

## STAFF PAPER

September 2016

<b>Project</b>	<b>2015 Agenda Consultation</b>		
<b>Paper topic</b>	<b>Feedback Statement topics and suggested responses</b>		
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### Purpose of the paper

1. This paper summarises the feedback received in response to the International Accounting Standards Board’s (the Board’s) request for views *Agenda Consultation 2015* (the RFV) and discusses the Board’s responses to that feedback. The purpose of the paper is to set out the topics that the staff think should be covered by the *2015 Agenda Consultation: Feedback Statement* (the Feedback Statement).

### Background

2. The agenda consultation process benefited from the following sources of input:
  - (a) The RFV was published for public comment in August 2015; the comment period ended on 31 December 2015. In March 2016, the Board discussed the summary analysis of the 119 comment letters received.
  - (b) The Board and staff held over 30 outreach meetings in a range of formats, including discussion forums, conferences, webcasts and individual meetings. This outreach included a number of consultative groups such as the Accounting Standards Advisory Forum (ASAF), the Capital Markets Advisory Committee, other groups of users of financial

statements (such as the national Corporate Reporting Users Forums), the Global Preparers Forum, the Emerging Economies Group, regional standard-setting groups and national standard-setters, regional and global regulators and others.

- (c) The Board paid particular attention to feedback from investors. In addition to comment letters and outreach meetings, investors provided feedback through an online survey that was open for comment during November and December 2015.
- (d) The Board used the IFRS Advisory Council (Advisory Council) as its main consultative group when developing its strategy for setting its work plan. Board and staff consulted the Advisory Council throughout this process. The topic was discussed at four meetings of the Advisory Council. The Advisory Council provided input to the Request for Views, provided views on the questions raised in the RFV, discussed the views received on that document, and considered the composition and presentation of the work plan that the Board developed in this process.
- (e) The Chairman of the IASB Board has updated the Trustees of the IFRS™ Foundation (the Trustees) regularly throughout the process. The Trustees' Due Process Oversight Committee has also received regular updates. The Board discussed its 2015 Agenda Consultation in detail with the Trustees at their May 2016 meeting. The Trustees will consider this topic again at their October 2016 meeting.

### Questions for the Board

- 3. The material summarised in this paper will form the basis of the Feedback Statement. We are seeking feedback from the Board on whether:
  - (a) the staff have identified the key messages received in the consultation correctly;
  - (b) the proposed structure of the Feedback Statement is appropriate;

- (c) Board members have any comments or suggestions on the additional feedback received or on the responses suggested for each; and
- (d) Board members have any further comments or suggestions on the structure or content of the Feedback Statement?

### **Structure of the rest of this paper**

- 4. The rest of this paper is organised as follows:
  - (a) key messages;
  - (b) narrative in the Feedback Statement;
  - (c) other feedback;
  - (d) next steps;
  - (e) Appendix A–Work plan as at 20 July 2016; and
  - (f) Appendix B–Other feedback received in the 2015 Agenda Consultation.

### **Key messages**

- 5. The Board received a number of messages in the course of its 2015 Agenda Consultation and a full range of those messages will be discussed in the Feedback Statement.
- 6. The staff think that the most important of these messages, which will be highlighted separately in the narrative of the Feedback Statement, are:

- Completing the projects on leases (now completed) and insurance contracts should be a very high priority.
- The revised *Conceptual Framework* should also be completed as a high priority because it is fundamental to developing consistent Standards that are based on clear principles.
- It is important that IFRS Standards continue to be principle-based.
- The Board's Disclosure Initiative is important to most respondents, across all types of respondents and all regions. There was widespread support for the project on principles of disclosure.
- The Board should prioritise projects that are important to users of financial statements. In particular, many investors suggest the Board should look at ways of better communicating financial performance.
- The Board should focus on fewer standard-setting projects to allow stakeholders to focus on implementing recently-issued IFRS Standards.
- The Board should continue to provide implementation support for stakeholders on new IFRS Standards.
- The Board's work on post-implementation reviews (PIRs) is welcome.
- The Board should not develop too many narrow-scope amendments.
- Any additional guidance should clarify principles rather than introduce complex rules.
- The Board should focus its maintenance activities on PIRs of recently issued Standards.
- If a number of issues arise on older Standards, the Board should carry out broader reviews of those Standards.
- Respondents expressed general support for an evidence-based approach to research.
- Some respondents did not understand the strategy, objectives and processes of the research programme or the relationship between research and the Board's other technical activities.
- The Board should focus on fewer research projects in order to make more timely progress.

**Question 1 for Board members**

Do you think that the staff have identified the key messages received in the consultation correctly?

**Narrative in the Feedback Statement**

7. The Feedback Statement will summarise the topics that the Board discussed between March and July 2016 to explain:
  - (a) the progress made by the Board in the last four years, 2012-2015;
  - (b) the consultation and outreach process as discussed in March 2016; including the investor outreach summary discussed in April 2016;
  - (c) the Board's approach to setting the work plan, including its standard-setting resources, and references to the use of external resources and stakeholders' ability to cope with change;
  - (d) detailed explanations of the four themes that helped shape the work plan:
    - (i) the need to complete the projects on insurance contracts and the *Conceptual Framework*;
    - (ii) the importance of promoting better communication between preparers and investors;
    - (iii) the continued focus on implementation support; and
    - (iv) the need for a more focused research programme.
8. The section on the research programme will include an explanation of standard-setting and the role of research and how we selected which projects should be included in the research programme. It also includes a discussion of the factors that affected the selection of individual projects and will explain the research pipeline.
9. The Feedback Statement will also summarise the decision to extend the maximum interval between agenda consultations from 3 to, at the latest, 5 years after completion of the previous agenda consultation.

10. The Feedback Statement will include the Board's work plan at the time of its publication. The work plan at 20 July 2016 is included in this paper to illustrate this structure (Appendix A.)

**Question 2 for Board members**

Do you think the proposed structure of the Feedback Statement is appropriate?

**Other feedback**

11. In addition to comments on the Board's work plan and the agenda-setting process, some respondents also commented on matters of a more strategic nature. These matters were raised in the March 2016 comment letter and outreach summary. These various comments are included as Appendix B to this paper, together with the staff's suggested response to each for discussion and confirmation by the Board.

**Question 3 for Board members**

Do you have any comments or suggestions on the additional feedback received or on the responses suggested for each?

**Question 4 for Board members**

Do you have any other comments or suggestions on the structure or content of the Feedback Statement?

**Next steps**

12. The near-final Feedback Statement, incorporating comments received today, will be presented to the October meeting of the Trustees for consideration.
13. The staff expect to ask the Board to approve publication of its Feedback Statement following that meeting of the Trustees.

## Appendix A–Work plan as at 20 July 2016

Active projects	Current activity	Next major milestone		
		Within 3 months	Within 6 months	After 6 months
<b>Research projects:</b>				
Disclosure Initiative: Principles of Disclosure	Drafting DP		Publish DP (expected December)	
Primary Financial Statements	Analysis		Decide Project Scope	
Business Combinations under Common Control	Analysis			Publish DP
Dynamic Risk Management	Analysis			Publish DP
Financial Instruments with Characteristics of Equity	Analysis			Publish DP
Goodwill and Impairment	Analysis			Decide Project Direction
Discount Rates	Analysis		Publish Research Summary	
Share-based Payment	Drafting Research Summary		Publish Research Summary	
<b>Standard-setting and related projects:</b>				
Conceptual Framework	Analysis			Issue Conceptual Framework
Disclosure Initiative: Materiality Practice Statement	Analysis	Decide Project Direction		
Insurance Contracts	Drafting IFRS Standard			Issue IFRS Standard
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Drafting IFRS Amendment	Issue IFRS Amendment (expected September)		
Rate-regulated Activities	Analysis			Publish DP

## Appendix B—Other feedback received in the 2015 Agenda Consultation

### *Balance and scope of the Board's activities*

Comments received	Our response
Investors put greater emphasis than other respondents on wider corporate reporting issues, and extending the Board's activities to include topics such as human and intellectual capital, climate change and reporting for entities listed on an unregulated market. A number of environmental groups also thought that reporting on climate change was an important emerging issue. Some respondents to the Trustees' strategic review also suggested that the Board should widen its activities.	The topic of wider corporate reporting also arose in the Trustees' strategic review. As requested by the Trustees in January 2016, the Board has now allocated some modest resources to monitoring wider corporate reporting, including implications of climate change for corporate reporting. Consequently, the Board will be taking a somewhat more active role in this area. The Board decided, however, not to add to its work plan a project specifically on climate change. Some implications of climate change are within the scope of existing projects or pipeline research projects, such as those on provisions and pollutant pricing mechanisms. In the Board's view, climate change has no other financial reporting implications that are likely to require standard-setting over the next five years.
The Trustees' strategic review asked whether the Board should extend its remit beyond its current focus to encompass not-for-profit bodies.	At its May 2016 meeting, the Trustees concluded that the Board should not expand its remit at this time. The Trustees recommended that the Board should, however, participate in any future working groups on this topic.
The Trustees said in their RFV that they did not intend, as part of their review, to consider the possible expansion of the scope of the Board to encompass financial reporting standards for the public sector.	A large majority of respondents to the Trustees' RFV agreed with this view. The Trustees have reaffirmed the view they expressed in the RFV, but will continue to liaise with the International Public Sector Accounting Standards Board.

### *Research programme*

Comments received	Our response
In June 2015, the Board adopted a distinction between assessment stage research projects and development stage research projects. This distinction was an attempt to communicate more clearly where research projects are in their lifecycle. Some found the distinction between assessment and development stages confusing.	The Board needs to consider two sets of questions in all research projects: <ul style="list-style-type: none"> <li>a) does a financial reporting problem exist, and is that problem significant enough for standard-setting to be needed? (assessment)</li> <li>b) can a feasible and appropriate solution be developed? (development)</li> </ul> However, it is not always necessary to consider them in separate stages in strict sequence. Accordingly, the work plan no longer identifies assessment and development as separate stages.
A number of respondents thought that issues identified in post-implementation reviews (PIRs) should be addressed on a more timely basis.	When the Board undertakes a project as a result of a PIR, the Board assesses its priority and timing in the same way as for any other project. On occasion, this may mean that such a project does

	not progress while other projects have a higher priority.
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### *Implementation support and maintenance*

<b>Comments received</b>	<b>Our response</b>
A number of respondents noted that issues submitted to the Interpretations Committee provide useful information in identifying topics to be considered more widely by the Board.	The Board has considered the unresolved issues submitted to the Interpretations Committee, together with responses received to the 2015 Agenda Consultation, in setting its priorities. Going forward, the Board has the ability to add projects to its agenda, as it considers necessary, to address emerging issues.
Many respondents thought the level of activity on narrow-scope amendments had led to excessive change. Many respondents think 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.	The Board agrees that it should be cautious in proposing narrow scope amendments to ensure that those amendments do not create new issues. The Board will continue to apply an evidence-based approach to identifying the need for change before proposing any change, including narrow-scope amendments.

### *Level and pace of change*

<b>Comments received</b>	<b>Our response</b>
A few respondents suggested the Board should group together narrow-scope amendments to Standards, both when proposing change and finalising change, in order to reduce the burden on respondents to proposals and on those implementing the final changes.	For both Exposure Drafts and final amendments, the Board will try to publish narrow scope amendments together, rather than at different times.

### *Other messages*

A number of topics of a more strategic nature were raised in the 2015 Agenda Consultation process and addressed more comprehensively in the Trustees' strategic review:

<b>Comments received</b>	<b>Our response</b>
The Board received very few comments on the IFRS Taxonomy. A few investors who responded to the online survey thought that work on the IFRS Taxonomy was one way of maintaining the relevance of IFRS Standards. The majority of those who responded to the Trustees' request for views on the IFRS taxonomy agreed with the Trustees' strategy.	The Trustees think that the Board needs to own the digital representation of its Standards, with the objective of ensuring that the IFRS Taxonomy can be used effectively and is fit for purpose. In order to achieve this, the Board has taken steps to integrate its work on the IFRS Taxonomy with its standard-setting activities.
Maintaining convergence of Standards that are already converged with US GAAP was important for many respondents. Other respondents thought that there should be less focus on convergence and greater focus on developing IFRS Standards that meet the needs of the Board's stakeholders.	The Trustees' strategic review identified continued work with the FASB on maintaining convergence as a strategic goal. It also recommended that the Board take into consideration the work streams of the FASB when determining its own work plan and seek feedback from the ASAF, of which FASB is a

<p>Some respondents suggested that convergence should be extended to include future work streams undertaken by the Board and the Financial Accounting Standards Board (FASB). The FASB is currently consulting on its future work plan.</p>	<p>member. In accordance with the Trustees' recommendation the Trustees, IASB Board members and staff will continue to maintain open communication channels with their counterparts. The IASB will monitor the outcome of the FASB's agenda consultation to assess whether the Board should consider making any adjustments to its own work plan.</p>
<p>Respondents were of the view that a critical factor in making implementation more consistent and less burdensome and fostering consistent application is producing high-quality, easily understood and well drafted Standards, which are based on clear principles. A few respondents requested that the Board should consider how it can improve the quality of its drafting when finalising new Standards, or amendments to Standards, in order to reduce the need for any subsequent amendment.</p>	<p>The Board has a process in place that supports its objective of producing high quality, easily understandable and well-drafted Standards. In the past year, quality control procedures relating to the finalisation of narrow-scope amendments have been enhanced and discussed with the Trustees' Due Process Oversight Committee. The careful and considered approach to finalising IFRS 16 has created a model that can be applied to other Standards. A particular area of further focus will be on monitoring quality control procedures as applied to narrow-scope amendments.</p>
<p>Several respondents emphasised the importance of using plain English when drafting Standards.</p>	<p>The Board tries to make the language used in Standards as clear and simple as possible. For Exposure Drafts, the Board will consider seeking specific input on whether terms used are easy to understand and translate.</p>