
IFRS Foundation Trustees—Due Process Oversight Committee

Date **4 June 2024**

This document reports on a meeting of the Trustees of the IFRS Foundation, the oversight body of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB). The Trustees are responsible for governance of the IFRS Foundation and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*.

Introduction

The IFRS Foundation Due Process Oversight Committee (DPOC) [met on 4 June 2024](#) in Singapore. The meeting was webcast live and a recording of the meeting is available on the [IFRS Foundation website](#).

International Accounting Standards Board (IASB)-related matters

IASB Technical Activities—Update report on activities of the IASB and the IFRS Interpretations Committee

The DPOC considered a report providing an update on the activities of the IASB and the IFRS Interpretations Committee for the period March to May 2024. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.

The DPOC was updated on various matters including:

- the publication of IFRS 18 *Presentation and Disclosure in Financial Statements* in April 2024 and IFRS 19 *Subsidiaries without Public Accountability: Disclosure* in May 2024, for which the DPOC had undertaken lifecycle reviews at its October 2023 and February 2024 meetings respectively.
- the publication of the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment* in March 2024. In response to a question, it was noted the staff had worked closely with the Financial Accounting Standards Board (FASB) on the project. For example, the project had considered the reintroduction of amortisation of goodwill, which had also been on the FASB's agenda, and after close coordination and discussion both boards opted not to pursue this reintroduction thereby maintaining convergence. However, in response to stakeholder feedback, the IASB was exploring improving disclosures about business combinations and this improvement was the main topic in the Exposure Draft. The FASB had not received such feedback, possibly because the US Securities and Exchange Commission requires some disclosures. A Committee member suggested that it might be helpful to highlight this difference in the existing reporting frameworks to mitigate competitive concerns being raised by the IASB's stakeholders.
- the Power Purchase Agreements project for which the IASB had published an exposure draft in May 2024, with a 90-day comment period as approved by the DPOC in March 2024. An observing Trustee asked whether 90-day comment periods were expected to become more the norm. The staff said there was a particular urgency associated with the proposals in the exposure draft and that 120-day comment periods were expected to remain the norm given some jurisdictions have to translate the requirements and also seek and compile feedback from stakeholders.
- the Second Comprehensive Review of the IFRS for SMEs Accounting Standard for which the IASB is nearing completion of its deliberations and expects to ask the DPOC to conduct a lifecycle review in October 2024. The publication of the revised Standard will be deferred into the first half of the year 2025 to allow the IASB to incorporate any resulting amendments from the Addendum Exposure Draft published in April 2024.

- the Management Commentary project for which the IASB would decide the project direction in June 2024.
- the research project on Intangible Assets which had started in April 2024 and which was a high priority for stakeholders in their feedback in the IASB's Third Agenda Consultation.
- activities being undertaken in the Climate-related and Other Uncertainties in the Financial Statements project, including the development of an exposure draft of a package of examples illustrating how an entity might apply IFRS Accounting Standards which is expected to be published in July 2024.

Post-implementation Review of IFRS 9—Impairment

The DPOC was briefed about the Post-implementation Review (PIR) of the impairment requirements of IFRS 9 in line with the requirement of paragraph 6.59 of the *Due Process Handbook* (the *Handbook*). The DPOC had also been provided with a draft of the Project Report and Feedback Statement for the PIR.

The report covered the objectives of the PIR; the process that the IASB had followed since the review commenced in July 2022 in accordance with the *Handbook*, which had included the publication of a Request for Information (RFI) and extensive outreach; the IASB's evaluation of the feedback; and its final conclusions. The IASB had evaluated the feedback using the clarified description of the objective, process and outcome of a post-implementation review discussed with the DPOC in 2022. In response to a question about the low level of formal response to the RFI from users of financial statements, the staff highlighted the outreach and meetings undertaken with users and explained that the IASB was comfortable that it had received sufficient feedback from users.

A Committee member noted the IASB would be adding a project to its research pipeline to make targeted improvements to specific disclosure requirements in IFRS 7 *Financial Instruments: Disclosures* relating to credit risk. It was noted that the demand for these disclosures is because of the judgement required in applying the expected credit loss model.

The DPOC agreed, based on the materials provided, that the IASB had completed the PIR satisfactorily and that the report could be finalised and published.

Approval to publish the Proposed IFRS Taxonomy Update based on the Exposure Draft *Contracts for Renewable Electricity*

The DPOC was asked to approve the publication of a proposed IFRS Taxonomy update (PTU) based on the proposals in the Exposure Draft *Contracts for Renewable Electricity* (proposed amendments to IFRS 9 and IFRS 7) rather than the final accounting requirements. This was to allow the IASB to complete the IFRS Taxonomy Update for incorporating the IFRS Accounting Taxonomy 2025 so that the Taxonomy elements may be used from the first period the related amendments are expected to be effective.

In response to a Committee member's question the technical staff noted that usual process avoids the risk of a change having to be made to the Taxonomy Update following its exposure as a result of a change to the disclosure requirements. However, in this case, the risk was not considered to be significant. Even if there were changes during the finalisation of the amendments to the Standards, re-exposure would not be expected to be required given the straightforward nature of the modelling of the disclosures into the taxonomy. It was suggested that it be made clear when publishing the PTU that there could be changes depending on the finalisation of the accounting requirements.

The DPOC approved the publication of a PTU based on the Exposure Draft *Contracts for Renewable Electricity*.

Proposed IASB Prioritisation Framework

The DPOC was updated about the IASB's ongoing work to develop a proposed prioritisation framework. This framework is intended to help the IASB operationalise the principles in the *Handbook* to consistently prioritise

technical projects on its work plan to balance capacity demand with supply and enable effective execution of the IASB's mission.

In response to Committee members' questions the technical staff noted:

- in terms of the practical changes, the framework aims to codify what the IASB is already doing but should provide common language for prioritisation discussions and greater rigour to the decision making.
- a key takeaway from the April 2024 IASB meeting was ensuring it is clear that the prioritisation framework is addressing prioritisation decisions between agenda consultations and how a new project should be assessed against projects that were evaluated in the holistic analysis of an agenda consultation.
- the ISSB is at a different stage of maturity compared to the IASB and, for example, does not have an Interpretations Committee, which is the most common source of potential projects requiring the IASB's consideration between agenda consultations. It was also noted that the ISSB's next work plan is for two years whereas the IASB's current work plan is for five years.
- the framework is not intended for inclusion in the *Handbook* and is potentially too detailed for the *Handbook*. The principles for the framework are set out in paragraph 5.4 of the *Handbook*. It would also be better to test and refine the framework before considering 'hard wiring' it in the *Handbook*. In addition, the ISSB had not been involved in its development, so it would be necessary for them to test and consider any adaptations. A Committee member noted that it was for the DPOC to decide whether a change was required to the *Handbook*. Transparency to stakeholders was important regardless of whether the framework was included in the *Handbook*.

The Chair requested a short follow up paper to clarify the change being proposed. She also requested the two boards' leadership consider how they might deal with situations in which there is a matter potentially requiring prioritisation decisions by both boards.

International Sustainability Standards Board (ISSB)-related matters

ISSB Technical Activities—Update report on activities of the ISSB

The DPOC considered a report providing an update on the activities of the ISSB for the period March to May 2024. There were no matters in the report for which the DPOC was required to confirm that due process had been followed.

The DPOC was updated on various matters including:

- the ISSB Consultation on Agenda priorities. The DPOC had received a briefing about this project at its [meeting on 29 May 2024](#) and it was confirmed that the ISSB would publish the feedback statement and the ISSB's two-year work plan towards the end June 2024.
- work to support implementation of IFRS S1 and IFRS S2, included:
 - progressing the work of the Transition Implementation Group, which would be holding its second technical discussion on 13 June.
 - the publication of educational materials. Since February 2024, the following materials had been published:
 - materials describing how a preparer can use the SASB Standards to meet the requirements in IFRS S1;
 - a two-part webcast on disclosure requirements in IFRS S1 and IFRS S2 relating to the current and anticipated effects of sustainability-related risks and opportunities; and
 - the ESRS–ISSB Standards Interoperability Guidance.
- the IFRS Sustainability Disclosure Taxonomy which was published in April 2024. The Taxonomy was developed in accordance with the *Handbook* and it enables entities to consistently tag information prepared using ISSB Standards. The publication was accompanied by an introductory webcast, explaining the Taxonomy's key features and the benefits for investors, companies and regulators.
- the ongoing work to establish the IFRS Sustainability Reference Group. This work will be discussed with the DPOC at a future meeting.

Updating the Due Process Handbook

The DPOC received a report updating Committee members on the project to update the *Handbook* to reflect formally the establishment of the ISSB.

Committee members noted the following:

- the need to be disciplined about making changes given the existing requirements work well—the DPOC confirmed the project is a targeted review.
- care should be taken in referring to the *Handbook* as a ‘living document’. Due process is a fundamental matter for the IFRS Foundation and provides quality assurance. The *Handbook* needs to be a stable reference point for both internal and external stakeholders. However, within the principles of the *Handbook*, minor changes to the due process to accommodate developing needs should be capable of being accommodated.
- the need to better frame the section in the *Handbook* on ‘educational material’. It needed to be clearer that the reason why such material is not subject to consultation is because it does not add or change requirements in the Standards. The due process is therefore focused on ensuring that is the case. In addition, it would be better to use a broader term such as ‘application support materials’.
- relatedly it was noted that in some cases, a very small amendment might be required to the Standards, which would require consultation. It was suggested emphasising in the *Handbook* the potential for a shorter comment period in such cases.

The DPOC also discussed the due process requirements for three topics: the IFRS Interpretations Committee, the IFRS Taxonomy and Post-implementation Reviews. The DPOC considered the staff’s analysis of various potential changes and agreed to make some clarification and enhancements relating to the Interpretations Committee’s due process and to update the *Handbook* to reflect the clarified language about the objective, process and possible outcomes of a post-implementation review that had previously been discussed with the DPOC.

Closing

The DPOC Chair thanked all for their participation.