

AGENDA [04 October 2017]
Date **17-18 October 2017**
Location **THE HILTON TOWER BRIDGE**
 5 More London Place
 Tooley Street
 London SE1 2BY

Tuesday 17 October

| Time UK | Agenda number | Agenda item | Presenters |
|-------------|---------------|--|--|
| 09:15-09:45 | - | Welcome and Chairman's preview | Joanna Perry |
| 09:45-10:30 | 1 | The effect of technology on the future of accounting and corporate reporting | Antony Jenkins, Founder and Executive Chair, 10X Future Technologies |
| 10:30-10:45 | | Coffee break | |
| 10:45-11:00 | 1 | Tee up for technology break-out sessions | Joanna Perry |
| 11:00-12:15 | 1 | Break-out discussion on the effect of technology | Council members |
| 12:15-12:45 | 2 | Member communication: The IFRS Foundation and the Basel Committee | Toshio Tsuiki |
| 12:45-14:00 | | Lunch | |
| 14:00-14:45 | 1 | Effect of Technology: Panel discussion | Breakout group chairs |
| 14:45-15:45 | 3 | Board and IFRS Foundation activities | Hans Hoogervorst Henry Rees |
| 15:45-16:00 | | Coffee break | |
| 16:00-16:30 | 4 | Trustee activities | Sir Callum McCarthy, Richard Thorpe, Samantha Sergeant |
| 16:30-17:15 | 5 | Better communication | Rachel Knubley |

AGENDA [04 October 2017]

Date 17-18 October 2017

Location **THE HILTON TOWER BRIDGE**
5 More London Place
Tooley Street
London SE1 2BY**Wednesday 18 October**

| Time UK | Agenda number | Agenda item | Presenters |
|-------------|---------------|---|--------------|
| 10:45-11:30 | 7 | IFRS 17 <i>Insurance Contracts</i> | Steve Cooper |
| 11:30-12:00 | 8 | IFRS 17 Transition Resource Group (TRG) | Joanna Yeoh |
| 12.00-12.15 | - | Sum up discussions | Joanna Perry |

AGENDA PAPER

IFRS® Advisory Council



London September 2017

Agenda paper 1

Cover note:

The Effect of Technology on the Future of Accounting and Corporate Reporting

The effect of technology—a speech by Antony Jenkins(Agenda Paper 1A)

We are very privileged to have Antony Jenkins share his thoughts with us on this very strategic matter which is so core to accounting, corporate reporting and to everything that we do at the IFRS® Foundation. I'm not sure exactly what Antony will cover in his speech, but he has promised to be provocative! I am looking forward to his session and to the subsequent discussion.

Antony will also be conducting a Q&A session. This is the first discussion session of the meeting so you may want to think about any questions for him in advance of the meeting. Let me know if you have some good questions to ask!

The effect of technology on the future of accounting and corporate reporting is a topical and quickly evolving topic. Some of you may be aware that Hans Hoogervorst, Chairman of the IASB, has addressed this topic recently in his speech on 18 September to Accountancy Europe. Hans's speech on this topic is available on our website:

<http://www.ifrs.org/news-and-events/2017/09/iasb-chairmans-speech-the-times-the-are-achangin/>

The break out slides (Agenda Paper 1B)

In order to provide some food for thought in our discussions, I've drafted some slides for Joanna to take us through as she tee's up the break out sessions.

The four questions we will ask the break out groups to consider are:

1. How is financial reporting affected by the proliferation of data?
2. How can the market prepare for open accessibility?
3. What effect will automation have on the information supply chain?
4. Should changes to risk and technology affect our standard-setting?

The bullet points accompanying each question in the slides are there to prompt some lines of thought. The points raised are not meant to limit your thoughts or to push them in one direction rather than another. They are meant to provide context to what can be a complex and bewildering subject.

This is an important and topical matter for the Foundation and your strategic thinking around this topic will be valuable input for the Foundation. I would encourage you to consider the points raised and discuss the questions posed within your own organisation before attending the meeting so that we obtain the widest and best informed range of input possible.

Kind regards

April

AGENDA PAPER

IFRS® Advisory Council



London September 2017

Agenda paper 1A

The Effect of Technology on the Future of Accounting and Corporate Reporting

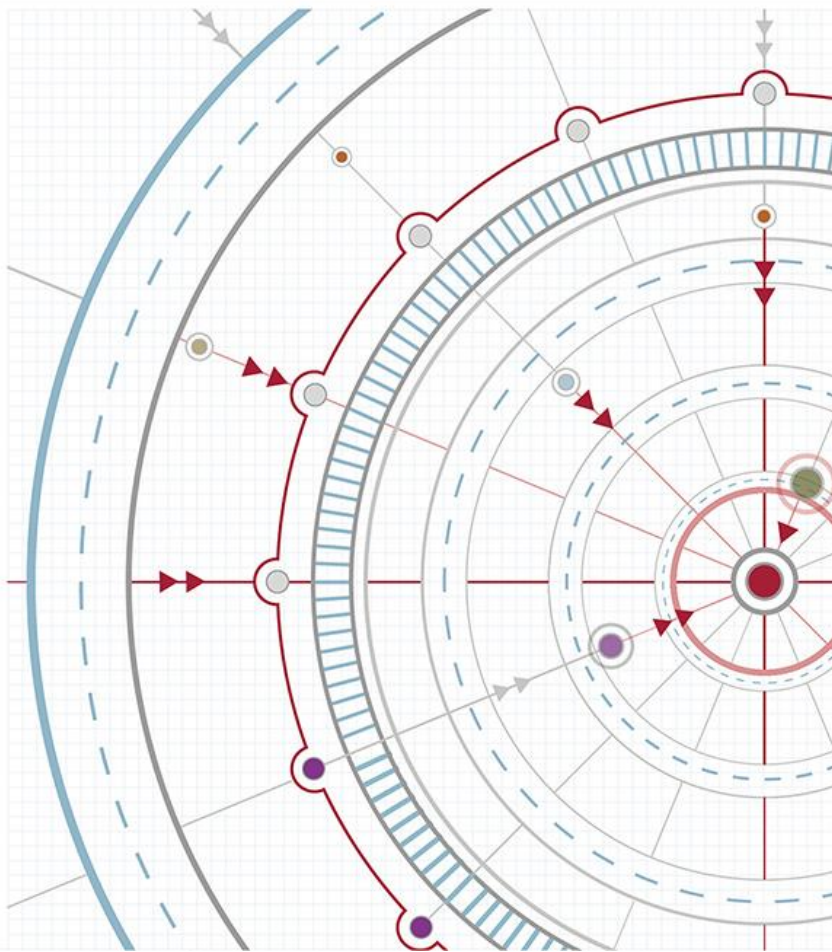


Antony Jenkins is Founder and Executive Chair of 10x Future Technologies Ltd, a company that promises to redefine how banks operate and engage with customers. Antony's focus on driving innovation in the digital economy also extends to his role as Group Chairman of Currencies Direct, the leading UK non-bank provider of foreign exchange and international payment services and his role as board member of Blockchain, the world's leading software platform for digital assets. He sits on the Digital Advisory Council of Fannie Mae and is a member of the Consultative Working Group of ESMA.

Antony is a strong believer in the need for businesses to support the future workforce to acquire the right skills to thrive in the digital era; his commitment to mobilising ethical and responsible business practices is recognised in his role as Chairman of Business in the Community, the Prince of Wales' responsible business network, and Chair of the Institute for Apprenticeships, an organisation established to promote high quality apprenticeships by 2020.

He was previously the Group CEO of Barclays plc for three years until July 2015.

Antony holds an MA from the University of Oxford and an MBA from Cranfield.



Effect of technology on the future of accounting and corporate reporting

IFRS Advisory Council
October 2017

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

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- Many aspects of technological change will affect the future of accounting and corporate reporting
 - the availability of Big Data
 - Blockchain and the accessibility of data
 - automation of work knowledge
- Each of these can have an effect on risk
- Technology can affect all aspects of the information supply chain
 - preparation
 - delivery
 - analysis

- Can be read, analysed and assimilated in vast quantities electronically
- Includes emails, social media, mobile data and websites
- Provides useful correlations between data
- But is not structured....

2012 Davos: 'Data is a new class of economic asset'

- Much more data available
 - non-GAAP data proliferates
 - individual entity's business model is emphasised
- Automated analysis supports making use of more data
 - makes disclosure overload less significant
 - frees up investors for research, not number crunching
- Could reduce the level playing field
 - sophisticated investors have access to more data
 - are smaller investors at a disadvantage?

Q1 How is financial reporting affected by the proliferation of data?

- How does Big Data affect financial reporting?
 - how should Big Data, the IFRS taxonomy and financial reporting interact?
 - what is the role of data warehouses and amalgamators?
- What is the future of the annual report?
 - the more information, the greater the need for comparability, standardisation and quality control
 - the annual report represents a reality check

Q1 How is financial reporting affected by the proliferation of data? *continued*

- Will annual compliance information, investor information and annual reports separate?
 - investor information could be based on real time Big Data, statutory/ prudential compliance activities based more on financial reporting?

- Blockchain is made up of decentralised ledgers, maintained across a network of computers ('cloud computing')
 - if both parties agree, could lead to open book accounting
- Information in Blockchain is locked
 - the data is not subject to manipulation, but is not necessarily correct
- The assurance level attached to the data is not clear to the reader

Effect of Blockchain and open accessibility

- Open book accounting is currently restricted to limited customers and their suppliers
 - could be open to all, including investors
- What effect could open accessibility have on IT platforms
 - unknown at present
 - eg can filtering be standardised?
- People may expect real-time updates
 - but some transactions are difficult to assess in real time eg business combinations

Q2 How can the market prepare for open accessibility?

- If some users have a comparative advantage in accessing information (ie sophisticated investors could derive real time updates; others would rely on formal reports) then what are the implications for:
 - efficiently priced securities in equity markets
 - a level playing field for investors
- Do you have any suggestions for balancing the efficiency of the market with a level playing field for all?

Q2 How can the market prepare for open accessibility? *continued*

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- Would investors use more granular information about individual transactions?
 - cost of equity/ growth rate/ earnings/ cash flow (ie amalgamated figures) principally used to decide share price
- What assurance levels can be provided on data?
- How should users control updates to data that is constantly changing?

- Many processes are being standardised or automated, including the automation of work knowledge, eg
 - standard audit programmes
 - compliance and reporting checklists
- Automated audit processes include sample choice, detection of suspicious transactions, journal testing
- Robotics, data analytics, artificial intelligence leave humans to provide professional scepticism and judgement

- Automation could give rise to 100% sampling for any compliance testing
- But automation of work knowledge deprives individuals of the opportunity to develop their own professional judgement
- Automation combined with open accessibility could also lead to automation of trading activities
 - eg financial instruments, commodities or exchange transactions

Q3 What effect will automation have on the information supply chain?

- How do you account for autotraded activities?
 - will autotrading affect the unit of account used when applying our standards?
 - what effect will autotrading have on risk?
- As automation takes over simpler tasks, how will novice accountants, regulators and analysts build experience? How do you apply judgement if the simple tasks that build that experience are automated?
 - how can stakeholders address this?
 - what potential have we to support building the capacity for judgment?

- The effect of Big Data is to remove much systemic risk through cross-verification
 - eg credit risk can be reduced because of increased checks
- Some risk is increased due to increased volatility as information changes at an increased rate
- Is there a risk of automated trading creating a self-reinforcing price direction?
- Risk may also be decentralised
 - eg the financial industries supply chain has been disrupted by non-bank lending

Q4 Should changes to risk and technology affect our standard-setting?

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- Should the way that entities transact and report transactions affect how we develop our standards?
 - eg will more transactions need to be assessed on a portfolio basis?
- Will technology make reporting riskier?
 - will Big Data need to be reconciled to financial statements?
- How can you limit market volatility if misinformation is reported, or derived, from unregulated information?
 - how can you control price-sensitive Big Data?

Contact us

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Comment on our work



go.ifrs.org/comment

AGENDA PAPER



IFRS® Advisory Council

London October 2017

Agenda Paper 4

Update on Trustee Activities

At the Advisory Council meeting, Sir Callum McCarthy and Richard Thorpe will give an update on the Trustees' activities in the last six months and provide a look forward to the November meeting of the Trustees.

For background information, the published minutes of the last meeting of the Trustees and the most recent report of the Due Process Oversight Committee are included below.

Minutes of the Trustees' Meeting

1. Introduction

The IFRS Foundation (Foundation) Trustees met in Tokyo 23–24 May 2017. Michel Prada chaired the meeting.

2. Report of the Trustees' executive session

2.1 Strategic Work Plan 2017

The Trustees received a report on the Foundation's progress on the work plan.

Trustees discussed:

- the SEC's recent announcement that foreign private issuers would be required to file electronic reports using the IFRS Taxonomy. It was agreed that this was an important development, and noted that the SEC and ESMA were cooperating on implementation of the Taxonomy.
- the Memorandum of Understanding with the World Bank, published on 12 May 2017. The MOU represents a strategic opportunity for enhanced cooperation between the two organisations, and will help the Foundation to support the needs of smaller developing economies.
- other operational and strategic considerations about funding and about the Foundation's intellectual property.

The report also highlighted:

- progress on the Foundation's engagement strategy with investors;

- progress on communicating how the Foundation responds to implementation and application questions about IFRS Standards and the work of the IFRS Interpretations Committee (see also item 3.3 below);
- educational activities; and
- updates on work promoting full adoption of IFRS Standards in some jurisdictions.

2.2 Financial stability and the role of accounting standards

As part of their work on wider strategy, the Trustees received a presentation on the interaction between IFRS Standards and financial stability. The presentation highlighted the importance of high-quality disclosures as mitigants for threats to stability.

2.3 The Foundation's location

The Trustees reaffirmed their view that the Foundation should remain in London in the short to medium-term and to reassess when the position in the UK is clearer. They also agreed that staff should continue to engage with UK authorities with a view to delivering the best outcome for the Foundation. The Trustees also agreed on a mechanism for providing support and advice to the staff on negotiations during the months when there are neither full Trustees meetings nor meetings of the Audit and Finance Committee.

2.4 Reputation review

The Trustees received a presentation on the Reputation Review, a survey commissioned from the company, Ebiquity. The survey sought views about the Foundation and its work from a range of senior stakeholders, via 50 telephone interviews and 58 online surveys. The results were positive, particularly when compared with other similar organisations. In discussion, the Trustees noted the importance of engaging with investors and other users of IFRS Standards. The Trustees agreed that the results of the survey should be published and that the staff should develop an action plan to respond to survey findings for consideration at their next meeting.

2.5 Other issues

The Trustees were updated on a number of issues including:

- progress on delivering the International Priorities Strategy and the venues for Trustee meetings in 2018 (which will be held in Hong Kong, London and Johannesburg);
- the work of the Asia Oceania Office; and
- a presentation on the Foundation's new website.

2.6 Committee reports

The Trustees received reports from a number of Committees (the Due Process Oversight Committee met in public and the report of the meeting is below).

AGENDA PAPER

IFRS® Advisory Council



London October 2017

Agenda Paper 4

Update on Trustee Activities

- The Executive Committee was updated on funding matters, the proposed office move, and staffing arrangements.
- The Audit and Finance Committee reviewed the April 2017 results against budget, which showed net income exceeded budget, largely because of timing issues at the beginning of the financial year (i.e. amounts are not received evenly over the course of the year) and exchange gains on contributions received. The Committee also received updates on the work of the Risk Group and the Hedging and Investment subcommittee. The Committee agreed the process for completing and submitting the US Form 990, which is required by the US Internal Revenue Service. The Committee discussed progress on the Foundation's objective of building an unrestricted fund balance to an amount greater than one year of operating expenditure. The Committee agreed that it would be appropriate to consider increasing the balance to allow for increased costs on key issues including the proposed office move and technology enhancements.
- The Human Capital Committee discussed the outcome of the 2017 remuneration review and the Investors in People accreditation report.

3. Report of the IASB Chair

Hans Hoogervorst, the chairman of the International Accounting Standards Board (Board) reported on its recent technical activities.

3.1 Technical work overview

- The Board issued IFRS 17 *Insurance Contracts* on 18 May 2017. This is the first truly global insurance standard, developed to help investors and others to understand insurers' risk exposure, profitability and financial position (see paragraph 3.4). The Trustees discussed the work of supporting, endorsing and implementing the Standard as well as the importance of getting support from investors.
- Balloting is underway, and the Board is expected to issue the revised *Conceptual Framework for Financial Reporting* later in 2017.
- The Board published the Discussion Paper, *Disclosure Initiative -Principles of Disclosure* in March 2017 with a comment period open until October 2017, as a first step in its Better Communication in Financial Reporting initiative. The Board is also close to finalising a Materiality Practice Statement and publishing the Exposure

Draft Definition of Material Information. The Board also started technical discussions on the Primary Financial Statements project.

- The Board plans to publish a Discussion Paper on Financial Instruments with Characteristics of Equity later in the year.

3.2 Wider corporate reporting

The Board is continuing to work on how to take a more active role in wider corporate reporting. Such work could involve a research project to investigate revising and updating the non-mandatory IFRS Practice Statement *Management Commentary*.

3.3 Supporting implementation

The Trustees were updated on the work of the Board on supporting implementation of the Standards and in particular the steps being taken to improve communication of the work of the IFRS Interpretations Committee in dealing with implementation and application questions.

3.4 Update on IFRS 17 *Insurance Contracts*

Sue Lloyd, the Vice-Chair of the Board, presented on the issuance of IFRS 17 and the key communication messages. Trustees noted the importance of preparers making clear disclosures about the effect of the new standard during the period of transition to full implementation. They also noted the importance of engagement with investors.

4. Meeting with the Asian-Oceanian Standard Setters Group (AOSSG)

The Trustees met with AOSSG to discuss mutual support and collaboration between the members of the AOSSG and the IFRS Foundation. The Trustees thanked the AOSSG members for their participation and reaffirmed their strong support for the AOSSG in their work.

5. Meetings in Tokyo

The Trustees held a panel discussion and stakeholder event entitled *Constructive Dialogue between Preparers of Financial Statement and Investors* in conjunction with the Japanese Financial Accounting Standards Foundation and the Accounting Standards Board of Japan. The Deputy Prime Minister of Japan, Mr Taro Aso, delivered welcoming remarks, which focused on the ongoing work to develop the constructive dialogue between companies and investors in Japan — and how accounting standards contribute to this dialogue.

Report of the IFRS Foundation® Due Process Oversight Committee meeting May 2017

This was the third meeting of the DPOC to be open to the public, and the recording of the meeting is available on the IFRS Foundation website. The key issues in the public session were as follows.

1. Update on technical activities

The DPOC received an update on technical activities, and a report on the due process actions for International Accounting Standards Board (Board) projects. They noted in particular that the Exposure Draft for a narrow-scope amendment to IFRS 9 (Prepayment features with Negative Compensation), for which the DPOC approved a comment period of no less than 30 days at its January 2017 meeting, had been published in April. The DPOC confirmed the Board's decision not to publish a draft Interpretation that had been proposed by the IFRS Interpretations Committee to address modifications and exchanges of financial liabilities. The Board's rationale was that there is sufficient guidance in the Standard and, hence, that it was not necessary to issue an Interpretation. The DPOC noted that the Board's decision was consistent with the requirements in the *Due Process Handbook* [which specify that a draft Interpretation is not published if four or more Board members object to its publication].

The DPOC confirmed that it was satisfied that all projects are proceeding in a manner consistent with the requirements of the *Due Process Handbook*.

2. Implementation activities for the Insurance Contracts Standard

The DPOC received a report on progress on the Board's planned implementation activities for IFRS 17 *Insurance Contracts* since the Committee's January meeting. They were updated on the plans for a transition resource group (TRG), which will provide a public forum that will support implementation of the Standard and inform the Board of emerging implementation questions. They noted that the TRG would be drawn from preparers and auditors who are involved in the process of implementing IFRS17, and that the group will be selected to provide a geographic spread of members and inclusion of members that have access to a range of views. In discussion staff explained that it was not planned to include investors in the TRG

membership, as focus is on those involved in detailed implementation issues. However, it was acknowledged that investors are important stakeholders in the process of understanding and implementing the Standard, and staff confirmed that plans were underway to engage with them in parallel with the TRG work. DPOC members also emphasised the importance of TRG members having a role in leadership and influence over consistent implementation of the Standard.

The DPOC commended the work underway to develop an inclusive approach to promote consistent implementation.

3. Conceptual Framework project: due process ‘lifecycle’ review

The DPOC received a presentation on the due process steps completed in the Conceptual Framework that demonstrated that the Board complied with the requirements of the *Due Process Handbook* through the work done to complete the project. The Committee noted the topics that had been particularly challenging and controversial, and the work the Board had done to consult and consider stakeholders’ views. The DPOC also noted the Board’s approach to providing feedback on key elements of the project, and the challenges of undertaking effects analyses on a project that did not directly affect Standards.

The DPOC commended the rigour of the papers and the approach taken by the Board and confirmed that:

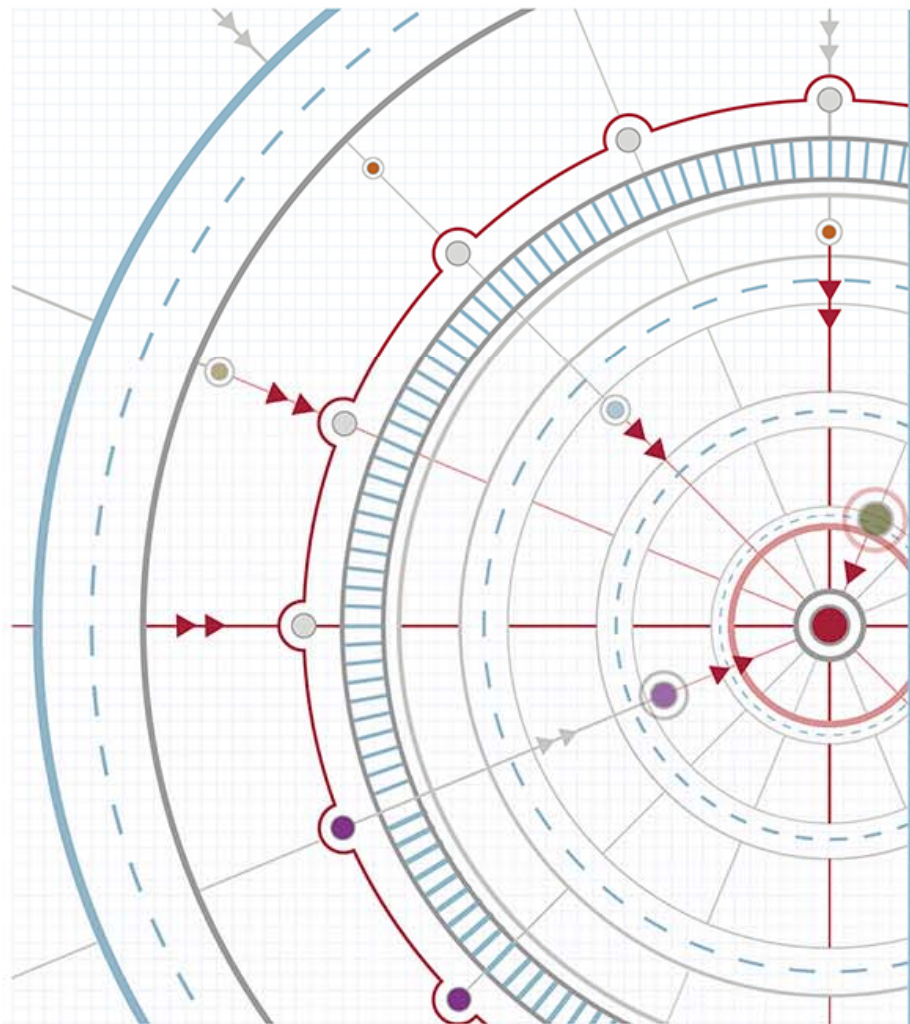
- a) All necessary due process steps had been followed for developing the *Conceptual Framework* and *References to the Conceptual Framework*; and
- b) The Committee’s review of due process on the Conceptual Framework is now complete.

4. Correspondence

It was confirmed that no correspondence requiring the DPOC’s attention had been received.

5. SME Implementation Group (SMEIG): proposed reappointments for second term

The Chair explained that the DPOC had discussed and approved the proposed reappointment of SMEIG members in the Committee’s private session because the paper had included details of the proposed members. He indicated that the paper would be posted on the Foundation’s website with the papers for the meeting but with the names of the members omitted.



Disclosure Initiative

Better Communication in Financial Reporting

IFRS Advisory Council meeting
October 2017

Mariela Isern, Senior Technical Manager

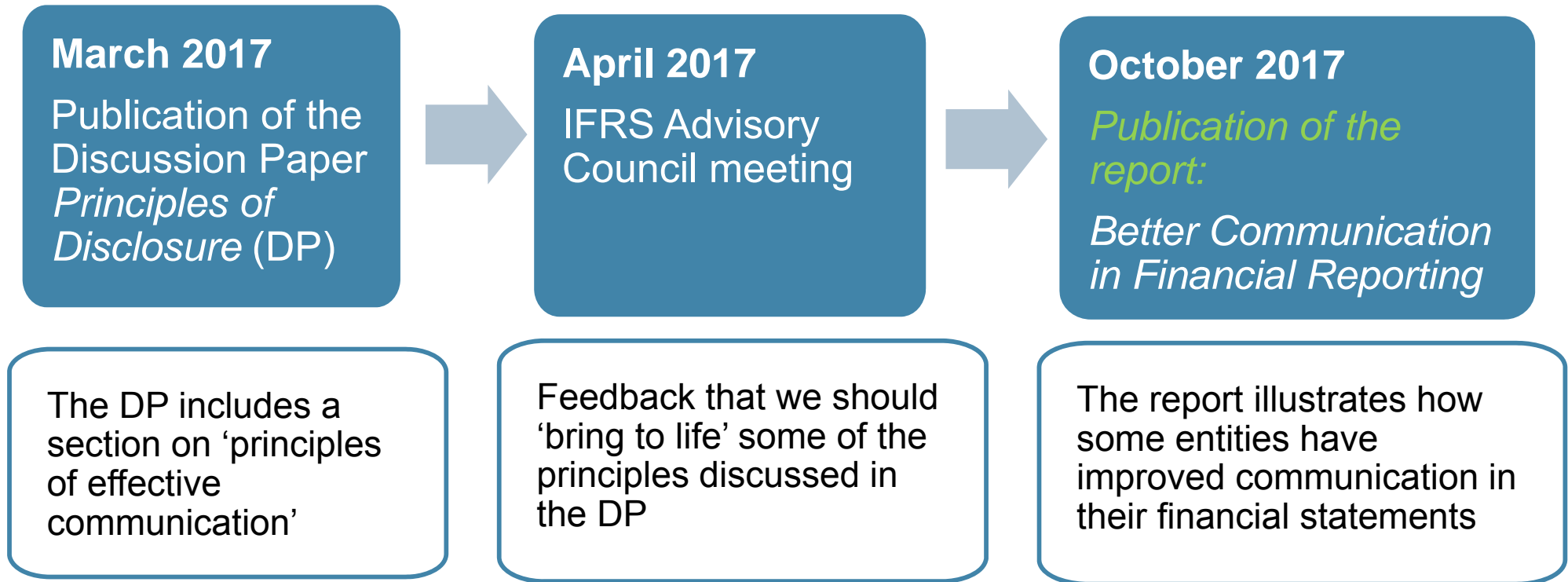
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Agenda

- Purpose of this session
- The report
- Principles of effective communication
- The data used
- Making improvements
- Factors for making improvements
- Questions for Advisory Council members

Purpose of this session

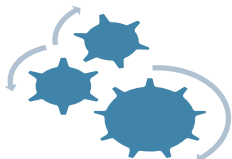


The purpose of this session is to inform you about the report, due to be published on the web site in October, and ask you to raise awareness of the report in your jurisdiction

All Council members will receive an alert when the report is published.

The report

- Purpose of the report is to:
 - demonstrate that better communication is possible; and
 - to inspire other entities to improve communication.
- The report focuses on the application of the seven principles of effective communication. The report:
 - shows how entities disclosed information *before* and *after* enhancing their communication in financial statements; and
 - describes how entities improved the way they communicate (the process).



- Communication can be more effective if information is:¹
 - **entity-specific**—tailoring information to the entity’s own circumstances.
 - **simple and direct**—using simple descriptions and sentence structures without omitting useful information.
 - **organised**—ranking pieces of information to help users understand their importance.
 - **linked**—helping readers understand the relationships between pieces of information.

¹The principles of effective communication listed in the appendix are proposed in the Discussion Paper *Disclosure Initiative—Principles of Disclosure*.

- Communication can be more effective if information is:
 - **formatted**—selecting a suitable format for the type of information entities provide (for example: bullet point listings could replace narrative texts or tables could be the preferred format for disclosing data intensive information).
 - **free of duplication**—avoiding unnecessary duplication that obscures communication.
 - **comparable**—disclosing information in a way that enhances comparability among entities and across reporting periods without compromising its usefulness.

The data used

- We used 6 entities as case studies.
- We identified entities by:
 - asking the members of the Accounting Standards Advisory Forum (ASAF) for recommendations; and
 - consulting specialised publications dealing with disclosure effectiveness.
- In developing the report:
 - we analysed financial statements; and
 - discussed the improvements with the entities.

Making improvements

- Relatively small improvements can significantly enhance usefulness
- In many cases the most difficult step was starting the process
- Regulators and auditors also have a role to play
- We identified key factors for making improvements in communication, split between factors involving external parties and those involving internal parties

Factors for making improvements

Involving external parties

Consulting the right stakeholder groups

Meeting the information needs of the investors

Support from auditors, regulators and national standard-setters

Involving internal parties

Support from senior management

Changing attitudes: communication not compliance




Setting realistic goals

Collaboration between staff members from different departments


Questions for Advisory Council members

- Do you have any suggestions about how we can raise awareness of this report to promote effective communication in financial statements?
- Do you have any additional questions or comments on the report?


Keep up to date

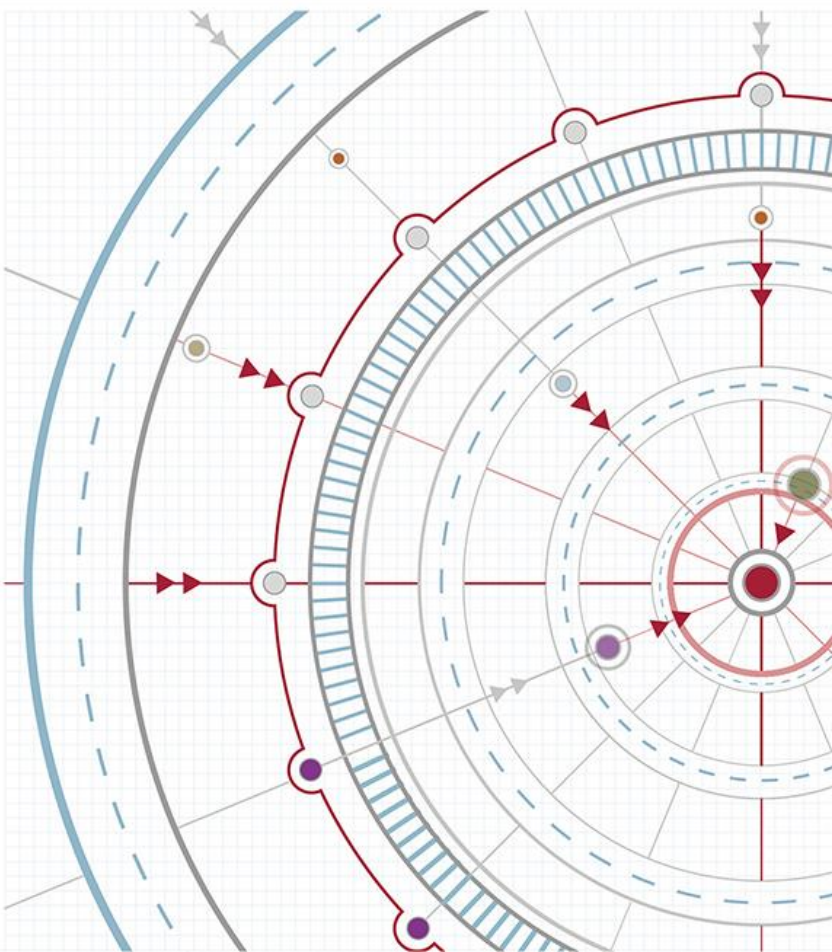
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IFRS 17

Insurance Contracts

How IFRS 17 works and
what this means

IFRS Advisory Council, October 2017

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (Board) or IFRS Foundation.


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Today's agenda

- What changes
- How IFRS 17 works
- Applying IFRS 17 for the first time
- Investors reactions to IFRS 17
- Appendix—insurance service result




What changes



One

accounting model for all insurance contracts in all IFRS jurisdictions—replaces IFRS 4



Who is affected?



450
listed insurers
using IFRS
Standards



\$13 trillion
total assets of
those listed
insurers

When?



2021
mandatory
effective date of
IFRS 17

What changes?



More
useful and
transparent
information



Better
information
about profitability

Main improvements introduced

5

More useful
and
transparent
information

- Current assumptions regularly updated
- Options and guarantees fully reflected
- Discount rates reflect characteristics of the insurance liability

Consistent
recognition of
revenue and
profits for
insurance
services

- Revenue recognition more consistent with other IFRS Standards
- Profits recognised as the insurance coverage is provided
- Additional metrics to evaluate performance

Improved performance reporting

| IFRS 4* |
|--|
| Premiums |
| Investment income |
| Incurred claims and expenses |
| Change in insurance contract liabilities |
| Profit or loss |



Cash based and includes collection of deposits. Inconsistent with other industries



Confusing adjustment that incorporates multiple factors

| IFRS 17 | |
|--|--------------|
| Insurance revenue | 9,856 |
| Incurred claims and expenses | (8,621) |
| Insurance service result | 1,235 |
| Investment income | 7,787 |
| Insurance finance expenses | (7,391) |
| Net financial result | 396 |
| Profit or loss | 1,631 |
| Other comprehensive income | |
| Investment income | 2,115 |
| Insurance finance expenses (<i>optional</i>) | (1,917) |
| Total other comprehensive income | 198 |
| Comprehensive income | 1,829 |



Recognised when earned. Excludes deposits



Two drivers of profits presented separately



Changes in financial assumptions do not affect insurance service result

(*) Common presentation in the statement of comprehensive income in applying IFRS 4

Insurance liabilities properly measured

Transparent costs of options and guarantees

Updated information on risk margins

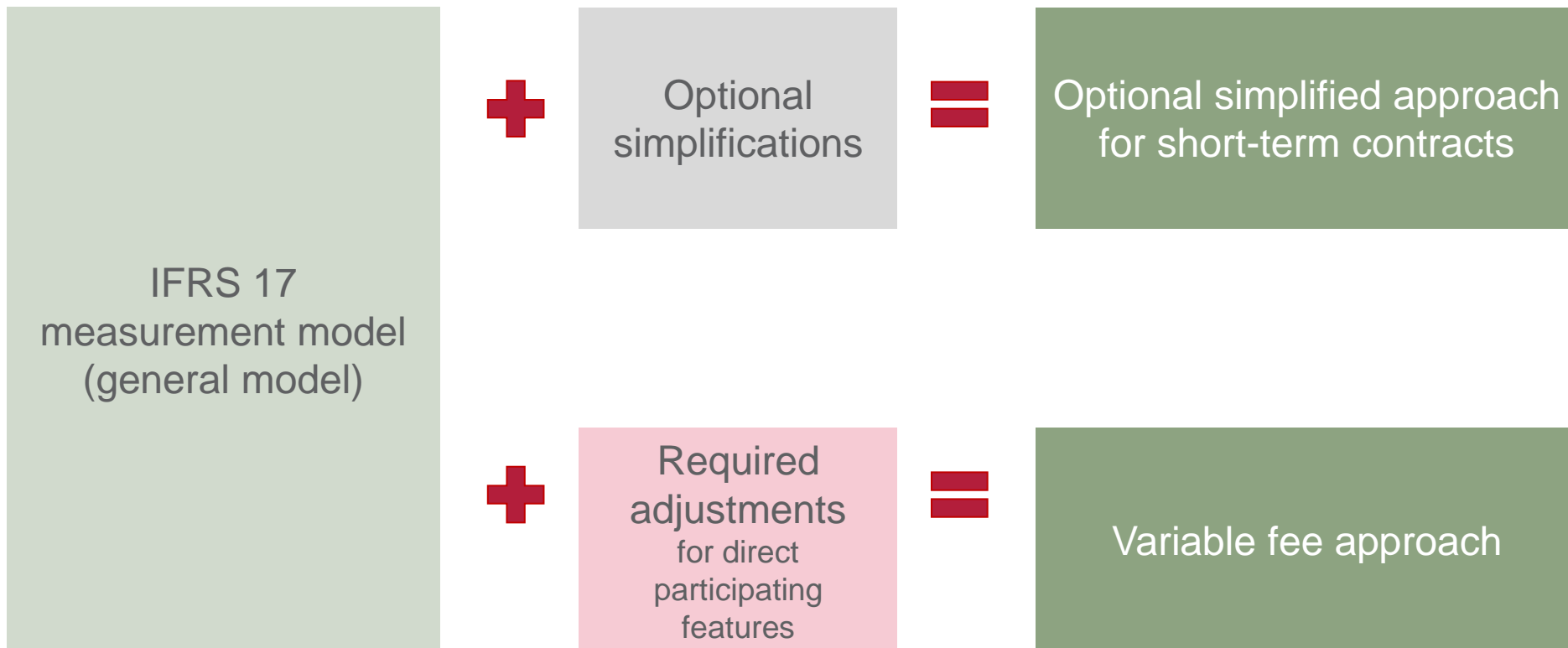
Immediate recognition of onerous contracts

Ends up-front profit taking

Better information on profitability trends

How IFRS 17 works

One measurement model



Typical existing Balance Sheet

10

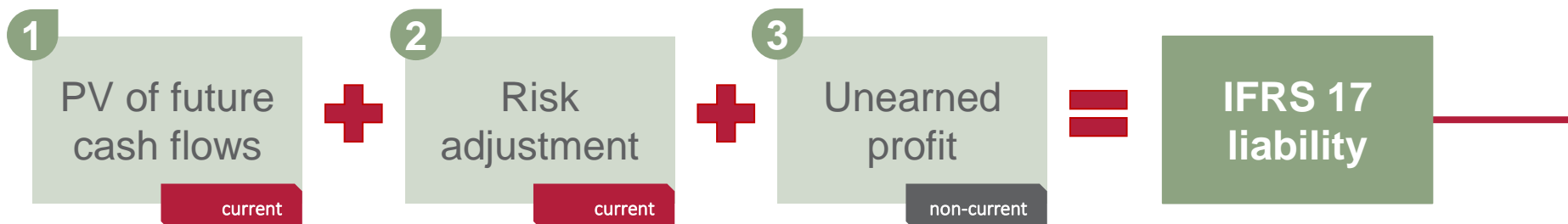
| Balance sheet | 20X1 | 20X0 |
|-------------------------------------|----------------|----------------|
| Financial assets | 226,297 | 196,700 |
| Deferred acquisition costs | 8,083 | 8,941 |
| Premiums receivable | 2,798 | 2,582 |
| Other assets | 34,467 | 31,293 |
| Total assets | 271,645 | 239,516 |
| Insurance contract liabilities | 211,010 | 185,545 |
| Unearned premiums | 5,595 | 4,796 |
| Other liabilities | 30,859 | 26,823 |
| Equity | 24,181 | 22,352 |
| Total liabilities and equity | 271,645 | 239,516 |

Multiple line items, inconsistent terminology and inconsistent measurement, difficult to understand changes

IFRS 17 Balance Sheet

11

| Balance sheet | 20X1 | 20X0 |
|-------------------------------------|----------------|----------------|
| Financial assets | 226,297 | 196,700 |
| Other assets | 34,467 | 31,293 |
| Total assets | 260,764 | 227,993 |
| Insurance contract liabilities | 205,724 | 178,818 |
| Other liabilities | 30,859 | 26,823 |
| Equity | 24,181 | 22,352 |
| Total liabilities and equity | 260,764 | 227,993 |



Insurance contract liability roll forward

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| | Estimates of the present value of future cash flows | Risk adjustment | Contractual service margin | Liability |
|--|---|-----------------|----------------------------|-----------|
| BEGINNING OF PERIOD | 163,962 | 5,998 | 8,858 | 178,818 |
| <i>Changes related to:</i> | | | | |
| ① - Future service yet to be provided | (784) | 1,117 | (116) | 217 |
| ② - Current service provided in the period | 35 | (604) | (923) | (1,492) |
| ③ - Past service adjustment to past claims | 47 | (7) | - | 40 |
| Insurance service result | (702) | 506 | (1,039) | (1,235) |
| ④ Insurance finance expenses | 9,087 | - | 221 | 9,308 |
| TOTAL CHANGES IN P&L and OCI | 8,385 | 506 | (818) | 8,073 |
| ⑤ CASH FLOWS | 18,833 | - | - | 18,833 |
| END OF PERIOD | 191,180 | 6,504 | 8,040 | 205,724 |

1 Future service—incl. new business

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| | Estimates of the present value of future cash flows | Risk adjustment | Contractual service margin | Liability |
|---|---|-----------------|----------------------------|----------------|
| BEGINNING OF PERIOD | 163,962 | 5,998 | 8,858 | 178,818 |
| <i>Changes related to:</i> | | | | |
| - <i>Future service yet to be provided*</i> | (784) | 1,117 | (116) | 217 |
| <i>New profitable contracts recognised</i> | (2,344) | 969 | 1,375 | - |
| <i>Estimate changes - profitable contracts</i> | 1,452 | 39 | (1,491) | - |
| <i>New onerous contracts recognised</i> | 15 | 108 | - | 123 |
| <i>Estimate changes - onerous contracts</i> | 93 | 1 | - | 94 |
| - <i>Current service provided in the period</i> | 35 | (604) | (923) | (1,492) |
| - <i>Past service – adjustment to past claims</i> | 47 | (7) | - | 40 |
| Insurance service result | (702) | 506 | (1,039) | (1,235) |

Etc ...

* Note: Positive number in total column = increase in liability = loss in P&L

2 Current service—profit recognised

14

| | Estimates of the present value of future cash flows | Risk adjustment | Contractual service margin | Liability |
|--|---|-----------------|----------------------------|-----------|
| BEGINNING OF PERIOD | 163,962 | 5,998 | 8,858 | 178,818 |
| <i>Changes related to:</i> | | | | |
| - Future service yet to be provided | (784) | 1,117 | (116) | 217 |
| - Current service provided in the period | 35 | (604) | (923) | (1,492) |
| Contractual service margin earned | - | - | (923) | (923) |
| Release from risk | - | (604) | - | (604) |
| Experience loss | 35 | - | - | 35 |
| - Past service – adjustment to past claims | 47 | (7) | - | 40 |
| Insurance service result | (702) | 506 | (1,039) | (1,235) |

Etc ...

3 Past service—adjusting past claims

15

| | Estimates of the present value of future cash flows | Risk adjustment | Contractual service margin | Liability |
|--|---|-----------------|----------------------------|-----------|
| BEGINNING OF PERIOD | 163,962 | 5,998 | 8,858 | 178,818 |
| <i>Changes related to:</i> | | | | |
| - Future service yet to be provided | (784) | 1,117 | (116) | 217 |
| - Current service provided in the period | 35 | (604) | (923) | (1,492) |
| - Past service – adjustment to past claims | 47 | (7) | - | 40 |
| Insurance service result | (702) | 506 | (1,039) | (1,235) |

Etc ...

4 Insurance finance expenses

- Discount unwind plus effect of changes in discount rates and other financial assumptions
- Recognise as gain or loss in period; option to present part in OCI

| | Estimates of the present value of future cash flows | Risk adjustment | Contractual service margin | Liability |
|---|---|-----------------|----------------------------|--------------|
| Etc ... | | | | |
| Insurance finance expenses | 9,087 | - | 221 | 9,308 |
| <i>Accretion at historical rate – P&L</i> | <i>7,170</i> | - | <i>221</i> | <i>7,391</i> |
| <i>Assumption changes (P&L or OCI)</i> | <i>1,917</i> | - | - | <i>1,917</i> |
| Etc ... | | | | |

5 Cash flows

- Gross premiums received still reported as part of the liability roll-forward
 - But not in profit and loss as ‘revenue’

| | Estimates of the present value of future cash flows | Risk adjustment | Contractual service margin | Liability |
|---|---|-----------------|----------------------------|-----------|
| Etc ... | | | | |
| Cash flows | 18,833 | | | 18,833 |
| <i>Premiums received</i> | 33,570 | | | 33,570 |
| <i>Claims, benefits and other expenses paid</i> | (14,336) | | | (14,336) |
| <i>Insurance acquisition cash flows</i> | (401) | | | (401) |
| END OF PERIOD | 191,180 | 6,504 | 8,040 | 205,724 |



Applying IFRS 17 for the first time

Applying IFRS 17 for the first time

19

| | 1 PV of future cash flows | 2 Risk adjustment | 3 Unearned profit |
|--|------------------------------|-----------------------------|-----------------------------|
| Existing contracts (eg contracts written before 2020) | ✓ Usual IFRS 17 measurement | ✓ Usual IFRS 17 measurement | ✗ Transitional measures |
| New business (eg contracts written after 2020) | ✓ Usual IFRS 17 measurement | ✓ Usual IFRS 17 measurement | ✓ Usual IFRS 17 measurement |

- Transitional measures (by group of contracts)
 - Full retrospective approach
 - Modified retrospective approach—proxy of full retrospective approach
 - Fair value approach
- Separate disclosures for each transition method



Investors reactions to IFRS 17

What investors think about IFRS 17

21

45 meetings

19 sell side, 12 buy side, 10 mixed groups, 4 credit rating agencies

250 investors and analysts

31% Global, 31% Asia Pacific, 30% Europe, 8% North America,

Areas of support

- Information about insurers' performance
- Consistency with other industries
- Disclosures

Areas of concern

- Company-specific judgements
- Options

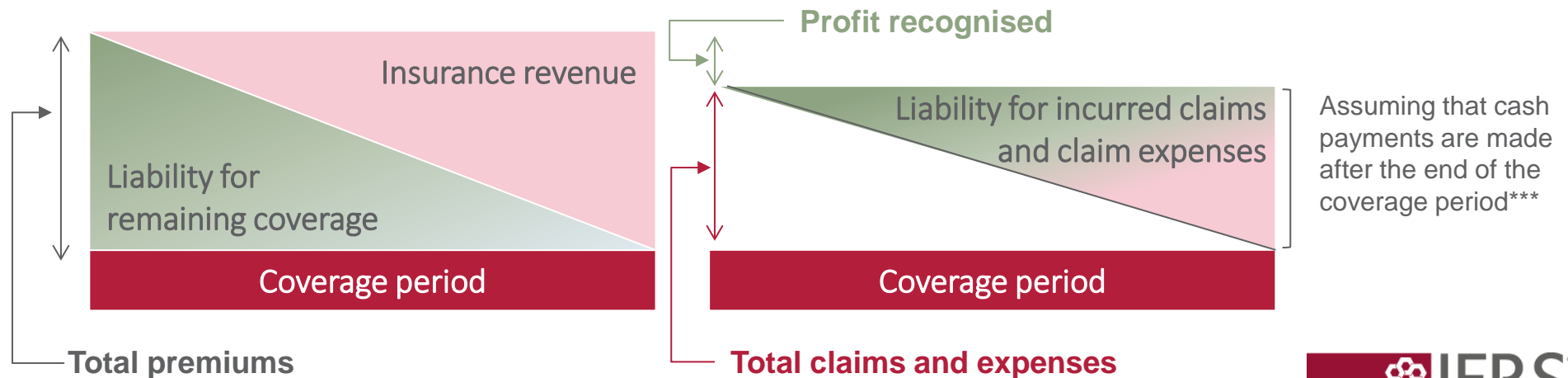
BUT disclosures will help to assess the effects of judgements and options on comparability

Appendix

Presentation of the service result

23

- The insurance service result reflects changes in the insurance liability, but it is presented in P&L as
 - insurance revenue, less
 - insurance service expenses (eg claim expenses)
- Requires the total insurance liability to be split into
 - Liability for remaining coverage
 - Liability for incurred claims



*** Cash payments reduce the liability for incurred claims to zero sometime after the end of the coverage period

Revenue and expenses reconciliation

24

| | Liabilities for remaining coverage | | Liabilities for incurred claims | Total |
|--|---------------------------------------|-----------------------------|---------------------------------|----------|
| | Excluding onerous contracts component | Onerous contracts component | | |
| Insurance contract liabilities 20X0 | 161,938 | 15,859 | 1,021 | 178,818 |
| Insurance revenue | (9,856) | | | (9,856) |
| Insurance service expenses | | | | |
| Claims incurred in the period | | | 7,985 | 7,985 |
| Onerous contracts losses and (reversals) | | (623) | | (623) |
| Insurance acquisition costs expensed | 1,259 | | | 1,259 |
| Investment components | (6,465) | | 6,465 | 0 |
| Insurance service result | (15,062) | (623) | 14,450 | (1,235) |
| Insurance finance expenses | 8,393 | 860 | 55 | 9,308 |
| Total changes in the statement of comprehensive income | (6,669) | 237 | 14,505 | 8,073 |
| Cash flows | | | | |
| Premiums received | 33,570 | | | 33,570 |
| Claims, benefits and other expenses paid | | | (14,336) | (14,336) |
| Insurance acquisition cash flows | (401) | | | (401) |
| Total cash flows | 33,169 | - | (14,336) | 18,833 |
| Insurance contract liabilities 20X1 | 188,438 | 16,096 | 1,190 | 205,724 |

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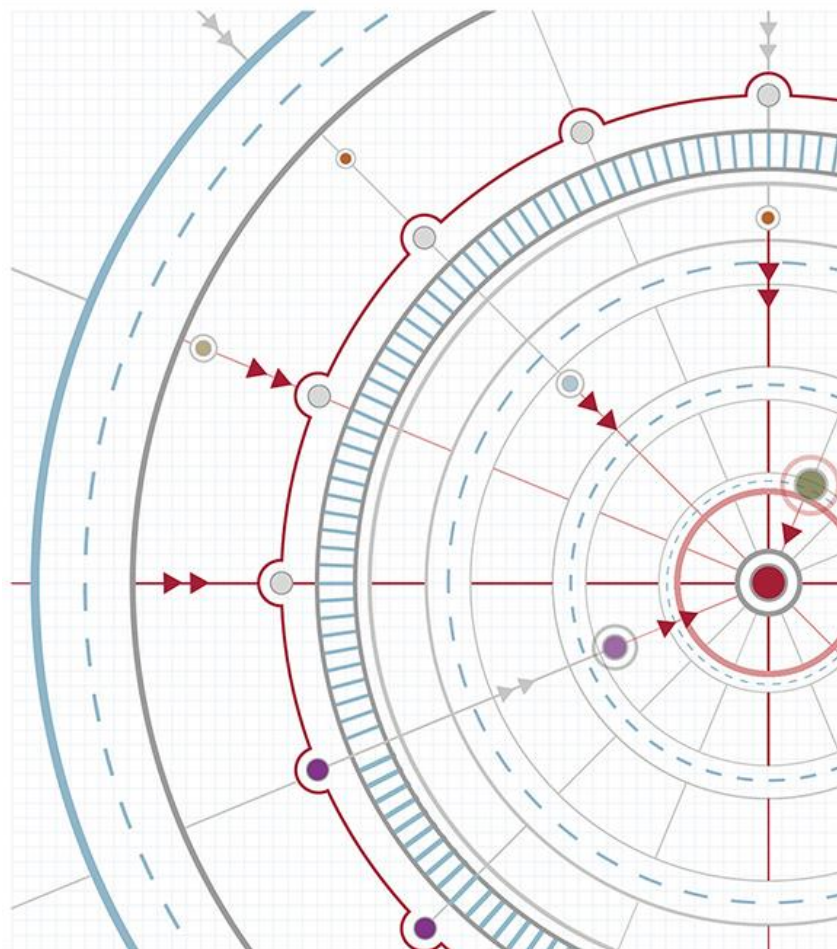


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IFRS 17 Supporting implementation activities

Advisory Council October 2017

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

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- An update on how the IFRS Foundation is supporting the implementation of IFRS 17 *Insurance Contracts*.
 - Background: Advice from the Advisory Council 31 October 2016
 - Plan for supporting implementation
 - Transition resource group

- The Advisory Council at its 31 October 2016 meeting provided advice on supporting implementation of IFRS 17 *Insurance Contracts*
 - a detailed implementation plan should be available at the same time as the Standard itself
 - all available tools for implementation support to be used
 - Transition resource group (TRG)
 - clearly defined scope, emphasis that it is for educational purposes and not to advocate any changes to the standard.
 - take into account the different audiences, actuaries, local legislation, regulators.
 - ensure that the Board collaborates with others providing guidance

How we support IFRS 17 implementation

1. Accompanying materials to IFRS 17
 - Basis for Conclusions
 - Illustrative Examples
2. Supporting implementation materials available on the website
 - 7 webinars as at 21 September
 - Publications
 - Effects analysis
 - Project summary
3. Meetings with stakeholders. For example:
 - Presenting at conferences
 - Informal discussion with stakeholders

How we support IFRS 17 implementation

continued

5

4. Dedicated implementation questions mechanism available via the website
 - Criteria for questions:
 - relate to, or arise from, IFRS 17
 - indicate that IFRS 17 can be applied in different ways that are expected to result in diversity in practice
 - are expected to be relevant to a wide range of stakeholders
 - Submitted questions will be evaluated to assess whether further support might be needed. For example:
 - Webinar
 - Discussing the question at a future transition resource group meeting

Further information about implementation support is available at go.ifrs.org/IFRS-17-implementation.

How we support IFRS 17 implementation

6

5. Transition resource group IFRS 17 (TRG)
 - Publicly available TRG papers and meeting summary
 - Public meetings
6. Investor meetings
 - Ongoing discussions to illustrate the information that IFRS 17 will provide to investors and analysts compared to today

45 meetings*

19 sell side, 12 buy side, 10 mixed groups, 4 credit rating agencies

250 investors and analysts*

31% Global, 31% Asia Pacific, 30% Europe, 8% North America

* Between May and September 2017

IASB implementation support—overview

| May 2017 | 3.5 years | | | 2021 | |
|-------------------------|--|--|--|--|------|
| Issue of IFRS 17 | Support implementation | | | Mandatory effective date of IFRS 17 | |
| | 2017 - Early 2019 | | Late 2019 | | 2020 |
| | Some entities begin implementation process General questions Contentious / specific implementation questions | | Entities are finalising implementation | | |

| | |
|--|---|
| Objective: monitor and proactively support implementation | Objective: provide period of calm for implementation |
|--|---|

| | |
|--|---|
| Supporting materials: - articles - webinars | TRG, IFRS IC and/or Board discussions Mostly monitor Light touch on implementation / educational activities |
|--|---|

Selection of IFRS 17 TRG members/observers

- Discussed process for selecting members and observers and the characteristics of participants with the Due Process Oversight Committee of the Trustees in May 2017
- Call for members/observers in May-July 2017
 - Practical and direct implementation of IFRS 17
 - Expertise in different product types across a broad spread of geographical areas
 - Involved with networks supporting implementation in their jurisdictions
 - Able to communicate effectively and consider different perspectives
- Members/observers confirmed in September 2017


Final composition of the TRG

- 15 Members
 - 9 preparers
 - 6 audit practitioners
- 3 observers
 - 1 International Organization of Securities Commissions
 - 1 International Association of Insurance Supervisors
 - 1 International Actuarial Association
- 3 Board members allocated to attend the meetings
- Martin Edelmann to chair TRG

Planned meetings of the TRG

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- 13 November 2017–teleconference
- 6 February 2018
- 2 May 2018
- 26 September 2018
- 4 December 2018
- Flexibility to extend meetings if needed
- Scheduling of meeting(s) in early 2019 will be done in 2018



Appendix: Further information

List of TRG members (1/3)

| Member | Organisation | Job title |
|-----------------------|---|---|
| Vasilka L Bangeova | Grant Thornton UK LLP | Director, head of insurance technical |
| Laurent Cholvy | AXA | Group head of accounting norms and actuarial reporting |
| Jo Clube | Aviva plc | Technical accounting director |
| Anne Driver | QBE Insurance Group | Group head of finance policy and assurance |
| Sai-Cheong Foong | AIA Group Limited | Group chief actuary |
| Jens Freiberg | BDO AG Wirtschaftsprüfungsgesellschaft | Partner, head of accounting advisory group |

List of TRG members (2/3)

| Member | Organisation | Job title |
|------------------|------------------------|---|
| Kevin Griffith | EY | Global IFRS insurance leader |
| Francesco Nagari | Deloitte | Global IFRS insurance leader |
| Jeong Hyeok Park | Samsung Life Insurance | General manager |
| Roman Sauer | Allianz SE | Head of group accounting and reporting |
| Lesley Thomson | Sun Life Financial | Vice president and deputy chief actuary |

List of TRG members (3/3)

| Member | Organisation | Job title |
|---------------------|-------------------------------------|--|
| Massimo Tosoni | Assicurazioni Generali SpA | Head of group accounting policy and reporting |
| Mary Helen Trussell | KPMG | Partner and global leader, insurance change |
| Gail Tucker | PricewaterhouseCoopers | Lead global accounting technical partner responsible for insurance |
| Ying (Sally) Wang | China Pacific Life Insurance Co Ltd | Deputy general manager and chief financial officer |

List of TRG observers

| Observer | Organisation |
|------------------|--|
| William C. Hines | International Actuarial Association |
| Thorsten Melcher | International Organization of Securities Commissions |
| Kallol Sen | International Association of Insurance Supervisors |

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