



IFRS® Foundation

Agenda paper 3

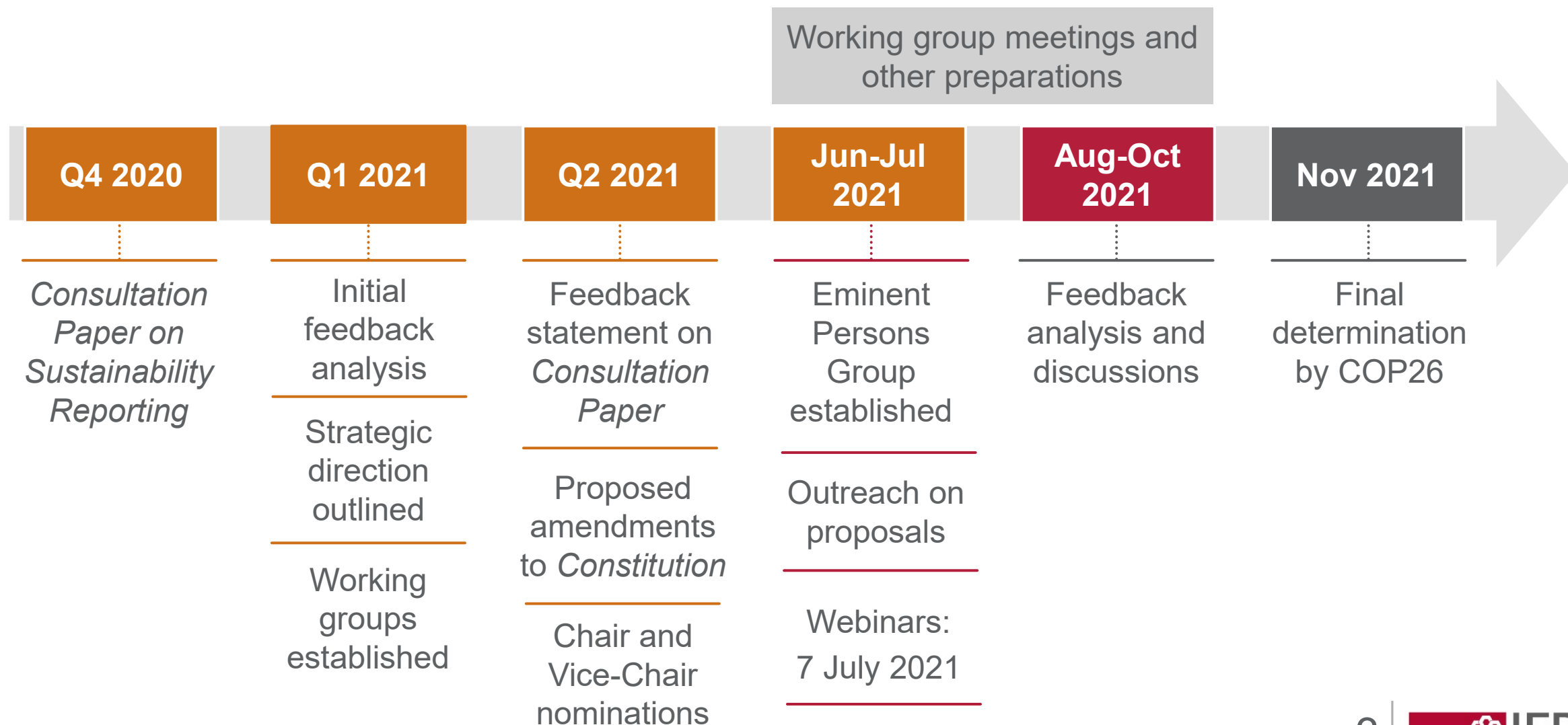
Update on proposed changes to the IFRS Foundation Constitution

IFRS Advisory Council
September 2021

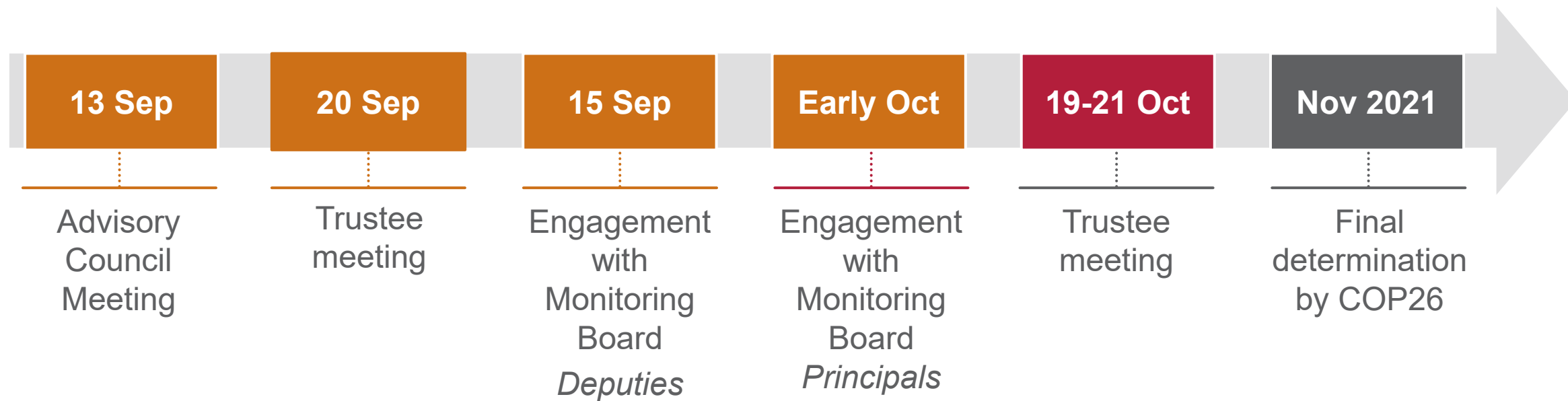
Purpose of the session

- To provide Advisory Council members with a high-level overview of the feedback on the proposed changes to the IFRS Foundation *Constitution* and to seek Council members' strategic advice on some specific areas to further inform the Trustees' discussions
- Specific areas for consideration
 - Objective
 - Naming and branding

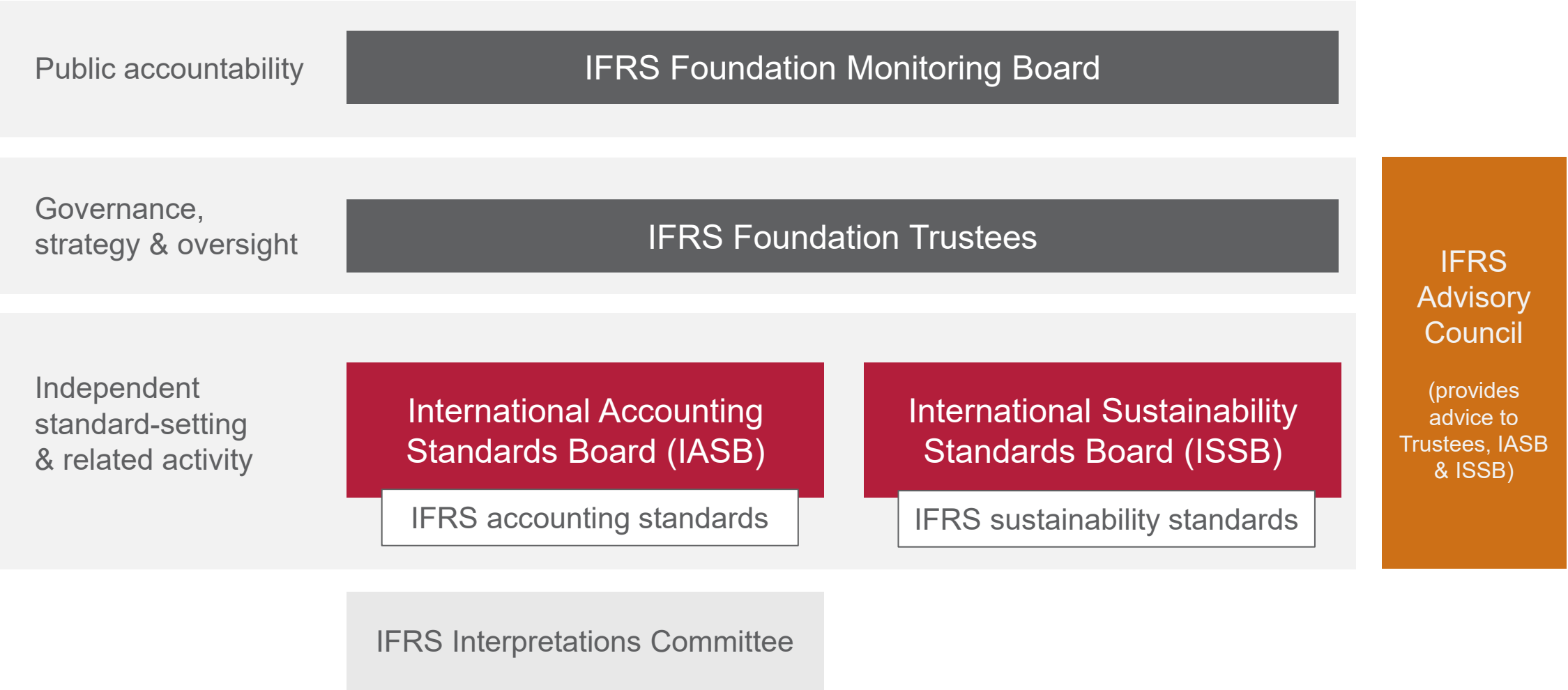
Timeline



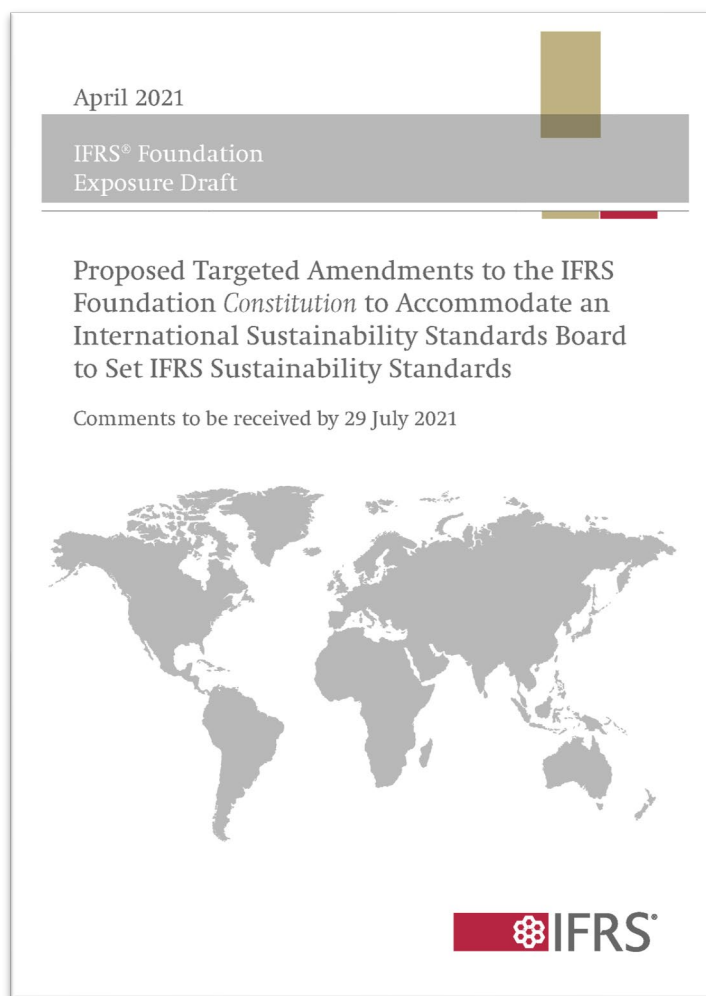
Key meetings



Proposed organisational structure



Consultation on governance and constitutional changes



Proposed ISSB structure and function

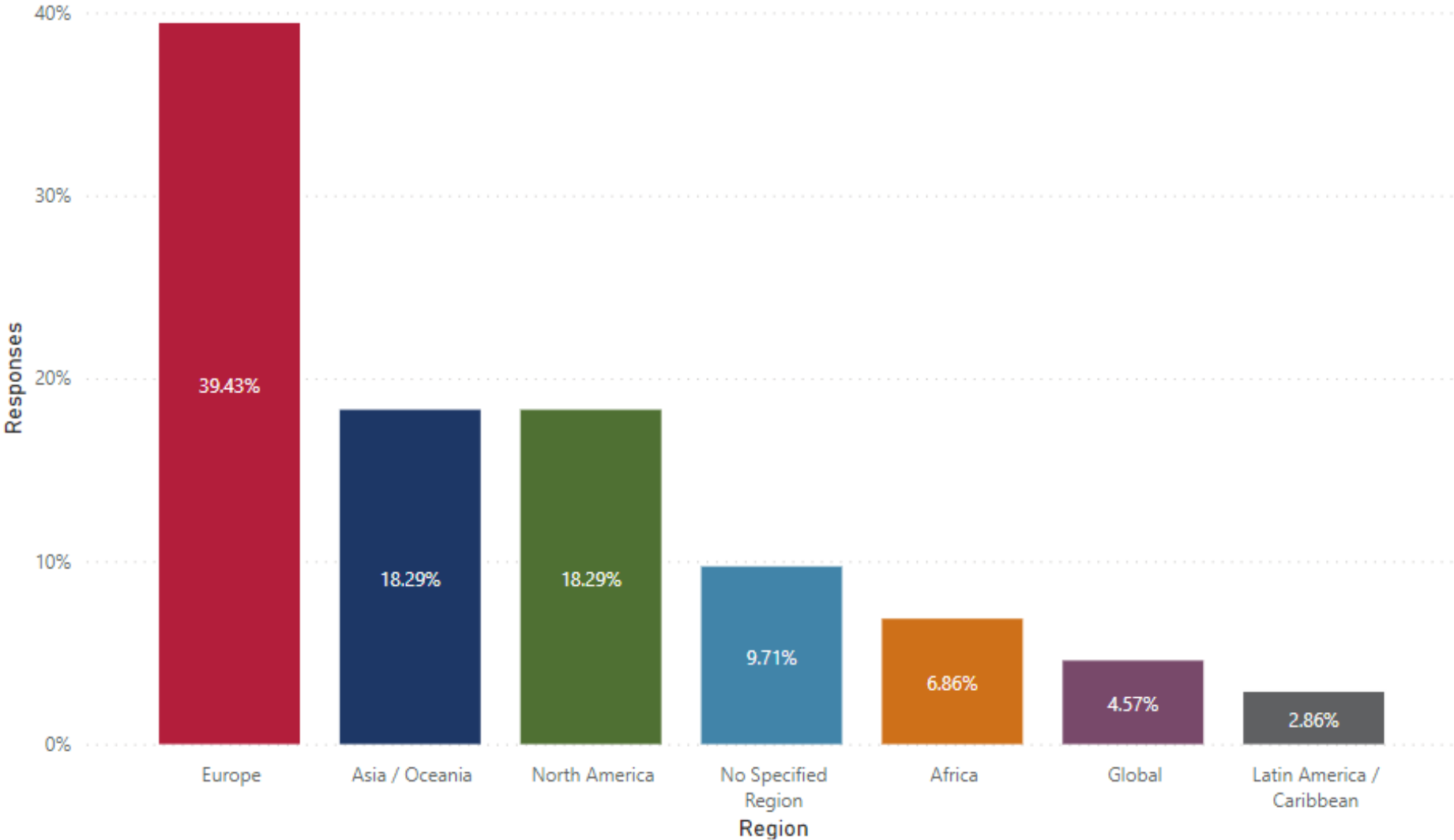
- 14 board members
- Majority full-time
- Qualifications: professional competence and relevant experience
- Diversity in expertise and geographical balance

Closed for comment on 29 July 2021

- High level of interest—175 responses

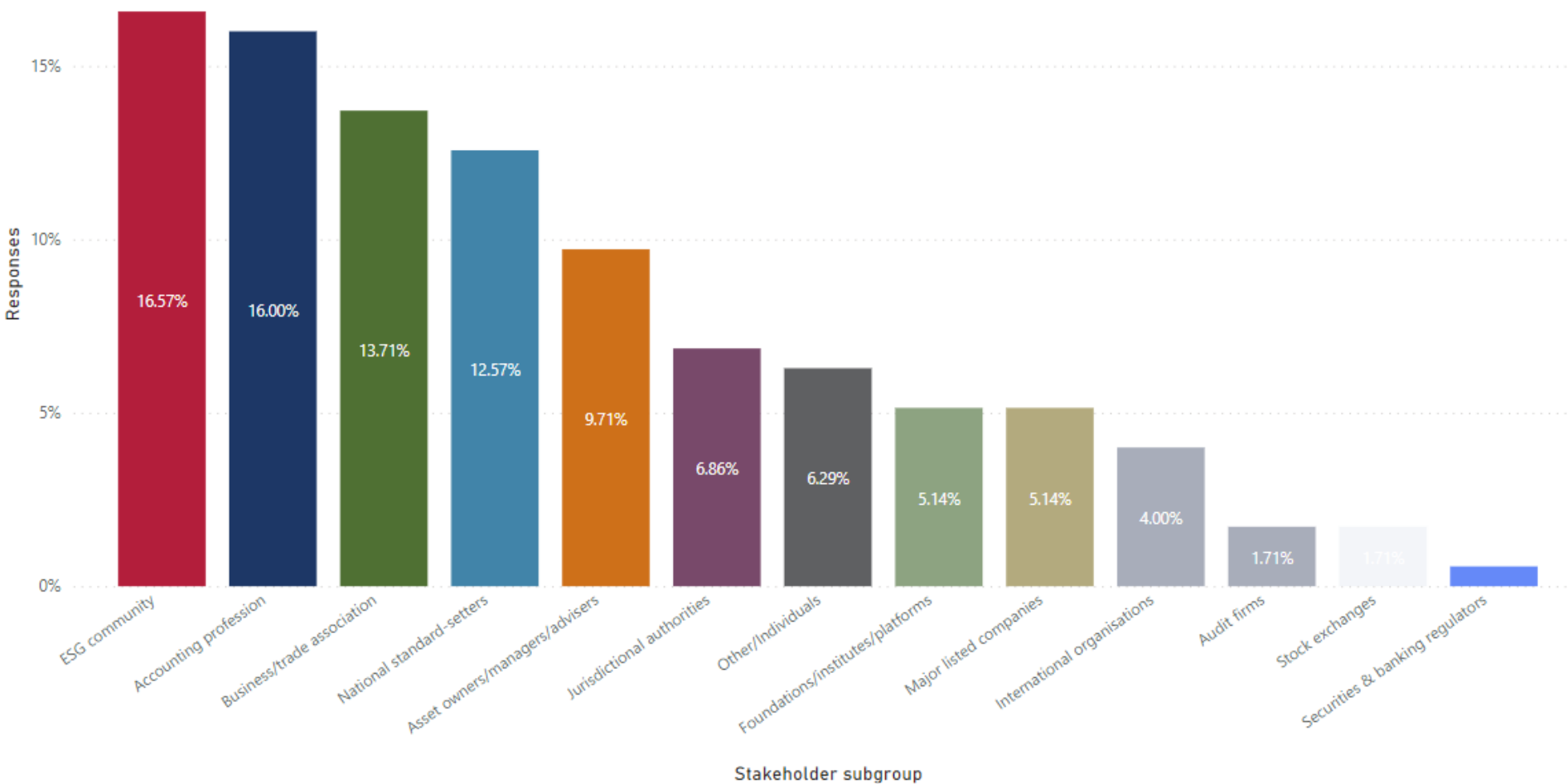
Respondent overview - Geographies

Breakdown of responses by Region



Respondent overview – Stakeholder Group

Breakdown of Responses by Stakeholder Subgroup



High-level overview of feedback from the April 2021 Consultation

- Significant reiteration of support for the proposed establishment of the ISSB under the IFRS Foundation's governance structure and the proposed strategic direction
- Broad support for the proposed structure and function of the ISSB
 - Many say most of the provisions for the ISSB should be the same as for the IASB, unless there is a compelling reason
 - Some acknowledge the need for differences initially as the ISSB reaches a degree of maturity, but suggest these provisions should be transitional and revisited
- Some say that the proposed *Constitution* gives the impression of two boards working independently—suggest greater focus on the *interconnectivity* between the IASB and the ISSB
 - Noted that a compelling reason for the Foundation establishing the ISSB is that it can promote coherence and connectivity between accounting and sustainability-related requirements for the benefit of investors and other capital market participants

Current staff analysis based on feedback

- In refining the proposals we think it is important the *Constitution* conveys
 - 1 The ISSB's work is an extension of the IFRS Foundation's objective of meeting the information needs of investors
 - Those information needs are evolving and there is demand for the Foundation to meet that evolving need
 - 2 Through the IASB and the ISSB, the Foundation can set requirements resulting in a
 - Coherent relationship between accounting and sustainability-related requirements
 - Holistic set of information that meets investor information needs
- The Foundation's evolving objective needs to be supported by the branding and naming of the Foundation, the two boards and their standards—but recognising the value of the existing brand
- Welcome the Advisory Council's views on how these considerations should be reflected in the revised objective of the Foundation and in terms of its naming and branding

Objective—proposals in the April 2021 Consultation

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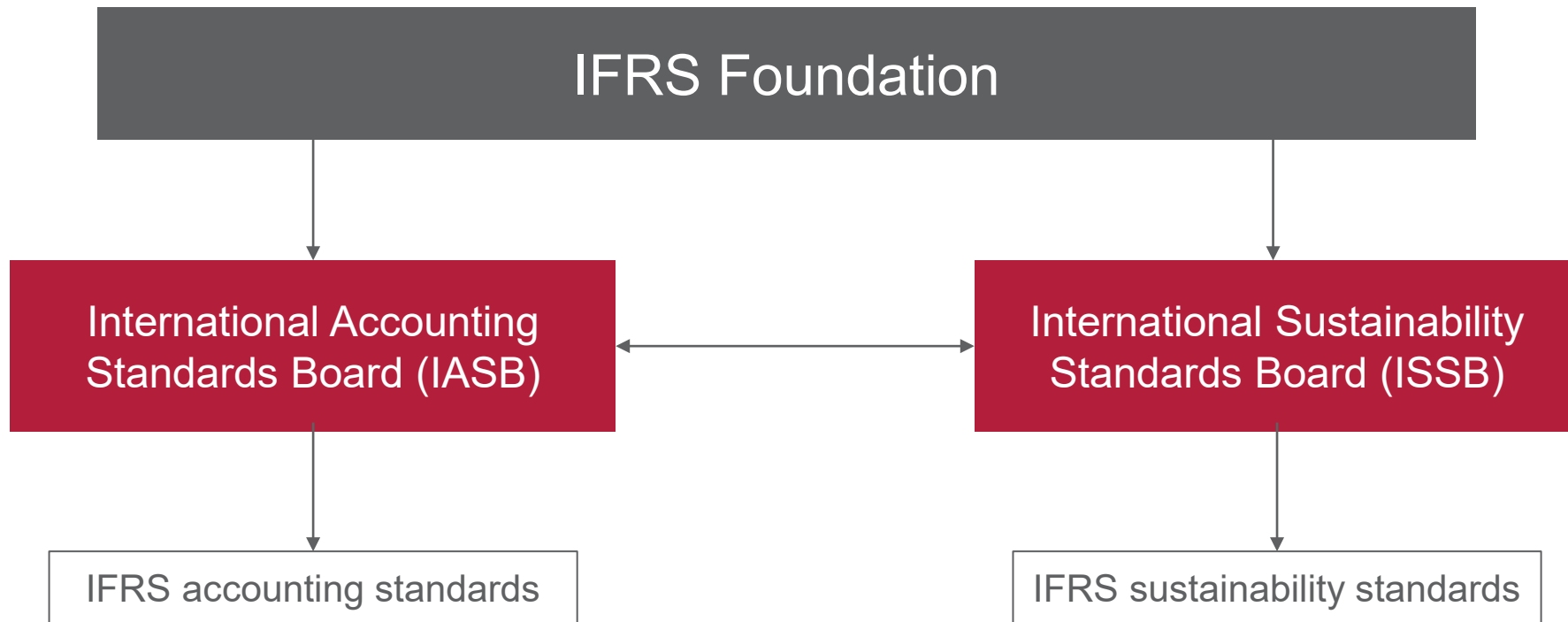
The objectives of the IFRS Foundation are:

- (a) through the IASB, to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions.
- (b) through the ISSB, to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted sustainability standards based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in corporate reports to help investors and other participants in the world's capital markets in their decision-making and connect with multi-stakeholder sustainability reporting.

Advisory Council consideration

- The IFRS Foundation currently has a broad objective to help investors and other participants in the world's capital markets make economic decisions
- The proposed amendments added a *separate* objective for the ISSB's work to complement that for the IASB's work
- Would it be better to articulate a *single* objective about meeting the overall information needs of investors and other capital market participants that would be achieved through the standard-setting work of both boards
- Would this better
 - promote the interconnectivity between the work of the two boards and their standards
 - reflect that the Foundation establishing a new board to set standards on sustainability-related disclosures is an evolution of its existing objective, reflecting the evolving information needs of investors

Naming & branding—proposals in the April 2021 Consultation



Advisory Council consideration

- How best to represent the objective of the IFRS Foundation with two boards working towards a common objective
- Some key factors to consider:
 - **Utilising the ‘IFRS’ brand**—this has significant brand equity and is associated with transparent standard-setting in the public interest
 - **Reflecting that the ISSB is a logical extension of the Foundation’s existing objective**—using the ‘IFRS’ brand would help acknowledge this
 - **Reflecting the interconnectivity between the IASB and ISSB**—to signify that the two boards’ standards in combination are designed to provide investors and other capital market participants with an overall set of decision useful information

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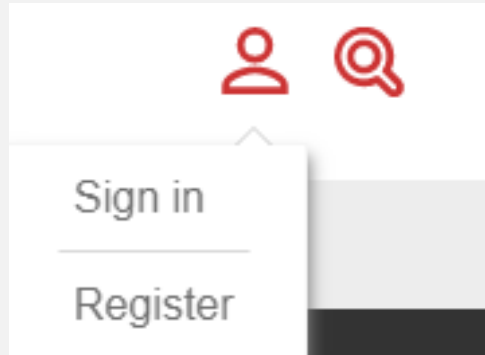
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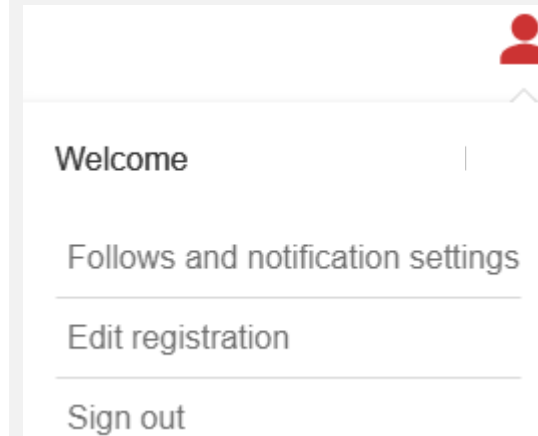
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Sustainability-related reporting

The Trustees' work on the potential creation of a new International Sustainability Standards Board to set IFRS sustainability standards