



Association pour la participation des  
entreprises françaises à l'harmonisation  
comptable internationale



IFRS Foundation  
30 Cannon Street  
London EC4M 6XH  
UK

November 27, 2015

Dear Mr Michel Prada, Chairman of the Trustees

**Re: IFRS Foundation Review of Structure and Effectiveness Request for Views**

We welcome the opportunity to share our suggestions and observations on the structure and effectiveness of the Foundation; our responses to the questions posed in the request for views document are set out in Appendix 1.

If you have any questions or a need for further information, please do not hesitate to contact us.

Yours sincerely,

ACTEO

AFEP

MEDEF

Patrice MARTEAU  
Chairman

François SOULMAGNON  
Director General

Agnès LEPINAY  
Director of economic  
and financial affairs

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

In a context of limited resources (both human and financial) and in view of the numerous IFRS projects that the IASB has yet to address (as illustrated by the consultation agenda), we believe that the IASB should focus on maintaining and improving existing standards (IFRS and IFRS for SMEs). We are therefore of the view that the IASB should not be committed to standard-setting activity in other areas of reporting such as public sector and/or non-profit entities reporting, even though we recognise that there may be a need for greater transparency in this area. If, however, the Trustees judged it necessary for the IASB to extend its remit, this should be done only using financing and resources dedicated to and specifically collected for this purpose.

Regarding the request of the European Commission to establish a common EU-level body of accounting standards for growth markets, as formulated in the context of the Capital Market Union, we have no evidence to date that the creation of a new dedicated set of standards is useful. Actually, not all targeted companies will necessarily go looking for capital on foreign markets - in this instance their national standards would then be sufficient. In contrast, those who would seek foreign financing may find that it is in their interest to adopt the existing IFRS.

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

Concerning alternative performance measures, we do not believe that this is a “boundary of financial performance” issue but a substantive issue relating to the quality and acceptance of IFRS. If companies increasingly feel the need to communicate using non-gaap indicators this may be an indication that existing IFRS does not allow them to communicate appropriately about the performance for which they feel accountable.

We acknowledge that the IASB is now well aware of the issue and has already begun work to address it. We believe that the Trustees have no further role to play at this stage but we wish to make them aware today that we as preparers will follow closely the work of the IASB and would be very reserved on conclusions that would lead to a normalisation or standardisation of “non-gaap information”.

As far as integrated reporting is concerned, we believe that the IASB should continue its monitoring and cooperation with the bodies concerned, but it should not go beyond cooperation into the area of active standard-setting. In particular, the scope and mandate of the IASB should continue to focus exclusively on financial statements including the notes, and therefore not be extended to non-financial information.

**Q3 Do you agree with the Foundation’s strategy with regard to the IFRS Taxonomy?**

We agree that the IASB must keep control of the IFRS taxonomy and delegate the operational issues of developing the computer language (XBRL) to others.

Concerning IFRS taxonomy, we draw the trustees’ attention to the current low level of knowledge of this topic among many companies, who are now disconnected from this issue and who were at the time perhaps not sufficiently involved in the latest IASB consultations, given the purely voluntary

nature of its implementation. It might be useful to conduct a new information and consultation campaign to educate entities and to assess whether and to which extent they adhere to this topic. In particular companies may question the relevance of applying XBRL to qualitative information.

At this stage, one of the risks that we see with the involvement of the IASB in taxonomy is a potential standardisation of disclosures in notes and performance indicators. This would go against the current trend of the improvement in relevance of financial information.

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

We agree in part with the conclusion of Trustees that the IASB develops standards but that others are better positioned to ensure consistent application. In this regard, we wish to clarify that what we mean by “consistent application” is a homogeneous application which nevertheless remains relevant, reflecting the specific features of each entity, rather than a standard, uniform application.

Although the IASB is not ultimately responsible for the implementation of standards, the fact remains that the publication of standards of high quality, based on clear principles and which have been subject to editorial approval before publication, is an indispensable prerequisite for ensuring a consistent application thereafter.

A concern for consistent application is one of the reasons that motivated our request, as preparers, to have access, before final publication, to the near final draft of the “Lease” standard. This would have allowed us to identify upstream any needs for clarification, additional examples and implementation guidance to ensure a common understanding and consistent application. We regret that our request was rejected, and we believe that the Trustees should again consider integrating this step for major projects, while making it very clear that such an exercise is not a new consultation.

Concerning the DPOC, whose creation we welcomed, we are however concerned that our first misgivings appear to be well-founded i.e. that this body remains in a role of mere validation of the observance of due-process. This represents the strict minimum level of internal control that should be assured. The DPOC should, for example, have a role to play when significant doubts and disagreements persist about a major new standard / amendment even though all the necessary steps of due process have been carried out.

Finally, we wonder about the potential conflict of interest between the desire to increase the presence of IFRS around the world and the objective of a strict application of IFRS. Indeed, we understand that some jurisdictions regarded as “IFRS adopters” make some major “concessions” with full IFRS, thus undermining the consistent enforcement objective.

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

Regarding the Monitoring Board, it seems that its effective scope of action is still not well known among stakeholders. We therefore think it would be useful to have better communication about the actions and decisions that can be taken in this forum.

Regarding the Trustees, we support the idea that its members should be appointed taking into account the degree of funding of the IFRS Foundation and the commitment of the various jurisdictions to require or allow the application of IFRS by certain domestic companies. We believe that the same principle should be adopted for all the other bodies of the Foundation. We propose that, without going as far as total exclusion, consistency of past financing should be a factor to be considered in initial appointments and renewals of mandates. We also believe that another critical criterion to be considered for the composition of the various bodies, is the actual current application of IFRS by certain domestic companies or an almost certain commitment to do so in the near future, at least on an optional basis. It seems to us very important that those in charge of developing the standards and interpreting them should be people who represent jurisdictions already requiring or allowing the application of IFRS by certain domestic companies (or with a strong commitment to do so).

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

We believe the choice of trustees should be guided by the concern of representing the best interests of jurisdictions financing the IFRS Foundation and applying IFRS, as mentioned above. We are therefore opposed to increasing the number of "at large" Trustees appointments since it does not follow that logic. If it were decided nonetheless to increase this number, this should not be to the detriment of the number European representatives.

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

We believe that the "pure" strategy reviews could actually be carried out at longer intervals, since this would not preclude the organization of other types of efficiency and operational reviews more frequently.

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

We believe it is very inadvisable to reduce the number of Board members because the international scope of the IASB means that its reach is necessarily very large and the jurisdictions affected very varied. Moreover, it has not been demonstrated that having as many as 16 members interferes with the quality of the reflection and decision process. This, rather than financial considerations, is the only consideration that should be taken into account when one is contemplating a reduction in the size.

The IASB must maintain a high level of quality if it wants to achieve global adhesion and obtain more financing.

If the number of Board members were nevertheless to be decreased, we would be opposed to a reduction in the number of mandates allocated to Europe given its strong involvement in IFRS. Following the logic of representation based on "funding and applying IFRS" promoted above, we believe that any decrease should be counted against the representatives of United States.

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

We are not in favour of extending the term of reappointment since this would lead to the risk of having Board members too disconnected from the pre-requisite «recent practical experience» if they have been absent from this for too long.

**Q14 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?**

We believe that it is unsustainable that some jurisdictions that should be involved in the funding process do not fully assume their responsibilities and 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 representation.

We also believe that our proposals concerning the representation criteria (funding and applying IFRS) should help Monitoring Board in its mission of recovering funds.