

To: Mr Michel Prada
Chairman of the Trustees
International Financial Reporting Standards (IFRS) Foundation
30 Cannon Street – London EC4M 6XH

From: Economics & Finance department

Date: 20 November 2015

Reference: ECO-FRG-15-285

Subject: IFRS Foundation Trustees' Review of Structure and Effectiveness - Request for Views

Dear Mr Prada,

We appreciate the opportunity to provide our comments on the Request for Views from the International Financial Reporting Standards Foundation (IFRS Foundation) on the Review of Structure and Effectiveness of the organisation. We believe that regular and public involvement with stakeholders is of essential importance for its successful and transparent functioning. Please find below the views of Insurance Europe.

General comment

Insurance Europe supports the transparency and manner in which stakeholders can engage with the IFRS Foundation's structure and with the work of the organization including the IASB and IFRIC.

First of all, Insurance Europe would like to highlight our appreciation for the way in which the IFRS Foundation organizes itself currently. We encourage that all meetings of the International Accounting Standards Board (IASB) and of the IFRS Interpretation Committee (IFRIC) remain publicly available and that the meeting papers are posted publicly ahead of the meeting. We consider it is very useful that we can engage on all relevant IFRS proposals and understand the basis of conclusions. We would appreciate if the IFRS Foundation Trustees could also be held in public, to the extent possible.

Question 1

The IASB's current remit is appropriate; it should not be extended for private non-profit sectors.

We fully support the IASB's work on financial reporting requirements for listed companies and that it develops accounting standards for the benefit of Small and Medium-sized Entities (SME's). However, we do not think that the IASB should also cover entities that do not have a focus on the interests of investors seeking a financial return – whether in the public sector, or private not-for-profit sectors. Related demands for internationally consistent standards may be met by other international organisations.

Instead, we are of the opinion that the limited resources of the organisation should remain focused to keep the high level of standard setting activities as of today. For example, a significant delay in the successful finalisation of important projects (such as the insurance contracts project or the revision of the Conceptual Framework) is a problematic issue best addressed before extending the scope of IASB's work.

Question 2

The IASB should not confuse the boundaries of financial reporting by addressing wider corporate reporting topics.

Insurance Europe agrees with the IASB's decision to engage via co-operation with organisations that deal with topics related to wider corporate reporting or to sustainability reporting, such as the International Integrated Reporting Council (IIRC) and the Global reporting Initiative (GRI). However, we share the opinion that the IASB should not seek to play a more active role in these areas. Instead, the main focus of the IASB's resources should be on its major IFRS projects and the promotion of the consistent application of IFRS globally. We believe that users of IFRS-based accounts have much to gain from the IASB's cooperation activities. Therefore we encourage the IASB to promote its principles-based approach as reflected in the Conceptual Framework and also in the practice statement Management Commentary.

Furthermore, whilst the IFRS framework is principles-based and provides guidance as to the Management Commentary, it cannot address the unique circumstances that relate to each company globally. We believe that the transparent use of Alternative Performance Measures (APMs) / non-GAAP information have an equally important role as the pre-defined IFRS financial statement figures to explain the insurance business. For example, in the case of life insurers some APMs are focused on explaining the long-term value creation through Key Performance Indicators (KPIs). From a cost/benefit perspective we do not believe the IASB should extend its boundaries to define standards for every type of corporate reporting.

Question 3

Insurance Europe believes that IFRS taxonomy should be a separate step subsequent to the process of setting International Financial Reporting Standards.

We agree with the IFRS Foundation's strategic direction that the IASB should develop and maintain an IFRS taxonomy. However we do not fully support the proposal to integrate proposals on IFRS Taxonomy with the standard setting process. We believe it is premature to discuss the IFRS taxonomy questions when the IASB has not yet concluded on the proposal in an Exposure Draft on material IFRS questions. Thus, in order to have a transparent, clear and efficient due process, we are in favour of keeping these two steps separated. From our point of view, the IFRS taxonomy should not drive the standard setting process. To ensure this we believe that the development of the IFRS taxonomy should be subject to the same robust due process as the standard setting procedure because the development of the IFRS taxonomy is equally important.

Question 6

We support the current IFRS Post-implementation Review procedure and thus advise against the proposed delay to commence this work once an IFRS is implemented.

We welcome the IASB's continued use of post-implementation reviews (PiRs) which can play a significant role in ensuring that IFRSs work appropriately and can support the provision of high quality information to investors and other users of financial statements. Nonetheless, we caution against the use of a Transition Resource Group as a substitute for the development of high quality standards as we believe that new standards should be properly understood and tested before being mandated for application.

We continue to support the current assumption that a period of two years after the effective date of a new IFRS is the appropriate length of time to commence the review process. Therefore, Insurance Europe disagrees with the IFRS Foundation's suggestion that more time is needed after an IFRS is implemented to start a PiR. In our opinion, both the implementation period, which sometimes needs to exceed two years, together with the post-implementation period, can span 4-6 years. During such time, there is sufficient practical evidence and market experience to address questions on interpretation and to create possible improvements by the IASB, if urgent and necessary. In addition, preparers and users should benefit from the outcome of a particular PiR sooner rather than later to avoid different interpretations.

Insurance Europe also believes that it is inappropriate to allocate sufficiently evidenced issues back to a research phase after the particular PiR has been conducted (e.g. PiR of the IFRS 3 Business Combinations). We believe it would be more cost-effective to deal with the outcome of PiRs directly through the standard setting process.

Question 8

Insurance Europe supports a geographical basis to representation, but more weight should be given to jurisdictions applying IFRS and to the relative weight of those funding the IFRS Foundation.

We support a geographical basis but consider that this should reflect the extent to which IFRSs are used, or expected to be used in the foreseeable future. IFRS is required for all consolidated financial statements of companies listed on regulated markets in the European Union, whereas some member states also require IFRS for non-listed companies or for separate financial statements. Due to the European widespread use of IFRS we believe that an increased European representation in the IASB board's geographical balance is indispensable. In addition, we suggest that the number of appointments from North America be reduced, given the reluctance of the USA to commit substantially to the use of IFRS for domestic issuers. Nonetheless, we encourage the IASB to continue its engagements with the US Financial Accounting Standards Board (FASB) to minimise the divergence of US GAAP from IFRS, where possible.

Insurance Europe also shares the view that a permanent commitment to participation in sustainable funding of the IFRS Foundation should be an important factor when deciding on membership. In this respect we support the view expressed by the European Commission in its final report on the effects of use of IFRS in the EU conducted last year.¹

Furthermore, we question why the Trustees would want to increase the number of "at large" Trustees from two to five. Based on our arguments above we disagree with the proposed increase of Trustee members that can be appointed independent of geographical background. Again, we believe that representation should have a stronger link to funding and usage of IFRS.

Question 10

Insurance Europe disagrees with decreasing the frequency of the IFRS Foundation's reviews.

While we understand that every IFRS Foundation Review on average takes two years to complete, we believe this is not a sufficient argument to amend the IFRS Constitution to decrease the frequency of the IFRS Foundation's review to "at least five years after the previous review has been completed". We continue to support the current IFRS Foundation's Constitution to review itself every five years. In doing so, a process of transparency, independence and a system of timely reflection with stakeholders remains safeguarded. Operating in a global economy, we believe that every five years is the appropriate period of reflection and there is no need to delay such a process, even if the outcome would not require any major changes.

Question 11

The size of the IASB Board should not be decreased in order to continue to represent the IFRS community in a balanced manner.

Overall, we believe that it is unrealistic for a global standard setter to operate with a small Board as all regions need to be represented appropriately. In addition, we believe that the IASB should reflect the relative weighting of jurisdictions using IFRS and those funding the IFRS foundation to justify representation at the Board. In the EU alone, we have many different jurisdictions whose background is important to be explicitly acknowledged. Therefore, we do not believe that the 28 European Member States could be easily represented by a few Board members.

Furthermore, we believe that the increased amount of IASB outreach events, or the successful establishment of the Accounting Standards Advisory Forum (ASAF), cannot be used as reason to decrease the size of the IASB Board. We believe such activities can aid the IASB Board in its deliberations, but it remains important to have a sufficiently large and geographically varied Board composition.

¹ Report from the Commission to the European Parliament and the Council: "Evaluation of Regulation (EC) No. 1606/2002 of 19 July 2002 on the application of International Accounting Standards (Brussels, 18 June 2015)"

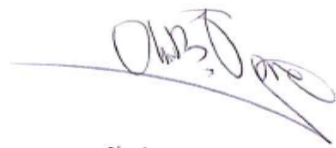
Question 12

We disagree with the proposals to amend the Constitution for balance of backgrounds on the IASB.

Insurance Europe considers that the IASB Board members should comprise the best available combination of technical expertise and diversity of international business and market experience. As such, we do not agree that this stipulation is restrictive. We also believe that the existing IASB Board criteria are sufficient, should not be changed, and need no specific reference to "Financial Regulators". Therefore, we disagree with the suggestions to delete Section 27 and to amend Section 25 of the Constitution.

Please do not hesitate to contact us if you would like to discuss any aspect of our views in more detail.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Olav Jones", written over a horizontal line.

Olav Jones
Deputy Director General / Director Economics & Finance