

IFRS® Foundation Trustees

Due Process Oversight Committee

Summary of meeting held on 1 March 2022

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 Due Process Oversight Committee (DPOC) met on 1 March 2022 in Frankfurt and by video conference. 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 International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (Interpretations Committee) for the period October 2021 to February 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 on the due process documents that had been published in the period, including:
 - a narrow-scope amendment to IFRS 17 *Initial Application of IFRS 17 and IFRS 9—Comparative Information*, published as planned at the end of 2021 in time for the start of the comparative period for the initial application of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*. The DPOC was informed that the IASB continues to stand ready to deal with any application questions and noted that the Interpretations Committee would be considering its first application question relating to IFRS 17 at the Committee's March meeting.
 - IFRS Taxonomy 2021—Proposed Update 3 *Initial Application of IFRS 17 and IFRS 9—Comparative Information* published in December 2021. The DPOC noted the IASB had shortened the comment period for this Proposed Update to 30 days, as allowed by the *Due Process Handbook*, given the urgency in completing the project in time for the IASB's annual Taxonomy update and the narrow scope of the proposal.

5. The DPOC was also updated about various of the IASB's projects and activities, including:
- ongoing work in the Goodwill and Impairment project, particularly the additional outreach and research being undertaken relating to the proposed disclosures to improve the information about the subsequent performance of the business combination and practical questions that would arise if the IASB were to reintroduce amortisation of goodwill. The DPOC noted the ongoing dialogue with the FASB, who are also considering the subsequent accounting for goodwill.
 - The refinements to the Post-implementation Review process that the IASB had recently discussed to help it have a consistent process for assessing whether and when to take on projects to address matters arising from the reviews. The DPOC noted that this work was timely given the number of important post-implementation reviews to be undertaken in the next few years. The DPOC also noted the importance of the ongoing communications work to enhance the understanding of the objectives of post-implementation reviews.
 - the Post-implementation Review of IFRSs 10–12 (the consolidation package of Accounting Standards). The DPOC noted the IASB's conclusion that none of the matters arising in the review were of sufficiently high priority to require projects to be added to the IASB's work plan or research pipeline for 2022–2026. However, it also noted that the Interpretations Committee would be able to address application questions about these Accounting Standards. The DPOC will review this Post-implementation Review at a future meeting before the IASB publishes its feedback statement.
 - developments in the IASB's Agenda Consultation. The DPOC noted the IASB's recent decision to leave the balance of its activities largely unchanged, but with slight increases in the focus on digital financial reporting and the understandability and accessibility of IFRS Accounting Standards. The DPOC was informed that the IASB will soon consider which projects to add to its work plan in the light of the feedback to the consultation and outreach. Following that, the DPOC will review the entire Agenda Consultation process before its conclusion.

ISSB-related matters

Initial due process for the ISSB

6. The DPOC continued its discussions from its June and October 2021 meetings about the due process to be applied by the International Sustainability Standards Board (ISSB).
7. At those meetings the DPOC had acknowledged that the ISSB's due process will develop over time as the ISSB begins operating and its structures and processes are put in place and mature. The DPOC therefore previously agreed in principle that the *Due*

Process Handbook should be updated to reflect the establishment of the ISSB once the ISSB's structures and processes reach a degree of maturity.

8. At this meeting the DPOC considered:
 - the due process to be applied by the ISSB, in addition to that specified in the IFRS Foundation *Constitution*, before the *Due Process Handbook* is updated;
 - its role in overseeing this process; and
 - the timing for updating the *Due Process Handbook* to reflect the establishment of the ISSB.
9. The DPOC noted that respondents to the *Trustees' 2020 Consultation Paper on Sustainability Reporting* had said that a key motivating factor behind them encouraging the IFRS Foundation to establish the ISSB was the transparent due process applied by the IASB. This was reiterated by the [Technical Readiness Working Group's](#) recommendations to the Trustees on the due process to be applied by the ISSB.
10. Informed by this feedback, the DPOC decided that before updating the *Due Process Handbook* to reflect formally the establishment of the ISSB:
 - the ISSB will apply the due process specified in the *Due Process Handbook* for the IASB for corresponding technical activities, in addition to the due process specified for the ISSB in the *Constitution*.
 - the DPOC will work proactively with the ISSB leadership to consider whether any adaptations are required to the IASB's due process for the ISSB, drawing on the input from the Technical Readiness Working Group's recommendations and the ISSB's developing experience. They will also consider the appropriate due process to support the connectivity between the IASB and the ISSB. The DPOC noted that adaptations might be required in advance of formally updating the *Due Process Handbook*—these would be discussed and approved by the DPOC and clearly communicated to stakeholders. In amending the *Due Process Handbook*, the DPOC will also consider whether any changes could or should be made to the IASB's due process based on anything learnt from the ISSB's experience.
11. Bearing in mind the need to allow the ISSB's structures and processes to mature, the DPOC agreed that a public consultation on the amendments to the *Due Process Handbook* to reflect the establishment of the ISSB should occur no later than in 2023.

Process in developing the TRWG recommendations

12. In order to balance the need to advance the work of the ISSB on a timely basis while obtaining input from stakeholders, the IFRS Foundation *Constitution* provides the ISSB Chair and the Vice-Chair with the option to publish for public comment exposure drafts on General Requirements and Climate-related Disclosures in advance of the ISSB being quorate. The *Constitution* requires the DPOC to oversee any decision of the

Chair and the Vice-Chair to use this option. Currently, the Chair and the Vice-Chair are working on the basis that they will utilise the option to publish the two exposure drafts.

13. Accordingly the DPOC received a report to assist it in its oversight role. The report explained:
- the process undertaken in the development of the Technical Readiness Working Group's recommendations and the existing standards and frameworks from which the ISSB is building its initial work; and
 - the work that has followed the November 2021 publication of the Technical Readiness Working Group's prototype standards on General Requirements and Climate-related Disclosures to develop them into ISSB exposure drafts.
14. The ISSB Chair and Vice-Chair are shortly expected to make a final determination about whether they will utilise the option to publish the two exposure drafts. If the option is taken, the DPOC will meet to review the basis for the decision and to confirm that it does not object to the publication of the exposure drafts. The DPOC emphasised the importance of their oversight role relating to the potential decision of the Chair and the Vice-Chair to publish the initial ISSB exposure drafts.

Correspondence

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