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## IFRS Foundation Trustees—Due Process Oversight Committee

Date **21 March 2024**

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*.

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### Introduction

The IFRS Foundation Due Process Oversight Committee (DPOC) met on 21 March over videoconference. The meeting was webcast live and a recording of the meeting is available on the [IFRS Foundation website](#).

The two matters discussed were as follows:

### **Approval of shortened comment period for an exposure draft of proposed amendments to IFRS 9 and IFRS 7 related to power purchase agreements**

At its meeting on 18 March 2024, the IASB decided to publish an exposure draft of proposed narrow scope-amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* related to contracts for renewable electricity (commonly referred to as power purchase agreements or PPAs). The exposure draft would propose amending the accounting for physical and virtual PPAs.

The IASB had decided to set a comment period of 90 days for the exposure draft. Given this was less than 120 days, the IASB was requesting the DPOC's approval for the comment period in accordance with paragraph 6.7 of the *Due Process Handbook*.

IASB representatives explained that a shortened comment period was necessary to achieve the objective of providing a timely solution as asked for by stakeholders. The IASB had concluded that 90 days allowed sufficient time for stakeholders to analyse the proposed amendments balanced with the need for urgency as asked for by stakeholders. The IASB representatives also explained they had already undertaken extensive outreach and research to obtain information from stakeholders across many jurisdictions to determine the most appropriate approach to develop amendments to IFRS 9 and IFRS 7 that would respond to stakeholder concerns. They had also consulted with the Accounting Standards Advisory Forum, the IFRS Interpretations Committee and the large accounting firms.

In addition, the IASB representatives confirmed that the proposed amendments are targeted and narrow in scope. They are intended to limit any disruption to current practice beyond the arrangements in question thereby mitigating the risk of unintended consequences.

The DPOC approved the shortened comment period.

### Correspondence

The DPOC received reports as required by the *Due Process Handbook* from the staff on two letters the DPOC Chair had received from Rethinking Capital, dated [29 February](#) and [8 March 2024](#). These raised 'governance issues' surrounding the IFRS Interpretations Committee's recent work on [climate-related commitments](#) (IAS 37) in response to two submissions it had received. The letters to the DPOC Chair had been posted to the Foundation's website.

The DPOC Chair noted that the role of the DPOC is to ensure the Interpretations Committee and the IASB apply the due process specified by the *Due Process Handbook*. It has no role in either body's technical

decision making. She also noted that the Interpretations Committee's role is to consider how existing requirements in IFRS Accounting Standards apply to particular transactions or events—the Committee cannot add or change those requirements.

The DPOC was informed that the Director of Governance had reviewed the IASB technical staff's report in response to Rethinking Capital's letters as well as the three papers that the technical staff had prepared for the Interpretations Committee's meeting on 5 March 2024. He had also observed the Committee's discussion on 5 March at which it had unanimously decided to finalise its Agenda Decision in response to the submissions. The IASB would be asked whether it objected to the Agenda Decision at its April 2024 meeting. The Director reported that he was satisfied that all the necessary due process steps to date had been followed for the submissions to the Interpretations Committee.

The Director explained that one of the remaining concerns for Rethinking Capital relates to the perceived independence of the Interpretations Committee members representing the accounting firms. He explained why it is important the Interpretations Committee—given its remit to consider application questions about IFRS Accounting Standards—has members from the accounting firms: they have experience in applying the Standards in practice. He noted, however, that their number is limited to five of the 14 members of the Committee and the Foundation also has processes in place to guard potential perceived conflicts of interest. The DPOC noted that having some of the Interpretations Committee members drawn from the global accounting firms is entirely consistent with the IFRS Foundation *Constitution*.

The DPOC confirmed that all due process requirements had been met and agreed that the DPOC Chair should respond to Rethinking Capital. (The letter from the DPOC Chair is on the [website](#).)

### **Closing**

The DPOC Chair thanked all for their participation.