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## IFRS Advisory Council

Date **12 November to 13 November 2024**

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This document summarises a meeting of the IFRS Advisory Council, the formal strategic advisory body to the Trustees of the IFRS Foundation, the International Accounting Standards Board and the International Sustainability Standards Board. The IFRS Advisory Council consists of a wide range of representatives, comprising individuals and organisations with an interest in international financial reporting.

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## Introduction

1. The IFRS Advisory Council (Council) met in person on 12 and 13 November 2024. In addition to the Council members, the meeting was attended by the Chair of the International Accounting Standards Board (IASB), the Vice Chair of the International Sustainability Standards Board (ISSB) and a number of IFRS Foundation staff.
2. The agenda and papers for the meeting, as well as the meeting recording, are available at: [IFRS - IFRS Advisory Council](#).
3. In his introduction, Mr. Bill Coen, the Advisory Council Chair, offered a particular welcome to Ms. Bangsil Lee and Mr. Elbano de Nuccio who were attending their first Council meeting as members.

## Welcome and Introduction to the New IFRS Foundation Managing Director

4. Mr. Michel Madelain, Managing Director, presented Agenda Paper 2. In particular, he focussed on:
  - his transition from a Trustee to the Managing Director;
  - his priorities for his two-year term as Managing Director; and
  - the importance of the support and insight provided by the Council.
5. In the ensuing discussion, a number of themes arose, including:
  - **Operational capacity and succession planning:** The significant success achieved by the Foundation in standards development and adoption and how it can optimise its systems, processes and target operating model to ensure it is able to match its ambitions. This includes developing a clear vision and direction, focusing on delivery within Mr. Madelain's two-year term and having a succession plan in place to ensure continuity and impact over the medium term.
  - **Attracting and retaining talent:** How the strategic plan and vision for the medium term must ensure that its London office remains an attractive location for staff, despite changes to the tax and visa structure. The IFRS Foundation's strategy for attracting and retaining talent was discussed further in Agenda Paper 8.
  - **Value creation:** The importance of continuing to articulate the Foundation's narrative to demonstrate the value created by the standards. The discussion highlighted the role that the academic community can play to demonstrate this value, including the work of the recently-established [IFRS Foundation Group of Fellows](#). It also noted the importance of developing a funding model that supports continued value creation for stakeholders, so that they see the benefits of contributing to the Foundation's budget. For example, the importance of interoperability between international and European standards was highlighted.

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## Update on the IASB's Activities

6. Mr. Andreas Barckow presented Agenda Paper 3, providing an update on the IASB's activities since the Advisory Council last met in April 2024. In particular, Mr. Barckow highlighted:
  - IASB projects completed since April 2024;
  - consultation documents published since April 2024 and forthcoming consultation documents;
  - projects on the IASB working plan started since April 2024;
  - connectivity between the IASB and ISSB; and
  - IASB Strategy—Generation 3.0.
7. The ensuing discussion among Council members focused on several issues, including:
  - **Connectivity:** Several Council members emphasised that the efforts on Connectivity should be strengthened. They noted the importance of close collaboration between IASB and ISSB. They also mentioned that the ISSB's Human Capital project and IASB's Intangible Assets project could be a good opportunity for working together.
  - A query was raised about whether there is an intention to do anything differently regarding the forthcoming **Fourth Agenda Consultation** compared to the approach taken to the Third Agenda Consultation. Mr. Barckow responded that the IASB will consider all feedback in deciding the approach to the Fourth Agenda Consultation. There is an advantage of having ISSB, which was not yet created during the time of the Third Agenda Consultation; two Boards consulting concurrently will benefit the overall process.
  - **Statement of Cash Flows and Related Matters:** One Council member mentioned that they appreciate adding this topic to the IASB work plan. They believe the IASB should consider how technology could affect the costs that preparers incur in preparing the statement of cash flows.
  - **Intangible Assets:** One Council member shared observations that there is a need to bring a different mindset to intangibles and to increase relevance of the financial statements from an economic reality point of view. In that sense, that Council member agreed with the idea shared by Mr. Barckow in his presentation that a key objective of outreach activities is to understand what problem the IASB is trying to solve with this project. A few Council members noted that addressing intangibles may be related to issues with accounting for goodwill, cryptoassets and pollutant pricing mechanisms. One Council member also noted the importance of aligning the accounting with the Conceptual Framework.
  - **Climate-related and Other Uncertainties in the Financial Statements:** Several Council members expressed appreciation for the usefulness of the illustrative examples in the Exposure Draft published in July 2024. A couple of Council members expressed concern about the use of examples and the risk of over-reliance in practice. One Council member said that if the IASB decided to proceed with the examples approach, they should be issued in a single document outside the multiple accounting standards. Another Council member agreed with the IASB conclusion that the standard-setting isn't needed since the IFRS accounting standards accommodate uncertainty. Although that Council member supported the IASB's decision to generalise the project scope to other uncertainties beyond climate-related ones, they shared concern that most examples relate to climate topics.
  - **Dynamic Risk Management:** One Council member noted that this project is of particular interest to prudential regulators and noted that they have been engaging directly with the IASB staff. Mr. Barckow noted that the Exposure Draft will have an extended comment period of 240 days to allow for discussion of such concerns. He also confirmed that outreach activities during the comment period will include financial institutions.
  - **Management Commentary:** Several Council members expressed support for the direction of the project and one Council member suggested that the effective date for the revised Practice Statement be synchronised with IFRS 18 *Presentation and Disclosure in Financial Statements*. This member also recommending engaging with IOSCO to require use of the final Management Commentary Practice Statement.

## Update on the Trustees' Activities

9. Mr. Erkki Liikanen, Chair, IFRS Foundation Trustees provided an update on Trustee activities since the Council last met in April 2024. He noted that the Trustees had held two in-person meetings:
  - 4 to 6 June 2024, Singapore
  - 8 to 10 October 2024, Montreal
10. In his presentation the following key themes were highlighted:
  - **Engagement with stakeholders:** In Singapore a dinner event was co-hosted with the Institute of Singapore Chartered Accountants and the Accounting and Corporate Regulatory Authority. There were also a number of bilateral engagements, including with the President of Singapore. In Montreal, in addition to a dinner event with key local stakeholders, meetings were held with the Montreal Council on Foreign Relations, the leadership of Montreal International and the Quebec Minister of Finance.
  - **Ongoing dialogue with the Monitoring Board:** Mr. Liikanen emphasised the importance of genuine and efficient dialogue with the Monitoring Board. The Trustees met the Monitoring Board during the meeting in Singapore and held a focused discussion on experiences with the adoption process of the Standards.
  - **IFRS Foundation Group of Fellows:** At the meeting in Montreal, the Trustees received a presentation from Professor Lucrezia Reichlin, former Trustee and Chair of the IFRS Foundation Group of Fellows, and Professor Christian Leuz, who is also a member of the Group of Fellows. The group will provide evidence to enhance the Trustees' understanding of IFRS Standards' impact on the global economy.
  - **Role of Artificial Intelligence (AI):** The Trustees also discussed the interaction between AI and corporate reporting. This included a presentation from a research group from Chicago Booth University on the extent to which Large Language Models could analyse financial statements. The experience and advice of the Advisory Council will be very valuable as the IFRS Foundation considers the potential impact and opportunities of AI for its work.
  - **Connectivity between the IASB and the ISSB:** In addition to individual progress updates from the two boards, the Trustees received a joint presentation from the Chairs on the efforts to ensure connectivity between financial and sustainable reporting under the One Foundation model.

## IASB Workplan Priorities: Proposed IASB Workplan Prioritisation Framework

11. Ms. Nili Shah, Executive Technical Director of the IASB, presented Agenda Papers 5A and 5B, outlining a proposed prioritisation framework designed to help the IASB make prioritisation decisions about technical projects in between agenda consultations.
12. Advisory Council members were supportive of the prioritisation framework, particularly in the context of limited resources.
13. Common themes in comments from Advisory Council members included:
  - what is the KPI that we are trying to maximise with the prioritisation framework?
  - the hurdle to add a project outside the holistic prioritisation undertaken in the five-yearly agenda consultation should be high; the bigger the potential project, the higher the hurdle. We should also be able to articulate what has changed since the last agenda consultation.
  - the need to consider the benefits vs the costs of adding a new project and the impact on current projects.
  - a root-cause analysis of why projects were retired and added in the past may inform whether the framework is appropriate.

- should there be some reserve of staff resource to take on issues that arise in between agenda consultations? Can the work of others be leveraged?
- should there be specific criteria for retiring, pausing or restarting a project?
- pragmatism and collective judgment both play important roles in the prioritisation process. This is a principles-based framework, not a specific set of rules.
- whether the agenda consultation should be undertaken more frequently than every five years.

## IASB Workplan Priorities: Pollutant Pricing Mechanisms

11. Ms. Vanessa Hanna, IASB Technical Staff, and Ms. Rachel Knubley, IASB Technical Director, provided a summary of the IASB's research and outreach in relation to pollutant pricing mechanisms. They also provided Council members with an analysis of a potential project on pollutant pricing mechanisms against the draft prioritisation framework described in Agenda Paper 5B.
12. Council members were asked for their views on whether the IASB should:
  - start a project on pollutant pricing mechanisms before the next agenda consultation; or
  - defer a decision on whether to add a project on pollutant pricing mechanisms to the IASB's agenda until the next agenda consultation.
13. Ms. Hanna informed Council members that, due to capacity constraints, the consequence of starting a project before the next agenda consultation would be that one or more now-active projects would need to be retired, paused, or progressed at a slower pace. Ms. Hanna also noted that deferring a decision on whether to add a project to the IASB's agenda until the next agenda consultation would allow the IASB to consider holistically the priority of a project in relation to other projects identified during the consultation process.
14. A few Council members expressed support for the IASB starting a project on pollutant pricing mechanisms before the next agenda consultation. They pointed to the increasing prevalence and significance of these mechanisms, particularly as jurisdictions introduce and expand compliance schemes. They also said that the observed diversity in accounting leads to a lack of comparability.
15. However, many other Council members suggested that the IASB should defer a project on pollutant pricing mechanisms until the next agenda consultation. Comments from these Council members included:
  - Although pollutant pricing mechanisms are increasing in prevalence, they had not yet reached a level that warrants starting a project before the next agenda consultation, particularly if that is at the expense of a previously prioritised project such as Intangibles or the Statement of Cash Flows.
  - Although there is diversity in the accounting for pollutant pricing mechanisms, the principles in IFRS Accounting Standards are sufficient to allow entities to establish appropriate accounting policies.
  - There should be a high hurdle for adding a large project to the work plan between agenda consultations—unless circumstances change significantly between agenda consultations a new large project should not be added to the IASB's agenda. Some Council members said there is insufficient evidence that pollutant pricing mechanisms have reached that hurdle.
16. A few Council members said it was difficult to comment on the priority of a project without having more information about which projects the IASB would need to deprioritise in favour of pollutant pricing mechanisms. A few other Council members commented on potential projects, such as projects on hyper-inflation or segmental disclosures, that they would assign a higher priority to than a project on Pollutant Pricing Mechanisms.
17. Council members noted that any project on Pollutant Pricing Mechanisms would have connections with the work of the ISSB with a few suggesting that the disclosures required by IFRS S2 might provide some of the information that investors need in relation to these mechanisms. Other Council members

suggested that encouraging companies to provide more disclosures about Pollutant Pricing Mechanisms might also improve the information available to investors.

18. A few Council members said that the IASB should seek to use the work of other national standard-setters, particularly the FASB, to expedite its work on this topic. Council members also suggested that there are synergies between a project on Pollutant Pricing Mechanisms and the IASB's projects on Intangibles and Provisions.

## Update on the ISSB's Activities

19. Ms. Sue Lloyd, Vice Chair of the ISSB, presented Agenda Paper 6 to the Advisory Council. The paper outlined developments in the ISSB's activities since the previous meeting of the Council, considering the ISSB's priorities of supporting the implementation of IFRS S1 and IFRS S2, advancing jurisdictional and market adoption of the ISSB Standards and advancing the projects in the ISSB's work plan. The update included developments in strategic relationships between ISSB and each of the Transition Plan Taskforce, GHG Protocol, CDP, Taskforce on Nature-related Financial Disclosures and Global Reporting Initiative (GRI) and future steps about profiles providing information about sustainability-related disclosure requirements in jurisdictions.
20. Council members confirmed their support for the ISSB work on:
  - interoperability between ISSB Standards and European Sustainability Reporting Standards (ESRS), as explained in the ESRS–ISSB Standards Interoperability Guidance jointly published by the IFRS Foundation and the European Financial Reporting Advisory Group (EFRAG) in May 2024;
  - full direct interoperability between ISSB Standards and GRI Standards;
  - educational material to support the implementation of IFRS S1 and IFRS S2; and
  - connectivity between sustainability-related financial information and information in the financial statements.
21. The session's discussion among Council members was focused on several topics, including:
  - the objectives and expected next steps of the ISSB's research projects on nature and human capital;
  - the objective of the project to further enhance the Sustainability Accounting Standards Board (SASB) Standards; and
  - the status of adoption or other use of ISSB Standards and the relevant approaches taken by jurisdictions, in the light of the features of the Inaugural Jurisdictional Guide published by the IFRS Foundation in May 2024.

## IFRS Foundation Multilocation Operating Model

22. Ms. Andrea Pryde presented Agenda Paper 7 on the IFRS Foundation's multilocation operating model. The paper sought insights from the Council on the current multilocation setup and potential longer-term enhancements to improve operational efficiency.
23. The ensuing discussion among Council members highlighted a number of areas to explore in optimising the efficiency of the existing model, while noting the need for the Foundation to develop more holistically the articulation of the purpose of the multi-location model. That articulation should consider, in particular, the role of the model in supporting adoption of IFRS Standards. Some Council members commented that

it is premature to change fundamentally the multilocation model at this time, noting that the model is in the early days of establishment.

24. Key themes arising in the discussion included:

- **Purpose:** Some members noted the role of a physical presence in a location for promoting adoption of IFRS Standards in a jurisdiction which in turn facilitates securing funding from the jurisdiction.
- **Organisational culture and communication:** Building a cohesive culture is easier with a single-location model. Multi-location models benefit from the experience of remote working during COVID-19. Remote working can present challenges for new and junior staff development, and for team building. In-person interactions facilitate mentorship and collaboration, highlighting the need for mixed-level staff pods at each location. Despite their costs, in-person meetings help maintain team integration and efficiency. The importance of having a critical mass in each location was emphasised, with the suggestion that minimising the number of locations for technical operations would support concentrated efforts. Effective internal and external communication strategies are crucial.
- **Dual operating model:** There are currently different operating models for the IASB and ISSB. There was recognition the two boards are at different stages in adoption but also have similarities. Some members noted that IASB achieved a great deal, even at their early stage, under a one location model supplemented with global travel for stakeholder engagement. That approach allowed the IASB to focus on its objectives, without the distractions or inefficiencies that might arise from managing a dispersed workforce.
- **Centralisation with hubs:** The multilocation model offers global reach and stakeholder accessibility but presents challenges. While centralising operations might reduce costs and improve efficiency, multilocation presence helps in maintaining geopolitical and stakeholder balance, particularly for stakeholder engagement. However, some members were of the view that centralised locations could achieve some of these objectives through working in partnership with local national standard-setters. A suggestion was made that the increased regional presence could be in the form of hubs or representative offices that address specific local needs, execution of local projects and promotion of standards effectively in the region.
- **Future outlook and flexibility:** The IFRS Foundation needs to decide on its optimal operating model, which may not be a one-size-fits-all solution. Trustee input and a comprehensive understanding of goals are necessary to align the model with long-term strategic priorities to serve the global mission. Longer-term, the existing model should be assessed against possible alternatives, considering the optimum number of locations. Management should consider engaging professional services to further optimise operations.

## Attracting and Retaining Talent

25. Ms. Mina Machacek, Director of Talent Acquisition, presented Agenda Paper 8 and invited Council members' feedback on how the IFRS Foundation could enhance its value proposition to attract and retain talent.

26. Key themes arising in the discussion included:

- **Tailoring value proposition to various career stages:** The need to differentiate between different categories of employees, such as Board members, senior and more junior staff, permanent staff, and seconded members, and to tailor recruitment and retention strategies accordingly. Members discussed identifying the traits and motivations common to strong employees, as well as understanding the different motivations and values of various generations and tailoring the value proposition accordingly. This includes promoting the organisation's culture, mission and public interest work.
- **Secondments and internships:** Utilising secondments and internships can help to attract talent by providing opportunities for professional development. It could also help identify talent for permanent recruitment. It was suggested that both professional services and academia could be good sources of potential secondees and interns, and the value of having the IFRS Foundation on a CV should be

emphasised. It was also highlighted that there may be a pool of highly experienced professionals who could be interested in working on projects on a part-time basis.

- **Meaningful work and career development:** Emphasising the meaningful impact of the work and providing clear career development paths are important tools to keep employees engaged and motivated. This includes offering mentoring, leadership exposure and lateral assignments that provide experience in a broad range of strategic issues.
- **Use of technology:** Leveraging technology to improve the overall employee experience and reduce tedious tasks, allowing employees to focus on more meaningful and intellectually challenging work.
- **Work-life balance and flexibility:** Offering flexible and hybrid working arrangements to provide a better work-life balance. Teleworking was also discussed whereby staff are permitted to work up to ten weeks per year from a location other than where the office is based.
- **Ongoing assessment and benchmarking:** Using regular staff surveys, exit interviews and salary benchmarking to understand what motivates staff and what factors cause them to leave.

## Closing remarks from the Advisory Council Chair

27. Mr. Coen concluded his final in-person meeting as Chair of the Advisory Council by acknowledging other departing members, reflecting on his own term as Chair, the Council's achievements and offering recommendations for the future.
28. On behalf of the IFRS Foundation, Mr. Coen expressed gratitude and appreciation to the following who were completing their service as Council members at the end of December 2024:
  - Claes Norberg, Business Europe
  - Ellen Gaston, International Monetary Fund
  - Emmanuelle Revolón, International Co-operative Alliance
  - Fergus Condon, Grant Thornton
  - Garth Jones, AIA Group
  - George Iguchi, Securities Analysts Association of Japan
  - James Andrus, Council of Institutional Investors
  - M. P. Vijay Kumar, South Asian Federation of Accountants
  - Maria Ángeles Peláez Morón, Banco Bilbao Vizcaya Argentaria, S.A.
  - Trevor Derwin, Deloitte
29. Mr. Coen reflected on his time as Chair, which began in February 2020. His observations included:
  - The challenges and adaptations due to COVID-19, including the shift to virtual and hybrid meetings. He noted the effective use of technology for virtual meetings, emphasising that while in-person meetings are indispensable, video conferences complement them well. He encouraged opportunities to be sought to supplement the two in-person meetings with virtual meetings in order to maximise the Council's engagement and momentum.
  - The Council's role in providing broad strategic, rather than technical advice, to the Trustees and Board members. He emphasised the importance of engaging with Trustees and Board members to ensure the Council is addressing the appropriate strategic issues and its advice is useful and relevant.
  - The professional diversity of the Council but the ongoing need to ensure appropriate geographic and gender representation.
30. Mr. Coen concluded by expressing his gratitude to the staff, Board members and Trustees for their support and contributions during his term.
31. On behalf of the IFRS Foundation, Ms. Pryde thanked Mr. Coen for his leadership of the Council over the past five years. The Council members, Board members and staff wished him well for the future.