
IFRS Foundation Trustees

Date **October 2022**

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*.

Introduction

The IFRS Foundation Trustees met in Seoul on 25–27 October 2022.

Some of the Trustees' discussions were observed by Barry Melancon and Richard Sexton (respectively, Member of and Chair of the Board of the former Value Reporting Foundation).

Reports of the Chair of the Trustees and the Executive Director

The Trustees received reports from:

- the Chair of the Trustees, Erkki Liikanen, on his recent meetings with key stakeholders; and
- the Executive Director, Lee White, on current priorities and recent activities, including completion of the consolidation of the Value Reporting Foundation and the results of a recent evaluation of the Trustee body based on responses from Trustees and senior staff.

The history of SASB standards

The Trustees received a presentation from the Special Adviser to the ISSB Chair, Janine Guillot, and the Chief of Market Relationships, Nicolai Lundy, on the history of the Sustainability Accounting Standards Board (SASB) standards. This covered the founding vision for the SASB standards, the components of the standards, the SASB's shift over time to meeting a global audience, the use of the standards by preparers and investors, and the International Sustainability Standards Board's (ISSB) preliminary views about the future of the SASB standards.

Report of the Chair of the ISSB

The Chair of the ISSB, Emmanuel Faber, and the Vice-Chair, Sue Lloyd, provided the Trustees with an update on the ISSB's activities since the June 2022 Trustees meeting. This included updates on:

- the key milestones since June, including the ISSB's inaugural meeting in Frankfurt in July, the consolidation of the VRF on 1 August, the appointment of the remaining ISSB members including the second Vice-Chair, Jingdong Hua, and the inaugural meeting of the Sustainability Consultative Committee.
- the ISSB's redeliberations to date of the proposals in its two initial exposure drafts in the light of the extensive stakeholder feedback, and its plans to complete redeliberations so as to be able to issue the final Standards as early as possible in 2023.

- ongoing work relating to the interoperability of disclosure requirements in IFRS Sustainability Disclosure Standards with those in European Sustainability Reporting Standards. The objective of this work is to agree a framework for maximising interoperability between the two sets of standards and aligning on key climate disclosures, thereby reducing the risk of duplicative work by preparers and reducing the risk of confusion for investors.
- plans for building on the SASB standards and the IR Framework.
- plans to support capacity building in preparers, investors and other capital market stakeholders as they prepare to use IFRS Sustainability Disclosure Standards.
- ongoing engagement with IOSCO and the Financial Stability Board.
- work to establish the ISSB's advisory bodies and updates on the first meetings of the Jurisdictional Working Group, the ISSB Investor Advisory Group and the Sustainability Consultative Committee.

Greenhouse gas emissions

The Trustees received a presentation from the ISSB Chair and Vice-Chair on the ISSB's work on disclosure requirements for greenhouse gas (GHG) emissions. The ISSB Chair and Vice-Chair explained the three 'scopes' delineating direct and indirect emissions sources, why information about each of these scopes is useful for investors and the challenges that can arise for preparers in providing information about Scope 3 GHG emissions. They updated the Trustees about the ISSB's unanimous decision at its October meeting to require disclosures on Scope 1, Scope 2 and Scope 3 GHG emissions and the ISSB's plan to develop relief provisions to help companies apply the Scope 3 requirements.

Report of the Chair of the IASB

The Chair of the International Accounting Standards Board (IASB), Andreas Barckow, reported on the IASB's activities since the June 2022 Trustees meeting. He noted in particular:

- the IASB's decision at its September meeting to proceed with proposals to require entities to disclose information about the subsequent performance of business combinations consistent with the IASB's preliminary views in its Discussion Paper. He explained how the IASB had responded to stakeholder concerns about the cost of disclosing that information by providing some exemptions in specified circumstances.
- the IASB's discussion planned for later in 2022 on whether to explore the possible reintroduction of amortisation of goodwill. He noted that the IASB had held an informative educational meeting with the Financial Accounting Standards Board (FASB) in September to learn more about its plan initially to reintroduce amortisation and its more recent decision to deprioritise and remove the project from its technical agenda. Given this, he explained that if the IASB decides not to change its requirements, it would remain converged with the FASB.
- the post-implementation review of the classification and measurement requirements in IFRS 9 *Financial Instruments*. He noted that as a result of the feedback, the IASB was developing proposals to clarify particular aspects of IFRS 9's requirements for assessing whether to measure financial assets, including those with ESG-linked features, at fair value or amortised cost. He also noted that following careful consideration of the feedback, the IASB had decided not to amend the requirements relating to equity investments for which a company elects to present gains and losses in other

comprehensive income rather than profit or loss. This was because the IASB had found no evidence to demonstrate a reason for changing the requirements.

- stakeholder engagement, including the in-person World Standard-Setters Conference in London in September that had attracted over 100 participants from over 60 organisations, and his visit to South Africa in August during which he had engaged with a broad array of different stakeholders.

Strategy for promoting sustainable operations of the IFRS Foundation

The Executive Director and Mardi McBrien, IFRS Foundation Director of Strategic Affairs, updated the Trustees on work developing the IFRS Foundation's sustainability strategy, policies, management systems and reporting. They noted the Advisory Council's views had been sought about the importance of various sustainability topics to the organisation. They also emphasised there was a high level of engagement on this work with the Foundation's staff.

Engagement with the Chair of the Monitoring Board

The Chair of the IFRS Foundation Monitoring Board, Jean-Paul Servais (Chairman of Belgium's Financial Services and Markets Authority and recently appointed Chair of the IOSCO Board) joined the Trustees for a discussion on various matters, including recent developments in the ISSB's work, the global landscape for sustainability disclosure reporting, and jurisdictional endorsement of IFRS Sustainability Disclosure Standards.

Membership of the IFRS Sustainability Standards Advisory Forum

The Trustees received a report from Samuel Prestidge, ISSB technical staff, on the applications received for the inaugural membership of this [group](#) and the next steps to establish it.

Data for green finance

Trustee Lucrezia Reichlin introduced a paper intended to help the Trustees identify potential challenges for the successful adoption and implementation of the ISSB's Climate-related Disclosure Standard relating to the use and reliance on data and to discuss potential actions to be taken by the Foundation and the ISSB.

The Trustees agreed on the need for a broad analysis of the data landscape, with input from the ISSB, to help identify the objective and role for the Foundation in this area. It was noted that better data and methodologies will support better application of IFRS Sustainability Disclosure Standards for the benefit of investors. The Trustees plan to continue their discussion of this topic at their March 2023 meeting.

IFRS Foundation Transitional Advisory Group

The Chair of the IFRS Foundation Transitional Advisory Group, Trustee Michel Madelain, reported on the group's inaugural meeting in September 2022. In addition to the Chair, this group comprises seven members related to the two organisations consolidated into the Foundation in 2022 (the Climate Disclosure Standards Board and the VRF). The objective of the group is to constructively contribute towards the establishment of the ISSB, the integration of the consolidated organisations into the Foundation, and the achievement of the goal to develop globally accepted high-quality sustainability-related disclosure standards to inform decision-making by investors and other participants in the world's capital markets.

Reports from Trustee Committee meetings held on 25–26 October

Audit, Finance and Risk Committee

The Chair of the Committee reported that the Committee had:

- reviewed the financial results for the year to 30 June 2022 and the forecast for the year;
- been updated on funding, including on ISSB seed capital for the next five years;
- reviewed US tax form 990 for 2021 that the Foundation is required to complete annually as an organisation registered in the US exempt from tax;
- reviewed the changes made to the Foundation’s risk register since the Committee’s last review;
- approved Grant Thornton’s audit plan of the Foundation for the year ended 31 December 2022, including the scope of work, timing and fee, and satisfied itself about the auditor’s independence;
- been updated on the work by external consultants engaged to assist the Foundation in establishing the necessary legal structures for the ISSB’s multi-location model.

Human Capital Committee

The Chair of the Committee reported that the Committee had:

- reviewed the ongoing work relating to the Foundation’s organisational culture;
- started its discussions relating to the annual review of staff salaries from April 2023;
- considered various other human capital matters including retention and recruitment of staff to support the boards and the Foundation.

Nominating Committee

The Chair of the Committee reported on the Committee’s work relating to various nominations process, including nominations for Trustee positions arising at 1 January 2023 that would be put forward to the Monitoring Board for approval in due course.

Due Process Oversight Committee

The Chair of the Due Process Oversight Committee reported on the Committee’s meeting. A [summary of the meeting](#) is attached.

Stakeholder engagement

The Trustees held a very successful stakeholder event on the evening of 26 October with the Korean Financial Services Commission and the Korea Accounting Institute. The event included welcome remarks by Erkki Liikanen and So-young Kim, Vice Chair of the Financial Services Commission; a keynote speech by Jean-Paul Servais; and a panel discussion moderated by Teresa Ko (Vice-Chair of the IFRS Foundation Trustees). The panellists were Jean-Paul Servais, Jeong Kag Kim (Standing Commissioner, Financial Services Commission), Takashi Nagaoka (Deputy Commissioner of the Japanese Financial Services Agency) and Wang Dong (Director General of the Chinese Ministry of Finance). Eui-Hyung Kim (President of the

Korea Accounting Institute and the Chair of the Korean Accounting Standards Board) provided the closing remarks.

IFRS Foundation Trustees—Due Process Oversight Committee

Date **26 October 2022**
Contact **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*.

Introduction

The IFRS Foundation Due Process Oversight Committee (DPOC) [met on 26 October 2022 in Seoul](#). 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 2022. 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 due process documents published in the period, including the publication of an Exposure Draft of amendments to the *IFRS for SMEs* Accounting Standard. This proposed significant amendments to major sections of the Standard, including Revenue, Financial Instruments and Business Combinations.

The DPOC was also updated on progress with various IASB projects including:

- the **Goodwill and Impairment project**, in which the IASB had decided to propose requiring entities to disclose information about the subsequent performance of business combinations. In the light of the feedback to the initial proposals in the Discussion Paper about the costs of disclosing that information, the IASB planned to propose some targeted exemptions from some disclosure requirements. The DPOC was also informed about the recent educational meeting between the IASB and the Financial Accounting Standards Board (FASB), as well as the IASB's plan to discuss in November 2022 whether to explore the possible reintroduction of amortisation. The DPOC emphasised the importance of the IASB fully explaining the rationale for its decisions to stakeholders.
- The **Primary Financial Statements project**, in which the IASB had recently completed discussing the major topics in the redeliberations of the proposals in its Exposure Draft. The DPOC was informed that the IASB plans to perform outreach to test decisions that represent a change to those proposals. In 2023 the DPOC is expected to undertake a 'lifecycle' review of the due process over the life of the project, in accordance with paragraph 2.12 of the [Due Process Handbook](#).
- **Post-implementation reviews (PIRs)**. The DPOC was informed that the IASB:
 - is now using the clarified description of PIRs that the DPOC considered at its June 2022 meeting. The revised description is also available on the IFRS Foundation [website](#).

- had started the PIR of the impairment requirements in IFRS 9 and the PIR of IFRS 15 *Revenue from Contracts with Customers*.
- had decided not to start the PIR of the hedge accounting requirements in IFRS 9 and of IFRS 16 *Leases* mainly due to the need for more evidence from practice. In the second half of 2023, the IASB will reconsider when to start these PIRs.
- is considering the feedback to the PIR of the classification and measurement requirements in IFRS 9. The DPOC is expected to consider this PIR in more detail at a meeting later in 2022 before the IASB publishes its Report and Feedback Statement on the PIR.

IASB Consultative Groups—Annual review

The DPOC considered the staff's review of the IFRS Foundation's consultative groups that support the IASB for the year to 30 September 2022 as required by the *Due Process Handbook*.

The staff reported its conclusion that all currently active consultative groups continue to serve 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 staff explained that the 2020 pilot program of surveys of IASB and staff members had been extended to all consultative groups and was providing useful feedback.

The DPOC noted the IASB's plan to disband the Transition Resource Group for IFRS 17 *Insurance Contracts*. This was a limited-life group that last met in 2019 and the Interpretations Committee has been handling questions since that time.

The DPOC was also informed that consideration is being given to whether the IFRS Taxonomy Consultative Group might support the ISSB as well as the IASB by leveraging on expertise from the former Sustainability Accounting Standards Board's (SASB) Taxonomy Review Committee.

In response to a question about the use of 'hybrid' meetings (ie mix of in-person and video participation), the staff noted that the hybrid basis had worked well, explaining that there had been significant in-person attendance although group members from jurisdictions where travel continues to be difficult had appreciated being able to attend via video. A DPOC member suggested the IASB consider whether it did want to 'strongly encourage' in-person attendance at meetings given the hybrid approach was working well. The DPOC also encouraged the staff to collect data on the effectiveness of hybrid meetings.

IASB Annual reporting protocol

The DPOC considered a report for the year ended 30 September 2022 on the receipt of comment letters and their public availability, the availability of papers to observers, and the IASB's dialogue with securities and other regulators.

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 2022. Based on information provided, the DPOC confirmed that the educational material had received at least the required level of review specified by the *Handbook*.

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 2022. There were no matters in the report for which the DPOC was required to confirm that due process had been followed. The report also addressed the receipt of comment letters and their public availability, the availability of papers to observers, the ISSB's dialogue with securities and other regulators, and the work of the ISSB's Consultative Groups, which had started to meet since the DPOC's June 2022 meeting.

The DPOC was updated on various matters including:

- the ISSB's work progressing the initial two Sustainability Disclosure Standards: General Requirements and Climate-related Disclosures. The staff noted the extensive outreach undertaken during the consultation and the rich feedback in the over 1400 comment letters and survey responses, which included a relatively high number of responses from users of general purpose financial reporting. The ISSB had considered all the feedback at its September 2022 meeting and also discussed how the proposals in the two Exposure Drafts should be deliberated. The ISSB aims to complete redeliberations on the substantive issues raised by stakeholders around the end of 2022, with a view to issuing the two Standards as soon as possible in 2023.
- the planned approach to and timing of the ISSB's consultation on its agenda priorities and the publication of the related Request for Information.
- work to develop an exposure draft of the proposed IFRS Sustainability Disclosure Taxonomy following publication of a staff Request for Feedback on a related staff draft in May 2022.
- the growing work of the ISSB's consultative groups, three of which had begun to meet: the ISSB Investor Advisory Group, the Jurisdictional Working Group and the Sustainability Consultative Committee.

The DPOC suggested that whilst the ISSB's Consultative Groups are in their earliest stages, it would be helpful to consider developing a framework of data to help assess whether each group is continuing to serve its function and whether the membership of each group is appropriate for its needs.

Due process for maintaining and enhancing the SASB Standards

The DPOC discussed and approved the following process for the ISSB to maintain, evolve and enhance the SASB standards that do not form part of IFRS Sustainability Disclosure Standards.

- A group of three to five ISSB members will be established to develop recommendations for the ISSB relating to this work. The group will also develop drafts of the required exposure drafts of amendments to the SASB standards and, after considering the stakeholder feedback, drafts of the final amendments.
- The ISSB will consider the recommendations of this group in ISSB meetings (which are public) and ratify the exposure drafts and, subsequently the final amendments prepared by the group. Ratification will require the same level of support by ISSB members as is required for an amendment to an IFRS Sustainability Disclosure Standard. Exposure drafts of, and final amendments to, the SASB standards will be issued by the ISSB.

- The comment period for the exposure drafts will be the same as for those related to IFRS Sustainability Disclosure Standards.

The DPOC noted the name of the group of ISSB members making recommendations about the SASB standards should avoid implying a wider remit; the ISSB as a board continues to be responsible for amendments to the SASB standards. It also asked to be updated once the composition of the group is determined.

The DPOC also discussed two specific related matters relating to maintaining and enhancing the SASB Standards:

- the process for improving the international applicability of the SASB standards—the DPOC approved the ISSB issuing an exposure draft to request feedback on the proposed process and methodology for updating US-based references in the SASB standards for more internationally applicable references, rather than an exposure draft containing a full mark-up of the proposed amendments. Following consideration of the feedback to the exposure draft, the staff will make a draft of the amendments available on the IFRS Foundation website, consistently with the process described in paragraphs 3.31–3.33 of the *Due Process Handbook*, to allow stakeholders to review the amendments before the ISSB finalises them.
- the process for amending the SASB standards to align them with the elements in the final version of Appendix B to the Climate-related Disclosures Standard that were originally drawn from the SASB standards. The DPOC agreed that no further public consultation on these amendments would be required given that they had been exposed for public comment as part of the Climate-related Disclosures Exposure Draft.

Correspondence

The DPOC noted that no correspondence had been received that required its attention.