

Agenda paper 6

A look at IFRS Foundation's sources of earned revenue

5 April 2023

Agenda

- High level financial outlook
- Purpose of earned revenue
- Earned revenue programmes: accounting-related
- Earned revenue programmes: sustainability-related
- Current known plans and ideas for the future
- Q & A

Questions for the Advisory Council

- Should earned revenue programmes be the same for IFRS Accounting as they are for IFRS Sustainability and vice versa? Or can/should there be differences in the earned revenue programmes associated with the separate Standards?
- The Foundation's current earned revenue programmes are varied and aligned with our mission (licensing, publications and digital subscriptions, membership, education [FSA Credential], and conferences). The Constitution does not identify explicit earned revenue limitations, except compliance with due process principles in the Due Process Handbook.
 - *Should we consider expanding our current suite of earned revenue programmes? Illustrative examples* include training on implementation (e.g. "IFRS University"), consulting services, aggregation of disclosed data to sell to investors, research reports (e.g. sell-side research), etc. If yes, what limitations should exist on new earned revenue programmes, besides due process and (technical) resource constraints? (e.g. mission-aligned, don't change standard setting, etc.)*

**These examples are designed to generate conversation and are not necessarily realistic options for the Foundation.*

High level – financial outlook

High level financial outlook

	<i>2023</i> <i>£ millions</i>	<i>Steady State **</i> <i>£ millions</i>
Funding Sources		
<i>Country contributions*</i>	41.00	41.0 – 42.5
<i>Asset Managers Contributions</i>	0.50	1.0 – 2.0
<i>Philanthropic Grants</i>	2.50	1.0 – 2.0
<i>Earned Revenue</i>	28.00	29.0 - 31.5
<i>Total</i>	<i>72.00</i>	<i>72.0 – 78.0</i>

Earned revenue		
<i>Accounting profession licensing</i>	16.00	16.00
<i>IASB - other products</i>	2.00	2.0 - 3.5
<i>ISSB - other products***</i>	9.00	9.5 – 10.5
<i>Other</i>	0.50	0.5 - 1.5
<i>Total earned revenue</i>	<i>28.00</i>	<i>28.0 - 31.5</i>

* Includes funding from German and Canadian consortiums

** Post ISSB Seed capital period (ending 2026) - assumes 7% growth in costs

*** Includes current products sourced from VRF and future ISSB licensing

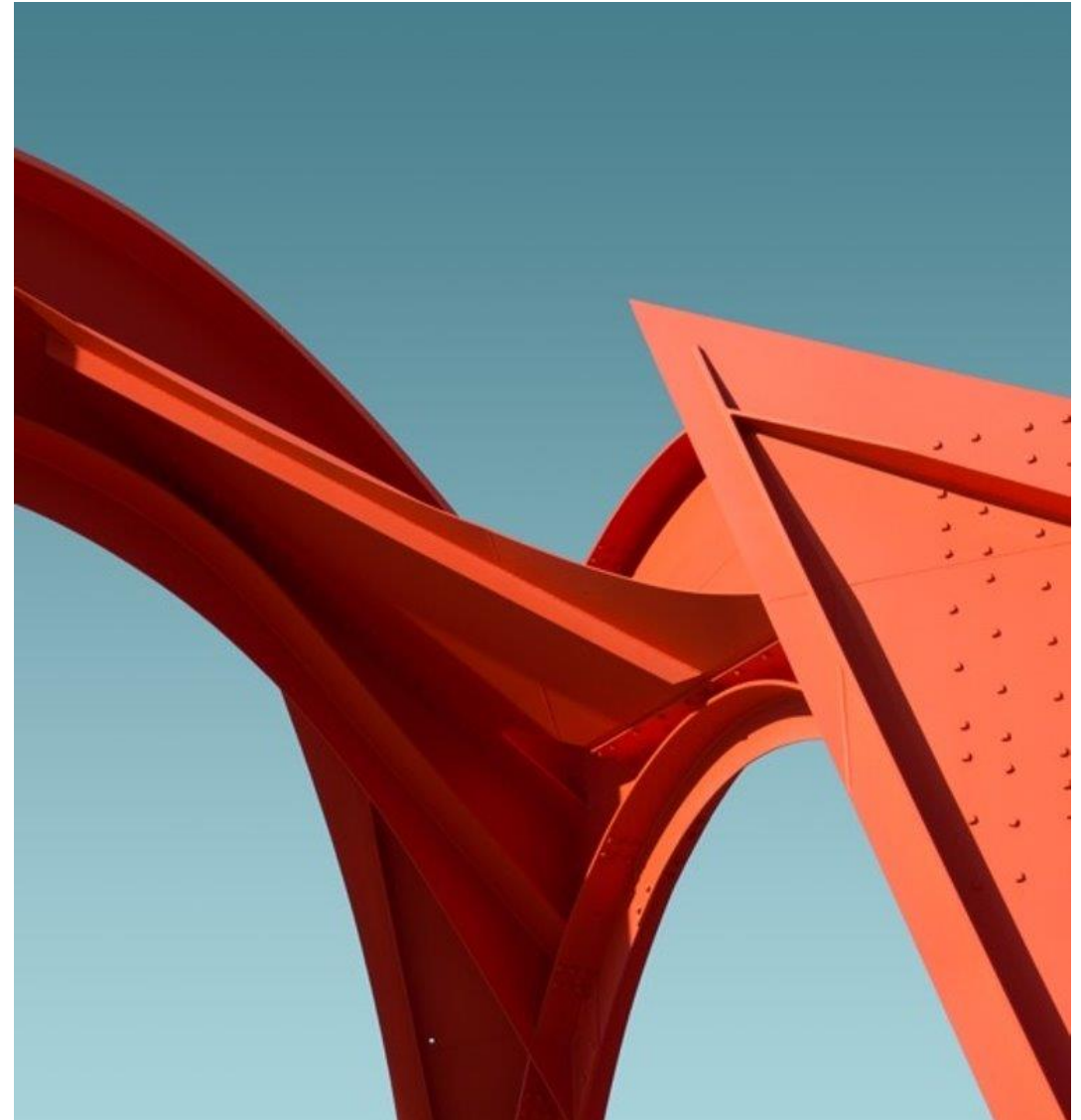
Purpose of earned revenue

Purpose of earned revenue

Long-term financial stability is a key success factor for the Foundation. Earned revenue helps diversify the sources of funding beyond contributed revenue.

In addition, earned revenue programmes are important because:

- it is important to protect the Foundation's intellectual property (IP) via licensing; and
- market participants' participation in earned revenue also keeps the Foundation closely connected to the needs of the market.



Approach to licensing

The Foundation's Standards are free for non-commercial use but licensing is required for use by jurisdictions and commercial use.

Examples of Commercial and Non-Commercial Use of IFRSF IP

Non-Commercial Use	Commercial Use
<p>No license required</p> <ul style="list-style-type: none"> Using the Standards to collect data and report your organization's financial or sustainability performance Referencing the Standards in investment policies Publishing an article or non-commercial content that includes very limited Foundation IP ('fair dealing') For personal and educational use <p>License or permission required</p> <ul style="list-style-type: none"> Using the Standards for regulatory adoption purpose and/or disclosure regulation (notional fee applicable) Translating the Standards 	<ul style="list-style-type: none"> Incorporating the Standards in third party products and services developed for commercial use Recreating the Standards in an internal audit/assurance or advisory database to support clients' implementation of the Standards Incorporating the Standards into research reports or analytics platforms Incorporating the Standards into investment decision-making processes (e.g. ratings of portfolio companies) or investible products

Note, this is not a comprehensive list.

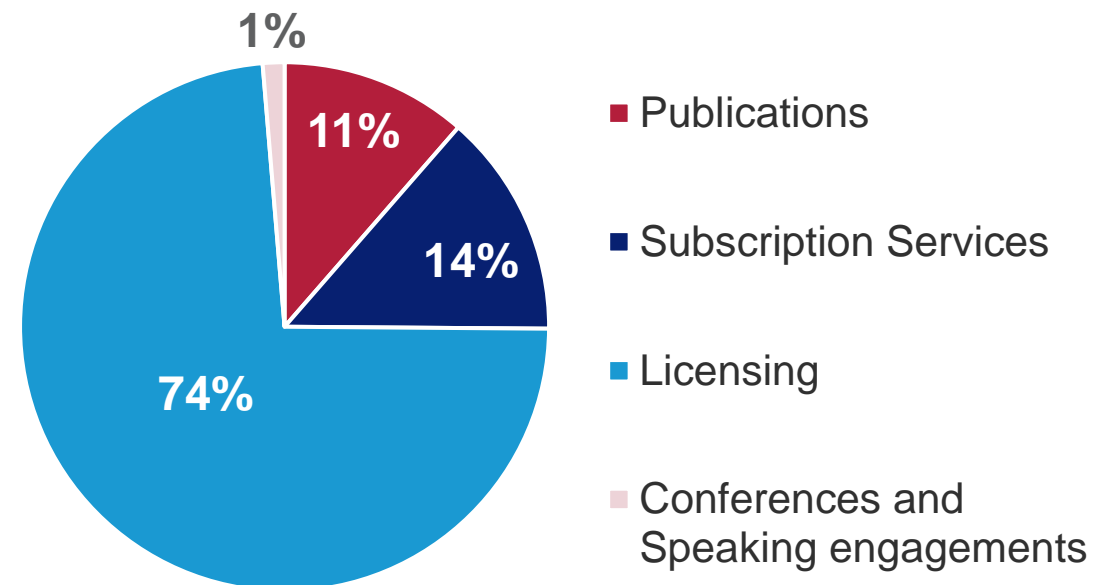
Earned revenue programmes: accounting-related

Earned revenue programmes: accounting - related

Earned revenue for accounting related activities consists of

- Licensing of IP (Trademarks/Materials etc), Royalties, Adoption Fees
- Sales of Publications
- Sales of Subscriptions including B2B and B2C customers, with single and multi-user options
- Events and Speaking engagements

2022 Earned Revenue -accounting related by type



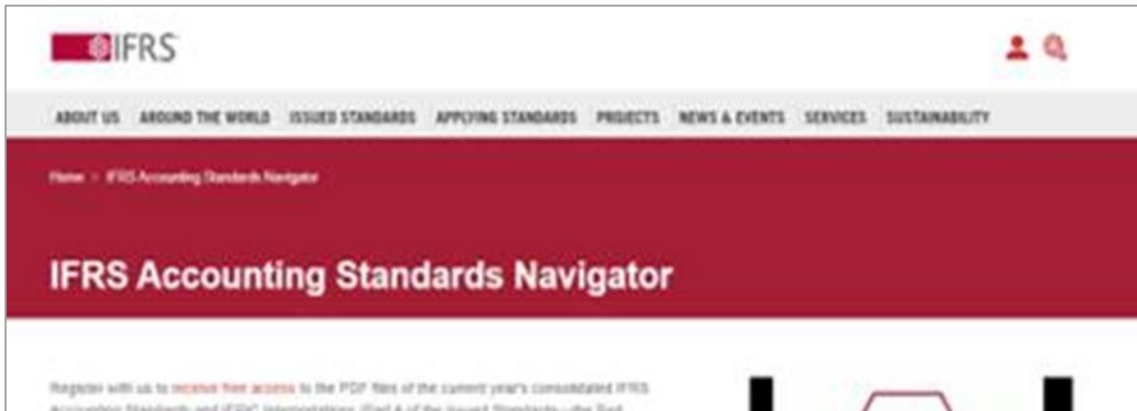
- 470 + active license agreements
- Different fee structures exist across the types of licensing and royalty agreements.
- Includes the Big 4 Licensing agreements
- Multiple agreements in negotiation phase
- One Off and No Fee typically adoption, translation and academic use.

Type	Count
2 year fee in advance	3
3 year fee in advance	4
Annual fee in Advance	109
No Fee	210
Nominal Fee	14
One Off Fee	75
Royalty	59



Multi user subscriptions

- We offer multi user subscriptions for 25 users or more to B2B customers.
- The subscription gives full access to our digital services including the IFRS Accounting Standards Navigator.
- Examples of some of the organisations using this are shown on the right.

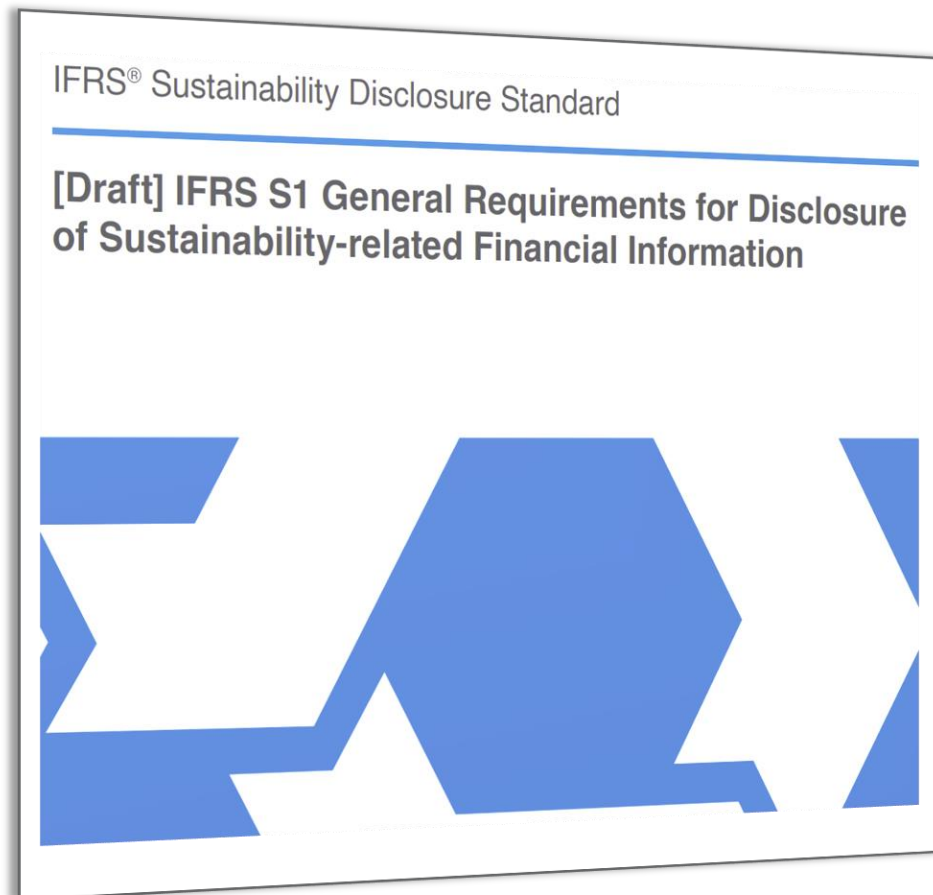


Earned revenue programmes: sustainability-related

Earned revenue programmes: sustainability-related

From

To



Education



Community



Standards
Integration

Sustainability-related earned revenue programmes



Education



The FSA Credential provides **self-study education** on the financial impacts of sustainability



IR Training Partners provide **third-party trainings** on the fundamental concepts and application of integrated reporting



The IFRS Sustainability Symposium is a **blend of education and community**, convening 1,000+ attendees in-person or virtually



Community



IFRS Sustainability Alliance members are a **community** that believe in the benefits of a comprehensive system for corporate disclosure



Standards Integration



SASB Standards **licensing** (and future ISSB licensing) provides commercial rights and client support to use Standards in products

Sustainability standards licensing

Embedding the Foundation's sustainability Standards in market infrastructure makes it easier and more efficient for companies and investors to use the Standards, accelerating uptake



Licensing customers that help **COMPANIES**:

- **Corporate reporting** software making SASB-aligned disclosures more tech-enabled
- **Supply chain** analytics, helping procurement
- Third-party **training** and/or textbooks

Licensing customers that help **INVESTORS**:

- **Asset managers** with in-house ESG scores
- **ESG data, ratings and/or analytics** providers
- **Index providers** – broad market or thematic

Examples of organisations licensing SASB Standards



The Northern Trust ESG Vector Score

The Methodology

This industry-first approach marries two leading sustainability reporting frameworks — the Sustainability Accounting Standards Board’s (SASB) Standards, which are industry-specific sustainability disclosure standards focused on financial materiality, and the thematic structure of the Task Force on Climate-related Financial Disclosures’ (TCFD) recommendations.

It applies TCFD’s anticipatory framework on governance, strategy and risk management — beyond simply climate — to all financially material ESG risks across the SASB Standards, resulting in a comprehensive risk assessment. Additionally, the Score places a further emphasis on corporate governance because of the impact it can have on long-term value.



- In-house, proprietary scoring methodology used across index funds and active management strategies
- The methodology is based on SASB Standards for current performance on industry-based ESG topics and uses the TCFD structure of governance, strategy, and risk management to assess future risk/opportunities across a range of ESG topics, not just climate
- Different scoring methodologies for each of SASB 77 industries

Examples of organisations licensing SASB Standards



- In-house, proprietary scoring methodology used specifically for emerging markets, active management
- The methodology relies on SASB Standards for Business Ethics, Environmental and Social topics that vary by industry (cumulatively representing 60% of the score)
- Different emphasis on Business Ethics than typical uses of SASB Standards due to focus on risk elements Nordea AM has identified for Emerging Markets

ESG Scorecard: Company PLC						Rating: A-C / +- 2017-06-12
	BUSINESS MODEL	CORPORATE GOVERNANCE	BUSINESS ETHICS	ENVIRONMENT	SOCIAL	
	Development Contribution	Board structure and independence	Key Issue	Key Issue	Key Issue	
	Country/Sector Risk	Board compensation practices	Key Issue	Key Issue	Key Issue	
		Minority shareholder influence	Key Issue	Key Issue	Key Issue	
		Diversity of Board & Executive management				
		Audit & Accounting practices				
		Sustainability governance				
RATING	A-C	A-C	A-C	A-C	A-C	
Risk exposure			1-3	1-3	1-3	
Financial impact			1-3	1-3	1-3	
Reputational impact			1-3	1-3	1-3	
WEIGHT	30%	10%	Variable%	Variable%	Variable%	

RATING

- Key sector issues are identified
- These are complemented with country and company specific issues
- Policy, strategy, performance are KPIs evaluated
- Voting and engagement conducted with companies to improve rating

WEIGHT

- Business model 30%
- Governance Quality 10% (implicitly assessed in the remaining 3 pillars)
- Business ethics, Environment and Social have variable weights based on
 - Risk exposure
 - Financial impact
 - Reputational impact

RISK MITIGATION AND VALUE CREATION

Source: Nordea Asset Management.

Examples of organisations licensing SASB Standards



- ESG scoring methodology sold to institutional investors that combines analysis of Dow Jones newswire content to assess corporate ESG performance with quantitative data analysis from Arabesque
- Different industry methodologies based on SASB Standards

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Trusted News Brands

Rely on the highest standards for reporting and analysis

The data methodology was created in line with the renowned Wall Street Journal editorial standards, trusted by financial professionals and consumers for coverage of business, events and investments.



Scoring Aligned with SASB Standards

The data model uses the five dimensions and 26 categories of the Sustainability Accounting Standards Board (SASB)'s standards, enabling users to dive deep into financially material issues.

Examples of organisations licensing SASB Standards

novisto



Novisto Integrates SASB Standards into Data Platform



The graphic features the Novisto logo on the left and the SASB INSIDE logo on the right. The SASB INSIDE logo consists of a white bar chart icon with three bars of increasing height, followed by the text 'SASB INSIDE' in white capital letters on a dark red background.

- Technology service to help companies collect data, improve controls, enable assurability, and generate reports.
- Pre-populates sustainability topics based on the SASB Standard for a company's industry or allows for multiple industries.

IFRS Sustainability Alliance overview



IFRS Sustainability **Alliance**

Programme Overview	Typical Members	Benefits to the Foundation
<ul style="list-style-type: none">• Provides educational programming and community benefits to a range of organizations• Focused on discussions related to standardised sustainability disclosure, integrated reporting, and investors' use of ESG information	<ul style="list-style-type: none">• Many asset managers• Some “real economy” preparers• Some asset owners• Some service providers	Deepens awareness of, support for, and use of ISSB Standards (and SASB Standards, Integrated Reporting, and Integrated Thinking as tools to support use of ISSB Standards)

IFRS Sustainability Alliance benefits

Educational programming and curated insights on the global reporting landscape

Quarterly Policy Briefings

Monthly Newsletters

Technical & Academic Webinars

Member-only Discounts

Tools to support effective ESG integration into investment processes

ESG case studies & workshops

Opportunities to collaborate and network with fellow members

Special Interest Groups

Regional In-Person Meetups

Interactive workshops to uncover reporting best practices

Alliance corporate reporting convenings

Resources to broadcast public support for a global baseline of sustainability disclosure, integrated reporting, and integrated thinking

IFRS Sustainability Alliance member logo



IFRS Sustainability
Alliance

FSA Credential overview



- A two-part self-study curriculum
- Study guide for each level is 150-200 pages
- Each exam is two hours

Level I Principles

- How sustainability information can be financially material
- The implications for companies and investors

of FSA 1 Registrants: **6,600+**

Average pass rate: 61%

Level II Practices

- How to gain an enhanced understanding of a company's performance and value from material sustainability information

of FSA Credential holders: **1,600+**

Average pass rate: 72%

FSA Credential content



The FSA Credential curriculum presents **facts** (e.g. the history of the Foundation and its role in setting accounting standards), **concepts** (e.g. a description of "sustainability" to understand what is and is not within scope of the Standards; "periodicity," and the benefits of aligning sustainability and financial reporting periods); and the **standard-setting process** (e.g. how decisions are made and the attributes of S1/S2, such as "decision-useful").

The FSA Credential curriculum does not include details of the S1/S2 content or guidance on how to apply S1/S2.

The curriculum includes:

- How materiality, as it is defined in the context of financial disclosure, is generally consistent across jurisdictions, including examples from various regulators.
- The importance of standards (economic efficiency)
- The utility of sustainability disclosure standards (e.g., specificity of disclosure creates actionability)
- How investor demand for quality ESG information influences corporate disclosure trends/decisions
- The possible levels of assurance for sustainability reports

*The curriculum **does not** include:*

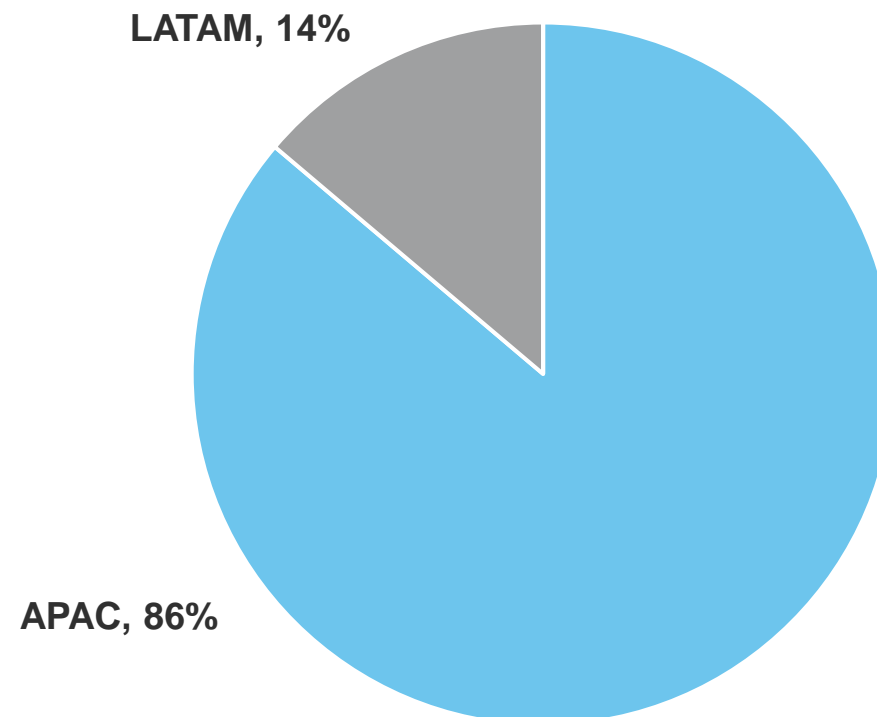
- Detailed discussion of how and why the ISSB defines materiality in the way it does
- Any views on the "best" or "superior" way to define materiality
- Guidance on how to interpret the standards
- Guidance on how to apply the Standards or prepare a report in compliance with the Standards

Integrated Reporting Training Partners programme



Training Partners license the Foundation's Integrated Reporting Competence Matrix and use it to build and deliver training courses to customers in the jurisdictions where they hold licenses

Recent Course Attendance by Region



Current known plans and ideas for the future

Current known plans and ideas for the future

A. Growing existing product/licensing revenue:

- i. License S1 and S2 for regulatory adoption and other commercial use.
- ii. Expand licensing activities and increase of sales of subscription services.
- iii. Improve current product set and respond to demand for "Digital First" validated by the Foundation's market research.
- iv. Increase efficiency and profitability by reducing costs of sales and production.
- v. Generate additional revenue from third party use of Foundation trade marks.

B. Developing new products and services; (e.g. ISSB subscriptions, IASB memberships, ISSB Taxonomy, Standards as a Service, etc.):

- i. Develop new products, formats and services (pending market research validation).
- ii. Tailor our offers to new or under-represented customer segments (e.g. students).

C. Combination of some of the above

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