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## IFRS Foundation Trustees—Due Process Oversight Committee

Date **4 May 2023**

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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 [4 May 2023](#) 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 for a shortened comment period for an exposure draft of proposed amendments to the *IFRS for SMEs Accounting Standard*

The DPOC considered a paper seeking its approval for a shortened comment period of 45 days for an exposure draft of proposed narrow-scope amendments to the *IFRS for SMEs Accounting Standard*. These amendments would address the potential effects of the OECD's Pillar Two model rules on the accounting for income taxes by small and medium-sized entities applying the Accounting Standard (SMEs). The DPOC was informed about the urgency of the amendment and the rationale for a shortened comment period, including the IASB's rationale for deciding on a comment period of 45 days, subject to DPOC approval, at its supplemental IASB meeting on 3 May rather than the 75-day comment period originally proposed by staff at the IASB's April meeting.

In considering its approval the DPOC noted:

- there is precedence for shortened comment periods. The DPOC had approved comment periods of 45 days for exposure drafts of amendments relating to IBOR Reform, and during the Covid-19 pandemic the Trustees had, exceptionally, approved comment periods of 14 days for narrow-scope amendments to IFRS 16 *Leases*.
- although shorter comment periods might typically be more of a challenge for SMEs, the SMEs affected by the amendment are either subsidiaries of large multinational enterprises (which will already be assessing their exposure and preparing to comply with Pillar Two legislation) or large SMEs generating revenues exceeding the thresholds specified in Pillar Two model rules. Therefore, they are likely to have sufficient resources to meet the 45-day comment deadline.
- the IASB had received a good response to the related earlier exposure draft for similar amendments to IAS 12 *Income Taxes* (that is, 'full' IFRS Accounting Standard on income taxes) despite a shortened comment period. Those proposals had been well received and there is no reason to expect a lower level of support for the proposed amendments to the *IFRS for SMEs Accounting Standard*. Furthermore, the proposed amendments to the *IFRS for SMEs Accounting Standard* will be narrower in scope than the amendment to IAS 12.

- the now urgent nature of the matter has not arisen as a consequence of an oversight by the IASB. Earlier in the year, there was no evidence from consultation with the SME Implementation Group and others that the Pillar Two model rules would be relevant to SMEs. However, it is a rapidly evolving legislative landscape and in March 2023 the IASB received new feedback, which was quickly explored further with the SMEIG and the large accounting firms. This provided the evidence required for the staff to recommend in April 2023 that the IASB address the matter.

The DPOC members present approved the shortened comment period of 45 days. It was noted that Michel Madelain had given his approval in writing in advance of the meeting. A member noted that shortened comment periods should be used sparingly, particularly because of the burden in non-English speaking jurisdictions. That said, it was acknowledged that the DPOC approve shortened comment periods on a case-by-case basis. The DPOC also encouraged the IASB to be as proactive as possible in its ‘horizon’ scanning when there are other similarly rapidly evolving circumstances.

## **Update on the IFRS Taxonomy Consultative Group**

At its March 2023 meeting, 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 IASB Executive Technical Director updated the DPOC on developments since that meeting.

The DPOC was informed that the two Boards had agreed to expand the remit of the existing IFRS Taxonomy Consultative Group to support both the IASB and the ISSB. Two co-chairs will be appointed, one from the IASB by the IASB Chair and one from the ISSB by the ISSB Chair. The Terms of Reference have been updated accordingly to give effect to these decisions by the Boards.

Eleven of the eighteen ITCG members’ terms were due to expire in April 2023. However, these terms have been extended until August 2023 to allow time to decide on and execute the path forward for the ITCG. A call for nominations, reflecting the expanded remit of the group, was issued on 24 April 2023 with a one-month deadline. Once the two Boards have considered the applications and selected the proposed members, the DPOC will be asked to review the proposed composition of the ITCG to ensure an appropriate balance of perspectives, in accordance with paragraph 3.62 of the *Due Process Handbook*.