



Trustees of the IFRS Foundation
IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

11 June 2011

Dear Sirs,

We are writing to express our concerns about the process applied by the Due Process Oversight Committee (DPOC) with respect to the process followed when the IASB developed IFRS 11. We raised some initial concerns about this point in October 2011 (letter enclosed for ease of reference) to which the Chairman of the DPOC responded in late February 2012. In that response, the Chairman explained that he had asked the IASB Staff to report to the DPOC on the matters raised by us. The letter concluded that the DPOC was satisfied with the explanations provided to it by the IASB Staff and that it will review the Due Process Handbook for the IASB, keeping our comments in mind.

We do not want to enter into a further technical debate on the merits of the feedback the IASB Staff provided, except for saying that we are not convinced by several of the points raised by the IASB Staff. In particular, we are of the opinion that the response by the IASB Staff does in our view not adequately address our most significant concern, which is that we believe that the meaning of "other facts and circumstances" could only be fully understood in the educational session shortly before the finalisation of the standard and not by any other official communication before that date.

Having said that, we do want to raise our concerns about how such issues are currently addressed by the DPOC. These concerns are further explained in the appendix to this letter. Overall, we believe that the current document open for public comment with respect to the Due Process Handbook does not address our concerns and that they are of such importance that some immediate changes to the process should be envisaged by the Trustees. We remain at your disposal should you wish to discuss this subject further.

Yours sincerely,

Philippe de Buck



APPENDIX: DUE PROCESS OVERSIGHT COMMITTEE

Public discussions

- First of all, BUSINESSEUROPE believes that the DPOC discussions should more prominently take place in public and that not only the initial request to the Trustees / DPOC but, more importantly, also the outcome of the debate should be made publicly available on the IASB website.

On such important issues as the credibility of the IASB due process, the Trustees should apply highest standards of openness, in order not to impair the process as a whole. Currently such issues are difficult to follow and find on the website (for example, we were not able to find on the website any discussion or outcome of the debate in connection with our letter).

The role of the IASB

- Secondly, BUSINESSEUROPE does not believe that it is appropriate that the IASB Staff is asked to respond to concerns raised on the due process. It is the IASB and not the IASB Staff that is responsible for issuing new accounting standards or interpretations and, therefore, any concerns with respect to the way in which such accounting pronouncements were developed and published need to be answered by the IASB itself and not its staff. If in fact the IASB Staff is the relevant and appropriate body to respond to such concerns, then we believe that the IASB needs to make that point clearer in its Due Process Handbook and Constitution and to the public. Even though we would then wonder what role the Board actually plays in the overall process.

In particular, BUSINESSEUROPE believes that the IASB has to respond to questions on how the concerns raised by constituents were addressed in its re-deliberations of exposure drafts and why the IASB (and not the Staff) eventually concluded in the way that the final pronouncement reads. While we appreciate that the detailed work on the comment letters is naturally done by the Staff, it is the IASB's responsibility to ensure that comments are appropriately taken into account.

BUSINESSEUROPE therefore disagrees with the current practice that the Feedback Statements and Effect Analyses are not formally approved by the Board. Our concern is not that we were not able to identify by whom the Feedback Statements are issued, but that we believe that it is not the responsibility of the IASB Staff. We regret to see that seemingly the DPOC holds a different view on this, especially in view of the fact that both documents are required by the Due Process Handbook. We will raise this concern during the handbook review. In this connection, we would like to point out that we continue to think that the IASB needs to have a more robust process in place to conclude on the necessity, or otherwise, of re-exposure.

Confidentiality

- Finally, the Chairman of the DPOC indicates that the Board and the Staff have struggled to ensure that they have a transparent process while respecting the need to maintain confidentiality, sometimes being required to sign confidentiality agreements. We understand this concern, as some of our members have participated in the outreach activities and have probably asked the Staff to sign such agreements.

However, it was not our ability to participate in any outreach activity which was our concern, and the DPOC response letter therefore misses our point which is unease with the role outreach activities have in the due process. Our recurring observation is that it is usually not clear what conclusions have been drawn from these activities and on what basis. It is consequently impossible for a constituent to react on a timely basis and provide a contradictory or balancing view when a constituent believes that the facts and conclusions drawn from the outreach activities are inappropriate.

BUSINESSEUROPE believes that, notwithstanding the concerns about confidentiality, it is essential that the outreach activities be as transparent a part of the due process as any other, and it should be possible for the substance and conclusions drawn to be explained without endangering participants' legitimate concerns about confidentiality.

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