

IFRS[®] Advisory Council

Date **4 April to 5 April 2023**
Topic **Update on Trustees' Activities**
Contact **Erkki Liikanen, Chair, IFRS Foundation Trustees**

Introduction

1. Since the last update to the Council in October 2022, the Trustees met in person in Seoul, South Korea from 25 to 27 October 2022, by videoconference on 15 December 2022 and in person in Tokyo, Japan from 1 to 3 March 2023.
2. The Due Process Oversight Committee also met in person in Seoul, South Korea on 26 October 2022, by videoconference on 1 December 2022 and in person in Tokyo, Japan on 1 March 2023.
3. The public summary of these meetings follow.

IFRS Foundation Trustees

Date **October 2022**

Contacts **Henry Rees**

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

The IFRS Foundation Trustees met in Seoul on 25–27 October 2022.

Some of the Trustees' discussions were observed by Barry Melancon and Richard Sexton (respectively, Member of and Chair of the Board of the former Value Reporting Foundation).

Reports of the Chair of the Trustees and the Executive Director

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 completion of the consolidation of the Value Reporting Foundation and the results of a recent evaluation of the Trustee body based on responses from Trustees and senior staff.

The history of SASB standards

The Trustees received a presentation from the Special Adviser to the ISSB Chair, Janine Guillot, and the Chief of Market Relationships, Nicolai Lundy, on the history of the Sustainability Accounting Standards Board (SASB) standards. This covered the founding vision for the SASB standards, the components of the standards, the SASB's shift over time to meeting a global audience, the use of the standards by preparers and investors, and the International Sustainability Standards Board's (ISSB) preliminary views about the future of the SASB standards.

Report of the Chair of the ISSB

The Chair of the ISSB, Emmanuel Faber, and the Vice-Chair, Sue Lloyd, provided the Trustees with an update on the ISSB's activities since the June 2022 Trustees meeting. This included updates on:

- the key milestones since June, including the ISSB's inaugural meeting in Frankfurt in July, the consolidation of the VRF on 1 August, the appointment of the remaining ISSB members including the second Vice-Chair, Jingdong Hua, and the inaugural meeting of the Sustainability Consultative Committee.
- the ISSB's redeliberations to date of the proposals in its two initial exposure drafts in the light of the extensive stakeholder feedback, and its plans to complete redeliberations so as to be able to issue the final Standards as early as possible in 2023.

- ongoing work relating to the interoperability of disclosure requirements in IFRS Sustainability Disclosure Standards with those in European Sustainability Reporting Standards. The objective of this work is to agree a framework for maximising interoperability between the two sets of standards and aligning on key climate disclosures, thereby reducing the risk of duplicative work by preparers and reducing the risk of confusion for investors.
- plans for building on the SASB standards and the IR Framework.
- plans to support capacity building in preparers, investors and other capital market stakeholders as they prepare to use IFRS Sustainability Disclosure Standards.
- ongoing engagement with IOSCO and the Financial Stability Board.
- work to establish the ISSB's advisory bodies and updates on the first meetings of the Jurisdictional Working Group, the ISSB Investor Advisory Group and the Sustainability Consultative Committee.

Greenhouse gas emissions

The Trustees received a presentation from the ISSB Chair and Vice-Chair on the ISSB's work on disclosure requirements for greenhouse gas (GHG) emissions. The ISSB Chair and Vice-Chair explained the three 'scopes' delineating direct and indirect emissions sources, why information about each of these scopes is useful for investors and the challenges that can arise for preparers in providing information about Scope 3 GHG emissions. They updated the Trustees about the ISSB's unanimous decision at its October meeting to require disclosures on Scope 1, Scope 2 and Scope 3 GHG emissions and the ISSB's plan to develop relief provisions to help companies apply the Scope 3 requirements.

Report of the Chair of the IASB

The Chair of the International Accounting Standards Board (IASB), Andreas Barckow, reported on the IASB's activities since the June 2022 Trustees meeting. He noted in particular:

- the IASB's decision at its September meeting to proceed with proposals to require entities to disclose information about the subsequent performance of business combinations consistent with the IASB's preliminary views in its Discussion Paper. He explained how the IASB had responded to stakeholder concerns about the cost of disclosing that information by providing some exemptions in specified circumstances.
- the IASB's discussion planned for later in 2022 on whether to explore the possible reintroduction of amortisation of goodwill. He noted that the IASB had held an informative educational meeting with the Financial Accounting Standards Board (FASB) in September to learn more about its plan initially to reintroduce amortisation and its more recent decision to deprioritise and remove the project from its technical agenda. Given this, he explained that if the IASB decides not to change its requirements, it would remain converged with the FASB.
- the post-implementation review of the classification and measurement requirements in IFRS 9 *Financial Instruments*. He noted that as a result of the feedback, the IASB was developing proposals to clarify particular aspects of IFRS 9's requirements for assessing whether to measure financial assets, including those with ESG-linked features, at fair value or amortised cost. He also noted that following careful consideration of the feedback, the IASB had decided not to amend the requirements relating to equity investments for which a company elects to present gains and losses in other

comprehensive income rather than profit or loss. This was because the IASB had found no evidence to demonstrate a reason for changing the requirements.

- stakeholder engagement, including the in-person World Standard-Setters Conference in London in September that had attracted over 100 participants from over 60 organisations, and his visit to South Africa in August during which he had engaged with a broad array of different stakeholders.

Strategy for promoting sustainable operations of the IFRS Foundation

The Executive Director and Mardi McBrien, IFRS Foundation Director of Strategic Affairs, updated the Trustees on work developing the IFRS Foundation's sustainability strategy, policies, management systems and reporting. They noted the Advisory Council's views had been sought about the importance of various sustainability topics to the organisation. They also emphasised there was a high level of engagement on this work with the Foundation's staff.

Engagement with the Chair of the Monitoring Board

The Chair of the IFRS Foundation Monitoring Board, Jean-Paul Servais (Chairman of Belgium's Financial Services and Markets Authority and recently appointed Chair of the IOSCO Board) joined the Trustees for a discussion on various matters, including recent developments in the ISSB's work, the global landscape for sustainability disclosure reporting, and jurisdictional endorsement of IFRS Sustainability Disclosure Standards.

Membership of the IFRS Sustainability Standards Advisory Forum

The Trustees received a report from Samuel Prestidge, ISSB technical staff, on the applications received for the inaugural membership of this [group](#) and the next steps to establish it.

Data for green finance

Trustee Lucrezia Reichlin introduced a paper intended to help the Trustees identify potential challenges for the successful adoption and implementation of the ISSB's Climate-related Disclosure Standard relating to the use and reliance on data and to discuss potential actions to be taken by the Foundation and the ISSB.

The Trustees agreed on the need for a broad analysis of the data landscape, with input from the ISSB, to help identify the objective and role for the Foundation in this area. It was noted that better data and methodologies will support better application of IFRS Sustainability Disclosure Standards for the benefit of investors. The Trustees plan to continue their discussion of this topic at their March 2023 meeting.

IFRS Foundation Transitional Advisory Group

The Chair of the IFRS Foundation Transitional Advisory Group, Trustee Michel Madelain, reported on the group's inaugural meeting in September 2022. In addition to the Chair, this group comprises seven members related to the two organisations consolidated into the Foundation in 2022 (the Climate Disclosure Standards Board and the VRF). The objective of the group is to constructively contribute towards the establishment of the ISSB, the integration of the consolidated organisations into the Foundation, and the achievement of the goal to develop globally accepted high-quality sustainability-related disclosure standards to inform decision-making by investors and other participants in the world's capital markets.

Reports from Trustee Committee meetings held on 25–26 October

Audit, Finance and Risk Committee

The Chair of the Committee reported that the Committee had:

- reviewed the financial results for the year to 30 June 2022 and the forecast for the year;
- been updated on funding, including on ISSB seed capital for the next five years;
- reviewed US tax form 990 for 2021 that the Foundation is required to complete annually as an organisation registered in the US exempt from tax;
- reviewed the changes made to the Foundation’s risk register since the Committee’s last review;
- approved Grant Thornton’s audit plan of the Foundation for the year ended 31 December 2022, including the scope of work, timing and fee, and satisfied itself about the auditor’s independence;
- been updated on the work by external consultants engaged to assist the Foundation in establishing the necessary legal structures for the ISSB’s multi-location model.

Human Capital Committee

The Chair of the Committee reported that the Committee had:

- reviewed the ongoing work relating to the Foundation’s organisational culture;
- started its discussions relating to the annual review of staff salaries from April 2023;
- considered various other human capital matters including retention and recruitment of staff to support the boards and the Foundation.

Nominating Committee

The Chair of the Committee reported on the Committee’s work relating to various nominations process, including nominations for Trustee positions arising at 1 January 2023 that would be put forward to the Monitoring Board for approval in due course.

Due Process Oversight Committee

The Chair of the Due Process Oversight Committee reported on the Committee’s meeting. A [summary of the meeting](#) is attached.

Stakeholder engagement

The Trustees held a very successful stakeholder event on the evening of 26 October with the Korean Financial Services Commission and the Korea Accounting Institute. The event included welcome remarks by Erkki Liikanen and So-young Kim, Vice Chair of the Financial Services Commission; a keynote speech by Jean-Paul Servais; and a panel discussion moderated by Teresa Ko (Vice-Chair of the IFRS Foundation Trustees). The panellists were Jean-Paul Servais, Jeong Kag Kim (Standing Commissioner, Financial Services Commission), Takashi Nagaoka (Deputy Commissioner of the Japanese Financial Services Agency) and Wang Dong (Director General of the Chinese Ministry of Finance). Eui-Hyung Kim (President of the

Korea Accounting Institute and the Chair of the Korean Accounting Standards Board) provided the closing remarks.

IFRS Foundation Trustees—Due Process Oversight Committee

Date **26 October 2022**
Contact **Henry Rees**

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

The IFRS Foundation Due Process Oversight Committee (DPOC) [met on 26 October 2022 in Seoul](#). The meeting was webcast live and a [recording of the meeting](#) is available on the IFRS Foundation website.

The main matters discussed were as follows.

IASB-related matters

Update on IASB technical activities

The DPOC considered a report providing an update on the activities of the IASB and the IFRS Interpretations Committee for the period June to September 2022. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.

The DPOC was updated on due process documents published in the period, including the publication of an Exposure Draft of amendments to the *IFRS for SMEs* Accounting Standard. This proposed significant amendments to major sections of the Standard, including Revenue, Financial Instruments and Business Combinations.

The DPOC was also updated on progress with various IASB projects including:

- the **Goodwill and Impairment project**, in which the IASB had decided to propose requiring entities to disclose information about the subsequent performance of business combinations. In the light of the feedback to the initial proposals in the Discussion Paper about the costs of disclosing that information, the IASB planned to propose some targeted exemptions from some disclosure requirements. The DPOC was also informed about the recent educational meeting between the IASB and the Financial Accounting Standards Board (FASB), as well as the IASB's plan to discuss in November 2022 whether to explore the possible reintroduction of amortisation. The DPOC emphasised the importance of the IASB fully explaining the rationale for its decisions to stakeholders.
- The **Primary Financial Statements project**, in which the IASB had recently completed discussing the major topics in the redeliberations of the proposals in its Exposure Draft. The DPOC was informed that the IASB plans to perform outreach to test decisions that represent a change to those proposals. In 2023 the DPOC is expected to undertake a 'lifecycle' review of the due process over the life of the project, in accordance with paragraph 2.12 of the [Due Process Handbook](#).
- **Post-implementation reviews (PIRs)**. The DPOC was informed that the IASB:
 - is now using the clarified description of PIRs that the DPOC considered at its June 2022 meeting. The revised description is also available on the IFRS Foundation [website](#).

- had started the PIR of the impairment requirements in IFRS 9 and the PIR of IFRS 15 *Revenue from Contracts with Customers*.
- had decided not to start the PIR of the hedge accounting requirements in IFRS 9 and of IFRS 16 *Leases* mainly due to the need for more evidence from practice. In the second half of 2023, the IASB will reconsider when to start these PIRs.
- is considering the feedback to the PIR of the classification and measurement requirements in IFRS 9. The DPOC is expected to consider this PIR in more detail at a meeting later in 2022 before the IASB publishes its Report and Feedback Statement on the PIR.

IASB Consultative Groups—Annual review

The DPOC considered the staff's review of the IFRS Foundation's consultative groups that support the IASB for the year to 30 September 2022 as required by the *Due Process Handbook*.

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 and IASB and staff members. The staff explained that the 2020 pilot program of surveys of IASB and staff members had been extended to all consultative groups and was providing useful feedback.

The DPOC noted the IASB's plan to disband the Transition Resource Group for IFRS 17 *Insurance Contracts*. This was a limited-life group that last met in 2019 and the Interpretations Committee has been handling questions since that time.

The DPOC was also informed that consideration is being given to whether the IFRS Taxonomy Consultative Group might support the ISSB as well as the IASB by leveraging on expertise from the former Sustainability Accounting Standards Board's (SASB) Taxonomy Review Committee.

In response to a question about the use of 'hybrid' meetings (ie mix of in-person and video participation), the staff noted that the hybrid basis had worked well, explaining that there had been significant in-person attendance although group members from jurisdictions where travel continues to be difficult had appreciated being able to attend via video. A DPOC member suggested the IASB consider whether it did want to 'strongly encourage' in-person attendance at meetings given the hybrid approach was working well. The DPOC also encouraged the staff to collect data on the effectiveness of hybrid meetings.

IASB Annual reporting protocol

The DPOC considered a report for the year ended 30 September 2022 on the receipt of comment letters and their public availability, the availability of papers to observers, and the IASB's dialogue with securities and other regulators.

Educational material on IFRS Accounting Standards—review of due process

The DPOC considered a report as required by the *Due Process Handbook* on the educational material published by the Foundation to support the consistent application of IFRS Accounting Standards for the year to 30 September 2022. Based on information provided, the DPOC confirmed that the educational material had received at least the required level of review specified by the *Handbook*.

ISSB-related matters

Update on ISSB technical activities

The DPOC considered a report providing an update on the activities of the ISSB for the period June to September 2022. There were no matters in the report for which the DPOC was required to confirm that due process had been followed. The report also addressed the receipt of comment letters and their public availability, the availability of papers to observers, the ISSB's dialogue with securities and other regulators, and the work of the ISSB's Consultative Groups, which had started to meet since the DPOC's June 2022 meeting.

The DPOC was updated on various matters including:

- the ISSB's work progressing the initial two Sustainability Disclosure Standards: General Requirements and Climate-related Disclosures. The staff noted the extensive outreach undertaken during the consultation and the rich feedback in the over 1400 comment letters and survey responses, which included a relatively high number of responses from users of general purpose financial reporting. The ISSB had considered all the feedback at its September 2022 meeting and also discussed how the proposals in the two Exposure Drafts should be deliberated. The ISSB aims to complete redeliberations on the substantive issues raised by stakeholders around the end of 2022, with a view to issuing the two Standards as soon as possible in 2023.
- the planned approach to and timing of the ISSB's consultation on its agenda priorities and the publication of the related Request for Information.
- work to develop an exposure draft of the proposed IFRS Sustainability Disclosure Taxonomy following publication of a staff Request for Feedback on a related staff draft in May 2022.
- the growing work of the ISSB's consultative groups, three of which had begun to meet: the ISSB Investor Advisory Group, the Jurisdictional Working Group and the Sustainability Consultative Committee.

The DPOC suggested that whilst the ISSB's Consultative Groups are in their earliest stages, it would be helpful to consider developing a framework of data to help assess whether each group is continuing to serve its function and whether the membership of each group is appropriate for its needs.

Due process for maintaining and enhancing the SASB Standards

The DPOC discussed and approved the following process for the ISSB to maintain, evolve and enhance the SASB standards that do not form part of IFRS Sustainability Disclosure Standards.

- A group of three to five ISSB members will be established to develop recommendations for the ISSB relating to this work. The group will also develop drafts of the required exposure drafts of amendments to the SASB standards and, after considering the stakeholder feedback, drafts of the final amendments.
- The ISSB will consider the recommendations of this group in ISSB meetings (which are public) and ratify the exposure drafts and, subsequently the final amendments prepared by the group. Ratification will require the same level of support by ISSB members as is required for an amendment to an IFRS Sustainability Disclosure Standard. Exposure drafts of, and final amendments to, the SASB standards will be issued by the ISSB.

- The comment period for the exposure drafts will be the same as for those related to IFRS Sustainability Disclosure Standards.

The DPOC noted the name of the group of ISSB members making recommendations about the SASB standards should avoid implying a wider remit; the ISSB as a board continues to be responsible for amendments to the SASB standards. It also asked to be updated once the composition of the group is determined.

The DPOC also discussed two specific related matters relating to maintaining and enhancing the SASB Standards:

- the process for improving the international applicability of the SASB standards—the DPOC approved the ISSB issuing an exposure draft to request feedback on the proposed process and methodology for updating US-based references in the SASB standards for more internationally applicable references, rather than an exposure draft containing a full mark-up of the proposed amendments. Following consideration of the feedback to the exposure draft, the staff will make a draft of the amendments available on the IFRS Foundation website, consistently with the process described in paragraphs 3.31–3.33 of the *Due Process Handbook*, to allow stakeholders to review the amendments before the ISSB finalises them.
- the process for amending the SASB standards to align them with the elements in the final version of Appendix B to the Climate-related Disclosures Standard that were originally drawn from the SASB standards. The DPOC agreed that no further public consultation on these amendments would be required given that they had been exposed for public comment as part of the Climate-related Disclosures Exposure Draft.

Correspondence

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

IFRS Foundation Trustees—Due Process Oversight Committee

Date **1 December 2022**

Contact **Henry Rees**

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

The IFRS Foundation Due Process Oversight Committee (DPOC) met on 1 December 2022 by video conference. The meeting was webcast live and a recording of the meeting is available on the IFRS Foundation website.

The main matters discussed were as follows.

Approval of shortened comment period for an exposure draft of proposed amendments to IAS 12 *Income taxes*

The DPOC was informed that the IASB, at its November 2022 meeting, had decided to publish an exposure draft of proposed narrow-scope amendments to IAS 12 Income Taxes. The amendment would introduce a temporary exception from the requirement to account for deferred taxes arising from the implementation of the OECD's Pillar Two model rules and some additional related disclosures. The exception would be mandatory to facilitate consistent accounting for such deferred taxes.

The IASB was requesting the DPOC's approval for a shortened comment period of 60 days for the exposure draft in accordance with paragraph 6.7 of the *Due Process Handbook*.

IASB representatives explained that the IASB had moved quickly and efficiently to address this matter and board and staff members had discussed it with stakeholders, including the OECD and representatives from the accounting firms. A shortened comment period was necessary in order to ensure that the amendments would be available for when entities would otherwise need to account for the deferred tax arising from the implementation of the Pillar Two model rules. Implementation of those rules by individual jurisdictions in their tax legislation is occurring quickly and IAS 12 would require entities to reflect the effects in their accounting once the legislation is substantively enacted. Nonetheless, the IASB had concluded that 60 days allowed sufficient time for stakeholders to consider and respond to the exposure draft in light of its narrow scope.

The DPOC approved the shortened comment period. It noted that the proposed temporary exception from the requirements of IAS 12 should assist in the timely application of jurisdictions' incorporation of the Pillar 2 rule and support consistent application of the accounting effects.

The DPOC also suggested the IASB consider specifying formally when the exception would be reviewed when finalising the proposed amendment.

Due process review of the Post-implementation Review of the Classification and Measurement requirements of IFRS 9 *Financial Instruments*

The DPOC received a briefing about the Post-implementation Review (PIR) of IFRS 9 Financial Instruments—Classification and Measurement in line with the requirement of paragraph 6.59 of the *Due Process Handbook*. The DPOC had also been provided with a draft of the Project Report and Feedback Statement for the PIR.

The briefing covered the objectives of the PIR; the process that the IASB had followed since the review commenced in October 2020 in accordance with the *Due Process Handbook*, which had included the publication of a Request for Information and extensive outreach; the IASB's evaluation of the feedback; and its final conclusions. The DPOC noted that the IASB had evaluated the feedback using the clarified description of the objective, process and outcome of a post-implementation review discussed with the DPOC at its meetings in May and June 2022.

The DPOC agreed, based on the materials and briefing provided, that the IASB had completed the PIR satisfactorily and that the Project Report and Feedback Statement could be finalised and published. The DPOC suggested that the final report:

- more clearly identify the items and related findings that were judged contentious during the development of the classification and measurement requirements;
- clarify that some lower priority items were being addressed in a forthcoming exposure draft along with the higher priority item to assist stakeholders by avoiding potential piecemeal standard-setting; and
- emphasise that the IASB will continue to monitor and evaluate any new evidence relating to the accounting for investments in equity instruments for which an entity has elected to present subsequent changes in fair value in other comprehensive income rather than profit or loss.

IFRS Foundation Trustees

Date **15 December 2022**

Contacts **Henry Rees**

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

The IFRS Foundation Trustees met by video conference on 15 December 2022. The meeting was observed by Barry Melancon and Richard Sexton (respectively, Member of and Chair of the Board of the former Value Reporting Foundation).

Membership of the Sustainability Standards Advisory Forum

The Trustees considered and approved the inaugural membership of the [Sustainability Standards Advisory Forum](#) together with the observers. This followed the open call for members earlier in the year. The membership was subsequently [announced on the IFRS Foundation website](#).

The Trustees approved the appointment of 13 members. The Forum's [Terms of Reference](#) provide that there can be up to 16 jurisdictional members with the option for additional observers. Three seats have been left vacant to allow for flexibility to invite other jurisdictional and/or regional perspectives to further inform the early work of the Forum in future.

Departing Trustees

The Chair of the Trustees thanked Else Bos, Alessandro Broedel, Su-Keun Kwak, Joanna Perry and Guangyao Zhu for their services as Trustees of the Foundation. Their terms of office expire at the end of 2022.

IFRS Foundation Trustees

Date **1–3 March 2023**

Contacts **Henry Rees**

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

The IFRS Foundation Trustees met in Tokyo on 1–3 March 2023.

The Chair of the Trustees, Erkki Liikanen, welcomed Sukjoon Lee (South Korea), Steven Maijor (Netherlands), Isabel Saint Malo (Panama) and Wencai Zhang (China) to their first Trustees meeting following their appointments as Trustees on 1 January 2023.

Some of the Trustees' discussions were observed by Barry Melancon and Richard Sexton (respectively, Member of and Co-Chair of the Board of the former Value Reporting Foundation).

Reports of the Chair of the Trustees and the Executive Director

The Trustees received reports from:

- the Chair of the Trustees on his recent meetings with key stakeholders, including his significant engagement at the World Economic Forum Annual Meeting in January 2023; and
- the Executive Director, Lee White, on current priorities and recent activities, including progress on the 'One Foundation Programme' supporting the establishment of the International Sustainability Standards Board, and the consolidation of the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF).

Integrated thinking and integrated reporting

The Trustees held an in-depth discussion on integrated thinking and integrated reporting. As an introduction to their discussion, the Chief Connectivity and Integrated Reporting Officer, Jonathan Labrey, provided an overview of the rationale for integrated reporting, including a description of the Integrated Reporting Framework and how integrated thinking and reporting have been adopted around the world. He also provided an overview of the vision underpinning the advancement of integrated thinking and reporting.

Report of the Chair of the IASB

The Chair of the International Accounting Standards Board, Andreas Barckow, reported on the IASB's activities since the October 2022 Trustees meeting. He highlighted the overall progress the IASB had made on its work plan, noting that 16 of its 21 projects had been discussed by the IASB in that period. He noted in particular:

- the IASB's work to provide investors with more useful information about business combinations. He explained that after careful evaluation of all the evidence, the IASB had decided to retain the impairment-only model for the accounting of goodwill having concluded that there was insufficient

evidence of a compelling case to change the existing requirements. This would maintain convergence with US GAAP. He also reported on the IASB's work addressing concerns about the cost of disclosing information about the subsequent performance of business combinations including providing exemptions for commercially sensitive disclosures. He also emphasised the work the IASB was doing to help stakeholders understand the IASB's decisions, including through a board member project update [article](#).

- the outreach undertaken in Q4 of 2022 in the Primary Financial Statements Project to obtain feedback on selected changes to the proposals in the Exposure Draft, following completion of the redeliberations of major aspects of the proposals. He noted that overall, most outreach participants supported the direction of the IASB's decisions and requested timely completion of the project. He noted that some stakeholders disagree with the IASB's decision around the classification of income and expenses from associates and joint ventures accounted for using the equity method. The IASB will further discuss the feedback at a future meeting.
- the IASB's plans to issue some amendments to existing IFRS Accounting Standards in Q2 2023 to require companies to provide additional disclosures about their supplier finance arrangements to respond to the needs of investors. He explained that the IASB will be requiring the amendments to be applied for annual reporting periods beginning on or after 1 January 2024 given the needs of the market for the information.
- the IASB's work to address concerns about the implications for income tax accounting of the imminent implementation of the OECD's Pillar Two model rules. He noted that the IASB was moving at pace to issue final amendments by the end of May 2023.

Report of the Chair of the ISSB

The Chair of the ISSB, Emmanuel Faber, provided the Trustees with an update on the ISSB's activities since the October 2022 Trustees meeting. This included updates on:

- the key milestones since October, including the ISSB's first meeting of its full complement of 14 members in December in Montreal; the CDP's announcement to incorporate the ISSB Climate-related Disclosures Standard into its global environmental disclosure platform; the Memorandum of Understanding signed with the Ministry of Finance of China in December with a view to establishing an office in Beijing; the Partnership Framework launched at COP27 with support from around 30 partner organisations designed to support stakeholders as they prepare to use IFRS Sustainability Disclosure Standards; and the inaugural IFRS Sustainability Symposium in Montreal in February attended by more than 1000 people from 45 countries.
- the creation of the suite of board advisory groups to provide strategic input and guidance on technical work and stakeholder engagement and adoption.
- the ISSB's engagement with advisory bodies, including the inaugural meeting of the Integrated Reporting and Connectivity Council in November, the Advisory Council in February, the regular engagement with the Jurisdictional Working Group and plans for the inaugural meeting of the Sustainability Standards Advisory Forum in April.
- the ISSB's redeliberations of the General Sustainability-related Disclosures and Climate-related Disclosure Standards, including mechanisms to address challenges faced by companies with fewer resources and some reliefs for the disclosure of GHG scope 3 emissions. The ISSB Chair reported

that at its February meeting the ISSB had finalised its redeliberations, concluding that it did not need to re-expose its proposals, and hence had started the balloting process with a view to issuing the two Standards by end of June 2023. The Standards will be effective for annual reporting periods beginning on or after 1 January 2024.

- ongoing engagement with the International Organization of Securities Commissions (IOSCO) relating to the endorsement process.
- interoperability with jurisdictional initiatives and GRI Standards.

‘Scorecard’ on key requirements for success

The Trustees considered a paper setting out the current status of the seven ‘key requirements for success’ formulated by the Trustees in 2020 in their [Consultation Paper on Sustainability Reporting](#) relating to the establishment of the ISSB:

- (1) achieving a sufficient level of global support from public authorities, global regulators and market stakeholders, including investors and preparers, in key markets
- (2) working with regional initiatives to achieve global consistency and reduce complexity in sustainability reporting
- (3) ensuring the adequacy of the governance structure
- (4) achieving appropriate technical expertise for the Trustees, [ISSB] members and staff
- (5) achieving the level of separate funding required and the capacity to obtain financial support
- (6) developing a structure and culture that seeks to build effective synergies with financial reporting
- (7) ensuring the [existing] mission and resources of the IFRS Foundation are not compromised.

Report of the Chair of the Advisory Council

The Chair of the IFRS Advisory Council, Bill Coen, reported on the Council’s October 2022 and February 2023 meetings, noting in particular discussions about the ISSB’s forthcoming consultation on its agenda priorities; supporting emerging and developing economies in implementing IFRS Sustainability Disclosure Standards; the IASB’s strategy to facilitate the digital consumption of general purpose financial reports; and the Foundation’s sustainability strategy. He noted that the October meeting marked the Advisory Council’s return to meeting entirely in person.

The Council Chair also updated the Trustees about the Council’s composition, noting the changes that the Trustees had made from 1 January 2023, and highlighting areas of suggested focus for future appointments. He also noted that at its April 2023 meeting, the Council will discuss how it might increase opportunities for all staff and board members to engage with the work of the Council regardless of location.

Annual review of key organisational risks

Larry Leva, Chair of the Audit, Finance and Risk Committee and Mirjam Buyteweg, the Foundation’s Chief of Legal, Compliance & Commercial Operations, updated the Trustees about the management and oversight of risk at the Foundation, including the role of the Executive Risk Committee and the oversight provided by the Audit, Finance and Risk Committee. They also presented the Trustees with a summary of the key risk areas.

Assurance

The Executive Director introduced an in-depth discussion on the main components of and current developments in the global corporate reporting system and, in particular, current developments in assurance. This covered the key enablers of the overall system for global corporate reporting; the global trends in sustainability assurance; the work relating to sustainability reporting of the International Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants; jurisdictional approaches to assurance; and assurance practitioners and regulators.

IFRS Foundation Transitional Advisory Group

The Chair of the IFRS Foundation Transitional Advisory Group (TAG), Trustee Michel Madelain, and the two Trustee observers, who also attend TAG meetings, reported on the TAG's meetings in December 2022 and February 2023. They explained that the TAG is focusing on key strategic matters relating to realising the value of the consolidations of the CDSB and the VRF with the Foundation.

Integrated Reporting and Connectivity Council

The Vice-Chair of the Integrated Reporting and Connectivity Council, Trustee Suresh Kana, reported on the Council's [inaugural meeting in November 2022](#). The Council next meets on 25 April 2023.

Reports from Trustee Committee meetings held on 1–2 March

Audit, Finance and Risk Committee

The Chair of the Committee reported that the Committee had:

- reviewed the financial results for the year ended 31 December 2022 and the budget for 2023;
- been updated on contributed revenue and earned revenue;
- received a report from the external auditors, Grant Thornton, on their audit of the IT general controls relating to their audit;
- reviewed the changes made to the risk register since the last review, focusing on the high risks remaining after mitigating actions;
- received a report on cybersecurity risks.

Digital and Technology Oversight Committee

The Chair of the Committee reported that the Committee had:

- been updated on the formation of an internal group comprising senior Foundation staff to support the Committee in its work overseeing the Foundation's technology strategy and operations;
- reviewed the roadmap for the Foundation progressing to its desired end state for its enterprise applications;
- received a status report on the Foundation's cybersecurity and considered options for an independent review of its cybersecurity for recommendation to the Audit, Finance and Risk Committee;

- received an update on strategy for facilitating digital consumption of general purpose financial reports.

Due Process Oversight Committee

The Chair of the Due Process Oversight Committee reported on the Committee's meeting. A [summary of the meeting](#) is attached.

Human Capital Committee

Keiko Tashiro, reporting for the Chair of the Committee, reported that at its meeting on 20 February, the Committee had:

- reviewed the ongoing work relating to the Foundation's organisational culture;
- considered the results of the recently completed Foundation-wide staff engagement survey that is conducted every two years by an independent research organisation;
- approved the parameters for the annual review of staff salaries from April 2023;
- considered various other human capital matters, including recruitment of staff to support the boards and the Foundation.

Nominating Committee

The Chair of the Committee reported on the Committee's work relating to various nominations process, including nominations for Trustee positions arising at 1 January 2024.

Sustainability Task Force

Following the Trustees' discussion at their October meeting about developing the Foundation's sustainability strategy, the Trustees established a limited-life Trustee-led Task Force to review the Foundation's internal sustainability strategy, policies, management systems and reporting. The Chair of the Committee, Keiko Tashiro, reported on the Committee's progress to date.

Farewell to Janine Guillot

The Chair of the Trustees and the Chair of the ISSB, together with other Trustees and observers, expressed their appreciation to Janine Guillot for her leadership and contribution in integrating the VRF into the Foundation. Ms Guillot will be stepping away from her role as Special Advisor to the ISSB Chair in March 2023 and joining the TAG.

Stakeholder engagement

The IFRS Foundation held a very successful stakeholder event on the evening of 2 March with the Financial Accounting Standards Foundation of Japan. The event included welcome remarks by Erkki Liikanen, Shunichi Suzuki (Minister of State for Financial Services) and Nobuyuki Hirano (Vice Chair of Keidanren, Senior Advisor of MUFG Bank Ltd). Trustee Keiko Tashiro proposed the toast and Eiji Hayashida (President, FASF) provided the closing remarks.

Meeting with the Monitoring Board

The Trustees met the IFRS Foundation [Monitoring Board on 3 March](#). The Monitoring Board Chair, Jean Paul Servais, IOSCO Chair and Chair of the Belgium Financial Services and Markets Authority, explained that he would be relinquishing the post after six years. The Japanese Financial Services Agency, a standing member of the Monitoring Board, will now become its new Chair, with Takashi Nagaoka stepping into the role.

IFRS Foundation Trustees—Due Process Oversight Committee

Date **1 March 2023**

Contact **Henry Rees**

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

The IFRS Foundation Due Process Oversight Committee (DPOC) [met on 1 March 2023 in Tokyo](#). A [recording of the meeting](#) is available on the IFRS Foundation website.

The main matters discussed were as follows.

IASB-related matters

Update on IASB technical activities

The DPOC considered a report providing an update on the activities of the IASB and the IFRS Interpretations Committee for the period October 2022 to January 2023. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.

The DPOC was updated on progress in various IASB projects including:

- The **Business Combinations—Disclosures, Goodwill and Impairment** project, in which the IASB had decided to retain the impairment-only model after considering all the evidence and concluding that there was insufficient evidence of a compelling case to change this model. The DPOC was also informed that the IASB had decided to move the project from research to standard-setting and is now working towards publishing an Exposure Draft. The DPOC noted the IASB's rationale for continuing to use the expertise of existing advisory bodies rather than create a consultative group for the project.
- The **Primary Financial Statements** project, in which the IASB had undertaken outreach in Q4 2022 on selected changes it had made to the proposals in the Exposure Draft. The IASB had discussed the key messages received from the outreach and the implications on its redeliberations plan. The DPOC was informed that the IASB plans to complete its decision making this year. Later this year, the DPOC is expected to undertake a review of the due process over the life of the project, in accordance with paragraph 2.12 of the [Due Process Handbook](#). In response to a question about the IASB's decision to classify income and expenses from associates and joint ventures accounted for using the equity method in the investing category rather than within the operating profit subtotal, the IASB representatives explained the development of the requirement and noted the feedback from the outreach in Q4 2022. They acknowledged there was some concern about the decision in some jurisdictions, but explained that it was generally supported by investors. They also noted that the topic was included in the redeliberations plan this year.
- The **Equity Method** project, in which the IASB is expected to decide in Q2 2023 whether to move the project from research to standard-setting. The IASB representatives explained that the *Due Process Handbook* normally contemplates a project moving to standard-setting following the publication of a

discussion paper. However they noted that the IASB might decide to progress the project to standard-setting without a discussion paper given that it addresses specific application questions. Hence an exposure draft setting out draft requirements might yield more useful feedback from stakeholders.

- The **International Tax Reform—Pillar Two Model Rules**, in which the IASB had published an Exposure Draft in January 2023 providing a temporary exception to the accounting for deferred taxes arising from implementing the pillar two model rules together with related additional disclosures. The IASB representatives reminded the DPOC that some jurisdictions are enacting legislation in short order, so the IASB is moving at pace with the project. The IASB had set a comment period of 60 days, which the DPOC had approved at its meeting in December 2022. Subject to the feedback on the Exposure Draft, the IASB aims to issue the amendment in May 2023 and will hold a supplementary meeting in April to facilitate this.

The DPOC noted that the date of the ‘next due process step’ for a number of projects was ‘TBD’. The IASB representatives explained that this was typically because the likely timeline depended on the outcome of future key board discussions. Nonetheless, the work plan update publicly presented to the IASB each quarter provides further context for stakeholders (in particular clarifying that a due process document would not be published before a particular date). The DPOC suggested exploring whether it would be possible to convey more of that commentary on the timelines to provide greater clarity to stakeholders at an earlier point in the project.

ISSB-related matters

Update on ISSB technical activities

The DPOC considered a report providing an update on the activities of the ISSB for the period October 2022 to February 2023. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.

The DPOC was updated on various matters including:

- The **General Sustainability-related Disclosures** and **Climate-related Disclosures** projects (IFRS S1 and IFRS S2), in which the ISSB had concluded its planned technical discussions in February and started the balloting process (see also the next agenda item).
- The ISSB’s discussions and decisions relating to the industry-based **SASB Standards**, including their roles in IFRS S1 and IFRS S2 and the work to improve the international applicability of the SASB Standards not incorporated in IFRS S2.
- The **ISSB’s Consultation on Agenda Priorities**, for which the ISSB is expected to publish a Request for Information in Q2. The DPOC was informed that the ISSB had decided that the RFI will (a) outline the committed work to build on the foundation established by IFRS S1 and IFRS S2, and (b) set out proposals for new research and standard-setting on which the ISSB would seek stakeholder input.
- The development of the **IFRS Sustainability Disclosure Taxonomy**.
- The ISSB’s initial consideration as to how it can involve sustainability reporting practitioners in **supporting implementation** of its Standards at an early stage. The DPOC was informed that it would be asked to review the proposed composition of any group that the ISSB forms in line with paragraph 3.62 of the *Due Process Handbook*.

The DPOC noted that preparers applying IFRS S1 would be required to consider the SASB Standards as a source of guidance to disclose investor relevant information on sustainability-related risks and opportunities not specifically covered by IFRS Sustainability Disclosure Standards. The ISSB representatives explained that this requirement was important in building the global baseline and ensuring that investors obtain information on sustainability risks and opportunities that are important to them beyond those specifically addressed in IFRS Sustainability Disclosure Standards. In framing this requirement, the ISSB had decided to specify 'shall consider' rather than 'shall apply' reflecting that these standards have not been subject to the Foundation's due process and to ensure that companies are able to assess the relevance of the disclosures to their circumstances (including in different jurisdictions). However, the ISSB wanted companies to make a considered decision about whether the SASB Standards would provide information that would meet the requirements of IFRS S1, noting that these standards are expected to provide decision useful information for investors. Hence the ISSB was specifying 'shall consider' rather than simply 'may consider'. The DPOC emphasised the importance of communications around this requirement. It also emphasised that the SASB Standards will be subject to the Foundation's due process before being incorporated into IFRS Sustainability Disclosure Standards (as was the case with the climate-related disclosures from the SASB Standards being incorporated into IFRS S2).

Due process 'lifecycle' review of the development of IFRS S1 and IFRS S2

The DPOC reviewed the due process applied in the development of IFRS S1 and IFRS S2 as required by paragraph 2.12 of the *Due Process Handbook*. This followed the ISSB completing its technical decision making at its February 2023 meeting and confirming that all necessary due process steps had been undertaken and that it had completed sufficient consultation and analysis to proceed to the balloting phase to finalise the drafting of the Standards. The DPOC has monitored the due process of IFRS S1 and IFRS S2 throughout their development. At this meeting it considered papers summarising the entirety of the due process applied, including the comprehensive paper that the ISSB had considered at its February meeting to satisfy itself that it had complied with all necessary steps.

The ISSB representatives emphasised that the due process specified in the *Due Process Handbook* for developing an IFRS Standard had been followed, except that the Exposure Drafts had been issued under a special provision in the IFRS Foundation *Constitution* and after oversight by the DPOC at its two meetings in March 2022. They also highlighted how the ISSB had gone beyond the mandatorily required due process, notably with the broad outreach and stakeholder engagement undertaken which, together with over 1400 comment letters, had provided good insights into the different perspectives in the market.

The ISSB representatives explained that at its February meeting the ISSB had considered the staff's detailed analysis of the changes made to the proposals in the Exposure Drafts during the redeliberations in response to the feedback, and the staff's assessment of whether those changes should be re-exposed applying the re-exposure criteria in paragraphs 6.25–6.29 of the *Due Process Handbook*. After considering this analysis, the ISSB had decided that it had not made any fundamental changes on which stakeholders had not had the opportunity to comment and hence that it could finalise IFRS S1 and IFRS S2 without re-exposure. The full analysis was included in the papers provided to the DPOC and the ISSB representatives highlighted some of the key areas of the ISSB's considerations, including around the industry-specific information in IFRS S2 and ensuring that the ISSB had sufficiently responded to the feedback on proportionality to ensure that the final Standards would allow for a truly global baseline.

The DPOC concluded its discussion by agreeing that all mandatory due process steps had been undertaken in the development of IFRS S1 and IFRS S2 and that the ISSB could progress to issue the two Standards.

Request for approval of shortened comment periods

At upcoming meetings, the ISSB will decide on the comment period for two consultation documents:

- the Request for Information (RFI) for the ISSB's consultation on agenda priorities, and
- the Exposure Draft for the Methodology to Enhance the International Applicability of SASB Standards (the Methodology Exposure Draft).

The staff explained that it was planning to recommend that the ISSB set 90-day comment periods for these consultations, which is shorter than the 'normal' comment period of 120 days specified for these type of consultations in the *Due Process Handbook*. The staff therefore sought the DPOC's approval for the ISSB to be able to set shorter comment periods if the ISSB were to decide to do so.

RFI

For the RFI, the staff explained that its rationale for a shorter comment period included the fact that the RFI will be a focused strategic document (rather than a set of detailed proposals), seeking input on a two-year work plan and feedback on a prioritised list of four projects (which themselves had been informed in part by feedback from the Trustees' and ISSB's consultations to date); the plan to seek feedback primarily via survey responses; and the desire for the ISSB to start new projects expeditiously after the consultation in order to meet stakeholder expectations and main momentum.

The DPOC highlighted various points that it asked the ISSB to reflect on in deciding the comment period including:

- The importance of ensuring that stakeholders have sufficient time to fully consider and respond to the RFI to ensure that the ISSB has a full appreciation of stakeholder views. This is important to ensure that a good understanding of stakeholder views underpins the decisions the ISSB makes about its work plan. Although the RFI is expected to be a short, focused document and the ISSB is making it easier for stakeholders to respond, the RFI requires careful and thoughtful consideration by stakeholders.
- The possibility of adverse stakeholder perceptions arising about quality as a result of making an exception to the 120-day comment period requirement in the *Due Process Handbook*, and the need to balance this against the benefits the ISSB might gain from a shortened comment period in terms of making decisions about its work plan and planning.
- The expected overlap of the consultation period of the RFI with the issuance of IFRS S1 and IFRS S2.
- The need to allow time for translation of the RFI.

The DPOC agreed that subject to the ISSB considering these points, it would be willing to support the ISSB setting a 90-day comment period for the RFI if the ISSB were to decide this was appropriate.

Methodology Exposure Draft

For the Methodology Exposure Draft, the staff explained that its rationale for a shorter comment period was that the Exposure Draft is both narrow in scope and urgent, the criteria in the *Due Process Handbook* for being able to contemplate a shorter comment period. They highlighted that the Exposure Draft will be a focused document, explaining and illustrating the methodology to amend the SASB Standards to enhance

their international applicability rather than setting out proposed changes to the requirements. In addition they emphasised the importance of the project being finalised by the end of the year, given the role the SASB Standards play in IFRS S1 and which will be effective for annual periods beginning on or after 1 January 2024.

The DPOC agreed that the ISSB could set a 90-day comment period for the Methodology ED.

SASB Standards taxonomy due process

The DPOC considered and approved the following due process for updating the SASB Standards Taxonomy to enhance its international applicability.

- Instead of publishing a proposed SASB Standards Taxonomy update (ie exposure draft), the ISSB will include a discussion on the proposed taxonomy modelling approach in the Methodology Exposure Draft. This aligns the approach to the consultation with that approved by the DPOC in October 2022 for approving the international applicability of the SASB Standards—ie consulting on the approach, rather than the detailed changes. The description of the approach will be developed by the staff, in consultation with the ISSB's taxonomy consultative group and a group of ISSB members with expertise in the SASB Standards and the digital taxonomy, for ratification by the full ISSB. This is akin to the ratification process approved by the DPOC for the SASB Standards.
- Feedback on the proposed modelling approach will be discussed in a public ISSB meeting.
- Updates to the SASB Standards Taxonomy will then be finalised, subject to approval by the full ISSB.

Interim approach to ISSB taxonomy consultative group

The DPOC was updated on plans to establish a taxonomy consultative group to advise the ISSB on its taxonomy related activities, including the development of the IFRS Sustainability Disclosure Taxonomy.

The DPOC also agreed that before this group is established, the existing IFRS Taxonomy Consultative Group and the SASB Standards XBRL Taxonomy Review Committee should undertake the required reviews of IFRS Sustainability Disclosures Taxonomy due process publications.

Correspondence

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