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## IFRS Foundation Trustees

Date **17–19 October 2023**

Contacts **Henry Rees**

This document reports on a meeting of the Trustees of the IFRS Foundation, the oversight body of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB). The Trustees are responsible for governance of the IFRS Foundation and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*.

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## Introduction

The IFRS Foundation Trustees met in Panama City on 17–19 October 2023.

The Trustees' discussions were observed by Richard Sexton (Co-Chair of the board of the former Value Reporting Foundation).

## Reports of the Chair of the Trustees and the Managing Director

The Trustees received reports from:

- the Chair of the Trustees, Erkki Liikanen, on his recent meetings with key stakeholders, including his engagement with Chinese stakeholders in Beijing in June 2023 around the time of the [opening of the IFRS Foundation Beijing office](#); and
- the Managing Director, Lee White, on current priorities and recent activities. He also noted the regular engagement with the Monitoring Board Chair and welcomed the Trustees' [recent appointment](#) of Andrea Pryde as Executive Operations Director.

## Sustainability assurance

The Trustees were joined by the Chair of the International Auditing and Assurance Standards Board (IAASB), Tom Seidenstein. (Mr Seidenstein was the Foundation's Chief Operating Officer 2001–2011). He gave a presentation on the IAASB's work on sustainability assurance, providing an overview of the proposed International Standard on Sustainability Assurance (ISSA) 5000 *General Requirements for Sustainability Assurance Engagements*, which is open for consultation until 1 December 2023, and the main themes in the feedback to the IAASB to date. The IAASB has prioritised this project to meet urgent market needs. When finalised later in 2024, the ISSA will serve as a comprehensive, standalone standard suitable for use by all assurance practitioners for any sustainability assurance engagements. It will apply to sustainability information reported across any sustainability topic and prepared under multiple frameworks, including IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. The IAASB Chair welcomed the interaction the IAASB has already had with the International Sustainability Standards Board (ISSB) since its formation as well as the long-standing and ongoing interaction with the International Accounting Standards Board (IASB).

## Report of the Chair of the IASB

The Chair of the IASB, Andreas Barckow, reported on the IASB's activities since the June 2023 Trustees meeting. This report included updates on:

- progress on the technical work plan in the period, highlighting that in the period all projects had progressed in line with plans and that two maintenance projects had been completed and three major projects moved into the balloting phase, including for two new Standards planned for publication in H1 2024 (Primary Financial Statements and Subsidiaries without Public Accountability: Disclosures). He noted that issuing the new Standards should create capacity in the IASB's workplan to start pipeline projects.
- work to improve the IASB's process and efficiencies. He noted that the IASB has to prioritise the various topics that arise outside of the IASB's five-yearly agenda consultation, such as from post-implementation reviews, referrals from the IFRS Interpretations Committee and horizon scanning for emerging issues. He also highlighted the IASB's plans for automating its project management and experimenting with artificial intelligence.
- work to facilitate connections in the work of the IASB and the ISSB and between financial statements and sustainability-related financial disclosures. He noted that the IASB is progressing its project on climate-related and other uncertainties in the financial statements, and that the IASB Vice-Chair Linda Mezon-Hutter had participated in various events with ISSB Vice-Chair Sue Lloyd and the two Vice-Chairs had [produced a webcast](#) to help stakeholders understand progress made by the two boards to date in this area.
- the public education meeting the IASB held with the US Financial Accounting Standards Board in September 2023 which had included sessions on performance reporting, business combinations and sustainability-related matters in the financial statements. The two boards plan to hold another public education meeting in H1 2024.

## Refreshing the IASB Strategy—'Generation 3'

The IASB Chair introduced a discussion about the IASB's strategy as it moves into its third decade. He first analysed the IASB's strategy to date into different 'generations', ie up to 2002 (Generation 0), 2002–2011 (Generation 1) and 2011–2023 (Generation 2), highlighting global adoption of IFRS Accounting Standards in each of those time periods and how the IASB had responded to meet market needs. He then outlined how the IASB's success has resulted in challenges, such as managing diverse stakeholder expectations and the increased risk of fragmentation and examined the extent to which the IASB's products continue to meet market needs. The Trustees provided some initial input about a definition of future success for the IASB for discussion at future meetings.

## Multi-location model

The Executive Operations Director, Andrea Pryde, provided a progress update on the Foundation's steps to establish a global and multi-location presence for the ISSB, consistent with the Trustees' announcement about the establishment of the ISSB in November 2021. She highlighted the Foundation now has offices in Beijing, Frankfurt, London, Montreal, San Francisco and Tokyo, updating the Trustees on the leadership and personnel in each office. She also commented on the challenges and opportunities created by the complexity of working with teams divided across different jurisdictions.

## Report of the Chair of the ISSB

The Chair of the ISSB, Emmanuel Faber, reported on the ISSB's activities since the June 2023 Trustees meeting. This report included updates on:

- the key milestones in delivering the global baseline, namely:
  - the issuance of IFRS S1 and IFRS S2 as planned on [26 June 2023](#);
  - the FSB's [announcement](#) as a consequence on 6 July 2023 of the completion of the TCFD's work and the transfer to the ISSB of responsibilities for monitoring progress on climate-related disclosures;
  - IOSCO's [endorsement](#) of ISSB Standards on 25 July 2023 and the Foundation's publication of a roadmap on strategy to support jurisdictional adoption as a precursor to its planned Adoption Guide; and
  - the public confirmation with the European Commission and EFRAG of a 'high degree of alignment' in the climate-related disclosure requirements in ISSB Standards and in European Sustainability Reporting Standards (ESRS) on [31 July 2023](#). The Chair emphasised that the ISSB is deeply focused on interoperability to avoid fragmentation and highlighted that the investor materiality assessment is now aligned between ISSB Standards and ESRS. He also noted the ISSB's work to support interoperability with GHG emissions disclosures in the Global Reporting Initiative (GRI) Standards.
- the ISSB's technical activities, including its work supporting the implementation of IFRS S1 and IFRS S2, the IFRS Sustainability Disclosure Taxonomy, the work to enhance the international applicability of the SASB Standards, and the Consultation on Agenda Priorities, the feedback from which the ISSB would start considering in Q4 2023.
- stakeholder engagement, reporting on the ISSB's presence in New York at Climate Week NYC in September 2023 and plans for its presence at COP28 in December 2023 in Dubai.
- the ISSB's strategy and priorities for jurisdictional adoption of ISSB Standards.

## ISSB adoption strategy

Nicolai Lundy, Chief of Market Relationship, updated the Trustees on how the Foundation is organising its work to ensure the Trustees, ISSB members and staff can implement the ISSB adoption strategy. He explained how the ISSB members and staff are organised in a matrix structure to implement strategies to drive adoption of ISSB Standards within jurisdictions and with key stakeholders under the oversight of an internal Adoption Strategy Council, comprising the ISSB leadership and Foundation Managing Director and which is responsible for overall adoption strategy. He noted that several jurisdictions have started on the path to adoption of IFRS S1 and IFRS S2.

## Update on funding of the ISSB and report of the Funding Committee

Trustee Isabel Saint Malo, Chair of the Funding Committee, reported on the work of the Funding Committee noting how funding efforts to support the ISSB have significantly increased since the Committee's first meeting

in March 2023. The Committee's current focus is on the additional fund raising required for the ISSB's seed funding period through to the end of 2026.

## Primary Financial Statements

Aida Vatrenejak and Roanne Hasegawa from the IASB technical staff updated the Trustees about the Primary Financial Statements project and provided a high-level overview of IFRS 18 *Presentation and Disclosure in Financial Statements*, the new IFRS Accounting Standard resulting from the project which the IASB plans to issue in H1 2024. They explained how IFRS 18 will respond to investors' demand for better information about companies' financial performance. It will improve how information is communicated by all companies in the financial statements and gives investors a better basis for analysing and comparing companies' performance, thereby enhancing transparency and efficient in the capital markets.

## Structured approach for working with the global academic community

Trustee Lucrezia Reichlin updated the Trustees about work to date establishing an academic 'ISSB watchers group'. The group will be formed by selected universities located in Asia, Europe and North America who will take responsibility for organising one or two conferences per year, on a rotation basis, at which the work of the ISSB will be discussed. Consideration will be given to how the Trustees engage in the future with strategic academic research.

## IFRS Foundation Transitional Advisory Group

The Trustees received a report about the Transitional Advisory Group's meeting on 18 September 2023.

## Reports from recent Trustee Committee meetings

### Audit, Finance and Risk Committee

Larry Leva, Chair of the Audit, Finance and Risk Committee, reported that the Committee had:

- reviewed the financial results for the period to 30 June 2023 and the forecast for the year to 31 December 2023;
- been updated on contributed revenue and earned revenue;
- approved the internal audit plan of the Foundation for the period to 31 December 2024 and considered the overall approach to internal audit and its resourcing for the next three years;
- met with the audit partner from Grant Thornton and its external audit plan of the Foundation for the year ended 31 December 2023, including the scope of work, timing and fee, and satisfied itself about the auditor's independence;
- reviewed the changes made to the Foundation's risk register since the Committee's last review; and
- approved a new policy for the assessment and acceptance of offers of donations received by the Foundation.

## Digital and Technology Oversight Committee

Suresh Kana, Chair of the Digital and Technology Oversight Committee, reported that the Committee had:

- reviewed the findings from an independent review of the Foundation's current level of cyber security maturity;
- been updated about the Foundation's proposed approach to artificial intelligence and proposed pilot schemes for its use; and
- been updated on digital financial reporting activities for the IASB and the ISSB for facilitating digital consumption of general purpose financial reports.

## Due Process Oversight Committee

Teresa Ko, Chair of the Due Process Oversight Committee, reported on the Committee's meetings since the June 2023 Trustees meeting. A [summary of the meeting](#) on 17 October 2023 is attached.<sup>1</sup>

## Human Capital Committee

Colette Bowe, Chair of the Human Capital Committee, reported that the Committee had:

- started its discussions relating to the annual review of staff salaries from April 2024;
- considered various human capital matters relating to the recruitment and retention of staff to support the IASB;
- been updates on initiatives to address the feedback from the Foundation-wide staff engagement survey conducted in 2022 by an independent research organisation;
- been updated on the ongoing work relating to the Foundation's organisational culture; and
- considered various other human capital matters.

## Nominating Committee

Michel Madelain, Chair of the Nominating Committee, reported on the Committee's work relating to various nominations process, including the remaining Trustees position arising on 1 January 2024.

## Sustainable Operations Taskforce

Keiko Tashiro, Chair of the Sustainable Operations Taskforce, reported on the progress of the Taskforce since the June 2023 Trustees meeting, including:

- the preparatory worked linked to the Foundation's decarbonisations strategy;
- plans to implement an environmental management system in 2024; and

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<sup>1</sup> The summary of the DPOC's meetings on [17 July 2023](#) and [28 September 2023](#) are available on the Foundation's website.

- the ongoing review of sustainability-linked policies relating to social matters.

## **Farewell for departing Trustees**

The Chair of the Trustees thanked Colette Bowe, Michel Madelain, Ross McInnes, Larry Leva, Vinod Rai and Lucrezia Reichlin for their services as Trustees of the Foundation. Their terms of office expire at the end of 2023. Each of the departing Trustees provided their reflections on their six years of service and advice for the future.

## **Stakeholder engagement**

The IFRS Foundation held a very successful stakeholder event on the evening of 17 October 2023 with the Ministry of Economy and Finance of Panama. The event included welcoming remarks by Isabel Saint Malo, Trustee, and speeches by Erkki Liikanen, Chair of the Trustees, Aracelly Mendez, National Director of Accounting, Ministry of Economy and Finance, and Raúl E. Guizado, President, Banking Association of Panama.

## **Meeting with the Monitoring Board**

The Trustees met the IFRS Foundation [Monitoring Board on 19 October 2023](#).

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## IFRS Foundation Trustees—Due Process Oversight Committee

Date **17 October 2023**

Contact **Henry Rees**

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## Introduction

The IFRS Foundation Due Process Oversight Committee (DPOC) [met on 17 October in Panama City](#). The meeting was webcast live and a [recording of the meeting](#) is available on the IFRS Foundation website.

The main matters discussed were as follows.

## IASB-related matters

### Update on IASB technical activities

The DPOC considered a report providing an update on the activities of the IASB and the IFRS Interpretations Committee for the period June to September 2023. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.

The DPOC noted that several large projects had moved to the balloting phase in the period, namely **Primary Financial Statements** (discussed as a separate item in the meeting), **Subsidiaries without Public Accountability: Disclosures**, for which the IASB expects to publish a Standard in Q2 2024 and for which the DPOC will undertake a lifecycle review in February 2024, and **Business Combinations—Disclosures Goodwill and Impairment**, for which the IASB expects to publish an exposure draft in Q1 2024.

The DPOC was reminded that the IASB's decision making in the **Management Commentary** project remains intentionally on hold, in response to stakeholder feedback asking the IASB to advance the project in collaboration with the ISSB. The IASB and the ISSB will meet jointly in Q1 2024 for an in-depth discussion on the feedback the ISSB has received in its Consultation on Agenda Priorities about a potential project on integration in reporting. Each board will then decide how it proceeds as well as the timing of any future work (ie how it balances priorities). In response to questions about connected working, the leadership of each board updated the DPOC about key aspects of each board's work that will enhance connections between the information provided under their respective Standards. This includes the IASB's project on Climate-related and Other Uncertainties in the Financial Statements and the ISSB's work developing illustrative examples and other materials for its capacity building programme. The DPOC emphasised the need for clear communications to stakeholders about the overall strategy in facilitating connections between financial statements and sustainability-related financial disclosures and in the work of the two boards.

### Due process 'lifecycle' review of the development of IFRS 18

The DPOC reviewed the due process applied in the development of IFRS 18 *Presentation and Disclosure in Financial Statements* (the new IFRS Accounting Standard being developed in the IASB's Primary Financial Statements project) as required by paragraph 2.12 of the *Due Process Handbook*. This review followed the IASB's July 2023 meeting at which it confirmed that all necessary due process steps had been undertaken and that it had completed sufficient consultation and analysis to proceed to the balloting phase to finalise the



drafting of the Standard. The DPOC has monitored the due process of IFRS 18 throughout its development. At this meeting it considered papers summarising the entirety of the due process applied, including the comprehensive paper that the IASB had considered at its July 2023 meeting to satisfy itself that it had complied with all necessary due process steps.

The IASB representatives highlighted that the Standard has been developed with the benefit of extensive consultation. As well as 216 comment letters, the IASB has received feedback from fieldwork with 50 participants, 56 meetings with its consultative groups and over 300 outreach meetings, including meetings held in 2022 to test the changes made during the redeliberations.

The IASB representatives explained that at its July 2023 meeting the IASB had considered the staff's detailed analysis of the changes made during the redeliberations to the proposals in the Exposure Draft in response to the feedback, and the staff's assessment of whether those changes should be re-exposed applying the re-exposure criteria in paragraphs 6.25–6.29 of the *Due Process Handbook*. After considering this analysis, the IASB had decided that the changes it made to the proposals are in response to the feedback, and the revised proposals do not include any fundamental changes on which respondents have not had the opportunity to comment. The IASB therefore agreed that it could proceed to finalise the Standard without re-exposure. The full analysis was included in the papers provided to the DPOC and the IASB representatives highlighted some of the key areas of the IASB's considerations.

The DPOC and IASB representatives also discussed whether there were any process learnings from the project given it had been added to the research agenda in 2014. It was noted that due to other priorities the project was not prioritised until 2016 and that the covid-19 pandemic had required a significant extension to the comment period for the Exposure Draft. However, a major factor for the time taken to develop the Standard is that it deals with fundamental matters of financial reporting, including the structure of the income statement. Inevitably, the IASB has had to consider some strongly-argued minority held views, which has required additional outreach, staff analysis, IASB discussion and testing. The IASB would reflect on whether there are any lessons to be learned for future projects.

The DPOC concluded its discussion by agreeing that all mandatory due process steps had been undertaken in the development of IFRS 18 and that the IASB could progress to issue the Standard.

## **IASB Consultative Groups—annual review**

The DPOC considered the staff's review for the year to 30 September 2023 of the IFRS Foundation's consultative groups that support the IASB as required by the *Due Process Handbook*.

The staff reported its conclusion that all currently active consultative groups are serving the function for which they were established. The review had drawn on objective data highlighted in the report and data drawn from surveys of group members and IASB and staff members.

The DPOC asked whether it could be provided with more granular data from the surveys about the functioning of the groups for future reviews.

## **IASB and Interpretations Committee annual reporting protocol**

The DPOC considered a report for the year ended 30 September 2023 confirming that all comment letters with respect to IASB and Interpretations Committee consultations have been posed on the website; all agenda papers distributed to IASB or Interpretations Committee members for their public meetings were made available to observers; and regular dialogue has been maintained with securities regulators and prudential supervisors.



## Educational material on IFRS Accounting Standards—review of due process

The DPOC considered a report as required by the *Due Process Handbook* on the educational material published by the Foundation to support the consistent application of IFRS Accounting Standards for the year to 30 September 2023. Based on information provided, the DPOC confirmed that the educational material has been appropriately reviewed as specified by the *Handbook*.

An observing Trustee emphasised the importance of communicating available educational materials in languages other than English to improve engagement with those materials in countries where English is not the predominant language.

## ISSB-related matters

### Update on ISSB technical activities

The DPOC considered a report providing an update on the activities of the ISSB for the period June to September 2023. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.

The DPOC was updated on various matters including:

- the work to support implementation of **IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information** and **IFRS S2 Climate-related Disclosures** following their issuance in June 2023. The DPOC noted that the membership of the Transition Implementation Group on IFRS S1 and IFRS S2 was announced in September 2023 following oversight by the DPOC and the Group will hold its initial meeting on 21 November 2023. The DPOC was also informed about the ISSB's work to develop educational material to explain and illustrate how an entity might apply some requirements in IFRS S2 to disclose information about some nature and social aspects of climate-related risks and opportunities.
- the ISSB's **Consultation on Agenda Priorities**, the comment period for which closed on 1 September 2023. Over 400 responses have been received and are currently being analysed for discussion by the ISSB in Q4 2023 with the goal of finalising the ISSB's work plan in H1 2024.
- the project to enhance the **International Applicability of the SASB Standards**. The ISSB had considered an initial summary of the broadly supportive feedback from the 140 comment letters and survey responses in September 2023 and aims to publish the updated SASB Standards by the end of 2023.
- the development of the **IFRS Sustainability Disclosure Taxonomy**. The ISSB published the proposed Taxonomy in July 2023 and plans to consider the feedback in November 2023.

### ISSB Consultative Groups—annual review

The DPOC considered the staff's review for the year to 30 September 2023 of the IFRS Foundation's consultative groups that support the ISSB as required by the *Due Process Handbook*.

The staff noted that all of the groups put in place to support the work of the ISSB have met in the period and reported its conclusion that all the groups are serving the function for which they were established. The staff also noted that work will be undertaken to enhance the review processes for each group to assess how its work is continuing to evolve alongside the early work of the ISSB.

In response to a question about the transfer to the IFRS Foundation of the monitoring responsibilities of the FSB's Task Force on Climate-related Financial Disclosures (TCFD), ISSB representatives confirmed that the Foundation has not taken on responsibility for any of the groups formerly supporting the TCFD. The ISSB's existing consultative groups will be used in any standard-setting work the ISSB undertakes to build on TCFD recommendations. The work monitoring progress on companies' climate-related disclosures will be undertaken by the Foundation staff with liaison with the FSB. Although not a due process point, it was noted that it would be useful to track the number of companies applying the TCFD recommendations that subsequently apply the ISSB Standards.

## ISSB annual reporting protocol

The DPOC considered a report for the year ended 30 September 2023 confirming that all comment letters with respect to ISSB consultations have been posed on the website; all agenda papers distributed to ISSB members for their public meetings were made available to observers; and regular dialogue has been maintained with securities regulators and prudential supervisors. The staff noted that the main vehicle for engaging with securities regulators has been through the Jurisdictional Working Group, which has met typically monthly. There has also been significant bilateral engagement with various regulators as jurisdictions consider their adoption of ISSB Standards.

## Updating the *Due Process Handbook*

The Chair introduced a discussion about plans to update the IFRS Foundation *Due Process Handbook* to reflect formally the establishment of the ISSB. The Chair emphasised that although the *Handbook* does not explicitly address the ISSB, the ISSB is (and has been since inception) applying a rigorous and robust due process: it applies the due process specified in the *Handbook* for the IASB for corresponding technical activities together with some additional procedures relating to the new processes relating to the SASB Standards that the DPOC has approved.<sup>1</sup> There is therefore now a need to update the *Handbook* to reflect the ISSB. The ISSB was established nearly two years ago, and the Foundation's due process is the bedrock underpinning the boards' standard-setting and was one of the main reasons why the IFRS Foundation was asked to establish the ISSB. It is also important to minimise the risk of perceptions that the ISSB is operating without a formal due process. The Chair explained her view that the update should be targeted given the DPOC revised the *Handbook* only three years ago rather than a comprehensive line-by-line review of it. In addition, the DPOC needed to be forward-looking with its revisions to reflect that the ISSB is still at a relatively early stage in its operations. Although the catalyst for this update is the establishment of the ISSB, the opportunity should also be taken to make any targeted amendments relating to the IASB's processes.

The DPOC broadly supported the objectives of the project to update the *Handbook* as outlined in the paper. Amongst the points highlighted in the discussion:

- the DPOC should be clear that its presumption will continue to be that the ISSB should have the same due process as the IASB except where specified. The rationale for any differences will be explained, including highlighting whether they are temporary. It was noted that differences to date relate only to new process required for the SASB Standards, which have a different status to IFRS Standards and are a new notion for the Foundation.

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<sup>1</sup> Further information about the ISSB's due process can be found on the DPOC's [webpages](#).

- care is needed around the language suggesting the *Handbook* should provide ‘flexibility’ for processes to continue to mature and develop. This might be understood to mean that the due process lacks rigour. The DPOC intends to maintain the current rigour and quality of the due process.
- the DPOC should look back to its previous project to update the *Handbook* to see whether there were any topics that were not addressed due to time and capacity constraints. It should also bear in mind comments made over time about the efficiency of the standard-setting process to see whether there are any impediments to this in the due process and which could be addressed.

With respect to the list of potential topics for the project listed in the paper, the DPOC noted that:

- the *Handbook* needs to reflect that the Foundation now has two independent standard-setting boards operating alongside each other. The existing due process allows the two boards to establish connectivity in their respective Standards and, if considered appropriate, allows them to consider technical matters together or undertake a joint project and jointly issue a due process document. The extent of how much further the DPOC might go beyond explicitly documenting this due process should be informed about the conclusions the ISSB and the IASB each draw next year from the feedback in the ISSB’s Consultation on Agenda Priorities on the potential project on integration in reporting.
- the requirements on educational material in section 8 of the *Handbook* should be updated to ensure they provide appropriate parameters for the work the ISSB is doing to support application, including capacity building. The revised requirements need to reflect that the ISSB might develop new types of materials given sustainability-related financial disclosure reporting is relatively new. The DPOC also noted its discussion in September 2023 on interoperability material. This had highlighted the need to consider whether such material should be treated as its own category because it also address other organisations’ standards.

The DPOC aims to publish a consultation on a revised *Handbook* in Q4 2024.

### Correspondence

The DPOC noted that no correspondence had been received since its July 2023 meeting that required its attention.

### Closing

The Chair thanked Larry Leva, Michel Madelain, Ross McInnes and Vinod Rai for their services to the Committee. Their terms of office as Trustees expire at the end of the year.