
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**

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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.