

IFRS[®] Foundation Trustees

Summary of June 2022 meeting

Contact Henry Rees (hrees@ifrs.org)

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

1. The IFRS Foundation Trustees met in Montreal on 28–30 June 2022.
2. Some of the Trustees' discussions were observed by Pietro Bertazzi, the CDP's Global Director, Policy Engagement and Public External Affairs, and Richard Sexton, Chair of the Board, the Value Reporting Foundation.

Reports of the Chair of the Trustees and the Executive Director

3. 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 progress establishing the International Sustainability Standards Board (ISSB) as a new board within the IFRS Foundation, including the consolidation and integration of the VRF and CDSB into the Foundation, and operationalising the ISSB's multi-location model.

Report of the Chair of the IASB

4. The Chair of the International Accounting Standards Board (IASB), Andreas Barckow, reported on the IASB's work since the March 2022 Trustees meeting. He noted in particular:
 - the IASB's Third Agenda Consultation, updating the Trustees about how the IASB had evaluated stakeholder feedback and reached its conclusions to add projects to its work plan on intangible assets, the statement of cash flows and climate-related risks in the financial statements. He emphasised that with the first and third items the IASB will be seeking opportunities to work closely with the ISSB to facilitate the development of complementary Standards. He also noted that a key message from stakeholders was to finish existing projects. Hence the IASB itself would not be starting any major projects in the next 2–2½ years, although preparatory research work might be undertaken.

- the Goodwill and Impairment project, highlighting recent IASB discussions as well as the FASB's recent decision to remove its related project from its technical agenda. He noted that the IASB is expected to decide whether to propose moving from the current impairment-only model in the fourth quarter of 2022.

Managing the challenges of maintaining convergence with US GAAP

5. Following up on comments from the Trustees meeting in March 2022, the Chair of the IASB introduced a discussion on convergence with US GAAP, noting that the IASB's and FASB's respective work on accounting for goodwill and their different decisions on whether to take on projects on cryptocurrencies had put the topic back in the spotlight. The Trustees noted the costs to the capital markets of divergence between IFRS Accounting Standards and US GAAP, and emphasised the importance of dialogue between the IASB and the FASB and their respective staff, as well as between the Trustees and their counterparts at the Financial Accounting Foundation.

Report of the Chair of the IFRS Advisory Council

6. The Chair of the IFRS Advisory Council, Bill Coen, reported on recent IFRS Advisory Council meetings. He noted that since he last met the Trustees all but one of the Council's six meetings had been held virtually. However he reported that despite some of the limitations of virtual meetings, the Council's meetings had been effective and the Council would continue to look to leverage technology.
7. The Chair of the Council also updated the Trustees on how the Council will continue to support the IFRS Foundation with its remit now encompassing advising the ISSB as well as the Trustees and the IASB, and the steps being taken to transition the composition of Council members in the light of the establishment of the ISSB.

Report of the Chair of the ISSB

8. The Chair of the ISSB, Emmanuel Faber, the Vice-Chair, Sue Lloyd, and the Special Adviser to the ISSB Chair, Janine Guillot, provided the Trustees with an update on the ISSB. This included updates on:
 - progress towards establishing the full board of 14 members and the multi-location operating model;
 - market outreach, which had encompassed 230 outreach events connecting with 18,000 stakeholders;
 - key messages from the outreach on the ISSB's initial exposure drafts published on 31 March 2022—the Vice-Chair noted that one key message is about

proportionality and a desire for the global baseline of disclosures to be appropriate for smaller companies and emerging markets;

- the jurisdictional working group and progress towards establishing the Sustainability Standards Advisory Forum;
- collaboration with GRI, following the agreement announced in March 2022, including the Joint Working Session held on 17–18 May;
- plans for the Integrated Reporting Framework;
- ISSB activities to advance the SASB Standards;
- plans for the ISSB’s first meeting in Frankfurt on 18–21 July.

IFRS Foundation’s sustainability strategy and approach

9. The Executive Director and Mardi McBrien, Managing Director IFRS Foundation, updated the Trustees on work developing the IFRS Foundation’s sustainability strategy, policies, management systems and reporting.

Organisational culture

10. Joanna Perry, a member of the Human Capital Committee, introduced a discussion on organisational culture, noting the feedback from the IFRS Advisory Council’s April 2022 meeting and the Trustees’ Human Capital Committee.

Reports from Trustee Committee meetings held on 28–29 June

Audit, Finance and Risk Committee

11. The Chair of the Committee reported that the Committee had:
 - reviewed the financial results for the year to first quarter;
 - been updated about ISSB seed capital;
 - reviewed the changes made to the Foundation’s risk register since the Committee’s last review, focusing on risks relating to the ISSB’s multi-location operating model;
 - been updated on technology risks associated with the consolidation and integration of the VRF into the IFRS Foundation;
 - reviewed a report by external consultants engaged to assist the Foundation in establishing the necessary legal structures for the ISSB’s multi-location model, and related employment, compliance and tax requirements;
 - been updated about some financial matters relating to the consolidation of the VRF.

Digital Technology Oversight Committee

12. The Chair of the Committee reported on the inaugural meeting of the Committee following its predecessor Committee (Business Processes and Technology) holding its final meeting in March 2022 having approved the BP&T Programme Closure Report. The Committee had:
- agreed its terms of reference for approval by the Trustees;
 - received an update on the delivery of residual activities from the BP&T programme;
 - received an update on technology arrangements relating to the consolidation of the VRF;
 - received an update on strategy for digital financial reporting.

Human Capital Committee

13. Joanna Perry, reporting for the Chair of the Committee (who was participating by video), reported that the Committee had, in addition to the discussion on culture noted at 10 above:
- approved the Trustee body evaluation and IASB member evaluation processes for 2022, agreeing that in principle the same process as applied to IASB members should in due course apply to ISSB members (starting in 2023);
 - considered various other human capital issues.

Nominating Committee

14. The Chair of the Committee reported on the various nominations processes underway, including for Trustee appointments for 2023.

Due Process Oversight Committee

15. The Chair of the Due Process Oversight Committee reported on the Committee's meeting. A summary of the meeting is attached to this report.

Stakeholder engagements

16. The Trustees held a very successful stakeholder event on the evening of 28 June with CPA Canada. The event included welcome remarks by Richard Olfert (Chair, CPA Canada) and Pamela Steer (President and CEO, CPA Canada); a keynote speech by Emmanuel Faber (Chair of the ISSB); and a panel discussion moderated by Erkki Liikanen (Chair of the IFRS Foundation Trustees). The panellists were Sue Lloyd (Vice-Chair of the ISSB), Louis Morisset (President and CEO, Autorité des marchés financiers) and Maarika Paul (Chief Financial and Operations Officer, Caisse de dépôt et placement du Québec).

Meeting with the Monitoring Board

17. The Trustees met the IFRS Foundation Monitoring Board on 30 June.

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Due Process Oversight Committee

Summary of meeting held on 28 June 2022

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Introduction

1. The IFRS Foundation Due Process Oversight Committee (DPOC) met on 28 June 2022 in Montreal. 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.

IASB-related matters

Update on IASB technical activities

3. The DPOC considered a report providing an update on the activities of the IASB and the IFRS Interpretations Committee for the period March to May 2022. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.
4. The DPOC was updated about due process documents published in the period and other key process decisions, including:
 - The IASB's decision to move its Dynamic Risk Management project from research to standard-setting after considering the criteria in the *Due Process Handbook* for adding a standard-setting project to the work plan. The DPOC noted the IASB's rationale for its decision to continue to use the expertise of existing advisory bodies, instead of establishing a dedicated consultative group for the project.
 - The IASB's decision to add a narrow-scope project to its work plan as a result of the feedback obtained in the Post-implementation Review of IFRS 9—Classification and Measurement. The feedback indicated that aspects of the requirements could be clarified to support consistent application, for example in classifying financial assets with ESG-linked features. The DPOC was informed that the IASB intended to address the matter as a high priority before diverse practice becomes embedded. The IASB representatives explained that the matter was better addressed by the IASB rather than the Interpretations Committee because there are a wide range of these financial assets and the existing principles

and guidance in IFRS 9 are not always specific enough. There is therefore a need for standard-setting rather than the Interpretations Committee addressing specific fact patterns.

5. The DPOC was also updated about progress with various of the IASB's projects including:
- Ongoing work in the Goodwill and Impairment project. The DPOC was informed that the FASB had recently decide to remove its own related project from its agenda. The IASB will meet the FASB for an educational meeting in September 2022 and decide whether to propose reintroducing amortisation of goodwill after that meeting.
 - The Third Agenda Consultation. The DPOC was informed that the feedback statement is currently being drafted and expected to be published in July. The DPOC noted that some stakeholders are dissatisfied that the IASB has decided not to add a project on cryptocurrencies to its work plan. The DPOC encouraged the IASB to draw together all its relevant information on the topic to help in ensuring that its rationale is understood and also to enhance awareness of the fact that IFRS Accounting Standards address the accounting for holdings of cryptocurrencies and that there is specific guidance in the form of an Interpretations Committee Agenda Decision. The DPOC also noted that IASB will continue to monitor the environment, including legal and regulatory developments.

Post-implementation reviews—confirming a common understanding

6. At its [meeting on 17 May 2022](#), the DPOC had an initial discussion about work to clarify the articulation of the objective of a post-implementation review (PIR), the process and the possible outcomes, and to more clearly communicate these to stakeholders. The DPOC had made several observations at that meeting which the staff had considered and reflected in a revised description of PIRs presented to the DPOC at this meeting. Subject to some final improvements to the drafting, the DPOC supported the revised description, and it will first be used to update the description of PIRs on the website and then in materials relating to the two major PIRs that are expected to start later in 2022.

ISSB-related matters

Update on ISSB technical activities

7. The DPOC was updated on ISSB activities since its [meeting on 21 March 2022](#) when it had considered the ISSB Chair and Vice-Chair's decision to publish the ISSB's two initial exposure drafts. The DPOC was informed that since the publication of the exposure drafts, there has been extensive outreach activities to explain the proposals and to gather input on areas of stakeholder interest on which the ISSB may have to

focus in its redeliberations. The ISSB will consider an initial analysis of the matters raised by stakeholders at its first meeting in July.

8. The DPOC was also updated about the publication of a staff request for feedback to inform the future development of the IFRS Sustainability Disclosure Taxonomy. This is an additional consultation document that is incremental to the required due process and not specifically contemplated by the *Due Process Handbook*. The DPOC agreed that when it updates the *Handbook*, it should consider whether these types of supplementary consultative documents should be captured in the *Handbook* for completeness and to assist stakeholders in understanding the boards' processes. The DPOC noted however that the *Handbook* should not constrain the boards from taking additional steps to engage with stakeholders beyond those specifically contemplated by the *Handbook*. The staff will update the DPOC at a future meeting about the feedback on the staff request and how it is being addressed.
9. The DPOC was also briefed on progress establishing the formal consultative bodies of the ISSB.

Correspondence

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