
IFRS Advisory Council

Date **7 November to 8 November 2023**

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This document summarises a meeting of the IFRS Advisory Council, the formal strategic advisory body to the Trustees of the IFRS Foundation, the International Accounting Standards Board and the International Sustainability Standards Board. The IFRS Advisory Council consists of a wide range of representatives, comprising individuals and organisations with an interest in international financial reporting.

Introduction

1. The IFRS Advisory Council (Council) met in person on 7 and 8 November 2023. In addition to the Advisory Council members, the meeting was attended by the Chair and Vice Chair of the International Accounting Standards Board (IASB), the Chair of the International Sustainability Standards Board (ISSB) and a number of IFRS Foundation staff.
2. The agenda and papers for the meeting, as well as the meeting recording, are available at: [IFRS - IFRS Advisory Council](#).
3. The Council Chair, Mr. Bill Coen, welcomed members to the meeting. He offered a particular welcome to Sandra Peters, Carmine Di Noia and Nathan Fabian who were attending a meeting in person for the first time since their appointment.

Update on the IASB's Activities

4. Mr. Andreas Barckow presented Agenda Paper 2, providing an update on the IASB's activities since the Advisory Council last met in April 2023. In particular, Mr. Barckow highlighted:
 - final amendments and consultation documents issued;
 - forthcoming Standards and consultation documents;
 - changes to the IASB's work plan, including projects that may start in the coming year;
 - stakeholder engagement activities;
 - connectivity between the IASB and ISSB.
5. The ensuing discussion among Council members focused on several issues, including:
 - **International Tax Reform—Pillar Two Model Rules:** Whether the IASB is monitoring the interactions between users of financial statements and tax authorities to understand the changes in the economic environment. Mr. Barckow explained that the IASB is monitoring how different jurisdictions are implementing the tax regimes, but solely with the objective of being informed. The IASB does not take part in the policy making of tax authorities.
 - **IFRS 18 Presentation and Disclosure in Financial Statements:** A query was raised about the impact of the requirements of IFRS 18 on IFRS 8 *Operating Segments* and whether the IASB is considering prioritising a project on IFRS 8. Mr. Barckow clarified that the staff are aware of the effects however the project on IFRS 8 is not a priority project at present based on the IASB's recent Agenda Consultation. One Council member mentioned that the requirements on disaggregation on segment disclosures have been mentioned as of high importance to users of financial statements in the outreach conducted by FASB. Mr. Barckow noted that the IASB is aware of the proposals made by the FASB regarding disaggregation and segment disclosures.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures:** Mr. Barckow explained the scope of the forthcoming Standard – specifically, that entities which are listed for either debt or equity instruments and entities holding assets in a fiduciary capacity would deem to have public accountability and hence cannot apply the reduced disclosure requirements.
- **Management Commentary:**
 - One Council member enquired whether a project on integration in reporting would be introduced, noting this would be adding an additional level of reporting. Mr. Barckow noted that in January 2024, the IASB and the ISSB will have a joint meeting to discuss feedback on the ISSB’s Consultation on Agenda Priorities. That consultation sought feedback on the ISSB’s priorities for a two-year period, including a potential project on integration in reporting and whether that project should be undertaken jointly with the IASB and build on the concepts from the IASB’s Management Comment project.
 - One Council member suggested that the IASB consider seeking involvement of IOSCO as requirements from capital market regulators for management commentary are different and it could be helpful to the project development.
- **Climate-related and Other Uncertainties in the Financial Statements:**
 - One Council member mentioned that material information related to risks that an entity faces is scattered across various reports and that it would be important to make this information available digitally to enhance comparability across entities. Mr. Barckow explained that some information can be material for sustainability reporting but would not be material for financial reporting. The objective of this project is to provide information to users of financial statements on what has affected the financial statements.
 - The project scope was expanded to include long-term and medium-term financial and operational risk in combination with climate related risks. This project will be a narrow-scope project which may result in targeted amendments to related IFRS Accounting Standards.
 - Mr. Barckow explained that accounting for carbon-offsets is not included in this project. A separate project on pollutant pricing mechanisms would be carried out by the IASB.
- **Equity Method:** One Council member suggested carrying out an impact study over the jurisdictions applying IFRS Accounting Standards.
- **Statement of Cash Flows and Other Related Matters:** Clarification was requested on the scope of the project. Mr. Barckow explained that the scope is yet to be determined but will be once the project becomes active. The project could include addressing concerns that have been raised such as:
 - Whether there should be a different version of the statement of cash flows for financial institutions; and
 - The clarification on cash and non-cash items.
- **Business Combinations under Common Control:**
 - Mr. Barckow observed that in November 2023, the IASB would decide on the project’s direction, which could result in termination of the project.
 - One Council member asked whether the IASB can consider developing disclosure-only requirements as there is significant diversity in the current practice. Mr. Barckow explained that the option to develop disclosure-only requirements received mixed views from stakeholders and regulators in many jurisdictions.
 - One Council member mentioned that a detailed review on project direction, including termination, and the respective cost and benefit analysis for each strategy should be shared with stakeholders. Mr. Barckow explained that the project team has done a

detailed cost benefit analysis for the project to support the IASB in the decision-making process.

Update on the ISSB's Activities

6. Mr. Emmanuel Faber, Chair of the ISSB, presented Agenda Paper 3, outlining recent developments in the ISSB's activities and the focus of its work in the next few months. The update included the expected timetable for the development of the ISSB's work plan, in the light of the feedback on the ISSB's consultation on agenda priorities.
7. Council members welcomed:
 - the issuance of the first two ISSB Standards in June 2023;
 - IOSCO's endorsement of these Standards;
 - the Financial Stability Board's announcement of the transfer to the ISSB of the responsibilities for monitoring progress on climate-related disclosures;
 - the achievement of a 'high degree of alignment' in climate-related disclosure requirements between ISSB Standards and the European Sustainability Reporting Standards (ESRS);
 - progress on making ISSB Standards interoperable with other standards and frameworks, including with the Global Reporting Initiative (GRI) Standards and with the Pillar 3 disclosure framework for climate-related financial risks the Basel Committee on Banking Supervision (BCBS) is developing (NB: on 29 November 2023 the BCBS published a consultative paper on disclosure of climate-related financial risks).
8. The ensuing discussion among Council members focused on several topics, including:
 - **Inaugural Jurisdictional Adoption Guide:** Council members appreciated the work the ISSB is doing to support jurisdictional journeys towards adoption of ISSB Standards (assisting regulators in designing their roadmaps to adoption, balancing jurisdictional considerations and challenges with achieving global consistency and comparability of sustainability-related financial information). Council members offered support to the ISSB in tracking progress to adopt ISSB Standards in different jurisdictions and welcomed the plan to publish an Inaugural Jurisdictional Adoption Guide. This guide will provide transparency about jurisdictional approaches and progress to adoption of ISSB Standards. One Council member mentioned that the OECD will publish early next year the 'Global Corporate Sustainability Report', which includes information on how 14,400 companies listed in 83 markets disclose sustainability-related information.
 - **Interoperability:** Council members encouraged the ISSB to continue to clarify the meaning of the term 'interoperability' to avoid confusion with the term 'equivalence'. This is particularly relevant for jurisdictions that use a building block approach to add disclosures on top of what the ISSB has identified or use a 'double materiality' approach. The importance of communicating how the interoperability between ISSB Standards and ESRS works in practice was noted.
 - **Initiatives to support implementation of IFRS S1 and IFRS S2:** Council members welcomed the development of educational material for nature and social aspects of climate-related risks and opportunities and the establishment of the Transition Implementation Group on IFRS S1 and IFRS S2. This group is expected to leverage the experience of previous transition resource groups for new IFRS Standards, and to have a limited life during the transition period to the new requirements in IFRS S1 and IFRS S2.

Primary Financial Statements

9. Ms. Roanne Hasegawa, IASB Technical Staff, and Ms. Aida Vatrenjak, IASB Technical Director, provided an update on the status of the project and requested advice from the Council on:

- the high-level messages the IASB plans to use in its communications strategy for IFRS 18 *Presentation and Disclosure in Financial Statements*; and
- the purpose, timing and tools the IASB plans to use to support the implementation and consistent application of IFRS 18.

10. In response to questions posed by IASB staff, IFRS Advisory Council members provided the following feedback during the plenary session and breakout sessions (grouped by question posed):

Do you have any comments on the high-level messages we plan to use in our communications strategy?

- The IASB should highlight the linkages between the key requirements in IFRS 18. For example:
 - the requirements for subtotals and categories will increase comparability and provide a consistent starting point for users' analysis by requiring companies to present two new defined subtotals; and
 - the requirements for management-defined performance measures (MPMs) will allow entities to provide entity-specific information that is anchored to these subtotals.
- The importance for the IASB to:
 - explain that the operating category is the default category for classifying income and expenses in the statement of profit or loss;
 - MPMs will be subject to audit and that companies can have more than one MPM;
 - provide more detail on key aspects of the requirements for aggregation and disaggregation, including the requirement to disclose specified expenses by nature;
 - highlight requirements that will be carried forward from IAS 1 *Presentation of Financial Statements* without change, therefore emphasising that many of the principles of IAS 1 will remain; and
 - explain how IFRS 18 will facilitate digital reporting.
- The IASB should use bespoke messages for target audiences, explain the benefits for each stakeholder and highlight tension points.

Given that our resources and the resources of our stakeholders are limited, what areas should we strategically focus on to provide the most effective support for implementation and consistent application? Are there any examples of best practice that we should consider in developing our plans to support implementation and consistent application?

- The IASB should leverage the work of others, such as academics, national standard-setters, international organisations, accounting firms and professional bodies. The IASB should consider the opportunity cost of investing resources in implementation support versus progressing other standard-setting projects. Other stakeholders can educate, but only the IFRS Foundation can develop IFRS Accounting Standards.
- Communications could be tailored for different industry groups and jurisdictions. A few Advisory Council members suggested that the IASB also target data providers and enterprise resource planning (ERP) software vendors.

- Before-and-after examples of the statement of profit or loss could be used to help stakeholders understand the key changes introduced by IFRS 18. These examples would need to be developed in partnership with national standard-setters and industry groups.
- A few members said that some entities may underestimate the time required to implement the changes to presentation and disclosure introduced by IFRS 18 and suggested that the IASB:
 - explain why the effective date was set for 1 January 2027;
 - highlight that the requirements in IFRS 18 are applied retrospectively and in interim financial statements; and
 - explain that companies may need to consider the impact of IFRS 18 on covenants, performance evaluations and remuneration policies that are linked to operating profit and non-GAAP measures.
- The IASB should consider beginning education for users of financial statements earlier, if companies are expected to adopt IFRS 18 before the effective date. A few members also suggested educating regulators earlier because, in some jurisdictions, regulators would need to update templates that are required by law or regulation.
- Some members shared best practices, including FAQs, train-the-trainer events and workshops, and articles sharing the experiences of companies applying IFRS 18 before the effective date.

ISSB Adoption Strategy

11. Mr. Nicolai Lundy, Chief of Market Relationships, presented agenda paper 5. In particular, Mr. Lundy emphasised:
 - the vision for adoption of ISSB Standards;
 - the status of jurisdictional adoption of ISSB Standards, as of October 2023; and
 - the priority actions to progress the adoption process over the forthcoming year.
12. Mr. Lundy highlighted that, in addition to advising on the adoption strategy, Advisory Council members can help the IFRS Foundation achieve ISSB adoption by:
 - sharing what they learn in the market, such as jurisdictional plans to issue guidance or education materials based on IFRS S1 and IFRS S2, or jurisdictional plans to consider sustainability disclosure without adopting IFRS S1 and IFRS S2;
 - helping the IFRS Foundation spread the word as much as possible when it publishes education content (capacity building materials) in the coming months.
13. A number of themes arose from the ensuing discussion, including:
 - the opportunities to learn from the IASB's adoption experience;
 - the broad range of stakeholders that are important to the adoption process. This includes the accounting profession, actuaries and ratings agencies, but also groups that may not initially consider themselves relevant to the IFRS Foundation. For example, stakeholders such as engineers, who are key to supporting companies understand their supply chain for reporting purposes;
 - the importance of engagement from investors in the standard-setting process to understand what information investors are looking for and how they might use information that is disclosed to influence decisions;
 - the need for prompt engagement with national standard-setters to get them on board and ensure interoperability;
 - the research that is being undertaken for each jurisdiction to understand what role certain stakeholders play in relation to adoption, and to identify the key-decision makers;

- the importance of prioritising full adoption of the Standards and avoiding carve-outs which could become entrenched. Similarly, the need to consider what ‘imperfect’ adoption may look like so that support can be provided to entities to avoid this outcome;
- how small and medium sized companies will be affected, if a local regulator requires the ISSB Standards without changes for disclosure in the jurisdiction;
- the importance of capacity building to support the adoption process;
- the benefits of online targeted education materials in multiple languages, as well as an online resource to track adoption status and the different ways it has been achieved in each jurisdiction;
- the importance of the outcome of the *ISSB Consultation on Agenda Priorities* to give stakeholders a better understanding of what adoption will mean in the long-term; and
- the need for the ISSB to distinguish itself from the negative perception in developing countries that environmental policies are an attempt to protect the developed countries from the problems they have caused.

Update on the Trustees’ Activities

14. Mr. Erkki Liikanen. Chair of the IFRS Foundation Trustees, attended by video conference to update the members on a number of matters.
15. In his opening remarks Mr. Liikanen noted the great value that the IFRS Foundation receives from the Advisory Council.
16. Mr. Liikanen also thanked Mr. Coen for his work as Chair, emphasising the role he plays in ensuring the views of the Council are heard and considered by the Trustees.
17. Mr. Liikanen reported on the Trustees’ meeting in Panama, held 17-19 October 2023. He noted:
 - the agenda ensured the Trustees’ time and attention was divided equally between IASB and ISSB matters. This aligns with the One Foundation approach, encompassing both Boards, overseen by the Trustees and the Monitoring Board;
 - a joint meeting was held between the Trustees and the Monitoring Board, enabling an important two hours of constructive face-to-face engagement. Mr. Liikanen noted it is important to ensure the Monitoring Board is well informed of the Trustees’ priorities and actions at all times;
 - in relation to ISSB developments, the Trustees were fortunate to have engagement with Tom Seidenstein, Chair of the International Auditing and Assurance Standards Board (IAASB). The Trustees were keen to understand developments around the overarching standard for assurance on sustainability reporting. This is an important pillar alongside the release of the ISSB Standards and the endorsement of the Standards by IOSCO;
 - in relation to the IASB, Mr. Barckow presented the Trustees with the IASB’s latest thinking in relation to its *Strategy Refresh – Generation 3.0*. This provoked excellent engagement with the Trustees (and as noted below was an item on the Advisory Council agenda).
18. Mr. Liikanen confirmed he would be attending COP28 in Dubai at the beginning of December 2023. He reported his intention to deliver a scorecard of the IFRS Foundation’s performance since COP26 in Glasgow in November 2021. Mr. Liikanen said he is still preparing his remarks but believes he can report some excellent progress.
19. In concluding his update, Mr. Liikanen reiterated the significant value of the information and advice received from the Advisory Council. He thanked members for their involvement and engagement.

IASB Strategy Refresh – Generation 3.0

20. Ms. Michelle Sansom, IASB Technical Director, presented Agenda Paper 7. Ms. Sansom summarised the IASB's strategy over the last two decades, establishing its credibility issuing IFRS Accounting Standards that are applied globally, whilst diversifying its activities to include supporting consistent application, the IFRS Taxonomy and the *IFRS for SMEs* Accounting Standard. The IASB is now seeking the Advisory Council's advice as it moves into its third decade, including how the IASB should define its strategy for the next decade and what should be its success measures.
21. Advisory Council members discussed the IASB's strategy refresh in four breakout groups. IASB members summarised the discussions in the plenary session.
22. Mr. Bob Uhl, IASB member, presented for the first breakout group. This group had emphasised the importance of understanding the current position of the IASB to envision its future. Key points raised include the need to address the following priorities:
 - ensuring high-quality standards. The group had suggested the use of Key Performance Indicators (KPIs), such as monitoring the number of implementation questions, diversity considerations, and feedback from preparers and auditors;
 - maintaining the relevance of financial statements to provide decision-useful information to users. Suggested KPIs included examining and monitoring deviations from full IFRS in various jurisdictions.

The focus on investors was emphasised, with a suggestion to bridge the gap between information in financial statements and what investors deem relevant. The breakout group members acknowledged that different investors have varying needs.

In relation to the future strategy of the IASB, the group highlighted the importance of proactively anticipating external forces affecting financial information. Observations included the increase of private equity, increased use of digital tools and AI, and the evolving needs of investors. The breakout group recognised the necessity of anticipating these changes to shape the future direction of the IASB.

23. Ms. Patrina Buchanan, IASB member, presented on behalf of the second breakout group. Similar to the first group, the group also emphasised the importance of understanding the IASB's current position and risks, particularly changes in the adoption of standards and sentiment regarding adoption in jurisdictions.

The group had highlighted the need to focus on the future, urging clarity in setting goals for the next five or ten years. Similarly, the group emphasised the significance of anticipating external forces, such as digital advancements and changes in capital markets, and aligning current actions with future developments.

Breakout group members also stressed the need for clear communication and prioritisation, especially in defining the target audience (investors and capital markets) and articulating goals succinctly to aid stakeholders.

Finally, the group considered whether the IASB should expand educational initiatives, suggesting the exploration of an IFRS Academy, with a note of caution regarding resource allocation.

24. Mr. Florian Esterer, IASB member, presented a summary of the discussion from the third breakout group. He explained the group had discussed the significance of the changing investment landscape, with a focus on increased information needs and the growing capacity to process data, leading to a demand for more granular information and advanced analytical capabilities facilitated by AI.

The group had discussed the evolving nature of voluntary disclosures and the delineation between voluntary disclosures and information that should be included in financial statements. The group suggested exploring the impact of this on the reliability and comparability of financial statements,

especially regarding intangibles. The group suggested considering if sustainability standards could provide comparable information on intangibles. Mr. Esterer noted the importance of integrating ISSB Standards (IFRS S1 and IFRS S2) with financial statements.

In relation to the role of AI and increased data granularity the third breakout group discussed if this will diminish the importance of accountants' bright-line decisions, as investors gain the ability to make value measurement judgements themselves.

Finally, on the changing investment landscape the group discussed changes in investor needs, noting the shift towards private markets amid globalisation. The group questioned whether the information needs of investors in private markets differ significantly from those in listed markets and emphasised the importance of understanding these differences.

Mr. Esterer concluded by highlighting the group's call for data support in decision-making, stressing the need for quantitative backing to complement the qualitative aspects of the discussion.

25. Ms. Hagit Keren, IASB member, summarised the fourth breakout group's discussion, highlighting three key points for the IASB to consider:

- be proactive in anticipating future trends, such as AI, private equity, and climate change;
- be agile and flexible in response to the evolving environment, given the increasing complexity of transactions;
- the need for balance and for being inclusive to allow more companies to use the standards while being cautious not to compromise the integrity of the products.

The fourth group stressed the importance of finding the right balance to address these points, acknowledging the need for stability, agility, and inclusivity in the evolving landscape. Ms. Keren noted that the group acknowledged the importance of planning in advance while maintaining the capacity to react and the necessity of striking a balance between stability and flexibility.

The group were cautious about expanding educational materials emphasising the importance of due process.

26. Mr. Coen thanked the IASB members for chairing the breakout groups and summarising the groups' discussions. He acknowledged the common themes discussed, such as the importance of looking back while planning for the future, recognising external forces, and the recurring idea of expanding capacity building. Mr. Coen also highlighted the theme of balancing expansion with resource constraints and emphasized the need for agility and flexibility.

27. Council members made the following observations:

- the importance of connectivity between the IASB and the ISSB, noting that their shared use of the IFRS brand signifies the success of the IASB and the IFRS Foundation in establishing accounting standards. Enhanced synergy, integration, and consistency between the two boards will contribute to the credibility of IFRS and IFRS sustainability reporting standards in the eyes of a broader audience;
- the importance of a unified strategy within the framework of "one Foundation, two boards." It was noted that the IASB can have its own strategy while aligning with the overall strategy of the IFRS Foundation;
- the imperative of maintaining and even enhancing the quality of standards throughout the process of evolution. A crucial point that was emphasised related to the risks and strategies being considered: among all the changes, developments, and strategies the IASB is contemplating, the ultimate goal remains high-quality standards;
- the current model of annual financial reporting may not be sufficient in today's context, and there might be a need for more frequent reporting to meet investor expectations;
- whether the need for education materials is for users or preparers. The importance of real-life examples for users was stressed, emphasising practical insights rather than theoretical or

template examples. A question remained as to whether this should be addressed by the IFRS Foundation or if external involvement is preferable.

Meeting close

28. Mr. Coen thanked the Council members for their engaged participation in the meeting, noting the broad range of topics that were discussed, and the importance of the advice that the Council has provided on these issues. Mr. Coen also thanked the staff for their support for the meeting.
29. On behalf of the Advisory Council Mr. Coen expressed particular gratitude to the following who were completing their service as Council members at the end of December 2023:
 - Mr. Ian Burger;
 - Mr. Henry Daubeney;
 - Mr. Ron Edmonds;
 - Mr. Javier de Frutos;
 - Mr. Kristian Koktvegaard;
 - Mr. Xianzhong Li;
 - Ms. Sibel Ulusoy Tokgoz; and
 - Mr. Ken Warren.
30. In concluding the meeting, Mr. Coen confirmed the in-person meetings for 2024 are scheduled for:
 - Tuesday 9 April and Wednesday 10 April 2024
 - Tuesday 12 November and Wednesday 13 November 2024