

IASB® meeting

Project	Third Agenda Consultation		
Paper topic	Feedback summary—Strategic direction and balance of the Board’s activities		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

Objective

1. This paper analyses feedback from comment letters, responses to the survey and outreach meetings on the strategic direction and balance of the Board’s activities included in the Request for Information [Third Agenda Consultation](#) (Request for Information).

Key messages

2. Most respondents commented on the strategic direction and balance of the Board’s activities and supported the Board’s current strategic direction. Many said the current allocation of resources to the Board’s six main activities is about right and suggested only minor modifications to the level of focus on some of the activities.
3. Many respondents said the Board should be flexible to changes in financial reporting priorities and should set aside capacity to respond to emerging issues in a timely manner. At times, this may require reprioritising some of its activities.
4. Many respondents emphasised the increasing importance of sustainability. Of those respondents, almost all commented on a potential interaction and connectivity between the Board, its technical staff and the International Sustainability Standards Board (ISSB). Many of these respondents said the Board should set aside capacity to

support that interaction and connectivity, but said it should not affect the Board’s capacity to deliver timely improvements to financial reporting.

5. Many respondents commented on the maintenance and consistent application of IFRS Standards. Many said the Board should increase its current level of focus on that activity, many said the Board should leave unchanged its current level of focus and a few said the Board should decrease its current level of focus.
6. Many respondents commented on the *IFRS for SMEs* Standard. Most said the Board should leave unchanged its current level of focus on this Standard, some said the Board should focus more and some others said the Board should focus less.
7. Many respondents commented on digital financial reporting. Many said the Board should increase its current level of focus on that activity, some said the Board should leave unchanged its current level of focus and a few said the Board should decrease its current level of focus.
8. Many respondents commented on the understandability and accessibility of the Standards. Most said the Board should increase its current level of focus on that activity, some said the Board should leave unchanged its current level of focus and a few said the Board should decrease its current level of focus.
9. Many respondents commented on stakeholder engagement. Many said the Board should leave unchanged its current level of focus, some said the Board should focus more and some others said the Board should focus less.
10. Recognising that an increase in the level of focus on one activity means that fewer resources are available for other activities, many respondents suggested the Board consider decreasing its level of focus on new IFRS Standards and major amendments to IFRS Standards. Many others said the Board should not change its current level of focus on new IFRS Standards and major amendments to IFRS Standards.
11. Some respondents, mainly standard-setters, said partnering with stakeholders from the broad IFRS community could alleviate some of the Board’s capacity constraints.
12. The following table illustrates the Board’s main activities, including the current level of focus and the summary of feedback received.

Activity	Current level of focus ¹	Feedback
New IFRS Standards and major amendments to IFRS Standards	40%–45%	Mixed—decrease or leave unchanged
Maintenance and consistent application of IFRS Standards	15%–20%	Mixed—increase or leave unchanged
The <i>IFRS for SMEs</i> Standard	5%	Leave unchanged
Digital financial reporting	5%	Increase
Understandability and accessibility of the Standards	5%	Increase
Stakeholder engagement	20%–25%	Leave unchanged

Structure of the paper

13. This paper includes:

- (a) questions in the Request for Information (paragraph 14);
- (b) feedback from comment letters, survey responses and outreach meetings (paragraphs 15–81):
 - (i) general comments (paragraphs 15–23);
 - (ii) new IFRS Standards and major amendments to IFRS Standards (paragraphs 24–36);
 - (iii) maintenance and consistent application of IFRS Standards (paragraphs 37–48);
 - (iv) *IFRS for SMEs* Standard (paragraphs 49–55);
 - (v) digital financial reporting (paragraphs 56–64);
 - (vi) understandability and accessibility of the Standards (paragraphs 65–69);

¹ Based on estimates of resource allocation over the last three years.

- (vii) stakeholder engagements (paragraphs 70–74);
 - (viii) interaction between the Board and the ISSB (paragraphs 75–77); and
 - (ix) other comments on the strategic direction and balance of the Board’s activities (paragraphs 78–81); and
- (c) question for the Board.

Questions in the Request for Information

14. The Request for Information asked the following questions about the strategic direction and balance of the Board’s activities:

Question 1—Strategic direction and balance of the Board’s activities

The Board’s main activities include:

- developing new IFRS Standards and major amendments to IFRS Standards;
- maintaining IFRS Standards and supporting their consistent application;
- developing and maintaining the *IFRS for SMEs* Standard;
- supporting digital financial reporting by developing and maintaining the IFRS Taxonomy;
- improving the understandability and accessibility of the Standards; and
- engaging with stakeholders.

[Paragraphs 14–18](#) and [Table 1](#) provide an overview of the Board’s main activities and the current level of focus for each activity. We would like your feedback on the overall balance of our main activities.

(a) Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes.

(b) Should the Board undertake any other activities within the current scope of its work?

Feedback from comment letters, survey responses and outreach meetings

General comments

15. Many respondents expressed support for the regular agenda consultation process, saying that it is transparent and allows for stakeholder participation in setting the Board's priorities. Some respondents said the approach taken for this agenda consultation works well and recommended the Board take a similar approach in the future.
16. Most respondents commented on the strategic direction and balance of the Board's activities and supported the Board's current strategic direction. Many said the current allocation of resources to the Board's six main activities is about right and suggested only minor modifications to the level of focus on some of the activities.
17. Many respondents commented on a potential interaction and connectivity between the Board's work and the work of the ISSB. Many of these respondents acknowledged that the Board will need to set aside capacity to support that interaction and connectivity, but said it should not be allowed to affect the Board's ongoing work on improvements to financial reporting. Some others said interaction with the ISSB could become one of the Board's main activities.
18. Many respondents commented on projects on the Board's current work plan. Some also made general comments about the work plan and expressed mixed views. Comments from these respondents will be summarised at a future Board meeting.
19. Some respondents, mainly standard-setters, stressed the importance of being responsive to emerging issues, addressing those issues in a timely manner. These respondents suggested the Board set aside capacity for emerging issues. An accountancy body suggested the Board consider how to balance the due process requirements with the need to be agile and fast-track any time-sensitive projects.
20. Some respondents said that, to ensure the consistent application of IFRS Standards and the continued relevance of financial reporting, it is important that the Board is able to adapt to changing priorities. These respondents suggested, if need be, the Board reconsider priorities of some of the projects on its current work plan.

21. Some respondents, mainly accountancy bodies, standard-setters and accounting firms, identified global themes that could underpin the Board’s work plan and activities over the next five years:
- (a) recovery from the covid-19 pandemic;
 - (b) advances in technology, including increased use of technology in the production and consumption of financial information;
 - (c) increasing importance of intangible resources in value creation; and
 - (d) sustainability and climate change, including connectivity between:
 - (i) financial reporting and sustainability reporting; and
 - (ii) between the Board and the ISSB.
22. Some respondents, mainly standard-setters from Asia, said the Board’s work plan should not be constrained by available resources and the Board should consider increasing resources to take on new projects. Some other standard-setters said partnering with them could help increase the Board’s capacity, in particular at the research phase of a project.
23. An accounting firm suggested the Board partner with stakeholders from the broader IFRS community and, to help overcome its resource challenges, the Board consider:
- (a) prioritising fewer projects;
 - (b) developing guidelines and processes for addressing cross-cutting matters—for example, climate-related risks and pollutant pricing mechanisms—in a consistent and coherent manner; and
 - (c) consulting with stakeholders to identify the problem to be solved and the scope of any new project before a decision is made to proceed with a major project.

New IFRS Standards and major amendments to IFRS Standards

24. Within this activity, the Board:
- (a) develops new IFRS Standards and major amendments to IFRS Standards through research and standard-setting projects; and

- (b) undertakes post-implementation reviews of new IFRS Standards and major amendments of IFRS Standards.
25. Most respondents commented on this activity. Of those respondents:
- (a) many said the Board should decrease its current level of focus (paragraphs 27–30);
 - (b) many said the Board should leave unchanged its current level of focus (paragraphs 31–32); and
 - (c) a few said the Board should increase its current level of focus (paragraph 33).
26. Some respondents provided general observations on the post-implementation review (PIR) process and commented on the upcoming PIRs. These comments are summarised in paragraph (34–36).

Decrease the level of focus

27. Many respondents—mainly preparers and their representative bodies, accountancy bodies and standard-setters—said the Board should decrease its current level of focus on new IFRS Standards and major amendments to IFRS Standards. Many of these respondents said the Board should focus more on maintenance and consistent application of IFRS Standards, so this paragraph should be read together with paragraphs 39–42.
28. Many respondents who said the Board should focus less on new IFRS Standards and major amendments to IFRS Standards provided various reasons for the change. In many cases, they made similar comments and said:
- (a) over the past few years stakeholders have faced a lot of changes in the financial reporting resulting from the introduction of new major IFRS Standards. They need a period of relative calm to develop expertise and allow sufficient time for proper implementation of these complex Standards.
 - (b) the Board needs to allocate resources to other high-priority areas, such as:
 - (i) maintenance and consistent application of IFRS Standards (paragraphs 37–48);
 - (ii) digital financial reporting (paragraphs 56–64); and

- (iii) understandability and accessibility of the Standards (paragraphs 65–69).
 - (c) even if the Board were to decrease its current level of focus, it should still have enough capacity to address the most important and urgent issues identified by stakeholders.
 - (d) implementing any new sustainability reporting requirements and producing sustainability reports alongside financial statements will mean that preparers have even less capacity to engage with the Board in the coming years.
 - (e) IFRS Standards have become a stable platform and, if the Standards are working as intended, there is no need for any immediate amendments or additional detailed rule-based guidance.
29. A few respondents, mainly standard-setters, said it has been clear during the covid-19 pandemic that stakeholders have limited capacity to engage with the Board, provide feedback on its proposals and implement changes to the Standards. In these respondents' view, now seems to be the right time to exercise caution about the overall size of the research and standard-setting work plan and focus less on standard-setting.
30. A few user representative groups said the Board should not commence work on any new major IFRS Standard.

Leave unchanged the level of focus

31. Many respondents—mainly preparers and their representative bodies from Europe and Asia, and individuals—said the Board should leave unchanged its current level of focus on new IFRS Standards and major amendments to IFRS Standards. Many of those respondents said the Board should also leave unchanged its current level of focus on maintenance and consistent application of IFRS Standards, so this paragraph should be read together with paragraph 43.
32. Many respondents who said the Board should leave unchanged its focus on new IFRS Standards and major amendments to IFRS Standards provided various reasons for the change. In many cases, they made similar comments and said:

- (a) this is the Board’s main activity, in which the most resources should continue to be invested if the relevance of IFRS Standards is to be maintained.
- (b) the required PIRs of new major IFRS Standards on financial instruments, revenue, leases and insurance contracts are necessary to ensure the successful and consistent implementation of these Standards. Consequently, the Board should allocate sufficient resources to these reviews and any standard-setting activity arising from these reviews.
- (c) the Board needs to maintain the current level of focus to remain responsive to market developments and react in a timely manner to urgent issues that may arise.
- (d) without changing the current level of focus, to have more capacity and flexibility in responding to emerging issues, the Board may need to reassess whether it is able to complete all the projects on its current work plan.
- (e) the projects on the Board’s current work plan and the required PIRs will take up a lot of the resources already allocated to new IFRS Standards and major amendments to IFRS Standards. Therefore, if the Board is to have the capacity to add any new projects to its work plan, the current level of focus should remain unchanged.

Increase the level of focus

33. A few respondents—a few users, a few individuals, a few accountancy bodies and a regulator—said the Board should increase the level of focus on new IFRS Standards and major amendments to IFRS Standards, because:
- (a) the increased level of focus could help the Board complete its projects faster and respond in a timely manner to urgent issues that may arise; and
 - (b) there are still a few gaps in IFRS Standards that the Board should address.

Comments on the post-implementation reviews (PIRs)

34. Some respondents, mainly standard-setters and accountancy bodies, provided general observations on the post-implementation review process and commented on the upcoming PIRs. In some cases, they made similar comments and said:

- (a) each Standard is different in terms of the time needed for practice to mature and preparers need some time to develop sufficient knowledge and experience in applying the Standards. The Board and the Trustees of the IFRS Foundation should change the PIR process to avoid a mechanistic approach to the timing of PIRs that is based only on the effective date of the Standard.² Some other respondents held opposite view and said the Board should begin PIRs on time or clearly explain the reasons for delaying them.
- (b) the PIR should not cause unnecessary delays in addressing unexpected application challenges—in general, if application challenges emerge the Board should address them in a timely manner rather than waiting for the PIR.
- (c) Transition Resource Groups (TRGs) can be used to address early implementation issues. Using TRGs in this way may avoid the need for a full-scope PIR two years after a Standard has been implemented.
- (d) the Board should undertake follow-on projects to address issues identified as part of the PIR, but they should be timely and pragmatic solutions rather than major conceptual changes. Some respondents said, in managing stakeholders' expectations, it would be helpful if the Board clearly set out the objectives of a PIR and explained better what the outcome of a PIR can be—for example, there is no presumption that a PIR will lead to any changes to a Standard.
- (e) the Board should consider the work already underway by the US Financial Accounting Standards Board (FASB), to assess whether the outreach performed by the FASB could be helpful in accelerating the upcoming PIRs.
- (f) to alleviate its capacity constraints, the Board should prioritise the PIR of IFRS 16 *Leases* and the PIR of the impairment requirements in IFRS 9 *Financial Instruments*, because they have a widespread effect and, according to these respondents, application issues have arisen.

35. Some respondents, including all preparer representative bodies from the insurance industry, emphasised the importance of the PIR of IFRS 17 *Insurance Contracts*.

² Paragraph 6.48 of the *Due Process Handbook (Handbook)* says a post-implementation review normally begins after the new requirements have been applied internationally for two years, which is generally about 30–36 months after the effective date.

Some of them, all from Europe, said the timing of this PIR should be aligned with the review of aspects of that Standard by the European Commission.³

36. A standard-setter from Europe said it is important for many stakeholders in Europe that the Board redeliberate the presentation requirements for fair value changes in equity investments as part of the ongoing PIR of classification and measurement requirements in IFRS 9. This respondent also suggested the Board consider developing specific requirements for sustainability-linked financial instruments.

Maintenance and consistent application of IFRS Standards

37. Together with the IFRS Interpretations Committee (Committee), the Board maintains and supports the consistent application of IFRS Standards as a single set of high-quality global Standards. Many respondents commented on this activity. Of those respondents:
- (a) many said the Board should increase its current level of focus (paragraphs 39–42);
 - (b) many said the Board should leave unchanged its current level of focus (paragraph 43); and
 - (c) a few said the Board should decrease its current level of focus (paragraph 44).
38. Some respondents provided general observations on Committee agenda decisions. These comments are summarised in paragraphs 45–48.

Increase the level of focus

39. Many respondents, including many of those who said the Board should focus less on new IFRS Standards and major amendments to IFRS Standards (paragraphs 27–30), said the Board should focus more on maintenance and consistent application of the Standards. Some of those respondents said there is not a substantial difference between maintenance of the Standards and activities to improve the understandability

³ The European Commission will review the exemption from the annual cohort requirement for intergenerationally-mutualised and cash flow matched contracts by 31 December 2027.

of financial reporting requirements, so this section can be read together with paragraph 66.

40. Many respondents who said the Board should focus more on maintenance and consistent application provided various reasons for the change. In many cases, they made similar comments and said:
- (a) focussing on consistent application will improve comparability between entities.
 - (b) IFRS Standards have become a mature and established platform of accounting standards that address most, if not all, transactions and economic phenomena. Therefore, less focus is needed to carry out research and develop solutions, and the Board need to focus more on maintaining the Standards.
 - (c) the Board should shift its focus from the development of requirements to the maintenance of the Standards, focusing on the recent wave of new major IFRS Standards on financial instruments, revenue, leases and insurance contracts. These new Standards have different structure, include more details and are generally more complex than some older Standards and the Board will need more efforts to maintain them.
 - (d) emerging economies and early adopters need more capacity-building efforts and sufficient time to develop expertise to apply existing requirements. A standard-setter from Asia-Oceania suggested the Board cooperate with national standard-setters who have already adopted the Standards to support early adopters of the Standards.
 - (e) the Board should increase its focus on supporting jurisdictions and entities that are preparing to adopt IFRS Standards;
 - (f) priority should be given to addressing emerging issues with widespread, global effect in a timely manner. The best way to prioritise the emerging issues is for the Board to work closely with reporting entities and auditors to identify challenges in applying the Standards.
 - (g) there is a growing demand for more timely resolution of application challenges—for example, by publishing more agenda decisions.

41. Some of the respondents who said the Board should increase its current level of focus on maintenance and consistent application of IFRS Standards specified the types of work that the Board should do more of. They suggested the Board:
- (a) seek to cooperate with national standard-setters to help them play a greater role in ensuring the consistent application of the Standards. They said some issues are prevalent only in some jurisdictions and could be addressed effectively by national standard-setters based on the guidance provided by the Board.
 - (b) provide more educational materials for:
 - (i) investors, to help them understand the requirements; and
 - (ii) preparers, to help them apply the Standards consistently and reduce diversity in practice.
 - (c) publish more narrow-scope amendments and interpretations of IFRS Standards. However, an accountancy body expressed concerns about narrow-scope amendments and whether they are the most effective tool to address identified issues—narrow-scope amendments require attention and absorb resources, even if in the end they have no impact on many entities. It is possible that guidance in some other form may suffice.
42. A few academics from Europe suggested the Board monitor consistent application of the Standards in cooperation with universities, noting that many academics have conducted research in this area. They said consistent application of the Standards could be improved by reducing the number of tools—for example, interpretations, agenda decisions, educational materials and narrow-scope amendments—that the Board and the Committee use because stakeholders find it difficult to understand differences between them.

Leave unchanged the current level of focus

43. Many respondents who suggested the Board leave unchanged its current level of focus said the maintenance and consistent application of existing IFRS Standards is as important as the development of new Standards and amendments to the Standards. A few respondents provided some additional comments and suggestions:

- (a) a securities regulator suggested the Board use resources published by regulators (such as errors and refiling lists and staff notices) to monitor the consistent application of the Standards.
- (b) a standard-setter from Asia-Oceania said some of the issues raised by stakeholders would be better addressed by an increased focus on improving the understandability and accessibility of the Standards.
- (c) a government organisation said there is likely to be a period of inconsistent application of the recently published materials on the effect of climate-related matters on financial statements.⁴ The Board may need to consider how to further support national and other agencies responsible for the implementation of these requirements.

Decrease the level of focus

44. A few respondents said the Board should decrease the level of focus on maintenance and consistent application of the Standards:
- (a) an accounting firm said IFRS Standards literacy has increased globally, so the Board could focus less on the development of educational materials.
 - (b) a standard-setter from Latin America said the Board together with the Committee should publish fewer agenda decisions because, in this respondent's view, agenda decisions change accounting practices using a simplified due process and do not include transition requirements.

Comments on Committee agenda decisions

45. Some respondents of all types, mainly from Europe and Latin America, commented on Committee agenda decisions. In many cases, similar comments were raised by one or a few respondents. They said:
- (a) agenda decisions are useful in supporting consistent application of the requirements in IFRS Standards.

⁴ In November 2020, the IFRS Foundation published educational material on the effects of climate-related matters on financial statements. This document explained how IFRS Standards require entities to consider climate-related matters when those matters have a material effect on the financial statements. The educational material complements a November 2019 article, *IFRS Standards and climate-related disclosures*.

- (b) the increased number of agenda decisions could undermine the principles-based nature of the Standards. To address these concerns, a few respondents suggested the Board and the Committee work together to achieve an appropriate balance between the principles-based nature of the Standards and the growing demand for more activities that support consistent application.
 - (c) the number of issues addressed recently by the Committee appears to be too high and may indicate that the understandability of IFRS Standards should be improved. A preparer representative body from Europe said a high number of agenda decisions may indicate that the filtering process for the Committee is not effective or an IFRS Standard has been published prematurely (ie without sufficient field testing or external review).
 - (d) agenda decisions raise further questions among preparers and auditors about how to interpret those decisions and how widely they should be applied.
 - (e) there are too many tentative agenda decisions and stakeholders find it difficult to provide feedback on them.
 - (f) it is sometimes difficult to understand the requirements in IFRS Standards without reference to the agenda decisions or the agenda papers for the meetings of the Committee. The Board should consider how agenda decisions can be integrated into the Standards, including in the bases for conclusions, and eliminate the use of two series of the Standards (annotated and without annotations).
 - (g) there should be a review of agenda decisions in which the Committee decided not to add an issue to its agenda because it expected the issue to be addressed by a Board project.
46. A preparer representative body and a standard-setter from Latin America suggested the Board develop more educational materials, such as webinars, webcasts and articles, and reduce the number of agenda decisions.
47. An accountancy body from Europe raised concerns about the process for publishing agenda decisions—in its view agenda decisions should be subject to the same due process requirements as amendments to, and interpretations of, IFRS Standards.

48. A few respondents—a few standard-setters from Europe and Asia-Oceania and a preparer representative body—suggested improvements to the Committee’s agenda decision process, including communication of the process and status of agenda decisions.

IFRS for SMEs Standard

49. Many respondents commented on the current level of focus on the *IFRS for SMEs* Standard. Of those respondents:
- (a) most said the Board should leave unchanged its current level of focus (paragraph 50);
 - (b) some said the Board should increase its current level of focus (paragraph 51);
 - (c) some said the Board should decrease its current level of focus (paragraph 52); and
 - (d) a few shared some other comments on the Standard (paragraphs 53–55).
50. Most respondents who commented on the *IFRS for SMEs* Standard said the Board should leave unchanged its current level of focus on developing and maintaining the Standard. Some of those respondents provided detailed rationale; in many cases they made similar comments and said:
- (a) the Board should continue to promote the Standard internationally.
 - (b) there are many jurisdictions around the world where the Standard is required or permitted.⁵
 - (c) the needs of investors in entities that do not have public accountability are different from the needs of investors in entities applying IFRS Standards. However, there is a need for high-quality, comparable information from entities without public accountability and these entities need a comprehensive and workable Standard.

⁵ The *IFRS for SMEs* Standard is permitted or required (as issued by the Board or with some modifications) in more than 80 jurisdictions.

- (d) the *IFRS for SMEs* Standard provides an international solution for reporting by entities without public accountability and contributes to the overall quality of financial reporting globally. Therefore, it is important to maintain and update the Standard.
- (e) the current level of focus is only 5%, so were the Board to decrease its current level of focus, there would not be too many resources left for this activity.
- (f) the Board needs to maintain its current level of focus to respond to emerging issues.

51. Some respondents—including a few standard-setters from Latin America and a few accountancy bodies from Asia and Africa—said the Board should increase the level of focus on the *IFRS for SMEs* Standard. Many of these respondents recognised the importance of the Standard to many jurisdictions. Some of those respondents said some additional efforts are needed to improve the relevance of the Standard—for example, completing the ongoing comprehensive review. They also suggested the Board undertake activities to increase the global adoption of the Standard.

52. Some respondents, including a few standard-setters from Europe and Latin America, said the Board should focus less on the *IFRS for SMEs* Standard. They said:

- (a) many jurisdictions have well-developed national GAAP for entities without public accountability;
- (b) by decreasing the current level of focus, more resources would be available for the other high-priority activities;
- (c) the Board should include specific requirements for entities without public accountability in each new IFRS Standard or major amendment as it is developed rather than in a separate Standard; and
- (d) the differences between full IFRS Standards and the *IFRS for SMEs* Standard may negatively affect the brand perception of IFRS Standards.

Other comments on the IFRS for SMEs Standard

53. A few accounting firms suggested improvements to the way the *IFRS for SMEs* Standard is maintained. They said the Board should consider how to use the resources of the SME Implementation Group (SMEIG) and expertise of the national standard-

setters in jurisdictions where the use of the Standard is prevalent. They suggested that the Board could, for example, create a subgroup of the SMEIG that:

- (a) would be responsible for identifying, evaluating and drafting amendments to the *IFRS for SMEs* Standard, under the supervision and subject to approval by the Board; and
- (b) would undertake outreach, so the benefits of the current broad composition of the SMEIG would not be lost.

54. An accountancy body said one of the causes for limited adoption of the Standard is a ‘trickle-down’ effect, whereby national standard-setters incorporate accounting requirements from full IFRS Standards into their national GAAP for entities without public accountability.
55. A standard-setter from Asia-Oceania said the proposals in the Exposure Draft *Subsidiaries without Public Accountability: Disclosures* might disincentivise some jurisdictions from adoption of the *IFRS for SMEs* Standard. If the Board decides to finalise its proposals, some jurisdictions might decide to expand the scope of the reduced disclosure requirements to include other non-publicly accountable entities.

Digital financial reporting

56. Many respondents commented on the current level of focus on digital financial reporting. Of those respondents:
- (a) many said the Board should increase its current level of focus (paragraphs 57–58);
 - (b) some said the Board should leave unchanged its current level of focus (paragraph 59);
 - (c) a few said the Board should decrease its current level of focus (paragraph 60); and
 - (d) a few shared some other comments (paragraphs 61–64).
57. Many respondents who commented—including most standard-setters, most users and most accountancy bodies—said the Board should increase its current level of focus on digital financial reporting. Most of these respondents said rapid developments and

increased use of technology are increasing the importance of digital financial reporting to capital markets.

58. Some respondents also specified the types of work that the Board should do more of. They suggested the Board:
- (a) strategically position itself to ensure that its approach to digital financial reporting responds appropriately to the future digital needs of investors. Such an approach would look beyond the IFRS Taxonomy and explore how digital reporting is changing the way investors consume information and the effects this could have on the way IFRS Standards are written. A few of these respondents suggested the Board could consider this as part of its project Disclosure Initiative—Targeted Standards-Level Review of Disclosures.
 - (b) strengthen its dialogue with regulators and standard-setters to increase the adoption of IFRS Taxonomy. The Board should undertake more initiatives to improve the understanding and support the consistent application of the IFRS Taxonomy, leveraging the expertise of jurisdictions that have successfully implemented the IFRS Taxonomy and XBRL-based digital financial reporting. A standard-setter suggested the Board work together with XBRL International, to develop guidance materials on the design, use, and functioning of the XBRL Standard.
 - (c) focus more on common-reporting practices of entities (including medium-sized entities) applying full IFRS Standards in Latin America and Africa.
 - (d) consider improving the quality of the IFRS Taxonomy to better meet users’ needs.
 - (e) undertake research to explore what changes to the standard-setting process would help the Board consider presentation and disclosure of information in a digital format and shift the focus away from traditional paper-based reporting. A few standard-setters from Asia-Oceania said they are supportive of thought leadership from the Board on how its work and products will change in response to the significant technological changes.

- (f) need to consider the fast pace of change in digital financial reporting and apply nimble approach to ensure that any potential project and its solutions are still relevant when the project is completed.
 - (g) monitor developments in the digital financial reporting and respond in a timely manner to any emerging issues that may arise from the regulatory developments and the implementation of the European Single Electronic Format (ESEF).
 - (h) identify partners and work jointly with them to create digital financial markets, where high-quality, comparable electronic data is easily accessible, if that is within the current scope of the Board’s work.
 - (i) provide illustrative examples to support the application of the IFRS Taxonomy—for example, how to avoid the use of extensions when the IFRS Taxonomy already includes applicable elements.
 - (j) explore how machine learning and artificial intelligence can help make judgements to apply the requirements in IFRS Standards.
59. Some respondents—including most individuals and most preparers and their representative bodies—suggested the Board leave unchanged its current level of focus. They said:
- (a) the Board should seek efficient solutions to improve the quality of electronic data and further support consistent application, but should not increase its current level of focus, given its other priorities.
 - (b) in undertaking any projects in that area, the Board should carefully consider internal expertise and any relevant work being undertaken by other organisations. Where appropriate, the Board should seek synergies and collaborate with other organisations (or complement their work) rather than duplicate any existing initiatives. This will help the Board to be more effective in the area and focus on activities where the Board has the most to contribute—for example, the ongoing work to develop and maintain the IFRS Taxonomy.

- (c) the Standards should be digital-friendly, so the Board should continue to focus on developing updates to the IFRS Taxonomy in parallel with the development of new IFRS Standards and major amendments to IFRS Standards. This is to avoid the risk that new elements reflecting common reporting practice go beyond the disclosure requirements in IFRS Standards and create imbalance between the pre-defined tags and extensions.
 - (d) the Board should not have sole responsibility for the development and maintenance of the IFRS Taxonomy and may outsource to other parties some of its work in this area. That would allow the Board to focus more on the developments in digital financial reporting without increasing the overall level of focus.
 - (e) digitalisation is increasingly important, but it is not the Board's main area of focus or expertise. Updates to the IFRS Taxonomy should become part of the Board's standard-setting and maintenance activities. The available resources should be redirected to focus on ensuring that new Standards are compatible with the requirements of digital reporting and consider how the principle-based nature of the Standards can respond to the rules-based needs of digitalisation.
 - (f) digitalisation is broader than the IFRS Taxonomy. In the short term the Board may need to invest additional resources to further digitalise its work across all its main activities. But, because digitalisation improves efficiency, this activity would require fewer resources in the future. Thus, overall and in the long term the current level of focus would remain unchanged.
60. A few respondents said digital financial reporting is not a high priority:
- (a) a user said the Board should first focus on developing financial reporting requirements that would disaggregate information in a better way and provide more effective disclosures;
 - (b) an academic said there are other players with expertise in that space, including database providers; and
 - (c) an academic said reporting formats vary between jurisdictions and any additional implementation burden should be avoided.

Other comments on digital financial reporting

- 61. A few preparer representative bodies from Europe said the needs of digital financial reporting should not lead to technology driving the content of IFRS Standards.
- 62. A user organisation from North America expressed willingness to provide more specific comments once the Board has shared more details on its plans to further support digital financial reporting.
- 63. A user representative group said users increasingly consume and process financial information electronically, often via data aggregators and expressed concerns that data aggregators are becoming the de-facto standard-setters.
- 64. An accountancy body said some work in digital financial reporting might be needed to connect with the work of the ISSB.

Understandability and accessibility of the Standards

- 65. Many respondents commented on the current level of focus on understandability and accessibility of the Standards. Of those respondents:
 - (a) most said the Board should increase its current level of focus (paragraph 66);
 - (b) some said the Board should leave unchanged its current level of focus (paragraph 67); and
 - (c) a few said the Board should decrease its current level of focus (paragraphs 68–69).
- 66. Most respondents who commented on this activity—including most preparers and their representative bodies, most accountancy bodies and most standard-setters—said the Board should increase its current level of focus because in their view IFRS Standards are becoming more complex and less understandable. Some of them specified the types of work that the Board should do more of. In some cases, they made similar comments and said:
 - (a) the Board should undertake a project to identify and address areas of unnecessary complexity—for example, by removing any redundant or outdated features within the Standards.

- (b) to determine areas of complexity and unnecessarily difficult judgement, the Board could:
 - (i) review restatements made by public entities;
 - (ii) discuss with large audit firms which accounting practices they disagree with; and
 - (iii) discuss with regulators what common themes arise from their financial statement reviews.
- (c) separate from its ongoing project Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures, the Board should consider a reduced disclosure framework for smaller listed entities many of whom struggle with the complexity of some IFRS Standards.
- (d) the Board should explore ways of improving the accessibility and navigability of the Standards, perhaps through the use of technology.
- (e) the Standards should be concise and clearly articulated, using consistent structure; new terminology should be introduced only when necessary. A standard-setter from Asia-Oceania said it is not necessary to re-write existing Standards; consistent terminology and structure should be used prospectively. An academic from the same region held the opposite view.
- (f) to help with translation the Board should use shorter, simpler words and sentences. The Board should also avoid double negatives.
- (g) accessibility could be improved by providing free access to the full Standards with all accompanying documents and annotations, including agenda decisions.
- (h) the Board should consider:
 - (i) using graphs, illustrations and charts in the Standards;
 - (ii) improving the keyword search function of the Standards; and
 - (iii) posting videos that would explain the requirements to the users.
- (i) bases for conclusions and illustrative examples help preparers and others better understand the requirements and support consistent application. The Board

could holistically review the Standards and develop or improve the bases for conclusions on some older IFRS Standards. In doing so, the Board may prioritise work on the Standards that apply to most entities (for example, IAS 2 *Inventories* and IAS 16 *Property, Plant and Equipment*).

67. Some respondents said the Board should leave unchanged its current level of focus on understandability and accessibility of the Standards. Those that explained why stated that the current allocation of resources has been appropriate and over the years has enabled the Board to deliver timely and quality improvements to financial reporting. Some others said activities to improve understandability and accessibility of the Standards affect all aspects of the Board's work and it was unclear to them why these tasks are identified as a separate activity.
68. A user representative body from North America expressed concerns that activities to improve the understandability of financial reporting requirements focus on the needs of preparers and could result in a decrease in the information available to investors.
69. An accountancy body said the Board should not focus too much on this activity, until the outcome of its current project Disclosure Initiative—Targeted Standards-Level Review of Disclosures is known. This respondent suggested the Board re-allocate some of its resources from understandability and accessibility to research and maintenance projects.

Stakeholder engagement

70. Many respondents commented on stakeholder engagement. Of those respondents:
 - (a) many said the Board should leave unchanged its current level of focus (paragraphs 71–72);
 - (b) some said the Board should increase its current level of focus (paragraph 73); and
 - (c) some said the Board should decrease its current level of focus (paragraph 74).
71. Many respondents who commented on this activity—including most individuals and most preparers—said engagement with stakeholders is an important part of the Board's work but did not suggest any changes to the Board's current level of focus.

Of those respondents who provided detailed comments, some expressed their appreciation to the Board for its commitment to consult with stakeholders and said the current level of focus on this activity is appropriate to obtain views from a broad range of stakeholders, including users. Some other respondents said that they found meetings and outreach events very productive.

72. A few respondents said the Board should focus more on some types of stakeholders, without increasing the overall level of focus on stakeholder engagement. They suggested the Board:
- (a) increase the engagement with academics who tend to provide unbiased feedback;
 - (b) focus more on preparers; and
 - (c) engage with other bodies, like statistical institutions.
73. Some respondents—mainly accountancy bodies, standard-setters and users—said the Board should increase its current level of focus on stakeholder engagement and specified the types of work that the Board should do more of. They suggested the Board:
- (a) broaden user outreach. A user representative body said there is a growing cost pressure on investment management firms and investment research providers that has led to a contraction of the sell-side and a trend for buy-side analysts to increase their coverage. At the same time the Standards and the Board’s proposals are becoming more complex. So, most users who are not accounting professionals find it increasingly difficult and onerous to understand them accurately and provide feedback to the Board.
 - (b) provide more educational materials tailored to users’ needs and capacity.
 - (c) use digital-friendly approaches, such as the online survey used in this agenda consultation, to increase stakeholder engagement. However, a regulator from Asia-Oceania expressed concerns about using surveys. In this respondent’s view, comment letters require stakeholders to carefully consider their views and include detailed rationale, whereas a survey respondent will not typically provide detailed comments.

- (d) continue using standard response templates (such as the one used for the Request for Information Comprehensive Review of the *IFRS for SMEs* Standard) because many stakeholders find them useful.
- (e) consider the informal dialogue with stakeholders as a way to increase the overall level of stakeholder engagement.
- (f) encourage participation in the standard-setting process from emerging markets and increase the level of engagement with entities without public accountability.

74. Some respondents—including some individuals, a few users, a few standard-setters and a few preparers—suggested the Board decrease its current level of focus on stakeholder engagement. Comments from these respondents included:

- (a) during the covid-19 pandemic the use of digital platforms to conduct meetings, conferences, webinars and undertake other stakeholder engagement activities has significantly reduced costs associated with physical attendance. The Board should further explore and use digital-friendly approaches. Efficiencies and savings in this area could be directed to other high-priority areas such as digital financial reporting and understandability and accessibility.
- (b) the Board could consider decreasing its current level of focus on stakeholder engagement by seeking synergies or outsourcing some of its activities in this area to other stakeholders (such as national standard-setters and endorsement bodies).

Interaction between the Board and the ISSB

75. Many respondents commented on a potential interaction between the Board and the ISSB. Of those respondents, almost all acknowledged that connectivity with the ISSB will be an overarching theme for the Board in the coming years. Many of these respondents, however, said the Board needs to remain focused on developing financial reporting requirements and should not undertake any activities outside its current scope. They also commented that any potential interaction should not reduce the resources available to the Board to make timely progress on its work plan. In many cases, respondents made similar comments; they said:

- (a) IFRS Standards and IFRS Sustainability Disclosure Standards need to be consistent, coherent and compatible, so there needs to be an ongoing dialogue between the two Boards. Such dialogue may identify the need for improvements to IFRS Standards, so the Standards remain fit for purpose. A user representative group suggested that IFRS Foundation *Constitution* should include a framework for the dialogue between the Board and the ISSB.
- (b) the Board and the ISSB should avoid organisational silos and establish effective cooperation, which will be beneficial for the entire corporate reporting ecosystem (including users and preparers of financial and sustainability reports).
- (c) the Board should consider how it can best support the ISSB, especially in the initial phase of the development of IFRS Sustainability Disclosure Standards.
- (d) the relationship between the ISSB and the Board should be well planned to optimise the use of resources and avoid overlap. It should include interconnectivity between the Board's and the ISSB's work plans, meetings, staff expertise. It will be equally important to set clear boundaries in the cross-cutting areas and define responsibilities.
- (e) the Board will need to consider connectivity between the *Conceptual Framework for Financial Reporting (Conceptual Framework)* and a future framework for the development of IFRS Sustainability Disclosure Standards.
- (f) coordination between the Board and the ISSB should be part of the Board's main activities. The Board should retain sufficient flexibility in its work plan to support any interaction between its work and the work of the ISSB.
- (g) the Board should seek additional feedback from stakeholders regarding the appropriateness of any allocation of its resources to support the interaction.
- (h) sustainability reporting is a specialised, fast-developing area. The Board may need additional resources to commence work on climate-related risks and to support any interaction with the ISSB.

- (i) digitalisation may improve future coordination between the Board and the ISSB by evidencing anchor points for connectivity between financial and sustainability reporting.
76. Some respondents commented on specific projects, which will require the ongoing interaction between the two Boards, or which should be undertaken jointly (see also Agenda Papers 24D–24F for this meeting):
- (a) Management Commentary;
 - (b) intangible assets;
 - (c) going concern;
 - (d) climate-related risks;
 - (e) pollutant pricing mechanisms;
 - (f) sustainability in IFRS Standards;
 - (g) ESG-related matters;
 - (h) better information about human capital; and
 - (i) research project on how to integrate ESG-related information with financial information.
77. An accountancy body urged coordination with other bodies who are considering the development of sustainability standards to reduce the risk of international entities having to comply with multiple inconsistent requirements. This respondent acknowledged that this is outside the current scope of the Board’s work.

Other comments on the strategic direction and balance of the Board’s activities

78. A preparer representative group from Europe suggested the Board develop a separate process (or streamline the existing processes) that would allow the Board to prioritise emerging issues relating to changes in regulatory or legislative environment—for example, financial instruments with sustainability-linked features.

79. A standard-setter from Europe suggested that cross-cutting issues affecting various financial reporting projects and Standards could be an additional activity within the current scope of the Board's work.
80. A user representative group suggested the Board expand its current scope of work by developing sustainability reporting standards, thus formalising best practices not only in financial reporting, but also in non-financial reporting.
81. An accounting firm suggested the Board assess how quality control processes can be enhanced to identify fatal flaws prior to release of a new Standards or a major amendment to a Standard.

Question for the Board

Does the Board have any comments or questions on the feedback discussed in this paper?