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IFRS<sup>®</sup> Foundation  
Exposure Draft

# Proposed Targeted Amendments to the IFRS Foundation *Constitution* to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards

Comments to be received by 29 July 2021



## **Exposure Draft**

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IFRS Foundation *Constitution* to  
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Exposure Draft ED/20215 *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board (ISSB) to Set IFRS Sustainability Standards* is published by the Trustees of the IFRS Foundation for comment only. Comments need to be received by **29 July 2021** and should be submitted by email to [commentletters@ifrs.org](mailto:commentletters@ifrs.org) or online at <https://www.ifrs.org/projects/open-for-comment/>.

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PROPOSED TARGETED AMENDMENTS TO THE IFRS FOUNDATION CONSTITUTION TO ACCOMMODATE  
AN INTERNATIONAL SUSTAINABILITY STANDARDS BOARD TO SET IFRS SUSTAINABILITY STANDARDS

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## Introduction

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- 1 The IFRS Foundation Trustees (Trustees) are required by the IFRS Foundation *Constitution (Constitution)* to review the strategy of the IFRS Foundation (Foundation) every five years. As part of their most recent review the Trustees have accelerated their focus on sustainability reporting. As a result, in September 2020 the Trustees published a *Consultation Paper on Sustainability Reporting (Consultation Paper)* to assess the demand for global sustainability reporting standards in general and—assuming that there was a need for such standards—to consult on how the Foundation should respond to that demand. After the comment period closed on 31 December 2020, an analysis of the feedback confirmed that there was indeed an urgent need for global sustainability reporting standards. Moreover, there was broad agreement among the respondents to the Consultation Paper that the Foundation should play a leading role in the development of such standards.
- 2 Between January and April 2021, the Trustees reviewed the feedback on their Consultation Paper and set out a strategy that proposed the creation of an international sustainability standards board (new board) under the Foundation’s governance structure. The Trustees have reached the following views relating to:
  - (a) Investor focus for enterprise value—the new board would focus on information that is material to the decisions of investors and other participants in the world’s capital markets.
  - (b) Sustainability scope, prioritising climate—due to the urgent need for better information about climate-related matters, the new board would initially focus on climate-related reporting while also moving quickly to work towards meeting the information needs of investors on other environmental, social and governance (ESG) matters.
  - (c) Build upon existing frameworks—the new board would build on the well-established work of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD), as well as work by the alliance of leading standard-setters in sustainability and integrated reporting focused on enterprise value.
  - (d) Building blocks approach—by working with standard-setters from key jurisdictions, standards issued by the new board would provide a globally consistent and comparable sustainability reporting baseline, while also providing flexibility for coordination on reporting requirements that capture wider sustainability impacts.
- 3 The Trustees have published a feedback statement—summarising the responses to the Consultation Paper—to accompany the proposed targeted amendments to the *Constitution*. The feedback statement contextualises how the Trustees reached agreement on their strategy.

- 4 The Trustees noted in the Consultation Paper that the success of any new board would depend on the adequacy of the Foundation’s governance structure. In their responses to the Consultation Paper, many stakeholders said that a new board would benefit from the Foundation’s existing three-tier governance structure. In particular, respondents commented that its three-tier structure provides legitimacy; they also observed that the public authorities represented on the Monitoring Board provide a direct link to governments and that the Trustees provide robust oversight. However, there was a broad understanding among respondents that the governance structure would need to be amended sufficiently to accommodate a new board, and many stakeholders requested an opportunity to provide further input into potential changes to the Foundation’s governance structure.
- 5 The Trustees believe that their strategy for a proposed new board is consistent with the Foundation’s mission to develop standards ‘that bring transparency, accountability and efficiency to financial markets around the world’. The Foundation’s work serves the public interest by fostering trust, growth and long-term financial stability in the global economy. Therefore, the amendments to the *Constitution* that the Trustees propose are targeted on those constitutional provisions that must be revised or added in order to create a new board. The process and operations of the new board would, under the Trustees’s proposals, and where possible, replicate the processes and operations of the International Accounting Standards Board (IASB). The Trustees anticipate that the new board’s standard-setting processes, such as how it receives input from stakeholders in its standard-setting activities, will also replicate those of the IASB. However, the Trustees note that the proposed amendments do not make explicit provision in relation to some elements of the new board’s governance, as is further explained below.
- 6 The Trustees agreed at their meeting on 26 April 2021 to expose the proposed amendments outlined in Appendix A for public comment.

### **Summary of the proposed changes to the *Constitution***

- 7 To receive sufficient input from stakeholders, the Trustees have published proposed targeted amendments to the *Constitution* to determine:
- (a) whether the proposed governance structure would provide legitimate oversight of the standard-setting by a new board; and
  - (b) whether the proposed amendments are proportionate to the Foundation’s strategy in relation to the potential work of the new board.
- 8 Specifically, the Trustees invite comments on the proposals to amend the *Constitution* to:
- (a) expand the Foundation’s objectives to create a board that will set IFRS sustainability standards under the Foundation’s governance structure;
  - (b) set out the structure and function of the new board; and
  - (c) align other parts of the *Constitution* with the creation of the new board.

9 Approval by the Trustees of the proposed amendments to the *Constitution* will be conditional upon the establishment of the new board. The Trustees will make a final determination based on the feedback from respondents to this exposure draft and subject to the ongoing work to satisfy the key requirements for success (see Appendix B). The Trustees' final determination is expected to be made in the fourth quarter of 2021.

#### **Areas where substantive amendments are not proposed**

10 The Trustees have not proposed substantive amendments to some parts of the *Constitution* either because the Trustees view that the relevant matters can be addressed outside the *Constitution* or that adequate governance oversight of the new board's activities can be ensured under the Foundation's current structure. The matters are:

- (a) **The role of the Monitoring Board.** The Monitoring Board has received regular updates regarding the Trustees' work on sustainability reporting. The Monitoring Board understands that its current composition and expertise will be appropriate to serve legitimately as part of the Foundation's governance structure which, under the Trustees' proposals, would include one board setting IFRS accounting standards and another board setting IFRS sustainability standards. The Monitoring Board understands its role in the context of:
  - (i) the Trustees' proposed strategy being consistent with the current mission of the Foundation—to provide decision-useful information to investors; and
  - (ii) organisations currently represented on the Monitoring Board extending their own work into the area of ESG disclosure and sustainability reporting.
- (b) **The composition and expertise of the Trustees.** The Trustees do not propose that the requirements in relation to the size or specific expertise of the Trustee body should be amended. No substantive amendment is needed because the *Constitution* already states that the Trustees 'shall comprise individuals that, as a group, provide a balance of professional backgrounds, and have an interest in promoting and maintaining transparency in corporate reporting globally', but the Trustees wanted to note that their professional backgrounds will 'ensure a broad set of skills, experience and perspectives' (see sections 6 and 7 of the *Constitution*, as set out in Appendix A). Therefore, the Trustees expect that its membership and its expertise can be sufficiently adjusted where necessary in the coming years as the regular rotation of its membership takes place.
- (c) **The creation of a multi-stakeholder expert consultative committee.** The Trustees will begin work with the International Organization of Securities Commissions (IOSCO) and other organisations to explore the creation of a multi-stakeholder expert consultative committee within the Foundation's structure to inform the standard-setting process of the new board. Such a committee would exist within the IFRS

Foundation structure and would not require reference in the *Constitution*. A similar approach is taken in relation to the IASB's Accounting Standards Advisory Forum, for example.

- (d) **The IFRS Advisory Council.** At this stage no substantive amendments are proposed to the constitutional provisions about the Advisory Council, other than to note that it will, if the Trustees' amendments are finally determined, provide strategic advice to the Trustees, the IASB and the new board. The Trustees also understand that the Advisory Council's expertise can be sufficiently adjusted where necessary in the coming years as the regular rotation of its membership takes place. (The IFRS Advisory Council was consulted on the proposed amendments to the *Constitution* in advance of this publication.)
- (e) **Sustainability standards interpretations committee.** The Trustees suggest that the use of the new board's standards should sufficiently mature before proposing to create a separate interpretations committee. The Trustees suggest that this issue can be revisited when the new board is fully operational and its standards are widely in use.
- (f) **Due process.** The potential revision of procedures concerning the new board's due process will be considered separately. The Trustees' Due Process Oversight Committee and the working group on technical readiness will consider further the new board's due process requirements.
- (g) **Overall review of the Foundation's strategy.** As mentioned in paragraph 1 above, in their latest review of the Foundation's strategy, the Trustees accelerated their focus on sustainability reporting. As the Trustees continue to review other aspects of the Foundation's strategy, the Trustees may need to propose further amendments to the *Constitution*. Stakeholders will be kept informed about the Trustees' overall strategic review beyond its focus on sustainability reporting.

- 11 The Trustees' proposed amendments are detailed in Appendix A; and an explanation of the parallel work that they are undertaking in order to satisfy the key requirements for success is set out in Appendix B.

### **Next steps**

- 12 If approved, the proposed changes would allow the Foundation to secure the resources needed to create a new board. Following the comment letter deadline, the Trustees will review an analysis of the comments on the proposed constitutional amendments. This analysis will enable the Trustees to make a final determination about the creation of a new board. Assuming that the Trustees do finally determine to create such a board, their plans to do so will be announced at the United Nations Climate Change Conference (also known as COP26), scheduled to be held in November 2021.



## Invitation to comment

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### **Proposal 1—Expand the Foundation’s remit to create a new board that will set IFRS sustainability standards**

- 13 The Trustees propose to amend the *Constitution* to expand the objectives of the Foundation to encompass the development of globally accepted IFRS sustainability standards, and to outline the structure and function of a sustainability standards board (the International Sustainability Standards Board (ISSB)) under the governance structure of the Foundation. The amendments are proposed to reflect the strategic direction reached by the Trustees that is further explained in the Introduction and in the accompanying feedback statement.
- 14 The proposed amendments to create and incorporate a new board under the governance structure of the Foundation deliberately reflect the structure and function of the IASB where possible. There was broad agreement in the responses to the Consultation Paper that the governance structure of a new board should generally reflect that of the IASB. Any deviation from that structure in the Trustees’ proposals is to allow for the new board to reach an appropriate level of maturity in its standard-setting and develop its technical expertise within the confines of the Trustees’ strategic direction. Such deviations include:
- (a) The description of the IFRS Foundation’s objectives in relation to the ISSB, described in the proposed new section 2b of the *Constitution*, as set out in Appendix A. This description is designed to provide the ISSB with the broadest possible objective within the strategic scope set by the Trustees.
  - (b) The possibility for a minority of part-time members (see section 43). This is to allow flexibility when establishing the new board to attract appropriate talent while ensuring independence in the new board’s technical deliberations.
  - (c) The relevant and broad skill set necessary for ISSB members, outlined in the proposed new section 44 of the *Constitution*, as set out in Appendix A. This notes that a broad base of skills, experience and perspectives is needed, therefore ISSB members may have professional backgrounds that reflect a diverse range of expertise and roles that are relevant to sustainability.
  - (d) A greater number of ‘at-large’ seats for the new board to provide flexibility in attracting appropriately skilled candidates for membership of the ISSB in its initial phase (without forgetting that the new board should be broad and inclusive). (On the composition of the ISSB and the IASB, see, respectively, the proposed new section 45 and section 26 of the *Constitution*, as set out in Appendix A.)

- (e) As the ISSB is being established, the Chair and the Vice-Chair may seek to obtain public input on the new board’s proposed work plan. Such a publication may be published with approval of the Chair and the Vice-Chair of the ISSB (see the proposed new section 54 of the *Constitution*, as set out in Appendix A).
- (f) While the drafting of the proposed provisions of the *Constitution* that relate to the length of the term for which a member of the ISSB is appointed does not materially differ from the drafting of the comparable existing provisions in relation to the IASB, the Trustees intend to utilise different tenures for ISSB members in their first term as the board is established to provide for flexibility. The Trustees note that the proposed new section 49 of the *Constitution*, as set out in Appendix A, has been drafted accordingly.

<p><b>Question 1</b></p> <p>Do you agree that the amendments proportionately reflect the Trustees’ strategic direction, considering in particular:</p> <ul style="list-style-type: none"><li>(a) the proposed amendments to the objectives of the Foundation, outlined in the proposed new section 2b of the <i>Constitution</i>, as set out in Appendix A; and</li><li>(b) the proposed amendments to reflect the structure and function of the new board, outlined in the proposed new sections 43–56 of the <i>Constitution</i>, as set out in Appendix A?</li></ul>
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**Proposal 2—Create the International Sustainability Standards Board under the Foundation’s governance structure to set IFRS sustainability standards**

- 15 The Trustees propose to name the new board the International Sustainability Standards Board (ISSB). The new board’s standards would be styled as ‘IFRS sustainability standards’. The Trustees understand that these names accurately describe the proposed function of the new board and its standards.
- 16 The Foundation is an international, not-for-profit organisation that produces globally accepted standards (IFRS Standards) that help investors make informed decisions. If a new board were to be created, the Foundation would oversee two, independent standard-setting boards:
  - (a) The International Accounting Standards Board (IASB)—its standards help investors and other participants in the world’s capital markets to understand, compare and contrast a company’s financial performance and financial position with those of other companies.
  - (b) The International Sustainability Standards Board (ISSB)—its standards would help investors and other participants in the world’s capital markets to understand, compare and contrast a company’s sustainability performance with that of other companies, and to determine how a company’s performance relates to its value creation.

17 Moving from a single to a dual board structure has various consequences for the Foundation, not least for the organisation’s formal name (‘the IFRS Foundation’). In 2010, the Trustees changed the name of the Foundation from ‘the IASC Foundation’ to ‘the IFRS Foundation’, to create a better alignment between the Foundation and the standards it was responsible for. If, as the Trustees propose, the Foundation were to oversee two boards, with only the IASB’s standards known as ‘IFRS Standards’, then a situation would arise where the Foundation’s name would be exclusively aligned to the output of only one the two boards. This risks brand confusion, as well as creating the impression that the new board was more of a bolt-on to an existing organisation—rather than one of two boards of equal status as part of a refreshed Foundation with a broader remit.

18 The Trustees have discussed two options:

- (a) Retain the Foundation’s formal name (the ‘IFRS Foundation’)—a plausible option because both boards, under the Trustees’ proposals, would set IFRS standards (the IASB sets IFRS accounting standards, while the ISSB would set IFRS sustainability standards). Were this option to be followed, retention of the Foundation’s name would be accompanied by a focused ‘brand refresh’, to ensure the Foundation’s expanded remit is communicated to its stakeholders.
- (b) Rename the Foundation to become ‘the International Corporate Reporting Foundation’—thereby creating a sense of renewal, but at the cost of losing the benefit of building on the established brand of the Foundation.

19 The Trustees are recommending the first option because it would retain and build upon the Foundation’s established brand while providing equal prominence and a clear alignment between the work of the two boards and the Foundation’s oversight.

<b>Question 2</b>
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On the potential naming of the new board and its associated standards, do you agree that ‘the International Sustainability Standards Board (ISSB)’ setting ‘IFRS sustainability standards’ accurately describes the function of the new board and its associated standards?
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### **Proposal 3—Consequential amendment to the Foundation’s governance**

20 The Trustees propose that sections 60 and 61 of the *Constitution* be amended to stipulate that the Executive Director of the Foundation be appointed by the Trustees, in consultation with the chairs of the IASB and the ISSB. This proposed amendment would clarify reporting lines in an organisation with two standard-setting boards.

<b>Question 3</b>
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Do you agree with this proposed consequential amendment, outlined in proposed new sections 60 and 61 of the <i>Constitution</i> , as set out in Appendix A?
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### Other matters

- 21 The Trustees encourage stakeholders to raise any other concerns about the proposed amendments to the *Constitution*.

<b>Question 4</b>
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Are there any other matters you would like to raise in relation to the proposed targeted amendments to the <i>Constitution</i> ?
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### Deadline

- 22 The Trustees will consider all written comments received by 29 July 2021.

### How to comment

- 23 Please submit your comments electronically:

Online	<a href="https://www.ifrs.org/projects/open-for-comment/">https://www.ifrs.org/projects/open-for-comment/</a>
By email	<a href="mailto:commentletters@ifrs.org">commentletters@ifrs.org</a>

Your comments will be on the public record and posted on our website unless you request confidentiality and we grant your request. We do not normally grant such requests unless they are supported by a good reason, for example, commercial confidence. Please see our website for details on this policy and on how we use your personal data.

**Appendix A—Proposed Targeted Amendments to the IFRS  
Foundation *Constitution***

In the proposed amendments new text is underlined and deleted text is struck through.

IFRS® Foundation

**Constitution**

PROPOSED TARGETED AMENDMENTS TO THE IFRS FOUNDATION CONSTITUTION TO ACCOMMODATE  
AN INTERNATIONAL SUSTAINABILITY STANDARDS BOARD TO SET IFRS SUSTAINABILITY STANDARDS

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## Preface

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This *Constitution* was approved in its original form by the former International Accounting Standards Committee (the IASC) in March 2000 and by the members of the IASC at a meeting in Edinburgh on 24 May 2000.

At its meeting in December 1999, the IASC had appointed a Nominating Committee to select the first Trustees. Those Trustees were nominated on 22 May 2000 and took office on 24 May 2000 as a result of the approval of the *Constitution*. In execution of their duties under the *Constitution*, the Trustees formed the International Accounting Standards Committee Foundation (the IASC Foundation) on 6 February 2001. As a consequence of a resolution by the Trustees, Part C of the revised *Constitution*, approved on 24 May 2000, ceased to have effect and was deleted.

Reflecting the Trustees' decision to create the IFRS Interpretations Committee, and following public consultation, the *Constitution* was revised on 5 March 2002. Subsequently the Trustees amended the *Constitution*, which came into effect from 8 July 2002, to reflect other changes that had taken place since the formation of the IASC Foundation.

The *Constitution* requires the Trustees to review the *Constitution* every five years. The Trustees initiated the first review in November 2003 and following extensive consultation completed the review in June 2005. The changes were adopted and approved by the Trustees on 21 June 2005 and came into effect on 1 July 2005. Further amendments were adopted and approved by the Trustees on 31 October 2007 and came into immediate effect.

The Trustees formally initiated their second five-yearly review of the organisation's constitutional arrangements in February 2008. The first part of that review, which focused on public accountability and the composition and size of the International Accounting Standards Board (the Board), led to changes that were approved by the Trustees on 15 January 2009 and came into effect on 1 February 2009. This version reflects further changes made at the conclusion of the review. The Trustees approved the changes on 26 January 2010 and they came into effect on 1 March 2010. In 2010, the IASC Foundation changed its name to the IFRS Foundation<sup>1</sup>.

Following the recommendations of the Trustees' 2011 Strategy Review *IFRSs as the Global Standards: Setting a Strategy for the Foundation's Second Decade* and the Monitoring Board's Governance Review of the IFRS Foundation *Final Report on the Review of the IFRS Foundation's Governance*, the Trustees amended the Constitution to reflect the separation of the role of the Chair of the Board from that of the Executive Director. The Trustees approved the changes on 23 January 2013 when they took immediate effect.

In July 2015, the Trustees launched a review of the Structure and Effectiveness of the IFRS Foundation. This review commenced by way of a 120-day public consultation document entitled: *Request for Views—Trustees' Review of Structure and Effectiveness—Issues for the Review*. The Trustees reviewed stakeholder feedback and in May 2016 concluded that it was necessary to further consult, by way of an Exposure Draft, on all the proposed changes to the *Constitution* arising from the review. The Trustees reviewed stakeholder

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<sup>1</sup> The steps necessary to give legal effect to the IFRS Foundation's change of name were completed in mid-2010.

PROPOSED TARGETED AMENDMENTS TO THE IFRS FOUNDATION CONSTITUTION TO ACCOMMODATE  
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feedback on this further consultation and in October 2016 agreed to amend the *Constitution* with immediate effect.

In October 2018, the Trustees approved a narrow-scope amendment to Section 10 of the Foundation's Constitution to extend the term of the Trustee Chair and Vice-Chairs up to a maximum of nine years, taking into account any previous term already served as Trustee, Vice-Chair or Chair, as the case may be. The Trustees also approved an amendment to allow for the Trustee Chair to be appointed from among the Trustees or to be recruited externally. These changes came into effect on 1 December 2018.

The Foundation's trade marks and editorial style have also been updated in this document, for example, IFRSs is now written as IFRS Standards; the defined term for the International Accounting Standards Board is 'the Board'; and an Interpretation by the IFRS Interpretations Committee is an 'IFRIC<sup>®</sup> Interpretation'.

In August 2020, resulting from the amendments to the *Due Process Handbook*, the Trustees amended paragraphs 43, 44 and 45 of the *IFRS Foundation Constitution*. These amendments reflect that the Advisory Council advises the Board (and Trustees) on strategic matters and no longer functions as a technical consultative body.

*[Appropriate amendments will be made to the preface to reflect the targeted amendments to create a new board if they are finalised.]*



## IFRS® Foundation *Constitution*

(Approved by the members of the IASC at a meeting in Edinburgh, Scotland on 24 May 2000 and revised by the Trustees of the IFRS Foundation (formerly the IASC Foundation) on 5 March and 8 July 2002, 21 June 2005, 31 October 2007, 15 January 2009, 26 January 2010, 23 January 2013, 13 October 2016, ~~and 1 December 2018 and 1 August 2020.~~)

### Name and objectives

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- 1 The name of the organisation shall be the IFRS Foundation, a name which shall be put into legal effect as soon as practical and then shall replace the name the International Accounting Standards Committee Foundation (the IASC Foundation). The International Accounting Standards Board (the IASB Board), whose structure and functions are laid out in sections 24–37, and the International Sustainability Standards Board (ISSB), whose structure and functions are laid out in sections 43–56, are the two shall be the standard-setting bodies body of the IFRS Foundation.
- 2 The objectives of the IFRS Foundation are:
- (a) through the IASB, to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions.
  - (b) through the ISSB, to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted sustainability standards based upon clearly articulated principles. These standards should require high quality, transparent and comparable information in corporate reports to help investors and other participants in the world's capital markets in their decision-making and connect with multi-stakeholder sustainability reporting.
  - (~~b~~) to promote the use and rigorous application of each set of those standards.
  - (~~d~~) in fulfilling the objectives associated with (a)–(c)–(a) and (b), to take account of, as appropriate, the needs of a range of sizes and types of entities in diverse economic settings.
  - (~~e~~) to promote and facilitate adoption of the IFRS Standards, these being:
    - (i) the Standards and IFRIC® Interpretations issued by the IASB (referred to as 'IFRS accounting standards'); ~~and Board,~~
    - (ii) Standards issued by the ISSB (referred to as 'IFRS sustainability standards');
- through the convergence of national and regional accounting standards and IFRS Standards.

## Governance of the IFRS Foundation

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- 3 The governance of the IFRS Foundation shall primarily rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this *Constitution*. A Monitoring Board (described further in sections 18–23) shall provide a formal link between the Trustees and public authorities. The Trustees shall use their best endeavours to ensure that the requirements of this *Constitution* are observed; however, they may make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of the Trustees.

## Trustees

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- 4 The Trustees shall comprise 22 individuals.
- 5 The Monitoring Board (described further in sections 18–23) shall be responsible for the approval of all Trustee appointments and reappointments. In approving such selection, the Monitoring Board shall be bound by the criteria set out in sections 6 and 7. The Trustees and the Monitoring Board shall agree a nomination process that will entitle the Monitoring Board to recommend candidates and provide other help. In administering the nomination process and putting forward nominations to the Monitoring Board for approval, the Trustees shall consult the international organisations set out in section 7.
- 6 All Trustees shall be required to show a firm commitment to the IFRS Foundation, ~~the IASB and the ISSB and the Board~~ as a high quality global ~~standard-setters~~ standard-setter, to be financially knowledgeable, and to ~~be able to have an ability to~~ meet the time commitment required. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global accounting and sustainability standards developed for use in the world's capital markets and by other users. The mix of Trustees shall broadly reflect the world's capital markets and diversity of geographical and professional backgrounds to ensure a broad set of skills, experience and perspectives. The Trustees shall be required to commit themselves formally to acting in the public interest in all matters. In order to ensure a broad international basis, there shall be:
- (a) six Trustees appointed from the Asia-Oceania region;
  - (b) six Trustees appointed from Europe;
  - (c) six Trustees appointed from the Americas;
  - (d) one Trustee appointed from Africa; and
  - (e) three Trustees appointed from any area, subject to maintaining overall geographical balance.
- 7 The Trustees shall comprise individuals that, as a group, provide a balance of professional backgrounds, and have an interest in promoting and maintaining transparency in corporate reporting globally. This includes individuals with global experience at a senior level in securities market regulators, firms

representing investors, international audit networks, preparers, users, academics and officials serving the public interest. To achieve such a balance, Trustees should be selected after consultation with the accounting and audit profession, the securities market and other public interest bodies, regulators, investors, preparers, users and academics. The Trustees shall establish procedures for inviting suggestions for appointments from these relevant organisations and for allowing individuals to put forward their own names, including advertising vacant positions.

- 8 Trustees shall normally be appointed for a term of three years, renewable once.
- 9 Subject to the voting requirements in section 14, the Trustees may terminate the appointment of an individual as a Trustee on grounds of poor performance, misbehaviour or incapacity.
- 10 The Chair and up to two Vice-Chairs of the Trustees shall be appointed by the Trustees, subject to the approval of the Monitoring Board:
- (a) The Chair may be appointed from among the Trustees or recruited externally. With the agreement of the Trustees, a Chair that is appointed from among the Trustees may serve as Chair for a term of three years, renewable twice, from the date of appointment as Chair, but may not exceed nine consecutive years in total length of service, whether in the capacity of Trustee, Vice-Chair and/or Chair. If the Chair is appointed through an external recruitment process, he or she may serve as Chair for a term of three years, renewable twice, up to a maximum of nine consecutive years in total length of service as Chair. The appointment of a Chair should be made with regard to maintaining a geographical balance.
  - (b) Vice-Chairs shall only be appointed from among the Trustees. Their role shall be to chair meetings of the Trustees in the absence of the Chair or to represent the Chair in external contacts. With the agreement of the Trustees, a Vice-Chair may serve for a term of three years, renewable twice, from the date of appointment as Vice-Chair, but may not exceed nine consecutive years in total length of service as a Trustee. The appointment of a Vice-Chair(s) should be made with regard to maintaining a geographical balance.
- 11 The Trustees shall meet at least twice each year and shall be remunerated by the IFRS Foundation with an annual fee, commensurate with the responsibilities assumed, such fee to be determined by the Trustees. Expenses of travel on IFRS Foundation business shall be met by the IFRS Foundation.
- 12 In addition to the powers and duties set out in section 13, the Trustees may make such operational commitments and other arrangements as they deem necessary to achieve the organisation's objectives, including, but without limitation, leasing premises and agreeing contracts of employment with IASB and ISSB Board members.

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- 13 The Trustees shall:
- (a) assume responsibility for establishing and maintaining appropriate financing arrangements;
  - (b) establish or amend operating procedures for the Trustees;
  - (c) determine the legal entity under which the IFRS Foundation shall operate, provided always that such legal entity shall be a foundation or other body corporate conferring limited liability on its members and that the legal documents establishing such legal entity shall incorporate provisions to achieve the same requirements as the provisions contained in this *Constitution*;
  - (d) review in due course the location of the IFRS Foundation, as regards both its legal base and its operating location;
  - (e) investigate the possibility of seeking charitable or similar status for the IFRS Foundation in those countries where such status would assist fundraising;
  - (f) open their meetings to the public but may, at their discretion, hold certain discussions (normally only about selection, appointment and other personnel issues, and funding) in private; and
  - (g) publish an annual report on the IFRS Foundation's activities, including audited financial statements and priorities for the coming year.
- 14 There shall be a quorum for meetings of the Trustees if 60 per cent of the Trustees are present in person or by telecommunications: Trustees shall not be represented by alternates. Each Trustee shall have one vote, and a simple majority of those voting shall be required to take decisions on matters other than termination of the appointment of a Trustee, amendments to the *Constitution*, or minor variations made in the interest of feasibility of operations, in which cases a 75 per cent majority of all Trustees shall be required. Voting by proxy shall not be permitted on any issue. In the event of a tied vote, the Chair shall have an additional casting vote.
- 15 In addition to the duties set out above, the Trustees shall:
- (a) appoint the members of the IASB and ISSB Board and establish their contracts of service and performance criteria;
  - (b) appoint the Executive Director, in consultation with the chairs of the IASB and the ISSB ~~Chair of the Board~~, and establish his or her contract of service and performance criteria;
  - (c) appoint the members of the IFRS Interpretations Committee (the Interpretations Committee) and the IFRS Advisory Council (the Advisory Council);
  - (d) review annually the strategy of the IFRS Foundation and the IASB Board and ISSB and its effectiveness, including consideration, but not determination, of the IASB and ISSB agendas ~~Board's agenda~~;

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- (e) approve annually the budget of the IFRS Foundation and determine the basis for funding;
  - (f) review broad strategic issues affecting ~~financial~~-reporting standards, promote the IFRS Foundation and its work and promote the objective of rigorous application of ~~the Foundation's~~ our-Standards, provided that the Trustees shall be excluded from involvement in technical matters relating to ~~financial~~-reporting standards;
  - (g) establish and amend operating procedures, consultative arrangements and due process for ~~each~~ the-Board, the Interpretations Committee and the Advisory Council;
  - (h) review compliance with the operating procedures, consultative arrangements and due process as described in (g);
  - (i) approve amendments to this *Constitution* after following a due process, including consultation with the Advisory Council and publication of an Exposure Draft for public comment and subject to the voting requirements given in section 14;
  - (j) exercise all powers of the IFRS Foundation except for those expressly reserved to the ~~IASB and ISSB~~ Board, the Interpretations Committee and the Advisory Council; and
  - (k) foster and review the development of educational programmes and materials that are consistent with the IFRS Foundation's objectives.
- 16 The Trustees may terminate the appointment of a member of the ~~IASB or ISSB~~ Board, the Interpretations Committee or the Advisory Council, on grounds of poor performance, misbehaviour, incapacity or other failure to comply with contractual requirements, and the Trustees shall develop procedures for such termination.
- 17 The accountability of the Trustees shall be ensured, inter alia, through:
- (a) a commitment made by each Trustee to act in the public interest;
  - (b) their commitment to report to and engage with the Monitoring Board according to the terms described in sections 18–23;
  - (c) a review of the strategy of the IFRS Foundation and its effectiveness, such review to include consideration of the structure of the organisation (if appropriate) and changing the geographical distribution of Trustees in response to changing global economic conditions, and publishing the proposals of that review for public comment at the latest every five years after the conclusion of the most recent review; and
  - (d) a similar review subsequently every five years.

## The Monitoring Board

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- 18 The Monitoring Board will provide a formal link between the Trustees and public authorities. This relationship seeks to replicate, on an international basis, the link between accounting standard-setters and those public authorities that have generally overseen accounting standard-setters. A Memorandum of Understanding will be agreed between the Monitoring Board and the Trustees describing the interaction of the Monitoring Board with the Trustees. This Memorandum of Understanding will be made available to the public.
- 19 The responsibilities of the Monitoring Board shall be:
- (a) to participate in the process for appointing Trustees and to approve the appointment of Trustees according to the guidelines in sections 5–8.
  - (b) to review and provide advice to the Trustees on their fulfilment of the responsibilities set out in sections 13 and 15. The Trustees shall make an annual written report to the Monitoring Board.
  - (c) to meet with the Trustees or a subgroup of the Trustees at least once annually, and more frequently as appropriate. The Monitoring Board shall have the authority to request meetings with the Trustees or separately with the Chair of the Trustees (or with the Chair of the IASB or ISSB Board as appropriate) about any area of work of either the Trustees or the IASB or ISSB Board. These meetings may include discussion of issues that the Monitoring Board has referred for timely consideration by the IFRS Foundation or the IASB or ISSB Board, and of any proposed resolution of those issues by the IFRS Foundation or the IASB or ISSB Board.
- 20 The Monitoring Board shall develop a charter that sets out its organisational, operating and decision-making procedures. The charter shall be made public.
- 21 Initially, the Monitoring Board shall comprise:
- (a) the responsible member of the European Commission;
  - (b) the Chair of the International Organization of Securities Commissions (IOSCO) Emerging Markets Committee;
  - (c) the Chair of the IOSCO Technical Committee (or Vice-Chair or designated securities commission Chair in cases where either the Chair of an EU securities regulator, commissioner of the Japan Financial Services Agency or Chair of the US Securities and Exchange Commission is the Chair of the IOSCO Technical Committee);
  - (d) the Commissioner of the Japan Financial Services Agency;
  - (e) the Chair of the US Securities and Exchange Commission; and
  - (f) as an observer, the Chair of the Basel Committee on Banking Supervision.

- 22 The Monitoring Board shall reconsider its composition from time to time relative to its objectives.
- 23 The Monitoring Board shall reach decisions to approve the appointment of Trustees and establish any common positions by consensus.

### **The International Accounting Standards Board (IASB)**

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- 24 The International Accounting Standards Board (the IASB Board) shall normally comprise 14 members. The members of the IASB Board are appointed by the Trustees under section 15(a). Up to three members may be part-time members (the expression ‘part-time’ meaning that the members concerned commit most of their time to paid employment by the IFRS Foundation) and shall meet appropriate guidelines of independence established by the Trustees. The remaining members shall be full-time members (the expression ‘full-time’ meaning that the members concerned commit all of their time to paid employment by the IFRS Foundation). The work of the IASB Board shall not be invalidated by its failure at any time to have a full complement of members, although the Trustees shall use their best endeavours to achieve a full complement.
- 25 The main qualifications for membership of the IASB Board shall be professional competence and recent relevant professional experience. The Trustees shall select members of the IASB Board, consistently with the ‘Criteria for IASB Board members’ set out in the Annex to the *Constitution*, so that it will comprise a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience, including auditors, preparers, users, academics and market and/or financial regulators, in order that the IASB Board as a group can contribute to the development of high quality, global financial reporting standards. The members of the IASB Board shall be required to commit themselves formally to acting in the public interest in all matters. No individual shall be both a Trustee and a member of the IASB Board at the same time.
- 26 In a manner consistent with the ‘Criteria for IASB Board members’ as set out in the Annex to the *Constitution* and in order to ensure a broad international basis, there shall normally be:
- (a) four members from the Asia-Oceania region;
  - (b) four members from Europe;
  - (c) four members from the Americas;
  - (d) one member from Africa; and
  - (e) one member appointed from any area, subject to maintaining overall geographical balance.

The work of the ~~IASB Board~~ shall not be invalidated by its failure at any time to have a full complement of members according to the above geographical allocation, although the Trustees shall use their best endeavours to achieve the geographical allocation.

- 27 The ~~IASB Board~~ will, in consultation with the Trustees, be expected to establish and maintain liaison with national standard-setters, other standard-setters, and other official bodies with an interest in accounting standard-setting in order to assist in the development of IFRS accounting standards ~~Standards~~ and to promote the convergence of national accounting standards and IFRS accounting standards ~~our Standards~~.
- 28 Each full-time and part-time member of the ~~IASB Board~~ shall agree contractually to act in the public interest and to have regard to the IASB's Board's Framework<sup>2</sup> (as amended from time to time) in deciding on and revising IFRS accounting standards ~~the Standards~~.
- 29 The Trustees shall appoint one of the full-time members as the Chair of the ~~IASB Board~~. Up to two of the full-time members of the ~~IASB Board~~ may also be designated by the Trustees as a Vice-Chair, whose role shall be to chair meetings of the ~~IASB Board~~ in the absence of the Chair or to represent the Chair in external contacts. The appointment of the Chair and the designation as Vice-Chair shall be for such term as the Trustees decide. The title of Vice-Chair would not imply that the member (or members) concerned is (or are) the Chair elect. The appointment of a Chair and Vice-Chair(s) should be made with regard to maintaining a geographical balance.
- 30 Members of the ~~IASB Board~~ appointed before 2 July 2009 shall be appointed for a term of five years, renewable once for a further term of five years. Members of the ~~IASB Board~~ appointed after 2 July 2009 shall be appointed initially for a term of five years. Terms may be renewable for a further term of three years, with the possibility of renewal up to a maximum of five years, in line with procedures developed by the Trustees for such renewals. The terms may not exceed 10 years in total length of service as a member of the IASB Board.
- 31 The Trustees shall develop rules and procedures to ensure that the IASB Board is, and is seen to be, independent, and, in particular, on appointment, full-time members of the ~~IASB Board~~ shall sever all employment relationships with current employers and shall not hold any position giving rise to economic incentives that might call into question their independence of judgement in setting financial reporting Standards. Secondments and any rights to return to an employer would therefore not be permitted. Part-time members of the ~~IASB Board~~ would not be expected to sever all other employment arrangements.

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2 The reference to the *Framework* is to the IASB's Board's Conceptual Framework for Financial Reporting, which was issued in March 2018.



- 32 Full-time and part-time members of the IASB Board shall be remunerated at rates commensurate with the respective responsibilities assumed: such rates shall be determined by the Trustees. Expenses of travel on IASB Board business shall be met by the IFRS Foundation.
- 33 The IASB Board shall meet at such times and locations as it determines: meetings of the IASB Board shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the discretion of the IASB Board.
- 34 Each member of the IASB Board shall have one vote. On both technical and other matters, proxy voting shall not be permitted nor shall members of the IASB Board be entitled to appoint alternates to attend meetings. In the event of a tied vote, on a decision that is to be made by a simple majority of the members of the IASB Board present at a meeting in person or by telecommunications, the Chair shall have an additional casting vote.
- 35 The publication of an Exposure Draft, or an IFRS accounting standard Standard (including an IAS<sup>®</sup> Standard or an IFRIC Interpretation of the Interpretations Committee) shall require approval by eight members of the IASB Board, if there are 13 members or fewer, or by nine members if there are 14 members. Other decisions of the IASB Board, including the publication of a Discussion Paper, shall require a simple majority of the members of the IASB Board present at a meeting that is attended by at least 60 per cent of the members of the IASB Board, in person or by telecommunications.
- 36 The IASB Board shall:
- (a) have complete responsibility for all IASB Board technical matters, including the preparation and issuing of IFRS accounting standards Standards (other than IFRIC Interpretations) and Exposure Drafts, each of which shall include any dissenting opinions, and the approval and issuing of IFRIC Interpretations developed by the Interpretations Committee.
  - (b) publish an Exposure Draft on all projects and normally publish a discussion document for public comment on major projects in accordance with procedures approved by the Trustees.
  - (c) in exceptional circumstances, and only after formally requesting and receiving prior approval from 75 per cent of the Trustees, reduce, but not dispense with, the period for public comment on an Exposure Draft below that is described as the minimum in the IFRS Foundation *Due Process Handbook*.
  - (d) have full discretion in developing and pursuing its technical agenda, subject to the following:
    - (i) consulting the Trustees (consistently with section 15(d)) and the Advisory Council (consistently with section 57—~~section 43(a)~~); and
    - (ii) carrying out a public consultation every five years from the date of the most recent public agenda consultation.

- (e) have full discretion over project assignments on technical matters: in organising the conduct of its work, the ~~IASB Board~~ may outsource detailed research or other work to national standard-setters or other organisations.
- (f) establish procedures for reviewing comments made within a reasonable period on documents published for comment.
- (g) normally form working groups or other types of specialist advisory groups to give advice on major projects.
- (h) consult the Advisory Council on major projects, agenda decisions and work priorities.
- (i) normally publish a Basis for Conclusions with a Standard or an Exposure Draft.
- (j) consider holding public hearings to discuss proposed Standards, although there is no requirement to hold public hearings for every project.
- (k) consider undertaking field tests (both in developed countries and in emerging markets) to ensure that proposed Standards are practical and workable in all environments, although there is no requirement to undertake field tests for every project.
- (l) give reasons if it does not follow any of the non-mandatory procedures set out in (b), (g), (i), (j) and (k).

37 The authoritative text of any Exposure Draft, draft Interpretation or Standard shall be that published by the ~~IASB Board~~ in the English language. The ~~IASB Board~~ may publish authorised translations or give authority to others to publish translations of the authoritative text of Exposure Drafts, draft Interpretations and Standards.

### **IFRS Interpretations Committee (the Interpretations Committee)**

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38 The Interpretations Committee, formerly called the International Financial Reporting Interpretations Committee, shall comprise 14 voting members, appointed by the Trustees under section 15(c) for renewable terms of three years. The Trustees shall select members of the Interpretations Committee so that it comprises a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience in the practical application of IFRS ~~accounting standards Standards~~ and analysis of financial statements prepared in accordance with ~~those the~~ Standards. Expenses of travel on Interpretations Committee business shall be met by the IFRS Foundation.

39 The Trustees shall appoint a member of the ~~IASB Board~~, the Director of Technical Activities or another senior member of the ~~IASB Board~~ staff, or another appropriately qualified individual, to chair the Interpretations Committee. The Chair has the right to speak to the technical issues being considered but not to vote. The Trustees, as they deem necessary, shall

appoint as non-voting observers representatives of regulatory organisations, who shall have the right to attend and speak at meetings.

40 The Interpretations Committee shall meet as and when required and 10 voting members present in person or by telecommunications shall constitute a quorum: one or two ~~IASB Board~~ members shall be designated by the ~~IASB Board~~ and shall attend meetings as non-voting observers; other members of the ~~IASB Board~~ may attend and speak at the meetings. On exceptional occasions, members of the Interpretations Committee may be allowed to send non-voting alternates, at the discretion of the Chair of the Interpretations Committee. Members wishing to nominate an alternate should seek the consent of the Chair in advance of the meeting concerned. Meetings of the Interpretations Committee shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the Interpretations Committee's discretion.

41 Each member of the Interpretations Committee shall have one vote. Members vote in accordance with their own independent views, not as representatives voting according to the views of any firm, organisation or constituency with which they may be associated. Proxy voting shall not be permitted. Approval of draft or final IFRIC Interpretations shall require that not more than four voting members vote against that draft or final Interpretation.

42 The Interpretations Committee shall:

- (a) interpret the application of IFRS ~~accounting standards~~ ~~Standards~~ and provide timely guidance on financial reporting issues not specifically addressed in ~~those~~ ~~the~~ Standards, in the context of the ~~IASB's Board's~~ *Framework*,<sup>3</sup> and undertake other tasks at the request of the ~~IASB Board~~;
- (b) in carrying out its work under (a) above, have regard to the ~~IASB's Board's~~ objective of working actively with national standard-setters to bring about convergence of national accounting standards and IFRS ~~accounting standards~~ ~~Standards~~ to high quality solutions;
- (c) publish, after clearance by the ~~Board~~ ~~IASB~~, draft Interpretations for public comment and consider comments made within a reasonable period before finalising an IFRIC Interpretation; and
- (d) report to the ~~Board~~ ~~IASB~~ and obtain the approval of eight of its members for final IFRIC Interpretations if there ~~are~~ 13 members or fewer, or by nine of its members if there are 14 members.

## **The International Sustainability Standards Board**

43 The International Sustainability Standards Board (ISSB) shall normally comprise 14 members. The members of the ISSB are appointed by the Trustees under section 15(a). A minority of ISSB members may be part-time members (the expression 'part-time' meaning that the members concerned commit

<sup>3</sup> The reference to the *Framework* is to the ~~IASB's Board's~~ *Conceptual Framework for Financial Reporting*, which was issued in March 2018.

most of their time to paid employment by the Foundation) and shall meet appropriate guidelines of independence established by the Trustees. The remaining members shall be full-time members (the expression 'full-time' meaning that the members concerned commit all of their time to paid employment by the Foundation). The work of the ISSB shall not be invalidated by its failure at any time to have a full complement of members, although the Trustees shall use their best endeavours to achieve a full complement.

44 The main qualifications for membership of the ISSB shall be professional competence and relevant professional experience. The Trustees shall select members of the ISSB, consistently with the 'Criteria for ISSB members' set out in the Annex to this Constitution, so that it will comprise a group of people representing, within that group, the best available combination of technical expertise and diversity of international business and market experience, including auditors, preparers, users, academics and market and/or financial regulators. A broad base of skills, experience and perspectives is needed, therefore ISSB members may also have professional backgrounds that reflect a diverse range of expertise and roles that are relevant to sustainability. The ISSB collectively will be expected to demonstrate expert knowledge, relevant industry expertise in sustainability reporting and share practical, relevant and up to date experience of sustainability reporting that the ISSB as a group can contribute to the development of high quality, global sustainability standards. The members of the ISSB shall be required to commit themselves formally to acting in the public interest in all matters. No individual shall be both a Trustee and a member of the ISSB at the same time.

45 In a manner consistent with the 'Criteria for ISSB members' as set out in the Annex to this Constitution and in order to ensure a broad international balance, there shall normally be:

- (a) three members from the Asia-Oceania region;
- (b) three members from Europe;
- (c) three members from the Americas;
- (d) one member from Africa; and
- (e) four members appointed from any area.

The work of the ISSB shall not be invalidated by its failure at any time to have a full complement of members according to the above geographical allocation, although the Trustees shall use their best endeavours to achieve the geographical allocation.

46 The ISSB will, in consultation with the Trustees, be expected to establish and maintain liaison with relevant stakeholders with an interest in sustainability reporting standard-setting in order to assist in the development of sustainability standards and to promote the convergence of national and regional sustainability reporting standards and IFRS sustainability standards.

47 Each member of the ISSB shall agree contractually to act in the public interest and to have regard to the ISSB's objectives (and conceptual framework once created) in deciding on and revising its Standards.

- 48 The Trustees shall appoint one of the full-time members as the Chair of the ISSB. One of the full-time members of the ISSB may also be designated by the Trustees as a Vice-Chair, whose role shall be to chair meetings of the ISSB in the absence of the Chair or to represent the Chair in external contacts. The appointment of the Chair and the designation as Vice-Chair would not imply that the member concerned is the Chair elect. The appointment of a Chair and Vice-Chair should be made with regard to maintaining a geographical balance.
- 49 Members of the ISSB shall be appointed initially for a term no greater than five years. A term may be renewable for a further term of three years, with the possibility of renewal up to a maximum of five years, in line with procedures developed by the Trustees for such renewals. A term may not exceed 10 years in total.
- 50 The Trustees shall develop rules and procedures to ensure that the ISSB is, and is seen to be, independent, and, in particular, on appointment, full-time members of the ISSB shall sever all employment relationships with current employers and shall not hold any position giving rise to economic incentives that might call into question their independence of judgement in setting IFRS sustainability standards. Secondments and any rights to return to an employer would therefore not be permitted. Part-time members of the ISSB would not be expected to sever all other employment arrangements but must be able to demonstrate (maintain) a sufficient level of independence.
- 51 Full-time and part-time members of the ISSB shall be remunerated at rates commensurate with the respective responsibilities assumed: such rates shall be determined by the Trustees. Expenses of travel on ISSB business shall be met by the IFRS Foundation.
- 52 The ISSB shall meet at such times and locations as it determines: meetings of the ISSB shall be open to the public, but certain discussions (normally only about selection, appointment and other personnel issues) may be held in private at the discretion of the ISSB.
- 53 Each member of the ISSB shall have one vote. On both technical and other matters, proxy voting shall not be permitted nor shall members of the ISSB be entitled to appoint alternates to attend meetings. In the event of a tied vote, on a decision that is to be made by a simple majority of the members of the ISSB present at a meeting in person or by telecommunications, the Chair shall have an additional casting vote.
- 54 The publication of an Exposure Draft, or an IFRS sustainability standard shall require approval by a simple majority of the ISSB. Other decisions of the ISSB, including the publication of a Discussion Paper, shall require a simple majority of the members of the ISSB present at a meeting that is attended by at least 60 per cent of the members of the ISSB, in person or by telecommunications. As the ISSB is being established, the Chair and the Vice-Chair may seek to obtain public input on the proposed work plan for the new board. Such a publication may be published with approval of the Chair and the Vice-Chair of the ISSB.

- 55      The ISSB shall:
- (a)      have complete responsibility for all ISSB technical matters, including the preparation and issuing of IFRS sustainability standards and Exposure Drafts, each of which shall include any dissenting opinions.
  - (b)      publish an Exposure Draft on all projects and normally publish a discussion document for public comment on major projects in accordance with procedures approved by the Trustees.
  - (c)      in exceptional circumstances, and only after formally requesting and receiving prior approval from 75 per cent of the Trustees, reduce, but not dispense with, the period for public comment on an Exposure Draft.
  - (d)      have full discretion in developing and pursuing its technical agenda, subject to the following:
    - (i)      consulting the Trustees (consistently with section 15(d)) and the Advisory Council (consistently with section 57); and
    - (ii)     carrying out a public consultation at least every five years from the date of the most recent public agenda consultation.
  - (e)      have full discretion over project assignments on technical matters: in organising the conduct of its work, the ISSB may outsource detailed research or other work to national standard-setters or other organisations.
  - (f)      establish procedures for reviewing comments made within a reasonable period on documents published for comment.
  - (g)      normally form working groups or other types of specialist advisory groups to give advice on major projects.
  - (h)      consult the Advisory Council on major projects, agenda decisions and work priorities.
  - (i)      normally publish a Basis for Conclusions with an IFRS sustainability standard or an Exposure Draft.
  - (j)      consider holding public hearings to discuss proposed IFRS sustainability standards, although there is no requirement to hold public hearings for every project.
  - (k)      consider undertaking field tests (both in developed countries and in emerging markets) to ensure that proposed Standards are practical and workable in all environments, although there is no requirement to undertake field tests for every project.
  - (l)      give reasons if it does not follow any of the non-mandatory procedures set out in (b), (g), (i), (j) and (k).

- 56 The authoritative text of any Exposure Draft or IFRS sustainability standard shall be that published by the ISSB in the English language. The ISSB may publish authorised translations or give authority to others to publish translations of the authoritative text of Exposure Drafts or IFRS sustainability standards.

## **IFRS Advisory Council (the Advisory Council)**

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- 4357 The Advisory Council, formerly called the Standards Advisory Council, whose members shall be appointed by the Trustees under section 15(c), provides a forum for participation by organisations and individuals, with an interest in international corporate financial-reporting, having diverse geographical and functional backgrounds.

The Advisory Council provides broad strategic advice to the Trustees, the IASB and ISSB ~~and the Board~~ and can provide views that are supplemental to other consultative processes.

- 4458 The Advisory Council shall comprise 30 or more members, having a diversity of geographical and professional backgrounds, appointed for renewable terms of three years. The Chair of the Advisory Council shall be appointed by the Trustees and shall not be a member of the IASB or ISSB Board or a member of staff. The Trustees shall invite the Chair of the Advisory Council to attend and participate in the Trustees' meetings, as appropriate.

- 4559 The Advisory Council shall normally meet at least twice a year. Meetings shall be open to the public. The matters on the agenda for the Advisory Council's meetings will include those strategic matters and other priorities identified through consultation among the Chair of the Advisory Council and representatives of the Trustees and the IASB or ISSB Board. The Advisory Council shall also be consulted by the Trustees in advance of any proposed changes to this *Constitution*.

## **Executive Director and staff**

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- 4660 An Executive Director of the IFRS Foundation, appointed by the Trustees and after consultation with the chairs of the IASB and the ISSB ~~and the Chair of the Board~~, shall be responsible for overseeing operational decisions affecting the day-to-day management of the IFRS Foundation and staff. The Executive Director shall report to the Trustees and engage with the chairs of the IASB and the ISSB. ~~The Executive Director shall report to the Chair of the Board on matters relating to the Board's standard-setting activities and to the Trustees on all other matters.~~

- 4761 The Chairs ~~Chair~~ of the IASB and the ISSB Board ~~and the Board~~ shall be responsible for establishing the senior technical team ~~of the Board~~, in consultation with the Trustees, and will be responsible for the supervision of this team and their staff.

## Administration

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- 4862 The administrative office of the IFRS Foundation shall be located in such location as may be determined by the Trustees in accordance with section 13(d).
- 4963 The IFRS Foundation shall be a legal entity as determined by the Trustees and shall be governed by this *Constitution* and by any laws that apply to such legal entity, including, if appropriate, laws applicable because of the location of its registered office.
- 5064 The IFRS Foundation shall be bound by the signature(s) of such a person or persons as may be duly authorised by the Trustees.



## **ANNEX IFRS Foundation**

### **Criteria for IASB Board members**

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The following would represent criteria for IASB Board membership:

- 1 **Demonstrated technical competence and knowledge of financial accounting and reporting.** All members of the IASB Board, regardless of whether they are from the accounting profession, preparers, users or academics, should have demonstrated a high level of knowledge and technical competence in financial accounting and reporting. The credibility of the IASB Board and its individual members and the effectiveness and efficiency of the organisation will be enhanced by members who have such knowledge and skills.
- 2 **Ability to analyse.** Members of the IASB Board should have demonstrated the ability to analyse issues and consider the implications of that analysis for the decision-making process.
- 3 **Communication skills.** Effective oral and written communication skills are necessary. These skills include the ability to communicate effectively in private meetings with members of the IASB Board, in public meetings, and in written materials such as financial reporting standards, speeches, articles, memos and external correspondence. Communication skills also include the ability to listen to and consider the views of others. While a working knowledge of English is necessary, there should not be discrimination in selection against those for whom English is not their first language.
- 4 **Judicious decision-making.** Members of the IASB Board should be capable of considering varied viewpoints, weighing the evidence presented in an impartial fashion, and reaching well-reasoned and supportable decisions in a timely fashion.
- 5 **Awareness of the financial reporting environment.** High quality financial reporting will be affected by the financial, business and economic environment. Members of the IASB Board should have an understanding of the global economic environment in which the IASB Board operates. This global awareness should include awareness of business and financial reporting issues that are relevant to, and affect the quality of, transparent financial reporting and disclosure in the various capital markets worldwide, including those using IFRS accounting standards ~~Standards~~.
- 6 **Ability to work in a collegial atmosphere.** Members should be able to show respect, tact and consideration for one another's views and those of third parties. Members must be able to work with one another in reaching consensus views based on the objective of the IASB Board to develop high quality and transparent financial reporting. Members must be able to put the objective of the IASB Board above individual philosophies and interests.

PROPOSED TARGETED AMENDMENTS TO THE IFRS FOUNDATION CONSTITUTION TO ACCOMMODATE  
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- 7 **Integrity, objectivity and discipline.** The credibility of members should be demonstrated through their integrity and objectivity. This includes intellectual integrity as well as integrity in dealing with fellow members of the IASB Board—and others. Members should demonstrate an ability to be objective in reaching decisions. Members also should demonstrate an ability to show rigorous discipline and carry a demanding workload.
- 8 **Commitment to the IFRS Foundation’s mission and public interest.** Members should be committed to achieving the objective of the IFRS Foundation of establishing international financial reporting standards that are of high quality, comparable and transparent. A candidate for the IASB Board should also be committed to serving the public interest through a private standard-setting process.

## **Criteria for ISSB members**

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The following would represent criteria for ISSB membership:

- 1 **Demonstrated technical competence and knowledge of sustainability and reporting.** All members of the ISSB, regardless of whether they are from the accounting or sustainability reporting profession, preparers, users or academics, should have demonstrated a high level of knowledge and technical competence in sustainability and reporting. A broad base of skills, experience and perspectives is needed, therefore ISSB members may also have professional backgrounds that reflect a diverse range of expertise and roles that are relevant to sustainability. The credibility of the ISSB and its individual members and the effectiveness and efficiency of the organisation will be enhanced by members who have such knowledge and skills from recent experience.
- 2 **Ability to analyse.** Members of the ISSB should have demonstrated the ability to analyse issues and consider the implications of that analysis for the decision-making process.
- 3 **Communication skills.** Effective oral and written communication skills are necessary. These skills include the ability to communicate effectively in private meetings with members of the ISSB, in public meetings, and in written materials such as IFRS sustainability standards, speeches, articles, memos and external correspondence. Communication skills also include the ability to listen to and consider the views of others. While a working knowledge of English is necessary, there should not be discrimination in selection against those for whom English is not their first language.
- 4 **Judicious decision-making.** Members of the ISSB should be capable of considering varied viewpoints, weighing the evidence presented in an impartial fashion, and reaching well-reasoned and supportable decisions in a timely fashion.
- 5 **Awareness of the sustainability reporting environment.** High quality sustainability reporting will be affected by the financial, business and economic environment. Members of the ISSB should have an understanding of the global economic environment in which the ISSB operates. This global awareness should include awareness of sustainability, business and financial reporting issues that are relevant to, and affect the quality of, transparent sustainability reporting and disclosure in the various capital markets worldwide.
- 6 **Ability to work in a collegial atmosphere.** Members should be able to show respect, tact and consideration for one another's views and those of third parties. Members must be able to work with one another in reaching consensus views based on the objective of the ISSB to develop high quality and transparent sustainability standards. Members must be able to put the objective of the ISSB above individual philosophies and interests.

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- 7 **Integrity, objectivity and discipline.** The credibility of members should be demonstrated through their integrity and objectivity. This includes intellectual integrity as well as integrity in dealing with fellow members of the ISSB and others. Members should demonstrate an ability to be objective in reaching decisions. Members also should demonstrate an ability to show rigorous discipline and carry a demanding workload.
- 8 **Commitment to the IFRS Foundation's mission and public interest.** Members should be committed to achieving the objective of the IFRS Foundation of establishing IFRS sustainability standards that are of high quality, comparable and transparent. A candidate for the ISSB should also be committed to serving the public interest through a private standard-setting process.

## **Appendix B—Parallel work streams on the key requirements for success**

- B1 In addition to the Trustees' proposed governance changes set out in this document, work is also being undertaken to ensure that the key requirements for success can be satisfied.
- B2 The Trustees explained that meeting the following requirements for success were key before a new board under the governance structure of the Foundation could be established:
- (a) achieve a sufficient level of global support from public authorities, global regulators and market stakeholders, including investors and preparers, in key markets;
  - (b) work with regional initiatives to achieve global consistency and reduce complexity in sustainability reporting;
  - (c) ensure the adequacy of the governance structure;
  - (d) achieve appropriate technical expertise for the Trustees, new board members and staff;
  - (e) achieve the level of separate funding required and the capacity to obtain financial support;
  - (f) develop a structure and culture that seeks to build effective synergies with financial reporting; and
  - (g) ensure the Foundation's mission and resources are not compromised.
- B3 Following the initial analysis of the feedback on the Consultation Paper, the Trustees added an additional key requirement to recognise the urgency of the need to develop global standards, most notably on climate-related matters.
- B4 The Trustees appreciate the information that they gained from the responses to the Consultation Paper on the key requirements; and they have been able to advance the work needed to satisfy them. The Trustees' ongoing work in relation to the key requirements for success is further explained below.

### **Achieving a sufficient level of global support from public authorities, global regulators and market stakeholders, including investors and preparers, in key markets**

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- B5 Responses to the Consultation Paper indicate a broad level of support from public authorities, global regulators and market stakeholders for the Trustees' proposal to establish a new board to operate under the governance structure of the Foundation. The Trustees published the Consultation Paper to understand the extent of the demand from stakeholders for the Foundation to broaden its remit into sustainability reporting, and what the Foundation could do in response to it. The Trustees noted the importance of the level of both 'top-down' and 'bottom-up' support. For example, the 'top-down' level of support can be seen in the responses to the Consultation Paper from international policy organisations and government agencies from a majority

of the G20; and the ‘bottom-up’ level of support can be seen in the responses from individuals and companies (explained further below).

- B6 The feedback also indicates that there is strong support for the establishment of a new board from market participants including investors and preparers. Indeed, major companies, as well as industry groups, have broadly supported the initiative. This support has been echoed by the investor community, including large institutional investors.
- B7 The Trustees’ have also been encouraged by the 24 February 2021<sup>4</sup> statement by the International Organization of Securities Commissions (IOSCO), calling for the coordination of work to increase, at an international level, the consistency of sustainability-related disclosures with a focus on enterprise value creation. In March 2021<sup>5</sup> IOSCO also announced the establishment of its own Technical Expert Group (TEG) under its Sustainable Finance Task Force. IOSCO has noted that preparatory work will inform its views on potentially endorsing the ISSB, were it to be created, as the global standard-setter for sustainability-related corporate reporting. Subject to the outcome of its assessment, IOSCO views the proposed ISSB and its future standards as a promising mechanism for the creation of consistent, comparable, and reliable cross-border sustainability-related reporting requirements; and IOSCO would encourage its members and relevant authorities to consider the standards when setting their own sustainability-related disclosure requirements. The TEG will work closely with the IFRS Foundation’s working group and will review and assess its technical recommendations focused on enterprise value creation.
- B8 The Trustees have also been encouraged by the Financial Stability Board’s letter<sup>6</sup> to G20 finance ministers and central banks. The letter welcomed ‘the steps being taken by the Trustees of the IFRS Foundation, supported by IOSCO, to accelerate convergence in global sustainability reporting standards with an initial focus on climate, through the further development of a prototype built on the TCFD recommendations.’
- B9 Work will continue to understand further the level of global support, through engagements with key jurisdictions and their involvement with the work of both the technical readiness working group and the multilateral working group. The Trustees recognise that the public consultation on the proposed targeted amendments will provide the opportunity to engage further with a wide group of stakeholders.

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4 See statement IOSCO/MR/05/2021 released by International Organization of Securities Commissions (IOSCO) on 24 February 2021: <https://www.iosco.org/news/pdf/IOSCONEWS594.pdf>.

5 See statement IOSCO/MR/10/2021 released by IOSCO on 30 March 2021: <https://www.iosco.org/news/pdf/IOSCONEWS599.pdf>.

6 See FSB Chair’s letter to G20 Finance Ministers and Central Bank Governors: April 2021: <https://www.fsb.org/wp-content/uploads/P060421-1.pdf>.

## **Work with regional initiatives to achieve global consistency and reduce complexity in sustainability reporting**

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- B10 The Trustees have established a technical readiness working group to accelerate the convergence of global sustainability reporting standards that are focused on enterprise value; and to undertake technical preparation for a new board under the Foundation’s governance. The group brings together organisations with existing expertise in sustainability and integrated reporting, and in standard- and framework-setting focused on enterprise value. The technical readiness working group will provide a forum for structured engagement with initiatives focused on enterprise value reporting; and it will make technical proposals in relation to the new board, as described by the Trustees in their 8 March 2021 statement<sup>7</sup>.
- B11 The Trustees have also commenced work with IOSCO and other relevant organisations to explore the establishment of a multi-stakeholder expert consultative committee within the Foundation’s structure. The consultative committee would be tasked with formalising and streamlining the proposed new board’s engagement with the relevant global stakeholders involved in sustainability reporting.
- B12 The Trustees will continue to engage with key jurisdictions in this area to understand how the new board could provide a globally consistent and comparable sustainability reporting baseline, while also providing flexibility for coordination on reporting requirements that capture wider sustainability impacts—a building blocks approach. The Trustees especially welcome the acknowledgement from the European Commission and European Financial Reporting Advisory Group of the specific relationship established between the EU and the Foundation and for dialogue to be conducted between the parties with a view to participate in global convergence efforts.

## **Ensure the adequacy of the governance structure**

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- B13 To facilitate input from stakeholders on the proposed changes to the Foundation’s governance, the Trustees have exposed the targeted amendments to the *Constitution* to determine whether they are proportionate to the strategic direction of the proposed new board’s work. (Paragraph 10 above sets out in detail the governance matters in relation to which targeted amendments are neither proposed nor necessary.) As previously mentioned, to secure appropriate stakeholder engagement for the work that the proposed new board would undertake, the Trustees have also commenced work with IOSCO and other relevant organisations to explore the establishment of a multi-stakeholder expert consultative committee within the Foundation’s structure.

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<sup>7</sup> IFRS Foundation Trustees announce strategic direction and further steps based on feedback to sustainability reporting consultation, 8 March 2021: <https://www.ifrs.org/news-and-events/news/2021/03/trustees-announce-strategic-direction-based-on-feedback-to-sustainability-reporting-consultation/>.

### **Achieve appropriate technical expertise for the Trustees, new board members and staff**

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- B14 One of the key tasks of the technical readiness working group is to review how technical expertise and content might potentially be transitioned to the new board under the Foundation's governance structure, with a view to facilitating consolidation and reducing fragmentation in sustainability reporting standards. The Trustees will also engage its Human Capital Committee to consider how best to provide training and cross-functional engagement to achieve appropriate technical expertise.
- B15 The Trustees' Nominations Committee will lead the work on nominating the Chair, Vice-Chair and board members and will liaise with the Monitoring Board throughout. The Nominations Committee is currently considering what appointments processes would be appropriate, balancing the need for urgency and the need for transparency.

### **Achieve the level of separate funding required and the capacity to obtain financial support**

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- B16 The Trustees' Audit, Finance and Risk Committee will lead the work to secure the new funding that is required to establish a new board under the Foundation's governance structure.
- B17 The Foundation currently receives income from three main sources: voluntary contributions from jurisdictions; voluntary contributions and licence fees from international accounting firms; and self-generated income (through subscription services, publications and licensing). Given the importance of ensuring that the Foundation's mission is not compromised, the creation of a new board would require additional resources.
- B18 The Trustees are working towards a funding arrangement to obtain the seed capital that would, in the short term, allow a new board to commence its standard-setting activities quickly. And, for the longer term, the Trustees are seeking funding from a diverse range of sources to secure the board's future and independence. The Trustees recognise the importance of ensuring that the funding for the IASB and the new board is kept separate.

### **Develop a structure and culture that seeks to build effective synergies with financial reporting**

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- B19 Respondents to the Consultation Paper in general acknowledged that, were the Foundation to create a new board, a key benefit would be the potential for synergies between sustainability reporting and financial reporting.
- B20 The Trustees recognise that this will be a key requirement that the new board will have to continue to work toward if it is established. The Trustees acknowledge that the development of a conceptual framework by the new board would allow the board to explore how, conceptually, its standard-setting could be linked to the work of the IASB, and how sustainability reporting and financial reporting would be linked. The Trustees also explained in their



feedback statement that IFRS Practice Statement 1 *Management Commentary* could be a valuable tool to develop additional links between the sustainability reporting and financial reporting.

- B21 In the period preceding the proposed creation of a new board, the Trustees have already invited the IASB to participate in the technical readiness working group in the belief that the IASB's participation will provide an early opportunity for such synergies to be developed.

### **Ensure the Foundation's mission and resources are not compromised**

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- B22 The Trustees understand that enabling a new board to focus its standard-setting efforts on ESG matters that are relevant to investors would be a natural extension of the Foundation's current mission. The Trustees have set out the strategic direction of a new board in line with the Foundation's current mission. As explained above, work is underway to ensure that the Foundation's current resources are not compromised by the creation of a new board.
- B23 The Trustees have also published the above proposed targeted amendments to the IFRS *Constitution* to solicit feedback on:
- (a) whether the proposed governance structure would provide legitimate oversight of the standard-setting by a proposed International Sustainability Standards Board; and
  - (b) whether the proposed amendments are proportionate to the strategy of the Foundation in relation to the potential work of that new board.
- B24 The Trustees are working with the Monitoring Board to continue to ensure that the Foundation's mission and resources are not compromised by the creation of a new board.

### **The urgency of the need to develop global standards, most notably on climate-related matters**

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- B25 Following the initial analysis of the responses to the Consultation Paper, the Trustees established a Trustee Steering Committee to oversee the next phases of work. As noted above, the Trustees also added a key requirement for success—recognising the urgency of the need to develop global standards, most notably on matters related to the climate. As discussed, in response to that urgent need, the Trustees have established a technical readiness working group; that group's proposals could assist the new board in making a running start to its standard-setting.
- B26 As is explained above, various work streams have been established to ensure that the key requirements for success are met. The Trustees will continue to monitor the progress made in relation to each key requirement. As noted in paragraph 13, the Trustees remain on track to make a final determination about a new board in advance of the United Nations Climate Change Conference (also known as COP26), scheduled to be held in November 2021.



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