
IFRS Foundation Trustees

Date **8–10 October 2024**
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This document reports on a meeting of the Trustees of the IFRS Foundation, the oversight body of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB). The Trustees are responsible for governance of the IFRS Foundation and for delivery of the IFRS Foundation's objectives as set out in the *IFRS Foundation Constitution*.

1. Introduction

1.1 The IFRS Foundation Trustees met in the Foundation's office in Montreal, Canada on 8–10 October 2024.

2. Report of the Chair of Trustees and the Managing Director

2.1 The Trustees revived reports from:

- a) the Chair of the Trustees on his meetings with key stakeholders, including his engagement with Indian and Saudi Arabian stakeholders;
- b) the Managing Director, Michel Madelain, who had joined the Foundation in September 2024, on his current priorities and plans for the next three months, including the 2025 budget and meetings with colleagues and external stakeholders.

3. Update on internal sustainability

3.1 The Chair of the Sustainable Operations Taskforce, Keiko Tashiro, provided an overview of the work of the sustainability team which included updates on:

- a) the process to establish a baseline greenhouse gas emissions figure for the IFRS Foundation; and
- b) work analysing potential decarbonisation pathways, which had included engagement with internal stakeholders.

3.2 Trustees looked forward to staff presenting further information at a future Trustee meeting.

4. Update on connectivity

4.1 Andreas Barckow, Chair of the IASB, and Emmanuel Faber, Chair of the ISSB, presented an update on connectivity—ie the technical aspects of the work between the IASB and ISSB, directly contributing to the development of Standards and related supporting material. In particular they:

- explained the progress made to date by the IASB and the ISSB;
- highlighted some of key successes and challenges; and
- explained the boards' priorities looking ahead to execute connectivity in their respective projects and further develop internal processes to facilitate connectivity.

4.2 The boards will update the Trustees in 2025 as they further mature and embed connectivity.

5. Accounting Standards Advisory Forum (ASAF) membership

5.1 The Trustees approved the composition of the Accounting Standards Advisory Forum for 2025–2027 following a public call for candidates in April 2024. Membership [was announced on the Foundation's website](#) on 28 October 2024.

6. Report of the Chair of the IASB

6.1 Andreas Barckow, reported on the IASB's activities since the June 2024 Trustees meeting. This report included updates on:

- a) progress on the technical work plan in the period. The IASB Chair noted that in the period all projects progressed in line with plan. He highlighted in particular:
 - the publication of the Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements*;
 - the completion of the post-implementation reviews of the impairment requirements in IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* and that both sets of requirements are working as intended;
 - that the IASB has met all commitments under the Third Agenda Consultation by starting the research projects on the amortised cost measurement requirements in IFRS 9 *Financial Instruments* and the statement of cash flows and related matters, and the post-implementation reviews of IFRS 16 *Leases*; and
- b) progress on IASB strategy—Generation 3.0—including undertaking four IASB strategy workshops on developing scenarios, performing additional outreach and research and fleshing out strategy and KPI definitions.

7. Report of the Chair of the ISSB

7.1 The Chair of the ISSB, Emmanuel Faber, reported on the ISSB's activities since the June 2024 Trustees meeting. This report included updates on:

- a) engagement with jurisdictions to support adoption, in which the Regulatory Engagement team are working closely with the ISSB;
- b) publishing a guide to support companies as they start to apply ISSB Standards voluntarily as well as helping them communicate their progress to investors;
- c) work supporting implementation of IFRS S1 and IFRS S2;
- d) the commencement of projects in the ISSB's work plan for 2024–2026, including two new research projects and further enhancement of the SASB Standards; and
- e) developments to strengthen strategic relationships to support implementation of IFRS S1 and IFRS S2 and to advance projects in the ISSB's work plan, including the Foundation assuming responsibility for the disclosure-specific materials developed by the Transition Plan Taskforce's and housing them on the IFRS Sustainability Knowledge Hub.

8. Update on 2025 budget

- 8.1 Mr Madelain provided an overview of the draft 2025 budget and the Foundation's current financial position. He outlined the measures being taken to build a sustainable budget and funding arrangements and the remaining steps in the process before finalisation of the budget.
- 8.2 Richard Sexton, Chair of the Budget and Finance Committee, added that some expected 2024 contributed revenue was unlikely to be received due to general reduction in contributions to public interest organisations in recent years.
- 8.3 Mr Sexton noted the adverse effect for the Foundation of the strengthening of sterling relative to the US dollar. He explained that the Foundation was reviewing its hedging strategy and staff would revert to Trustees with a recommendation.

9. Update on funding

- 9.1 Isabel de Saint Malo, Chair of the Funding Committee provided an update on the Foundation's contributed revenue and the related strategies for developing this funding for 2025. This covered both IASB and ISSB jurisdictional funding, ISSB seed funding, membership programs and philanthropic contributions, and the risks and opportunities and actions for each.

10. Update on the work of the IFRS Foundation Group of Fellows

- 10.1 Professor Lucrezia Reichlin, Chair of the [IFRS Foundation Group of Fellows](#) and former IFRS Foundation Trustee, along with Group of Fellows member Professor Christian Leuz, provided an overview of the work of the Group in developing a framework for evaluating the consequences of corporate disclosure standards and reporting on capital markets and the economy more generally.
- 10.2 The framework looked to also summarises key empirical findings in the academic literature on corporate disclosure and reporting standards providing a basis for discussing with Trustees and the boards the potential economic consequences of sustainability reporting standards.
- 10.3 Key issues identified by the Group of Fellow for further reflection included:
- the trade-offs between the quality of reporting standards and the costs of disclosures;
 - the relationship between successful implementation of standards and the quality of the regulatory framework;
 - the key role of enforcement; and
 - the implications of the heterogeneity of the effects of standards arising from different firms' incentives, companies' strategic behaviour, costs of disclosure, regulatory and policy framework.

11. Artificial intelligence

- 11.1 Madhu Mathew, the IFRS Foundation's Chief Technology Officer introduced a paper examining the potential of Artificial Intelligence (AI), particularly Generative AI (Gen AI), for the Foundation. The paper provided an overview of how the IFRS Foundation is embracing this technology based on insights gained from practitioners as well as peer organisations. The paper provided recommendations for the path forward which include developing a governance mechanism to oversee all the Foundation's activities on AI.
- 11.2 The Trustees were joined in their discussion by a research team from the University of Chicago, Booth School of Business. The research team discussed their research on whether a

Large Language Model (LLM) such as ChatGPT can successfully perform financial statement analysis in a way similar to a professional human analyst.

12. Reports from recent Trustee Committee meetings

12.1 Audit and Risk Committee

Maria Theofilaktidis, Chair of the Audit and Risk Committee reported on the work of the Committee which included:

- approving the partner rotation of the Foundation's external auditors;
- reviewing developments with regard to risk since June 2024 updates, including a cybersecurity risk review and the development of an organisational risk appetite approach;
- reviewing the compliance programme and the internal audit report; and
- approving the 2025 audit plan.

12.2 Due Process Oversight Committee

Teresa Ko, Chair of the Due Process Oversight Committee, reported on the Committee's [8 October 2024](#) meeting, as well as the meetings held on [20 August](#) and [9 September 2024](#).

12.3 Integrated Reporting and Connectivity Council

Suresh Kana, Vice-Chair of the IRCC, reported on the work of the IRCC which included:

- an update on the integrated reporting and integrated thinking conference, held in Milan and attended by 150 people in person and 400 people virtually;
- discussion with members on how the IRCC could support adoption of IFRS S1 and IFRS S2; and
- an update on the topics scheduled for the IRCC meeting November, including current and potential future trends that will affect the corporate reporting ecosystem in the short, medium and long term.

12.4 Human Capital Committee

Keiko Tashiro, Chair of the Human Capital Committee, reported on the work of the Committee which included:

- reviewing the results of the 2024 staff engagement survey and the development of associated actions plans and staff communication plans;
- discussion of the 2024 performance management and staff development approach; and
- reviewing updated policies on anti-bullying and harassment, and diversity, equity, and inclusion for approval by Trustees.

12.5 Nominating Committee

Ken Robinson, Chair of the Nominating Committee, reported on the Committee's work on various nominations processes.

13. Departing Trustees

- 13.1 The Chair gave his thanks on behalf of the Foundation to the four Trustees whose terms end at the end of December 2024, Sarah Al Suhaimi, Suresh Kana, Teresa Ko and Wencai Zhang.

IFRS Foundation Trustees—Due Process Oversight Committee

Date **8 October 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 (the Foundation) and for delivery of the Foundation's objectives as set out in the *Constitution*.

Introduction

The IFRS Foundation Due Process Oversight Committee (DPOC) [met on 8 October 2024](#) in Montreal. 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 June to September 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 the IASB's activities to improve the reporting of climate-related and other risks in the financial statements. It noted that the IASB published the exposure draft *Climate-related and Other Uncertainties in the Financial Statements* in July 2024. This proposes illustrative examples as to how an entity can incorporate climate-related and other uncertainties into its financial statements through application of existing requirements. The examples are not intended to change or alter existing requirements but focus on three areas:

- disclosures about assumptions and estimates;
- improved disaggregation; and
- helping stakeholders make better materiality judgments.

The feedback on the exposure draft is due by the end of November 2024. A Committee member asked if there would be connectivity opportunities in considering the feedback. The IASB Executive Technical Director confirmed that discussions had started internally on how best to share the feedback with the boards.

The DPOC was also updated on the Management Commentary project and the IASB's decision to finalise the revision of the Management Commentary Practice Statement. It was noted that management commentary can sometimes provide the home for an entity's sustainability disclosures. Supporting connectivity between an entity's management commentary and both its financial statements and sustainability disclosures is an aim of the project. Finalising the project would also provide a stepping-stone towards greater integration in reporting in the future. The IASB expects to publish the revised Practice Statement in the first half of 2025.

Due process lifecycle review of the development of the third edition of the *IFRS for SMEs Accounting Standard*

The DPOC reviewed the due process applied in the development of the third edition of the *IFRS for SMEs Accounting Standard* as required by paragraph 2.12 of the *Due Process Handbook*. This review followed the IASB's meetings in July and September 2024 at which the IASB confirmed that all necessary due process steps had been undertaken and that it had completed sufficient consultation and analysis to proceed to balloting the Standard.

The IASB started its second comprehensive review of the *IFRS for SMEs Accounting Standard* in 2019. The DPOC has monitored the due process of the project throughout its life. At this meeting the DPOC considered papers summarising the entirety of the due process applied, including the materials that the IASB had considered at its meetings to satisfy itself that it had complied with all necessary due process steps.

The IASB technical staff explained that the *IFRS for SMEs Accounting Standard* is based on full IFRS Accounting Standards with modifications to reflect the information needs of users of SMEs' financial statements and the resources available to SMEs. The starting point in the second comprehensive review was to consider whether and, if so, how to update the *IFRS for SMEs Accounting Standard* for changes made in full IFRS Accounting Standards. The IASB developed the 2022 exposure draft of proposals for the third edition of the Standard following publication of a request for information in 2020 and extensive outreach. The IASB published an addendum to the 2022 exposure draft in March 2024 to consider two further amendments made to full IFRS Accounting Standards. The staff emphasised that IASB members and staff have sought the advice of the SME Implementation Group (SMEIG) at every stage of the project.

The staff explained that the feedback on the exposure drafts was generally supportive. In response to feedback the IASB made three main changes to its proposals including, after further fieldwork, not to proceed with a simplified expected credit loss model and instead retain the incurred loss model for all financial assets measured at amortised cost. In response to a Committee member's question, the staff explained that the IASB decided to retain the incurred loss model based on an assessment of relevance and the cost and benefits of introducing an expected credit loss model. In the IASB's view the majority of entities eligible to apply the Standard would not have significant exposure to credit risk and are likely to hold only trade receivables. For these entities the incurred loss model is less complicated to apply. The IASB Chair also noted that for these entities, the difference in information in their financial statements as a consequence of introducing an expected credit loss model is likely to be small. He acknowledged that there was a small population of entities that might have financial assets beyond trade receivables. The IASB had explored whether it could identify this small population and if it should require use of an expected credit loss model for this population. However the IASB decided against the complexity that two models within the Standard would have created.

A Committee member asked about the IASB's decision to withdraw the proposal to describe the characteristics of an entity that has public accountability. The staff explained that in developing the 2022 exposure draft the IASB had proposed only very minor changes given the feedback that changing the existing description of an SME could have far reaching consequences. The IASB Chair also commented that there is no harmonised definition globally of an SME and the IASB's description of an SME (that is, whether an entity does not have public accountability) causes the least tension with other jurisdictional frameworks.

The DPOC asked about the extent of adoption of the Standard. The IASB Chair and staff said it is required or permitted in 85 jurisdictions with significant 'trickle down' effect to other jurisdictions. The Standard is widely used in Latin America, Africa, and South-East Asia.

The DPOC concluded its discussion by confirming that it was satisfied that all necessary due process steps had been followed in the Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard and that the IASB could progress to issue the third edition of the Standard.

The IASB expects to publish the Standard in the first half of 2025 with an effective date of 1 January 2027.

Annual reports on IASB and IFRS Interpretations Committee activities

Consultative groups

The DPOC considered the staff's review for the year to 30 September 2024 of the IFRS Foundation's consultative groups that support the IASB as required by the *Due Process Handbook*.

The staff reported its conclusion that all currently active consultative groups are serving the function for which they were established. The review had drawn on an analysis of data gathered from surveys of the group members and IASB and staff members and discussions with IASB members. In response to questions about representation and attendance, the staff explained that the data summarised in the tables understates the level of engagement and involvement by many of the group members in the IASB's standard-setting work through activities outside of the consultative group meetings.

DPOC members encouraged the IASB representatives to consider whether any targets should be specified for making further improvements to the engagement with the consultative groups.

Annual reporting protocol

The DPOC considered a report for the year ended 30 September 2024 confirming that all comment letters with respect to IASB and Interpretations Committee consultations were posted on the website; all agenda papers distributed to IASB or Interpretations Committee members for their public meetings were made available to observers; and regular dialogue had been maintained with securities regulators and prudential supervisors.

Educational material—review of due process

The DPOC considered a report as required by the *Due Process Handbook* on the educational material published by the Foundation to support the consistent application of IFRS Accounting Standards for the year to 30 September 2024. Based on the information provided, the DPOC confirmed that the educational material has been appropriately reviewed as specified by the *Handbook*.

A Committee member asked about the extent of demand for translations of educational materials. The IASB Executive Technical Director highlighted that the number of translations of such materials has increased. For example, the video introducing IFRS 18 had been recorded in six different languages.

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 June to September 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 briefed on the following matters:

- activities supporting implementation and adoption of IFRS S1 and IFRS S2, particularly the work of the Transition Implementation Group (TIG) at its meetings in June and September. The ISSB Executive Technical Director explained that the TIG's discussions and meeting papers serve as a valuable resource for stakeholders.
- the ISSB's work on enhancements to a set of SASB Standards that the ISSB has prioritised as a part of its 2024–2026 work plan. At its June 2024 meeting the ISSB discussed the priorities for further enhancing the SASB Standards. Following this meeting, the ISSB considered its overall approach to enhancing the SASB Standards and how this work can support the implementation of IFRS S1 and IFRS S2 as well as inform the ISSB's research projects.
- the ISSB's discussions about the design and approach of its initial work on the two research projects it added to its two-year work plan: biodiversity, ecosystems and ecosystem services, and human capital.

Annual reports on ISSB activities

Consultative groups

The DPOC considered the staff's review for the year to 30 September 2024 of the IFRS Foundation's consultative groups that support the ISSB as required by the *Due Process Handbook*.

The staff reported its conclusion that all currently active consultative groups are serving the function for which they were established. The review had drawn on objective data highlighted in the report and data drawn from discussions or surveys, and from relevant ISSB and staff members.

The DPOC Chair highlighted the need to develop ways of tracking engagement of the recently created IFRS Sustainability Reference Group.

Annual reporting protocol

The DPOC considered a report for the year ended 30 September 2024 confirming that all agenda papers distributed to ISSB for their public meetings were made available to observers and regular dialogue had been maintained with securities regulators and prudential supervisors. No consultation documents were published during the year and hence no comment letters were received.

An observing Trustee asked whether the ISSB had dialogue with the European Central Bank (ECB). The ISSB Vice-Chair confirmed that there had been discussions with the ECB, particularly on disclosures of financed emissions.

A Committee member asked that the DPOC be updated on the ISSB's engagement with regional regulatory bodies given the importance of this engagement in building global support for the ISSB Standards and understanding specific jurisdictional concerns.

Educational material—review of due process

The DPOC considered a report as required by the *Due Process Handbook* on the educational material published by the Foundation to support the consistent application of IFRS Sustainability Disclosure Standards for the period February to September 2024. Based on the information provided, the DPOC confirmed that the educational material has been appropriately reviewed as specified by the *Handbook*.

The ISSB Executive Technical Director highlighted the *ESRS–ISSB Standards Interoperability Guidance* that had been published in May. He noted the document is receiving significant attention and is assisting in increasing efficiency for entities that report under both ESRS and ISSB Standards.

Updating the *Due Process Handbook*

The DPOC considered a paper setting out proposed amendments to the *Due Process Handbook* for various topics, including: reflecting the creation of the ISSB and connectivity between the two boards, the maintenance of IFRS Standards, material to support application of IFRS Standards, and the SASB Standards and the SASB Standards Taxonomy.

DPOC members made a number of comments about improvements to be incorporated into the amendments set out in the paper, including:

- proving greater clarity in the explanation of differences in the due process for the IASB and the ISSB;
- specifying engagement with the other organisation involved in developing guidance describing how the requirements in IFRS Standards relate to another organisation's Standards; and
- developing principles for how the board member(s) would be selected for the review of materials to support application of IFRS Standards (not necessarily for inclusion in the *Handbook*).

The staff explained they would provide DPOC members with a draft of the proposed amended *Handbook* for their review. A further DPOC meeting would be held to consider any matters arising from the review and to approve the publication of the exposure draft of the proposed amendments together with an invitation to comment. The exposure draft is expected to be published in December 2024.

Closing

The DPOC Chair thanked all for their participation.