeking greater transparency from the Monitoring Board in its operations. For example, the Investment Association (CL51) sees 'little' transparency over the activities of the Monitoring Board. KPMG (CL25), ACTEO-AFEP-MEDEF (CL31) and Mazars (CL61) also comment on this aspect, with the last of these encouraging the Monitoring Board to 'more transparently and effectively communicate'. Deloitte (CL67) perceives the interaction between the Trustees and the Monitoring Board as 'uni-directional'. Again, this was a theme raised in the Monitoring Board's earlier review of governance referred to above; and
- (e) funding of the Foundation – a number of respondents have urged that the Monitoring Board should play a more active role in securing funding for the Foundation. For example, KPMG (CL25) believes that the Monitoring Board "should be responsible for working with the capital market regulators e.g. through IOSCO to establish a levy to allow the Foundation to fund its operations". Similarly, ACTEO-AFEP-MEDEF (CL31) stated that "we believe that the Monitoring Board should play a major role in making reticent stakeholders aware of the importance of funding and its implications for funding". The ANC (CL85) calls for the Monitoring Board to increase its involvement in identifying ways to increase and stabilise the Foundation's funding. The HKICPA (CL81) is even more direct, suggesting an option that Monitoring Board members should 'contribute appropriately' to the funding of the Foundation.

F92 The Monitoring Board acknowledged that it should make further efforts to enhance its work to exercise proper oversight over the Foundation's governance.

18 IFRS Foundation Monitoring Board (February 2012) *Final Report on the Review of the IFRS Foundation's Governance*, available at: https://www.iosco.org/about/monitoring_board/pdf/Press20120209-1.pdf.

Geographical balance of the Trustees

- F93 Generally, respondents were supportive of the guidance in the Constitution that the geographical distribution of Trustees is designed to be representative of the world's capital markets and to ensure a broad international base. However, many of those who commented on the issue related it to linking representation to funding of the Foundation or adoption of the Standards. Therefore, this section:
- (a) first discusses the comments received relating to linking representation to funding and/or adoption,
 - (b) then discusses the comments received relating to the geographical distribution of the Trustees that do not relate to linking representation to funding and/or adoption, in particular the proposal to increase the number of at-large appointments (noting that some of the comments received regarding whether to increase the number of at-large Trustees were in the context of the 'linking' issue).

Comments regarding linking representation to funding and/or adoption

- F94 A substantial body of opinion among the respondents to the RFV supported linking representation in the Monitoring Board, the Foundation and its bodies to support of the Foundation, as measured by the adoption of the Standards and/or funding contributions to the Foundation.
- F95 There are a number of quotes which can articulate the flavour of the responses on this issue:
- (a) the EC (CL74) urged the Foundation "to ensure that the use of IFRS and the existence of a permanent financial contribution are conditions for membership of the governing and monitoring bodies of the IFRS Foundation and of the IASB."
 - (b) the AASB (CL16) "considers that the overall geographical distribution of Trustees should take into consideration representation from the world's capital markets and the commitment to IFRS as demonstrated by IFRS adoption. In the current circumstances, in terms of the constitutionally-specified distribution, the AASB considers this would, for example, reduce the number of Trustees from North America. This is on the basis that, since the distribution was originally determined, in relative terms there has been a growing application of IFRS in other parts of the world."
 - (c) the CASC (CL35) stated that "there should be linkage between financial contribution and representativeness in the Monitoring Board, the IFRS Foundation Trustees and IASB. Each jurisdiction's representatives should be matched by its commitment to IFRS and its donation to the IFRS Foundation. Those jurisdictions that have representativeness should fulfil their commitment to make financial contribution, if they don't, the IFRS Foundation could consider reducing their representativeness."
 - (d) Mazars (CL61) argued "Regarding the membership of either the Monitoring Board, the Trustees or the IASB, we consider that the geographical membership needs to be adjusted to reflect the use of IFRS by jurisdictions' domestic listed entities (and the standstill situation of the United States vis-à-vis adoption of IFRS) as well as the funding of the organisation. We feel that as it is currently, it does not support nor incentivise jurisdictions to either adopt the standards or fund the organisation."

- (e) the KASB (CL63) “think[s] that the geographical distribution should be reset in proportion to the increasing number of IFRS adopting jurisdictions. To be specific, the new geographical distribution should reflect the actual number of jurisdictions in each region; and a reduction in the number of Trustees members from the region that are not committed to their IFRS adoption should be considered, accordingly.”
- F96 A number of other respondents, making similar comments, spell out clearly the implications as they see it for reducing – but not excluding totally - the representation of North American/ US members of at least the Trustees and the Board, including from:
- (a) standard-setters (for example, SASC (CL4));
 - (b) business representative bodies (Insurance Europe (CL13), ACTEO-AFEP-MEDEF (CL31); Swiss Holdings (CL68), BusinessEurope (CL91));
 - (c) accounting professional bodies (CPA Australia (CL33), ACCA (CL47)); and
 - (d) investor representatives (The Investment Association (CL51), CFA Society UK (CL69)).
- F97 Additionally, the EP report referred to in paragraph F66 includes (in Section 28) a statement that the EP “supports the Commission in urging the IFRS Foundation to ensure that use of the IFRS and the existence of a permanent financial contribution are conditions for membership of the governing and monitoring bodies of the IFRS Foundation and of the IASB; calls on the Commission to explore ways to reform the IFRS Foundation and the IASB in order to remove veto rights from members which do not fulfil the aforementioned criteria...”
- F98 Although these comments have been made by a number of respondents, there is diversity of opinion in terms of what factors exactly should be used. Some respondents recommended linking representation to funding contributions to the Foundation, other respondents recommended linking representation to adoption of the Standards, and still other respondents recommended linking representation to both of these factors.
- F99 A number of respondents from regions where the level of adoption of the Standards is high (notably Asia-Oceania and Europe) have argued that if the proposals to increase the number of at-large Trustees (from two to five members) and to reduce the size of the Board to 13 members are followed through, the level of representation from those regions should not be reduced.
- F100 However, other respondents supported the current strategy in the Constitution that the geographical distribution of the Trustees is designed to be representative of the world’s capital markets and to ensure a broad international base, and that the main qualifications for membership of the Board are professional competence and practical experience.
- F101 The Monitoring Board did not have a specific proposal for change in this area, but argued that representation of major capital markets using IFRS Standards among the Trustees was important, as well as representation from important contributors to the Board’s work.

Other comments received regarding the geographical distribution of Trustees

- F102 There were mixed views regarding the proposal to increase the number of at-large Trustees from two to five, with a majority expressing support, although a significant minority did disagree with the proposal. Those that agreed with the proposal generally agreed with giving the Trustees more flexibility in their appointment decisions, as set out in the RFV. These respondents argued that the increase in at-large Trustees would also give the Trustees the ability to keep up-to-date with any changes in capital markets (for example, the ASBJ (CL38) and the Investment Association (CL51)). Respondents also commented that the increase in at-large Trustees would give the Trustees the opportunity to form a more balanced, effective body (for example, the Federation of Accounting Professions of Thailand (CL2) and SAICA (CL21)).
- F103 Of respondents that disagreed, some did so because they believe that increasing the number of at-large Trustees would increase the subjectivity and political consideration involved in making Trustee appointments (for example, the AOSSG (CL80) and the KASB (CL63)).
- F104 A few other respondents disagreed with the RFV proposal because they thought that Trustees should have closer ties to the jurisdictions they represent (for example, the ANC (CL85) and KPMG (CL25)). ACCA (CL47) stated its view that the RFV proposal was inappropriate because if the Trustees had the geographic balance right, there would be no need for at-large Trustees.
- F105 There were a number of other comments made about the at-large category, for example:
- (a) some respondents (for example, EY (CL55) and the ICAEW (CL44)) said that there should be much more flexibility in making appointments and that the at-large appointments should be expanded even further;
 - (b) the ICPAK (CL 40) said that the criteria for the at-large category is not well-defined;
 - (c) SwissHoldings (CL68) suggested that the at-large category be used for individuals where it is difficult to assign a geographic jurisdiction; and
 - (d) CFA Institute (CL97) suggested that the at-large category be used to provide a global perspective.
- F106 Apart from commenting about at-large Trustees, respondents made a number of other comments about the geographic distribution, including:
- (a) respondents from Latin America (for example, CINIF (CL92)), Africa (the FRSC (CL30) and PAFA (CL43)), and Asia/Oceania (such as the ASBJ (CL38)) all stated that representation from their own region should increase;
 - (b) the OIC (CL94) cautioned against over-representation from any one country and requested that the Trustees consider if accounting bodies from each jurisdiction can be more involved in the nominating process; and
 - (c) FRSC (CL30) suggested that there should be more representatives from emerging economies and developing markets.

F107 The Monitoring Board's views were mixed with regard to the proposal to increase the number of at-large Trustees, but was unanimous in underscoring the need to maintain an appropriate geographical balance among Trustees.

Professional background of the Trustees

F108 Respondents to the RFV generally supported the guidance in Section 7 of the Constitution specifying that "the Trustees shall comprise individuals that, as a group, provide an appropriate balance of professional backgrounds, including auditors, preparers, users, academics and officials serving the public interest."

F109 These respondents felt that the aim of selecting Trustees should be to establish a diverse group of qualified professionals and did not support the use of quotas to accomplish this, preferring that judgement be used in this area. A representative quote was given by ESMA (CL12) as follows: "ESMA agrees with the current specification regarding the appropriate balance of professional backgrounds. While we do not believe that a specific quota should be set, the composition of the Trustees should, to the extent possible, reflect the full range of experience and professional backgrounds. Equally, ESMA agrees that no changes in the terms of appointment of Trustees are necessary". Additionally, CPA Australia (CL33) stated that "We support the Trustees plan to not introduce any specific quota for appropriate balance of professional backgrounds. We support the Trustees proposals to ensure Trustees are selected from a full range of professional backgrounds, and to ensure an appropriate gender balance is maintained".

F110 A few respondents specifically commented on the sentence in Section 7 of the *Constitution* which states "Normally, two of the Trustees shall be senior partners of prominent international accounting firms." Most of these recommended removing this specification as they found it to be unduly restrictive. One respondent (IOSCO (CL60)) stated that while they could see a change in this area, they would want at least one Trustee to be a senior partner of a prominent international accounting firm. Another respondent (ICAEW (CL44)) stated that this serves to illustrate that quotas are difficult to fill, but encouraged the Trustees to seek further representation from prominent international accounting firms. Two other respondents (PAFA (CL43), and the ACCA (CL47)) stated that more Trustees should have backgrounds in accountancy or accounting firms.

F111 Moreover, a number of respondents specifically stated that quotas should not be used in determining the professional backgrounds of Trustees.

F112 A few respondents, particularly those from the investor community themselves, supported the statement of encouragement of representatives from the investor community and emphasized the importance of having Trustees come from the investor community. A number of respondents supported the effort to recruit more female members of the Trustees (without establishing a quota in this area).

F113 Respondents also made other specific comments on the Trustees' professional background as follows:

- (a) the EP report referred to in paragraph F66 includes (in Section 24) a statement that the EP "supports...steps to ensure broad representation (such as consumer representation agencies and finance ministries) of interests and public accountability that will guarantee high-quality accounting standards";
- (b) the AcSB (CL52) suggested that the *Constitution* also consider appropriate representation by industry based on the level of global financing raised by a specific industry;
- (c) the CBA (CL70) suggested that the Trustees should include individuals with experience in prominent regulatory bodies (although the ACCA (CL47) argued that too many of the Trustees have a background in regulation or standard setting);
- (d) both the AASB (CL16) and the Australian Financial Reporting Council (CL82) recommended that the references in the *Constitution* focus more on career experience of a candidate, rather than the individual's current role;
- (e) the KASB (CL63) recommended that there be more detailed guidelines around the Trustees' professional backgrounds in the *Constitution*;
- (f) PwC (CL32) recommended that technological expertise should be added to the criteria used to appoint Trustees;
- (g) the Quoted Companies Alliance (CL71) recommended that there should be a Trustee with a background from small or mid-sized quoted companies.

F114 The Monitoring Board was supportive of not introducing any specific quota for professional backgrounds, and agreed on the importance of diversity in terms of professional backgrounds and gender.

Focus and frequency of reviews

F115 Respondents to the RFV had few specific comments regarding the proposed amendment to the *Constitution* regarding the focus of the review. Most respondents who commented simply agreed with the proposal to change the review to one of strategy and effectiveness without providing any further comment.

F116 However, a few respondents (for example, the ASBJ (CL38)) cautioned that the proposed amendment should not mean that the Trustees do not review the structure of the organisation; structural overhauls may be necessary in the future. Moreover, the EC (CL74) cautioned that the scope of the Trustees' reviews should remain broad and include the topic of governance.

F117 Respondents had more specific comments regarding the RFV's proposed amendment to change the frequency of the review so that a review should commence, at the latest, five years after the previous review has been completed. Again, however, a number of respondents simply agreed with the proposed amendment without providing any further comment.

F118 Of those respondents that did provide further comments, the majority of those agreed with the proposed amendment, providing the following reasons:

- (a) the stability and continuity that would result from a slightly longer period between reviews would be positive and appropriate, given that the organisation is no longer in its earliest stages and has already performed a number of reviews of itself (for example, the SASC (CL4) and KPMG (CL25) both made comments in this area);
- (b) there would be flexibility in the proposed amendment (that is, that a review should commence, *at the latest*, five years after the previous review is completed); some respondents think it is important that the Trustees be able to start a review sooner if they consider it necessary (for example, the HKICPA (CL81) and AcSB (CL52)).
- (c) the proposed amendment would free Trustee resources so that they would have more resources to fulfil other duties (for example, the Australian Financial Reporting Council (CL82) had this view).

F119 However, a few respondents disagreed with the proposed amendment. Most of these respondents preferred to maintain the current wording in the *Constitution*, providing the following reasons:

- (a) the current wording in the *Constitution* is generally understood to be reasonable and result in a sufficient period of time in between reviews (for example, the AFME (CL56) and the ASBJ (CL38));
- (b) the reviews of structure and effectiveness are too important for the timing of the reviews to decrease (for example, Insurance Europe (CL13)); and
- (c) given that the organisation is still developing and there is an increasing pace of change in standard setting, it would be inappropriate to decrease the timing of the reviews (for example, PwC (CL32) and the ANC (CL85)).

F120 A few respondents disagreed because they thought that longer intervals between reviews were more appropriate (for example, FEE (CL54) and BusinessEurope (CL91)).

F121 Respondents had a few other miscellaneous comments about the reviews of structure and effectiveness:

- (a) FEE (CL54) and the ICAEW (CL44) suggested that the review be done by external parties; and
- (b) EY (CL55), the FRSC (CL30) and the Securities Analysts Association of Japan (CL37) suggested that the review of structure and effectiveness be aligned with the agenda consultation, while Keidanren (CL24) disagreed with aligning the review with the agenda consultation.

F122 The Monitoring Board indicated that it agreed with the amendments the RFV proposed in this area, and stated that issues of governance should be included in the reviews.

Size and geographical distribution of the Board

F123 There were many comments received on the size and geographical distribution of the Board and how those might be determined. Many of these comments related to respondents' views on linking representation of Board membership to funding of the Foundation or adoption of the Standards, as discussed earlier in this Appendix.

Size of the Board

- F124 Responses were mixed regarding the proposal to reduce the size of the Board to 13 members, although a majority did agree that the size should be lower than the 16-member Board currently specified in the *Constitution*. Around half of the respondents agreed with the 13-member proposal. Of those respondents disagreeing with the proposal, respondents were split between supporting a 16-member Board and a 14-member Board.
- F125 Respondents that supported a 13-member Board for the most part agreed with the rationale as set out in the RFV.
- F126 Comments in support of the proposal included views that:
- (a) the Board would be more effective and efficient in its efforts to make decisions and create high-quality Standards (for example, the Corporate Reporting Users' Forum (CL88) and SwissHoldings (CL68) had these views);
 - (b) a smaller Board would free financial resources (for example, the ACCA (CL47) and the German Insurance Association (CL5));
 - (c) a 13-member Board would still provide appropriate geographic coverage (for example, PwC (CL32); and
 - (d) there have already been benefits from reducing the Board from 16 members to 14 members, demonstrating the benefits of a smaller Board (for example, the IOSCO (CL60) and EY (CL55)).
- F127 A number of these respondents placed conditions around their support, saying they would support a 13-member Board only if, for example: the Board could still perform the necessary outreach with its constituents in a timely manner; that there is still the necessary geographic diversity and diversity in background among the Board members; or as long as the objective of converging the Standards with US GAAP is not compromised. For example, the SAICA (CL21), the UK FRC (CL26), the CBA (CL70) and XRB New Zealand (CL7) all placed conditions around their support of a 13-member Board.
- F128 A few respondents said that the Board could be even smaller than 13 members (for example, PwC (CL32) and the AASB (CL16).
- F129 Respondents that supported a 16-member Board offered the following reasons:
- (a) a 16-member Board does not interfere with the quality or efficiency of the Board's output; moreover, the aim of composing the Board should not be to impede debate or avoid differing views (for example, ACTEO-AFEP-MEDEF (CL31) ANC (CL85) had this view);
 - (b) with the increase in number of countries adopting the Standards, and the international nature of the Foundation, a geographically diverse Board is needed; a smaller Board would not be able to achieve this geographic diversity (for example, BDO (CL79), HKICPA (CL81) and Keidanren (CL24)); and
 - (c) reducing the Board size would be inappropriate at the present, when the Board has a heavy workload; reducing the Board size would also increase the workload of each individual member (for example, BusinessEurope (CL91) and the ASCG (CL29)).

- F130 Respondents supporting a 14-member Board generally used some of the same arguments as set out above, but essentially their views were that as a 14-member Board is currently working well, there is no reason to change this. Respondents in particular from the Asia-Oceania region expressed this view.
- F131 Some respondents took the view that the formation of ASAF should not be treated as a reason to decrease the size of the Board as ASAF and the Board have very different responsibilities. Nor should the work of ASAF be seen as a substitute for that of the Board (for example, Keidanren and most other respondents from Japan were of this view, as were others such as HKICPA, SAICA (CL21) and Deloitte (CL67)).
- F132 The ICAEW (CL44) argued that the Board should have an odd number of members to minimise the chances of the Chair having to cast the deciding vote in the matter of a tie.
- F133 The Monitoring Board did not object to the decreasing the size of the Board, provided that it would not impede a fair and effective geographical distribution of Board members (although the Monitoring Board acknowledged that Board members are not appointed as representatives of any geographical region). The Monitoring Board had mixed views, however, as to the exact size of the Board.

Geographical distribution of the Board

- F134 Many respondents stated that they agree with the guidance in the Constitution that the main qualifications for membership of the Board are professional competence and practical experience, and that Board members are not appointed as representatives of any geographical region. Many of the views expressed were also reflected in the comments made by respondents to the RFV about the geographical distribution of the Trustees.
- F135 That said, some of the comments made were specific to the Board. For example, a few respondents (for example, IFAC (CL1) and RSM International (CL28)) argued that there is a contradiction between having geographical distributions but having the main qualifications for membership as professional competence and practical experience. More specifically, a number of respondents argued for more flexibility in making geographic appointments, or doing away with geographic quotas completely; for example, PwC (CL32) suggested a general requirement for a geographically diverse board without any specific geographic quotas. Other respondents (for example, the ICAEW (CL44) and the Investment Association (CL51)) emphasised that the quality and competence of Board members should always be the most important factor.
- F136 Respondents from Latin America (such as CINIF (CL92)), Asia-Oceania (such as the ASBJ (CL38), Keidanren and the JICPA (CL39)) and Canada (such as the AcSB (CL52)) all stated that representation from their own region should increase.
- F137 Additionally, a number of respondents (including the EAA (CL59), HKICPA and the DASC (CL48)) stated that the Board should have more representation from smaller markets and emerging economies. A couple of respondents (for example, the AOSSG (CL80) and the FRSC (CL30)) specifically suggested that the at-large category should be used to accomplish this.
- F138 The CFA Institute (CL97) and ESMA (CL12) suggested that there should be more of an effort to find Board members with truly global backgrounds.

F139 Finally, there were a number of comments received on whether the Chair of the Board should be from the at-large category. ESMA (CL12) suggested that the Chair should come from the at-large category. However, the ACCA (CL47) did not think that this would always be appropriate, while IOSCO (CL60) recommended that the Foundation clarify this point one way or another.

Board voting requirements

F140 Respondents to the RFV had few specific comments regarding the voting requirements of the Board. Specific comments received in this area were as follows:

- (a) a few respondents (for example, ASBJ (CL38), AOSSG (CL80), the HKICPA (CL81) and KPMG (CL25)) suggested that the vote required to publish an exposure draft or final standard be raised. Suggestions ranged from a 67% majority up to full consensus. These respondents argued that other international standard-setting bodies have higher voting quorums and that standards with dissents from multiple Board members undermines the credibility of the Standards.
- (b) ASBJ (CL38) requested that other decisions made by the Board require more than a simple majority of Board members to ensure that the final outcome of a project is more readily acceptable.
- (c) IOSCO (CL60) agreed with the proposed changes in the RFV regarding voting requirements.

Board professional background

Overall view

F141 On the whole there was support for the proposal to delete Section 27 and to amend Section 25 as proposed in the RFV document, so as to allow for a Board selection process that promotes diversity in education and practical experience and which enables the appointment of a Board which is an equitable balance of relevant backgrounds and experience.

F142 However, a number of respondents expressed concerns about the inclusion of regulators in the mix of professional backgrounds for Board members. Those who did not support the inclusion of regulators took the view that their skill sets and background experience were very different from the standard-setting processes. Others were of the view that regulators were already well represented on other governance bodies of the Foundation and did not also need to be represented on the Board as well.

F143 Multiple respondents did not support the proposed deletion of the reference to “recent practical experience” in Section 27 of the *Constitution*, noting that this was an important qualification for Board members.

F144 There were a variety of other recommendations, including the suggestion that Board members should also have experience of implementing IFRS Standards in less developed economies.

F145 The Monitoring Board agreed with the RFV’s proposal in this area, and noted that the proposal would help to clarify that there is no implication of excluding market and/or financial regulators.

Balance of Professional Backgrounds

- F146 On the whole there was strong support for the proposal to increase the range of professional backgrounds of the Board members, as suggested by the RFV document. For example, the ACCA (CL47) noted that “while a greater range of backgrounds is probably a good thing, retaining the majority of the Board as users, preparers and auditors as the principle players in the financial reporting dialogue, should be the objective.”
- F147 Respondents also welcomed the Trustees intention to build in flexibility and refrain from the inclusion of any fixed quota for any particular grouping (for example, AFME (CL56), ACCA (CL47) and EY (CL55)).
- F148 The CFA Institute (CL97) suggested that there should be more investor representation on all three of the Foundation’s governance bodies (The Monitoring Board, Trustees and the Board), on the basis that investors are the ultimate consumers of financial reporting information. The CFA Institute noted that investors can also provide valuable an “early-warning systems for deficiencies in financial reporting and the need for revised accounting standards”. Furthermore, greater investor membership would enhance confidence in the quality of the standards and the comprehensiveness of financial reporting. The ICAEW (CL44) concurred with this view, and suggested that “every effort should be made to reach out both to users and preparers as although finding suitable candidates from each group can sometimes be difficult they have much to offer to the standard-setting process”.
- F149 KPMG (CL25) said that “having a good balance of all stakeholders included in the membership of the IASB will enhance the quality of the standards as potential implementation issues and considerations will be brought up at the deliberation stage instead of post-issuance.”
- F150 On the whole, respondents supported the view that the Board should have a balanced composition and that the best individual candidates should suffice. Thus, many respondents reaffirmed Section 25 of the *Constitution*’s current emphasis on professional competence and practical experience and that obtaining the best members should remain paramount.
- F151 However, a few respondents did not support the proposals put forward in the RFV. For example:
- (a) EY (CL55) recommended “expanding the criteria [of Board membership] so that membership is composed of members from converted and converting countries”.
 - (b) the ASBJ (CL38) expressed concern that preparers were not sufficiently heard, in spite of being expressly referenced, and therefore questioned whether the proposed amendment would achieve the desired result.
 - (c) the ICPAK (CL40) was of the view that there was no inconsistency between Sections 25 and 27; instead they complemented each other.
 - (d) Insurance Europe (CL13) was of the view that the Board members should comprise the best available combination of technical expertise and diversity of international business and market experience and as such the current constitutional provisions are not too restrictive.
 - (e) the ASBJ also recommended that the Trustees consider other factors when appointing the Board, such as “(a) areas and degree of strength of professional background of individuals and (b) the level of maturity of capital markets of the geographical area the individual is to represent”.

Inclusion of Regulators

- F152 A number of respondents expressed concern at the proposed inclusion of regulators on the Board (for example, the ASBJ (CL38), BDO (CL79), and the ASCG (CL29)). These respondents took the view that the standard-setting process should not be framed by regulatory viewpoints or concerns. It was also noted that the experience and background of regulators had no direct relevance to the standard-setting process. In any event, regulators were well represented on the Monitoring Board.
- F153 However, the CBA (CL70) suggested that the mix of professional backgrounds of individuals on the Board should include more market and/or financial regulators, whose experience and background can help promote convergence with these key accounting and regulatory bodies.... and encourage further collaboration between the IASB and other regulators and standard setters.”
- F154 Business Europe (CL91) suggested that regulators could be included, but recommended that a quota limit be introduced, such that regulators should not exceed twenty to twenty five per cent of the Board, and the Board remained balanced overall. The UK FRC, the OIC (CL94) and the DASB (CL46) said that it supported the inclusion of regulators on the Board, but that the number of members with regulatory experience and background currently represented on the Board should not increase beyond that at present.
- F155 ESMA (CL12) welcomed the inclusion of individuals with regulatory experience on the Board since this “reflects the increased role of financial regulation after the global financial crisis in 2008 as well as the role of accounting enforcers and securities regulators in achieving consistent application of IFRS.”
- F156 While not referring specifically to the inclusion of regulators, the EP report referred to in paragraph F66 includes (in Section 24) a statement that the EP “supports...steps to ensure broad representation (such as consumer representation agencies and finance ministries) of interests and public accountability that will guarantee high-quality accounting standard.”

Recent Practical Experience

- F157 The majority of respondents noted that recent practical experience should be the determinant of background and should remain one of the main qualifications for Board membership.
- F158 The UK FRC (CL26) noted that whilst it considers it important that the Board can bring recent experience of financial reporting to bear in its deliberations, not every new Board member should have been involved in financial reporting immediately prior to his/her appointment. What is however important is that an appropriate mix is maintained.
- F159 Keidanren (CL24) suggested that the words “primary practical experience” should be used in the *Constitution*.

Other Professional Backgrounds and Suggestions

- F160 A number of other professional backgrounds and general comments were put forward for consideration.
- F161 AOSSG (CL80) recommended selecting Board members on the basis of their “expertise and experience in implementing IFRS in a less developed environment where, for example, fair values are not as readily available compared to the more developed jurisdictions”.

F162 A few respondents suggested that the Trustees should include reference to other factors when looking at the background of the Board, including:

- (a) the level of maturity of capital markets of the geographical area the individual is drawn from. There was a suggestion that the at-large category of Board member would facilitate appointments on the basis of experience of different capital markets.” (for example, ASBJ (CL38) and the AOSSG (CL80)). Likewise, HKICPA (CL81) supported this view. It observed that: “the IASB could benefit from a balance of members that have experience in applying IFRS in economies that are relatively small as well as economies that have a diverse and significant market capitalisation...Members from such jurisdictions will provide invaluable experience gained from their implementation and application of IFRS. Conversely, experienced IFRS jurisdictions with relatively smaller economies have experience in dealing with accounting issues such as in relation to fair value measurement associated with a lack of a deep capital market.”
- (b) the ANC (CL85) recommended that Board members should also be appointed on the basis of their ability to efficiently liaise with the jurisdiction and geographical area that they originate from.
- (c) the IAIS (CL49), the Basel Committee on Banking Supervision (‘BCBS’) (CL72) and the UK FRC (CL26) were of the view that the professional background of the Board should be expanded to include “experts in other areas, such as economists, standard setters or actuaries with evidenced practical experience in accounting matters, in order to bring further insight and expertise from other disciplines to the Board’s work.” The DASB (CL46) also supported the inclusion of members with standard-setting experience.
- (d) PwC (CL32) said that “given the increasing importance of technology and the speed of technological innovation, ...the Trustees should consider adding technological expertise to the criteria surrounding the professional backgrounds necessary to obtain a sufficiently skilled and balanced Foundation and IASB.”
- (e) the EP report referred to in paragraph F66 includes (in Section 25) a statement that the EP “notes the dominance of private actors on the IASB; points out that medium-sized businesses are not represented at all...”

F163 The EAA (CL12) used the opportunity of the Review to comment on the fact that the Board is dominated by representatives from “Anglo-Saxon countries and from international organisations whose priorities conform to Anglo-Saxon preferences”. It went on to recommend that “other types of actors, including companies from the manufacturing sector and labour unions” should be included on the Board in order to enhance the Board’s independence.

Board reappointments

Overall view

F164 On the whole there was support for the proposal to amend Section 31 of the Foundation’s *Constitution* as proposed in the RFV document, so as to build in sufficient flexibility to enable the Trustees to reappoint Board members, who are appointed after 2 July 2009, for a second term of up to five years (other than the Chair and the Vice-Chair, who may serve a second term of five years). A number of respondents specifically referenced that the maximum second term should be no more than five years, whilst a few respondents (for example, PAFA (CL43) and SAICA (CL21)) said that they did not agree with the distinction between the Chair and the Vice-Chair and the remainder of the Board. The Chair, Vice-Chair and the rest of the Board should all be treated in exactly the same way.

F165 A number of respondents suggested keeping the current system of one five-year term, followed by a more flexible approach to the second term, with a variety of suggestions being put forward for consideration. All of these respondents said that such an amendment would give the Trustees the flexibility to extend the term of a Board member so as to provide critical continuity and facilitate the completion of long term standard-setting projects.

F166 However, the proposed amendment was not universally supported. There were a number of respondents, primarily from Europe and a few large accounting firms, who disagreed with the proposed amendment on the basis that a Board member serving two five-year terms would no longer have recent practice and experience.

F167 The Monitoring Board had mixed views regarding the RFV's proposals. They argued that extending the length of the second term could cause undesirable side-effects, such as reducing transparency or providing an incentive to extend the timeline for developing Standards.

Support for the proposed amendment to Section 31

F168 There was general agreement amongst respondents for the proposed amendment to Section 31 in order to build in additional flexibility that could be used to achieve the best possible balance between continuity and recent practical experience of the Board as a whole. The reasons for the need to increase the Board's tenure on a flexible basis includes, *inter alia*:

- (a) the long life cycle in developing the new major Standards;
- (b) it would take account of the steep learning curve for new Board members;
- (c) it would enable new Board members to familiarise themselves with the range of issues and acclimatise to the stakeholder outreach process.

F169 Respondents argued that the proposed amendment would therefore enable the Foundation to make the best possible use of the Board members, and ensure that those Board members that worked on a particular project, would be given sufficient time to complete the work assigned and provide critical continuity to new Board members.

F170 The AcSB (CL52) suggested that the Trustees should consider whether it has sufficient flexibility to ensure the appropriate continuity of Board members and to assess whether it may benefit from amending the *Constitution* to permit, in limited circumstances, the appointment of the Board members to a third term.

F171 Respondents were however very clear that the second term should not exceed five years. In this regard, Grant Thornton (CL20) suggested that the Trustees should take care to ensure that a second term of five years is the exception rather than the norm.

F172 Some respondents (for example, EY (CL55)) said that they did not support the distinction in Section 31 between the Chair and Vice-Chair and the rest of the Board. In their opinion, all Board members should be treated equally and be given the same tenure.

F173 A number of respondents noted that Board members should not simply be reappointed as a matter of course. There must be some form of effective performance evaluation process that means that only the best people are reappointed. The evaluation process should be managed by the Trustees. The ICAEW (CL44) said that any concerns about a Board member lacking essential recent practical experience, particularly as they near the end of their term, could be overcome by means of a process of rigorous Board evaluation to determine competency. CPA Australia (CL33) went even further and suggested that the *Constitution* should include appropriate criteria for assessment of the performance and contribution of the Board to reflect the potentially longer terms.

F174 AcSB (CL52) encouraged the Trustees to amend the *Constitution* to provide expressly for a staggered Board appointment process; whilst a few others merely suggested that the Trustees should ensure that appointments are staggered in order to ensure that the terms of a significant number of Board members do not end simultaneously.

Conditional Support

F175 Some respondents supported the proposal to introduce flexibility, but attached conditions to their support. Set out below are some of the proposals that were submitted:

- (a) BDO (CL79) suggested maintaining the current system of a five year first term with a three year second term, but with the option of being able to extend a Board member's second term for up to a maximum of a further two years, if considered appropriate. This respondent went on to suggest that "objective appropriate criteria would need to be developed for this additional period, including how the duration would be determined". BDO suggested that "this might incorporate some flexibility and be linked to the likely completion dates of particular projects, in order that key expertise are not lost during the final stages of completion of significant new and amended standards".
- (b) IOSCO (CL60) said that it welcomed additional flexibility, but suggested amending Section 31 to allow Trustees to appoint Board members for anything up to five years, thereby allowing them to serve a second term varying from one year to five years.
- (c) ICAEW (CL44) said that whilst it supported the introduction of flexibility to appoint Board members for a period of up to ten years in total, the Trustees should be aware of the fact that some "questions and concerns" might be raised as it might "not always be apparent why some Board members have been appointed for a second term of three years whilst others have been appointed for as much as five years". It therefore suggested that the Trustees should consider moving to a maximum term of ten years, but with a first term of four years and the possibility of two subsequent terms of three years each.
- (d) EY (CL55) and FEE (CL54) suggested that instead of two five-year terms, the Trustees should consider two four-year terms, thereby reducing the concerns about the Board losing its recent practical experience.

Disagreement with the proposed amendment to Section 31

F176 There was not, however, universal support for the proposed amendment. The reasons given by those respondents that did not support the proposed amendment included concern that Board members serving two five-year terms would no longer have recent practical experience to adequately address concerns and queries from all stakeholders. Many European stakeholders and some large accounting firms held this view, including ACTEO-AFEP-MEDEF (CL31), the ANC (CL85), BusinessEurope (CL91), ESMA (CL12), ICAC (CL95), KPMG (CL25), DASB (CL46) and PwC (CL32).

F177 Mazars (CL61) said that it did not support the proposed amendment because it was concerned that it could possibly create some "undue form of competition amongst Board members, or the consideration of other aspects which ought not to be taken into account in such decision making, or even some form of automatic renewal for five years."

- F178 A few of those respondents that did not support the proposed amendment submitted alternative suggestions for consideration, including:
- (a) the BCBS (CL72) suggested a compromise, whereby the Board members' maximum term is kept to that which it is currently, namely eight years (one five-year term, followed by a second three-year term), but to allow a "different distribution over two terms".
 - (b) IFAC (CL1) suggested two three-year terms, with a maximum of six years, with the exception of the Chair of the Board. This variable approach would give the Trustees greater flexibility to rotate and stagger the Board.
 - (c) PwC (CL32) did not support the proposed amendment because of concerns about relevant practical experience. In order to encourage quality, PwC recommended reversing the order of the terms and making the original term three years, with a renewal of up to five years, instead of the other way around.

Financing

Overall views

- F179 On the whole there was strong support for the Foundation's current funding model, and its three-pillar system of funding. The challenges and limitations faced by the Foundation were referred to by a number of respondents. There was a general acceptance that – given these challenges and limitations – the current three-pillar system of funding was appropriate.
- F180 Within this, reference was made to the important role played by the Trustees in ensuring the financing of the Foundation. For example, the ICAEW (CL44) noted that "This should be borne in mind when appointments are made. Efforts should be made to appoint Trustees who have experience of fundraising or who have the ability to identify and influence the key stakeholders in their region so as to facilitate appropriate funding contributions."
- F181 The Monitoring Board was generally supportive of the direction of actions taken by the Trustees in this area, but argued that the Foundation needs to step up its efforts to secure stable funding commitments from major contributors as well as increase self-generated income, paying due attention to securing an appropriate balance between commercial activities and the Foundation's public mission. The Monitoring Board also argued that there needs to be more stability in funding, and more diversity and flexibility in sources of funding to avoid any undue influences by large contributors.

Pillar 1: publicly-sponsored contributions

- F182 There was near universal support for the Foundation establishing a largely permanent, publicly-sponsored, independent source of funding. Many respondents acknowledged the shortcomings of the present voluntary system and the Foundation's inability to enforce financial contributions from those that use its standards, and made a number of alternative permanent funding suggestions, for example:
- (a) a number of respondents suggested that the Foundation should consider approaching international and regional donor agencies, such as the World Bank, for support given that these agencies are mandating donor-reliant jurisdictions to adopt and apply IFRS Standards. This view was expressed by, for example, the AOSSG (CL80), the AASB (CL16) and the Charity Commission England and Wales (CL8). The AASB commented that this would recognise the reciprocal interests in the adoption of IFRS Standards in emerging economies, on the basis that it can facilitate the development of a 'soft' infrastructure for a functioning capital market, which in turn can assist in economic development;

- (b) a few respondents suggested other alternative funding sources, including a system of levies based on use of IFRS Standards. For example, CFA Society UK (CL69) suggested “a fee payable by companies using IFRS that are required to produce audited financial statements, such that even publicly accountable private entities would contribute.” The CFA Institute (CL97) suggested a levy on stock exchange dealing for those exchanges that require accounts prepared in accordance with IFRS Standards for their listed companies, similar to the Takeover Panel levy in the UK. Mazars (CL61) suggested that the Monitoring Board, working closely with capital market regulators, including IOSCO, should establish a levy to allow the Foundation to fund its operations. KPMG (CL25) noted that this would recognise that the “work of the IFRS Foundation is an important element of the infrastructure supporting effective capital markets which IOSCO members are responsible for regulating. Financial support of the IFRS Foundation should reflect this fact.” PwC (CL32) suggested that if a levy-based funding system is established amongst preparers in specific territories, allocated by reference to some appropriate criteria (such as share of global GDP, share of world market capitalisation or by G20 membership), “principles should be devised to guide the design of the funding regime. For example, the system should be transparent, build in inflationary rises, be independent of the political process (that is, it should have no conditions attached to the funding), and be free from perceived conflicts of interest.”
- (c) a few respondents also specifically addressed the challenge of securing a publicly-sponsored US contribution. For example, the American Institute of Certified Public Accountants (‘AICPA’) (CL10) encouraged the US Securities and Exchange Commission to “find a permanent U.S. funding source for the IASB.” In so doing, it noted that “foreign private issuers prepare financial statements in accordance with IFRS for purposes of listing on U.S. exchanges... [and that] ... vast amounts of U.S. citizen investments are in foreign entities that use IFRS for their financial reporting.” SwissHoldings (CL68) suggested a similar approach, when it observed that: “... Trustees ... should work with the SEC to ensure that where entities utilise IFRS for their primary listing, but also have a listing on an SEC regulated exchange, that any fee currently paid to the FASB based on their market capitalization is channelled instead directly to the IASB. We consider that this is a natural consequence of the fact that the SEC now accepts that entities utilising full IFRS no longer need to make a reconciliation of key figures with US GAAP. As a result it seems inappropriate that such entities have to fund, often considerable amounts, to the FASB.”

- F183 A number of Brazilian constituents¹⁹ submitted near-identical responses arguing for a change in the way that the Foundation calculates publicly-sponsored jurisdictional contributions from a GDP basis to a per capita GDP basis. Those constituents maintain that this would result in a fairer, and more affordable, allocation for countries such as Brazil, China and India. The response from the CASC (CL35) also advocates use of GDP per capita, as well as giving a higher discount to developing countries and emerging economies. Apimec (CL84) said that it would be “fairer for Brazil to be charged on a per capita GDP allocation as it is a more accurate measure of the actual wealth of nations and is widely used by international and development agencies.” This respondent went on to explain at length the practical difference between per capita GDP and GDP for Brazil; which results in Brazil having the obligation to contribute 3.3 per cent of the Foundation’s budget on a GDP allocation, compared to 1.34 per cent of the Foundation’s budget, using a per capita GDP, allocation. The Comissão de Valores Mobiliários (‘CVM’) (CL64) expressed a view that “a per capita GDP allocation would be much more aligned with the Foundation’s objective of getting a fair share of funding from each adopting country, which is one of the pillars of a sound governance of the organization”.
- F184 That said, a number of other respondents expressed their view that the GDP basis of calculation is appropriate, for example ESMA (CL12), the UK FRC (CL26), the JICPA (CL39), the Investment Association (CL51) and the ANC (CL85).
- F185 Some respondents suggested that the Foundation should not only ensure that its funding is non-voluntary in nature, with less dependency on the accounting profession, but that it should also come from a diverse geographic range in order to remove any perception or risk of partiality or influence. For example, the ICAEW (CL44) suggested that every effort should be made to reduce the dominance, and the Foundation’s reliance upon, any one funder, whether it be the large accounting firms, or one geographic region, for example the European Union. The EP report referred to in paragraph F66 includes (in Section 25) comments along these lines about the Foundation’s financing, as follows:
- “...points out that the IFRS Foundation continues to rely on voluntary contributions, often from the private sector, which may give rise to a risk of conflicts of interest; calls on the Commission to urge the Foundation to aim for a more diversified and balanced financing structure, including on the basis of fees and public sources”.
- F186 A number of respondents called for the Trustees to be more accountable and transparent to the Monitoring Board and other contributors as to how it spends its funding. For example, the ASBJ (CL38) said that: “in order to fulfil its accountability more properly ...the IFRS Foundation should strive to better explain to the Monitoring Board and its contributors how the funds are used when budgets are established and after its financial accounts for a period are closed.” Likewise Mazars (CL61) noted: “... [i]t is difficult for us to assess to what extent the Foundation’s resources are appropriately and proportionately allocated to activities such as integrated reporting, the IFRS Taxonomy and the IFRS Education initiative. We note the transparency efforts of the Foundation in its 2014 financial report but consider that these do not go far enough to help constituents provide fully informed comments to some of the Trustee’s questions in this Consultation, nor to some of those asked in the concomitant IASB’s Agenda Consultation.”

20 CL62 Ibracon, CL64 Comissão de Valores Mobiliários, CL75 Fundação de Apolo ao Comitê de Pronunçamentos Contábeis, CL77 BNDDES, CL84 Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais.

- F187 A number of respondents suggested that the Monitoring Board should play a more active role in encouraging financial contributions from those jurisdictions that use IFRS Standards. This comment was closely aligned to the suggestion made by some (and discussed earlier in this Appendix) that there should be a link between representation on the governance structures of the Foundation, adoption and use of IFRS Standards and funding of the organisation. However, the ICAEW (CL44) “recommend[ed] that a new Trustee committee is formed to focus specifically on the matter of fundraising and to work with the Monitoring Board to ensure that all constituents are making appropriate contributions. Alternatively, this responsibility could perhaps be taken on by the existing audit and finance committee.”
- F188 The JICPA (CL39) urged the Trustees to consider disclosing the details of those jurisdictions that “contribute less than their allocated share...in order to promote their funding, such as by disclosing their historical trend data for the difference between allocated shares and the actual funding on annual reports”.

Pillar 2: private contributions

- F189 A few respondents urged the Foundation to be alert to its heavy reliance on funding from the accounting profession and how this might impact on the independence of the organisation and the Board. As noted in paragraph F185 above, the EP report includes a comment on this. There was recognition of the need to maintain this funding, but as CPA Australia (CL33) observed that even if the Trustees consider the possible risk to the independence of the Foundation and the Board, to be “an issue of perception rather than reality, both real and perceived threats to independence should be addressed appropriately by introducing necessary safeguards.” The NASB (CL65) urged the Foundation to ensure that it better documented the “IASB’s independence of accounting firms, and especially the largest four firms”. The SASC (CL4) urged the Trustees to exercise their oversight function to ensure complete independence of the standard-setting process.

Pillar 3: self-generated income

- F190 Some respondents commented on the proposal that the Foundation should look to increase revenue from self-generated income, for the most part to emphasise the need for caution and not to compromise the organisation’s public interest mission. Such views were expressed, for example, by the ASBJ (CL38) and the ICAEW (CL44). Indeed, one respondent (Keidanren (CL 24)) argued that: “As IFRS is a kind of public goods, the IASB is not supposed to charge royalties and publications fees pertaining to IFRS, let alone rely on them as an important source of revenue. Charging royalties and publication fees pertaining to IFRS causes countries to back away from IFRS, thereby running counter to the strategic goal of the global adoption of IFRS.”
- F191 Some respondents thought that the Foundation should not charge for any educational materials it produces, or at the very least questioned whether using the Education Initiative more to generate revenue could be compatible with the public interest mission. The SASC (CL4) referred in particular to the potential for the Foundation’s Education Initiative to generate more income, stating that the ‘significant’ implications first need to be analysed to ensure that any such potential should not compromise on the provision of sufficient support through the delivery of education to those implementing the Standards.

Other comments

Role of the Trustees

- F192 A few respondents called for the Trustees to extend their oversight role. As an example, Keidanren (CL24) suggested that the Foundation should “thoroughly examine (1) whether the way the IASB develops Standards is in line with the IFRS Foundation’s strategic goals, and (2) whether the IASB develops Standards in an efficient manner and maintains an appropriate due process”. The ASCG (CL29) urged the Trustees to “faithfully analyse and evaluate the standard-setting activities against the original course” ie of developing principles-based Standards, arguing that recent pronouncements “have become overly complex, detailed and rules-based”.
- F193 In a similar vein, the UK FRC (CL26) suggested that the Trustees should set the strategic direction of the Board’s standard-setting agenda, hold the Board to account for following this strategy and “assess the performance of the IASB as a whole by reference to adherence to the words and the spirit of the due process requirements and by reference to the quality and timeliness of its outputs”. The FRC believed that the Board’s RFV on the Agenda Consultation should have been issued only once the Trustees had agreed a strategic direction (a view shared by The Investment Association (CL 51)). The ICAEW (CL44) believes that the Trustees should hold the Board to account when things “appear to go awry, but we are not aware of any evidence that this is truly happening”.
- F194 A number of respondents (such as ACTEO-AFEP-MEDEF (CL31) and EFRAG (CL93)) have called specifically for the Trustees to extend their due process oversight role to cover not only compliance with the due process requirements as set out in the *Due Process Handbook*, but also on the substance of technical decisions made by the Board, in particular when complaints are submitted by constituents. These respondents take the view that this would help build the buy-in of the various jurisdictions around the world and would give additional credibility to the standard-setting process.
- F195 A number of respondents, notably the ACCA (CL47) and FEE (CL54) also called for the Trustees to play a more active role in Post-Implementation Reviews (PIRs), with the ACCA arguing that the reports of PIRs should come to the Trustees, “given that this is in essence the main way of assessing IASB’s standard setting performance”. This issue was also raised at the Advisory Council meeting held in February 2016.
- F196 The EP report referred to in paragraph F66 includes (in Section 30) a statement that the EP “recalls its request made in the Goulard report for measures to enhance democratic legitimacy, transparency, accountability and integrity, which, inter alia, concern public access to documents, open dialogue with diverse stakeholders, the establishment of mandatory transparency registers and rules on transparency of lobby meetings as well as internal rules, in particular prevention of conflict of interests...”

Other comments regarding the Board

- F197 A number of respondents made other miscellaneous comments about the Board. Some of these respondents suggested that part-time members be added to the Board to increase diversity of geography and background and bring recent practical experience, while at the same time not requiring the same resources as a full-time board member (for example, the DASB (CL46) and the Investment Association (CL51)). However, ESMA (CL12) and the Swedish Enterprise Accounting Group (CL27) disagreed with adding any part-time Board members. Several respondents also agreed with the RFV's proposal to look at ways to address the gender imbalance on the Board without introducing any specific quota (for example, the AASB (CL16) and the UK FRC (CL26), as well as the EP report referred to in paragraph F66).
- F198 Finally, one respondent (the KASB (CL63)) called for the process of selection to the Board (and the IFRIC) to be made more transparent by, for example, providing more detail on how the Nominations Committee picks a preferred candidate out of the candidates. The KASB wondered if this was done by a vote and, if so, if Trustees with conflicts of interest recused themselves from the vote.

Global adoption of the Standards

- F199 The RFV noted that the second primary strategic goal of the Foundation is the global adoption of IFRS Standards. The RFV summarised the Trustees' strategy in this area, which is based on the report following the 2012 strategy review. In that report, the Trustees recommended that the Foundation should:
- (a) maintain its commitment to the long-term goal of the global adoption of IFRS Standards as developed by the Board, in their entirety and without modification; and
 - (b) seek full disclosure of the status of adoption of IFRS Standards, in particular where that adoption is incomplete or where there is divergence from the full set of IFRS Standards as issued by the Board, and where jurisdictions are asserting compliance with IFRS Standards without fully adopting those Standards.
- F200 The RFV also summarised the secondary strategic goals in this area, but did not ask any questions in this area. It noted that the Trustees believed that the primary and secondary strategic goals in this area were appropriate.
- F201 Respondents commented on the primary strategic goal of global adoption of the Standards, although the RFV did not ask any specific questions on this subject.
- F202 Respondents were nearly unanimously supportive of the strategic goal in general but had various specific comments. Views were mixed on the role of limited amendments to the Standards in terms of global adoption—some felt that the Foundation should be more flexible in allowing these in limited circumstances if doing so would encourage the adoption of the Standards, while others felt that amendments or carve-outs (or gradual convergence) should never be allowed in adoption of the Standards as it would impair their quality. The AcSB (CL52) suggested that the Foundation should set an intermediate goal on the way to global adoption of working to ensure that the Standards are as comparable as possible with other national GAAPs. KPMG (CL25) suggested that the Foundation continue to focus on inclusiveness, so that all those who are committed to IFRS Standards have a genuine sense of ownership in the development of the Standards.

Convergence with US GAAP

F203 Many respondents commented on the convergence process with US GAAP and the lack of progress in the effort to have the US adopt the Board's Standards. Some respondents stated that convergence was still very important in order to make financial statements around the world as comparable as possible, and encouraged the Board to work with the US FASB, and other national standard-setters, to ensure that national GAAPs are as converged with the Standards as possible, achieving substantially similar reporting for like transactions and events (for example, the ASBJ (CL38) and the CBA (CL70)). This effort should include maintaining existing converged standards. Other respondents stated that there should be less of a focus on convergence, and convergence should not be achieved at all costs; the Foundation should focus more on jurisdictions which have adopted the Standards (for example, the SAICA (CL21) and PAFA (CL43)).

F204 The EP report referred to in paragraph F66 includes (in Section 16) comments regarding convergence as follows:

“...is convinced that a global economy needs internationally recognised accounting standards; recalls, however, that convergence is not an objective in itself but only desirable if it results in better accounting standards reflecting an orientation towards the public good, prudence and reliability; believes therefore that a robust dialogue should continue between the IASB and national accounting standards setters, despite the slow progress of the convergence process...”

Due process requirements

F205 A few respondents also commented specifically on other parts of due process not mentioned in the RFV. Many respondents complimented the Board on its extensive due process, with a few wondering if the process could be made simpler or more efficient. Others mentioned the Due Process Oversight Committee ('DPOC') and requested that they take a more substantive role in the oversight of due process, looking at the substance of complaints rather than just making sure that rules have been followed.

Accounting Standards Advisory Forum

F206 The ASAF was established as part of the response to the 2012 strategy review. The RFV mentioned the formation of ASAF but did not ask any specific questions in this area, given that the ASAF has been the subject of a separate review in 2014-2015.

F207 Respondents were generally very supportive of ASAF, stating that this was an important addition to the Board's standard-setting process that gave national standard-setters another important role. Respondents also gave a number of specific comments about, as follows:

- (a) the AcSB (CL52) suggested that the agenda of ASAF provide members with “an opportunity to discuss application and endorsement issues that they face in their local jurisdiction.”
- (b) the ASBJ (CL38) recommended that, whenever possible, the Board seek input from the ASAF before it makes significant decisions, rather than just updating the ASAF on those decisions.
- (c) Deloitte (CL67) and KPMG (CL25) recommended that the role of the ASAF be developed even further so that it becomes a better resource for the Board and staff.

- (d) the German Insurance Association (CL5) recommended that the Constitution formally refer to the ASAF and its role.
- (e) the KASB (CL63) recommended detailed criteria for appointments to the ASAF.

Entities intended to use IFRS Standards

F208 XRB New Zealand (CL7) called for the Board to articulate the criteria and the class of entities it has in mind for which IFRS Standards are intended in the *Preface to International Financial Reporting Standards* ('the Preface'). At present, a definition of 'public accountability' is included in the IFRS Standard for Small and Medium-sized Entities (*IFRS for SMEs*) and is used to describe the class of entities for which the *IFRS for SMEs* is not intended.

'IFRS as issued by the IASB'

F209 SAICA (CL21) asked for clarification of what was meant by 'IFRS as issued by the IASB', in particular where a jurisdiction has an endorsement process that allows it to make changes to the Standards, even if only to the effective date of adoption.

Foundation's objectives in the Mission Statement

F210 ICAS (CL45) expressed the view that all the Foundation's objectives stated in the *Constitution* should be taken into account in the Foundation's *Mission Statement*.

Status and context of the Conceptual Framework

F211 ANC (CL85) observed that the *Constitution* states that the Standards shall be 'based on clearly articulated principles.' This respondent asserts that this statement creates a paradox as it is not clearly supported by the status and content of the Conceptual Framework, which is inspired by a 'common law' approach and gives 'aspirational' value to the principles.



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