

# IFRS<sup>®</sup> Foundation Trustees

## Summary of October 2021 meetings

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*This document reports on a meeting of the Trustees of the IFRS Foundation, the oversight body of the International Accounting Standards Board (Board). 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

1. The IFRS Foundation Trustees met by video conference on 20–21 and 27 October 2021.

### Reports of the Chairs and the Executive Director

2. The Trustees received reports from:
  - the Chair of the Trustees, Erkki Liikanen on his recent meetings with key stakeholders;
  - the Executive Director, Lee White, on current priorities and recent activities; and
  - the Chair of the IASB, Andreas Barckow, on the activities of the IASB and the IFRS Interpretations Committee in the period June to September 2021.

### Sustainability-related disclosure standard-setting

3. The Trustees discussed progress on their work to establish a new board focused on sustainability-related disclosure standards (the proposed International Sustainability Standards Board—ISSB) under the IFRS Foundation's governance.

4. The Trustees' discussions over the three days focussed on three main areas:

#### **Key requirements for success**

5. In the *Consultation Paper on Sustainability Reporting* published in 2020, the Trustees specified the following key requirements for success that would enable the Foundation to create the ISSB:
  - to achieve a sufficient level of global support from public authorities, global regulators and market stakeholders, including investors and preparers, in key markets;
  - to work with regional initiatives to achieve global consistency and reduce complexity in sustainability reporting;
  - to ensure the adequacy of the Foundation's governance structure;

- to achieve appropriate technical expertise for the Trustees, new board members and staff;
  - to achieve the level of separate funding required and the capacity to obtain financial support;
  - to develop a structure and culture that seeks to build effective synergies with financial reporting; and
  - to ensure the Foundation's mission and resources are not compromised.
6. The Trustees considered detailed assessments of the work performed in fulfilment of each of these requirements and the evidence these provided to support establishing the ISSB.
7. Amongst the matters arising, the Trustees noted the need for further work to ensure there would be strong engagement with emerging markets to reflect their perspectives in the development of the ISSB's standards. In that regard, the Trustees noted they had established a working group to develop terms of reference for a Sustainability Standards Advisory Forum. This Forum would provide a mechanism for formal engagement on standard-setting between the ISSB and jurisdictional representatives, including from emerging markets (similarly to the role of the Accounting Standards Advisory Forum for the IASB).
8. The Trustees concluded that the key requirements for success had been sufficiently met to establish the ISSB, subject to concluding legally binding agreements relating to the planned consolidation in sustainability disclosure standard-setting. (These agreements were concluded shortly after these meetings.)

### **Proposed amendments to the IFRS Foundation *Constitution***

9. At their meeting on 20 September 2021, the Trustees had considered the feedback on the proposed amendments to the IFRS Foundation *Constitution* required to establish the ISSB under the Foundation's governance. The Exposure Draft proposing the amendments was published in April 2021 with a 90-day comment period and had elicited 176 responses.
10. At this meeting, the Trustees approved the amendments to the *Constitution* to establish the ISSB, subject to concluding legally binding agreements relating to the planned consolidation in sustainability disclosure standard-setting.
11. The amendments to the *Constitution* are broadly as proposed in the Exposure Draft with some revisions in the light of the feedback, including:
- refinements to (a) the articulation of the objectives proposed in the Exposure Draft for the expanded Foundation and (b) the terminology for the ISSB's standards;
  - refinements to reflect the intended interconnectivity between the IASB and the ISSB;

- adding the requirement for the four ISSB ‘at-large’ members to ‘not create overall geographical imbalance’;
  - providing the flexibility to appoint a part-time Chair of the ISSB and to designate up to two of the full-time ISSB members as Vice-Chairs;
  - aligning the ISSB’s requirement for approving an exposure draft and standard with those of the IASB, but with a transitional measure to accommodate the possibility of the ISSB starting work with less than a full complement of members;
  - permitting the Chair and Vice-Chair(s), in consultation with any appointed members of the ISSB, to publish for public comment exposure drafts of a climate-related disclosure standard and/or a presentation standard in addition to seeking input to develop the ISSB’s work plan as proposed in the Exposure Draft.
12. The Trustees also agreed to review the structure and effectiveness of the ISSB starting no later than three years after it commences operations.
13. The revised [Constitution](#) was published on 3 November 2021 together with an accompanying [Feedback Statement](#) that explains how the Trustees have responded to the feedback.

#### **Proposed multi-location operating model**

14. The Trustees considered an analysis of the offers that had been received from jurisdictions to fund and host the ISSB. The analysis assessed the offers using the criteria previously agreed by the Trustees.
15. The Trustees expressed support for establishing the ISSB in a number of locations to facilitate the rapid establishment of a global presence for the ISSB. The Trustees agreed to advance discussions with jurisdictions that had made letters of offers.

### **Reports from Trustee Committee meetings held on 19–20 October**

#### **Business Processes and Technology (BPT) Committee**

16. The Chair of the Committee reported that the Committee had received a progress report from the BPT Programme Director. The Committee had noted that it would be considering how its work would interact with the establishment of the ISSB. The Committee had also received an update on the work regarding digital financial reporting, noting the need to ‘think digitally’ from the start of the ISSB’s work.

#### **Audit, Finance and Risk Committee**

17. The Chair of the Committee reported that the Committee had:
- approved the appointment of an external investment manager following a tender process. The manager will implement the Foundation’s new investment strategy.

- received an update from the Foundation’s auditors, Grant Thornton, on the audit quality of the firm.
- received an update on changes made to the Foundation’s risk register since the Committee’s last review.

### **Human Capital Committee**

18. The Chair of the Committee reported that the Committee had:
- started its discussions relating to the annual review of staff salaries from April 2022;
  - considered human capital issues in relation to the ISSB; and
  - received an update on the introduction of new ‘hybrid’ working patterns in the organisation.

### **Nominating Committee**

19. The Chair of the Committee reported on recent Committee meetings, noting the progress on appointments for the Trustees, the IASB, the Advisory Council, and IFRS Interpretations Committee, as well as the inaugural Chair and Vice-Chair(s) of the ISSB.

### **Due Process Oversight Committee**

20. The Chair of the Due Process Oversight Committee reported on the Committee’s meeting. A summary of the meeting is attached.

### **Meeting with the Monitoring Board**

21. The Trustees met the IFRS Foundation Monitoring Board on 21 October to discuss their work relating to the establishment of the ISSB.

# IFRS® Foundation Trustees

## Due Process Oversight Committee

### Summary of meeting held on 19 October 2021

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#### Introduction

1. The IFRS Foundation Due Process Oversight Committee met by video conference on 19 October 2021. The meeting was webcast live and a recording of the meeting is available on the IFRS Foundation website.
2. The main matters discussed were as follows.

#### Update on technical activities

3. The DPOC considered a report providing an update on the activities of the International Accounting Standards Board and the IFRS Interpretations Committee for the period June to September 2021. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.
4. The staff highlighted the due process documents that had been published in the period. These included:
  - the Request for Information *Post-implementation Review of IFRS 9—Classification and Measurement* published in September 2021. This seeks information about specific aspects of the classification and measurement requirement in IFRS 9 *Financial Instruments* that the Board had identified after considering feedback from outreach undertaken in the first half of 2021.
  - the Exposure Draft *Initial Application of IFRS 17 and IFRS 9—Comparative Information* published in July 2021. The proposed amendment had been developed in response to new information from some insurers about the effect the differing transition requirements of IFRS 17 *Insurance Contracts* and IFRS 9 can have on the usefulness of the comparative information. The DPOC had approved a shortened comment period for the Exposure Draft at its June 2021 meeting given the urgency of the project. The DPOC were informed that the comment period closed towards the end of September and that the Board would consider the feedback at its October meeting with a view to issuing the final amendment by the end of the year.

5. The DPOC noted that the comment period for the Board’s Third Agenda Consultation ended in September 2021. It was informed that the staff are in the process of analysing feedback from the comment letters, surveys and outreach meetings for the Board to discuss in November. The DPOC noted that at a future meeting it would review the process around the Agenda Consultation as required by the *Due Process Handbook*, including how the Board expects to respond to the feedback.
6. The report also updated the DPOC about the Board’s recent discussion relating to the Goodwill and Impairment project and how the Board and project staff were continuing to have discussions with the FASB (who are also considering the subsequent accounting for goodwill).

### **Consultative Groups—Annual Review**

7. The DPOC considered the staff’s review of the IFRS Foundation’s consultative groups for the year to 30 September 2021 as required by the *Due Process Handbook*.
8. The staff explained that the report focused on whether each of the consultative groups continues to serve the function for which it was established. The Board considers the membership of project consultative groups as and when there is a major project milestone (at which point there might be a need to reset the objectives of the group)—which the DPOC reviews—and membership of some of the standing groups is covered by more formal nominations processes of the DPOC or Trustees.
9. 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. This year, the review had also been informed by data from a pilot programme that the staff had initiated in response to direction from the DPOC to obtain structured feedback from Board members and staff about the usefulness of feedback obtained from the groups.
10. The DPOC asked about the lessons to be learned from running the consultative groups virtually for the last 18 months. The staff explained that they had started gathering data and would gather more as they developed the future strategy for stakeholder engagement. This might exploit the use of video technology to facilitate more meetings and more ‘hybrid’ meetings, ie involving a mix of virtual and face-to-face interaction.
11. The DPOC noted that the Islamic Finance Consultative Group had not met for two years. The staff explained that the Board continues to believe there is an important role for this Group—a meeting is expected to take place later in the year.

## Annual Reporting Protocol

12. The DPOC considered a report for the year ended 30 September 2021 on the receipt of comment letters and their public availability; the availability of papers to observers; and the dialogue with securities and other regulators.

## Education materials—review of due process

13. The DPOC considered a report as required by the *Due Process Handbook* on the educational materials published by the Foundation to support the consistent application of IFRS Standards for the year to 30 September 2021. Based on information provided, the DPOC confirmed that the educational materials had received at least the required level of review specified by the *Handbook*.
14. The DPOC asked how the Board determined whether it was producing the appropriate amount of educational material. The staff noted that getting the balance correct was an ongoing consideration, but the Agenda Consultation was expected to provide useful input because it sought views about the overall balance of the Board's work, including how much of the Board's time should be spent supporting consistent application. The DPOC agreed to revisit this question as it considers the Agenda Consultation and also as part of next year's review of educational materials.
15. The DPOC noted some of the educational materials had been produced in response to the Covid-19 pandemic and that the Board had also undertaken other specific actions in response to the pandemic. It asked whether there was any plan to review the actions to consider, for instance, whether the Board's responses needed to remain in place and whether there were any lessons to be learned.
16. The staff and Board members explained that the narrow-scope amendments to Standards that had been made will naturally expire. They noted that comment periods had been extended during the pandemic beyond the 120 days specified by the *Due Process Handbook*, although this also reflected the number of concurrent and overlapping consultations. The length of comment periods was being carefully monitored. Now that the number of consultations had decreased, comment periods are expected to align more closely with the usual 120-day comment period. They agreed that there were broader matters that could be usefully reflected on, for instance the use of video technology in stakeholder engagement; the mechanisms in place to quickly alert the Board to the need to support consistent application of particular Standards (eg with educational materials); and the question of whether the Board had provided the right amount of educational materials at the right time.
17. One of the educational materials explained how existing IFRS Standards require entities to consider climate-related matters. The staff and Board members explained that the feedback on this had been positive and has started to move practice. But it has also raised questions about whether there should be more specific requirements in the

Standards to relate their general principles to climate-related matters. While there is a need to ensure an appropriate balance between principle-based requirements and adding specific requirements, this is an area that is being explored through the Agenda Consultation. If standard-setting does need to be done, this would be an area for potential coordination between the IASB and the proposed ISSB.

### **Correspondence**

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

### **Proposed International Sustainability Standards Board**

19. In a private part of the meeting, the DPOC was updated about the work relating to due process for the proposed new board, including the work of the Technical Readiness Working Group.
20. In advance of discussion by the Trustees at their meetings on 20 and 21 October, the DPOC also discussed the provisions relating to due process in the IFRS Foundation *Constitution* in the light of feedback on the April 2021 Exposure Draft.