

Michel Prada
Chairman
IFRS Foundation
30 Cannon Street
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30 November 2015

Dear Michel Prada,

Comment Letter regarding IFRS Foundation request for views "Trustees' Review of Structure and Effectiveness: Issues for the Review"

The Danish Accounting Standards Committee (DASC) set up by "FSR – danske revisorer" is pleased to submit our comments.

Our main comments are in short the following:

1. We do not believe IASB should extend its remit to not-for-profit or the public sector.
2. We think IASB should play a more active and leading role in developments of wider corporate reporting.
3. We support IASB to be only involved in developing the XBRL taxonomy and not being involved in the computer software.
4. We believe IASB should be in the forefront of understanding the technological developments influencing corporate reporting.
5. We do not support to have more requirements added to the IASB due process as it is already very burdensome. However, the standards should be written in clear principles and the IASB should have strong internal controls to ensure high quality.
6. We believe the members of the Monitoring Board (MB) should come from countries and regions committed to IFRS and providing funding for the IFRS Foundation.
7. We oppose to increase the numbers of "at large Trustees" and we think the Trustees should primarily come from countries and regions committed to IFRS.
8. The composition of Trustees should be maintained until constituents have been consulted a changed composition. We believe the numbers of European Trustees should not decrease regardless.
9. We do NOT agree with the proposal to decrease the numbers of Board members to 13, and we are dissatisfied that the Trustees have decreased the number of Board members without consulting constituents.
10. Should the number be decreased, we strongly believe the number of European members should continue to be four.
11. We do not support any of the proposed minor changes to the constitution.

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12. We have no comments to the funding structure as it has worked well, but we believe appointments to the Monitoring Board, Trustees and the Board should be related to be committed to IFRS and to provide funding.

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We would be happy to elaborate further on our comments should you wish so and feel free to contact Stig Enevoldsen.

Kind regards

Jan Peter Larsen
Chairman of the Danish
Accounting Standards Committee

Stig Enevoldsen
Member of the Danish
Accounting Standards Committee

Appendix

Relevance of IFRS

Should the IASB extend its remit beyond the current focus of the organisation, either in terms of the types of entity covered or the types of reporting?

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

- 1 We strongly believe that given its restrictions in resources and tight budget, the IASB should not extend the scope of its standard-setting activities by developing standards for the public sector or the not-for-profit sector. Entering in these domains would require substantial additional resources, as well as knowledge, expertise and capacity not currently present within the IASB Board nor staff.
- 2 In terms of public accountability and governance, we recognise that there may be a need for international reporting standards for the not-for-profit sector. However, the absence of international standard setter for the not-for-profit sector is, in our view, not a convincing argument for the IASB to take on this activity. Developing international not-for-profit entities financial reporting is therefore not a priority for the IFRS Foundation.
- 3 In conclusion, we agree with the Trustees that the IASB should not address public sector accounting standards and leave this to the IPSASB. However, DASC is strongly of the opinion that the IFRS Foundation's mandate should not be expanded to encompass not-for-profit bodies.

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

- 4 We see the importance of the IASB addressing the growing issues in wider corporate reporting which is presented outside the financial statements but within the Annual Report.
- 5 Integrated reporting, and corporate reporting in the wider sense, are topics that are increasingly referred to in financial reporting discussions. Users of financial statements increasingly take CSR information into account in their considerations and assessments. We appreciate that the

IFRS Foundation has been liaising with IIRC in the development of the <IR> Framework and is involved in the various IIRC bodies and in the CRD. Through these co-operations, the IFRS Foundation is monitoring the developments in the corporate reporting field.

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- 6 Whilst it is important that the IASB is fully aware of the developments across the whole range of corporate reporting and can take steps, if and when appropriate, to maintain the relevance of IFRS within that range, we believe IASB should play a more pro-active role and even leading role and take more ownership of the corporate reporting agenda.
- 7 The IASB should have a proactive role and affect change: the IASB should start thinking about disruptive changes, and where it wants to be in 10 years' time. If the IASB's product "IFRS" needed to remain viable over time the IASB can not escape being part of the front-end discussions. IIRC is an important player but not the only platform for corporate reporting discussions.

Seeking views on the Foundation's strategy for the IFRS Taxonomy;

Q3 Request for Views: Do you agree with the IFRS Foundation's strategy with regard to the IFRS Taxonomy?

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

- 8 We will mention that in Denmark all companies have to file their accounts using XBRL, and the IFRS accounts use the IFRS taxonomy. Having said that we believe the IASB should keep itself in the forefront of understanding the influence of technology on corporate reporting.
- 9 The IASB's standards are developed on the basis that entities are required to prepare a general purpose financial report whether that report is printed or in electronic format, ranging from a PDF version to one that is 'tagged' (in a computer-readable code that identifies specific items) using a structured data format. We appreciate that one of the reasons the IASB produces the IFRS Taxonomy is to assist with the accurate digital representation of IFRS in a structured format and to facilitate electronic filing.
- 10 We accept that it is important that the IFRS Foundation itself continues to develop and maintain an IFRS Taxonomy in order to control the quality of the taxonomy and the use of the "IFRS" brand name. This is the only way the IASB can avoid that the technology sets limitations on the IFRS filing in electronic format. However, developing the IFRS Taxonomy in house

should be considered in the context of budgetary restrictions and balanced against other priorities.

Side 5

- 11 We do not support the view that the development of the IFRS taxonomy should be integrated in the IASB standard-setting process because it risked moving away from a principle-based approach, in particular in the area of disclosures. Standards being developed by the IASB should be sufficiently clear to allow the development of a relevant IFRS taxonomy. We therefore welcome the Trustees statement in the RfV that Taxonomy considerations should not dictate the standard-setting process.
- 12 We welcome the IASB's shift to focus more on the taxonomy itself, leaving the development of the appropriate computer language/software to somebody else. The regulators could then decide which computer language should be followed in their jurisdictions. We support that the IFRS Foundation's goal is now focused on having the IFRS Taxonomy recognised as the globally agreed standard to tag and intelligently structure IFRS financial information within XBRL, rather than on the development of a computer language.
- 13 We believe that the IASB Board should not have a role in the approval of the IFRS taxonomy since this is without their scope of competence. Approval should take place at senior staff level.

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

- 14 As mentioned above we believe IASB should be at the forefront of understanding the technological developments influencing on corporate reporting. The IASB should be open minded and monitor technological developments. Technology is changing continuously and is driving and affecting the way financial information is handled in practice and how information is communicated. We believe the Foundation and the IASB should do more than just establish a network of experts to help and provide advice on how to monitor and assess changing technology and how the Foundation and/or the IASB should respond to, and where appropriate exploit, those changes. Having said that such a network might be a small start, but it is certainly not the end goal.

Consistent application of IFRS

Considering whether the IFRS Foundation is doing the right things to support the consistent application of IFRS and whether there is anything more it could and should be doing in this area

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

- 15 IFRS Standards should articulate clear principles and be written in a way that makes them capable of being applied in practice without the need for extensive further interpretations or guidance or excessive additional work by those using them.
- 16 We also support the statement that it is the role of IASB to issue standards and others are better positioned to deal with implementation and enforcement.

Due process oversight

- 17 DASC acknowledges that the IASB has an extensive due process that takes considerable time and that, at this stage, it would be counterproductive to seek improvement to the definition of the IASB due process. We find the IASB due process very detailed and must be cumbersome in practice, so we will not propose further burdens in order to try to get standards finalised within a reasonable timeframe.

Education Initiative

- 18 The 2015 Request for Views states that the IFRS Foundation has an Education Initiative and we can live with the present activities, but we are not really sure it is the role of IASB to carry out this activity.

Post-Implementation Reviews

- 19 DASC welcomes that the Trustees will undertake a review of the process in relation to Post-Implementation Reviews (PIR) when the IASB has gained further experience of conducting a number of PIRs. We are of the opinion that a period of two years of full implementation of a Standard is too short for both preparers, auditors and users to be fully familiar with a Standard and would recommend to extend the period to at least three years, but

preferably four years after the mandatory effective date. Although there is no presumption that a PIR will lead to any changes in a Standard, it may nevertheless result in amending a Standard. Both preparers, auditors and users call for stable standards.

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20 Governance and financing of the IFRS Foundation

Considering the current governance structure of the Foundation, including the functioning of the three-tier structure

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

- 21 DASC supports in general the three-tier structure. However, we are concerned about the many members of the Monitoring Board not being committed to IFRS in their home jurisdiction. We would prefer to have members that are committed to the use of IFRS for its domestic issuers and who are participating in the funding of the IFRS Foundation. In general, we are also concerned about only having enforcement bodies from big countries in the Monitoring Board. We are not sure there is an appropriate balance of the world's capital markets using IFRS.
- 22 DASC is of the opinion that the focus should be on the needs of jurisdictions that have already adopted IFRS and have clearly demonstrated their intention to apply IFRS. Those jurisdictions must be involved within the IASB process to foster consistent application and implementation. In order to do so, the geographical composition of the various bodies should be reviewed, in that representatives of jurisdictions currently applying IFRS or demonstrating their intention to adopt IFRS should have a more prominent role.
- 23 DASC believes that given that the IFRS Interpretation Committee experience with the application of IFRS in practice is essential, its membership should therefore in principle originate from jurisdictions where IFRS are widely used in practice.

Issues specific to the IFRS Foundation: reviewing the provisions in the Constitution that relate to the Trustees' geographical distribution, how to ensure an appropriate balance of professional backgrounds, and their terms of appointment.

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

- 24 DASC is of the opinion that the focus should be on the needs of jurisdictions that have already adopted IFRS and have clearly demonstrated their intention to apply IFRS. Moreover, Trustees should come from jurisdictions that provide a permanent financial contribution to the IFRS Foundation.
- 25 DASC is opposed to the concept of "at large" Trustees and therefore we do certainly not support an increase in numbers of "at large" Trustees from two to five. We believe that Trustees should be appointed in a specific balance each period and then the Trustees must argue and convince constituents in one of the constitutional reviews, if they believe the composition should be changed. We would not be opposed to reduce the number of Trustees by not appointing new Trustees from jurisdictions not committed to IFRS.
- 26 In case the Trustees would nevertheless decide to increase the number of "at large" Trustees, we are strongly against the reduction of the number of European seats and believe that the reduction must come from regions not committed to IFRS, and that do not provide financial funding of the IFRS Foundation.

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

- 27 We support the present wording of the constitution, and we support the requirement to have two members from the big accounting firms.

Considering the focus and the frequency of the reviews of structure and effectiveness specified in the Constitution

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

- 28 We agree that in future strategy and effectiveness reviews should be undertaken at the latest five years after the previous review has been completed. The Monitoring Board will call on the Trustees should particular circumstances call for an earlier review.

Reviewing the provisions in the Constitution that relate to the IASB, including the optimum size of the Board and its geographical distribution, the balance between full-time and part-time members and their professional backgrounds, and their terms of appointment.

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

- 29 We are not convinced it is a good idea to reduce the number of Board members. We question if reducing the number of Board members to 13 being below the current composition of the IASB and the original size of the IASB would still allow for a balanced composition in terms of nationality, professional background, knowledge, skills and experience. Moreover, we question, observing the current demanding tasks of each of the 14 IASB members in terms of outreach and conferences all over the world, preparation of meeting and participation in meeting etc., whether it is realistic to reduce the number of IASB members. We therefore disagree with a reduction of the size to 13 members and believe 14 is the minimum number acceptable.
- 30 We will also like to express concern about the problem that the Trustees have not appointed the number of the Board as required. We are concerned that the Trustees have not sought approval by constituents prior to making such a reduction of the number of Board members.
- 31 In case the Trustees would nevertheless decide to reduce the number of IASB members, we will not support any reduction in European members given the mandatory application of IFRS in Europe for listed companies in their consolidated accounts and the European contribution to the international standard-setting process. We therefore request to keep four European seats in the IASB. We will also make the comment that we believe the members of the board should not only come from the big

countries. We will support appointment of persons also from non-big countries to create a proper balance and understanding at the IAS Board.

Side 10

- 32 The Trustees may also wish to consider involving part-time members to ensure sufficient diversity in professional background and nationality whilst meeting the cost constraint. The part-timers might not need to participate in outreaches and conferences etc.

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

- 33 We understand the proposed change to mean that a reference to recent practical experience is no longer included and we will oppose such a change. We believe that having recent practical experience is important when IASB members are recruited for the first time, and therefore we do not support such a change.
- 34 We do certainly not support the addition of "financial regulators" to the professional backgrounds. We believe that with four enforcers/regulators on IASB, there is already too many enforcers on the Board, so it seems there is no need for such a change.
- 35 We observe that it is not always easy to classify a specific (prospective) member since they may have developed different professional backgrounds over time and mainly have worked in a country different from their nationality. The constituency a person has been affiliated with in the recent past and the jurisdiction of the main recent activity should be important factors.

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

- 36 We are of the opinion that the maximum length of service of IASB members should remain eight years except for the Chairman and suggests that the length of the term upon initial appointment and the term of reappointment should be left unchanged.

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

- 37 We believe independent financing is important: a secure and stable funding mechanism would allow the IASB to function independently.

- 38 We are not concerned about the present funding structure, because it does not seem to have created problems. However, we would prefer a stable funding committed by the members of the Monitoring Board as a criteria to be member of the Monitoring Board.

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