28 March 2025

Dr Andreas Barckow
Chair
International Accounting Standards Board
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London E14 4HD
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Via online submission: www.ifrs.org

Dear Andreas

Exposure Draft: Proposed Amendments to the IFRS Foundation Due Process Handbook

CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) represent over 310,000 professional accountants who work in diverse roles across public practice, commerce, industry, government and academia throughout Australia, New Zealand and internationally. We welcome the opportunity to provide feedback on the above Exposure Draft ("the ED"), reflecting the establishment of the International Sustainability Standards Board (ISSB) and other procedural enhancements. Ensuring due process is crucial for maintaining the legitimacy, transparency, and strength of standard-setting activities. We make this submission on behalf of our members and in the public interest.

We have outlined below our feedback on the proposed amendments to the IFRS Foundation Due Process Handbook ("the Handbook").

Reflecting the creation of the ISSB

We support the proposed updates to the Handbook that reflect the creation of the ISSB and the due process requirements underpinning the standard-setting activities of the body. Notably, we welcome the inclusion of provisions aimed at enhancing the connectivity between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards. This is a crucial step towards a more fully integrated financial reporting framework.

In our view, there is a critical need to ensure that the ISSB upholds the same stringent due process requirements as the IASB. However, given the current nature and structure of the ISSB's standard-setting process, we do not believe this is the case. We recognise the intent to balance the importance of the SASB Standards in the application of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) with the fact that entities are not required to apply the SASB Standards, however, we emphasise that consistent due process is essential for robust standard-setting. This will be aided by the

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development of the much-needed conceptual framework for IFRS Sustainability Disclosure Reporting. The Conceptual Framework for Financial Reporting (Conceptual Framework) does not adequately address the conceptual underpinnings and nuances of sustainability reporting, and a dedicated framework is essential for robust, comparable and reliable sustainability information. Ultimately, to achieve the goal of connectivity between financial and sustainability reporting, a unified conceptual framework that addresses both concepts is desirable – noting the importance of first clearly defining the conceptual framework underpinning sustainability reporting. We also note areas of improvement in transparency to uphold confidence in the ISSB's due process. We have expanded on these points in our response to Question 1.

Post-Implementation Reviews (PIRs)

We are concerned that some proposed wording amendments regarding PIRs will result in increased restrictions at the detriment of IASB's aim to work in the public interest. As experienced in recent PIRs, notably IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments (Impairment)*, there has been disproportionate focus on identifying fatal flaws and cost inefficacies at the detriment of truly considering whether the standard is functional in practice and ensures comparable and reliable financial reporting. Specifically, it is unclear how the "intention" of a new standard, set during its development, can be objectively assessed at the development stage. We suggest aligning the PIR objective with the explicit objectives stated in each standard and providing guidance on how to measure whether a standard is "working as intended."

While we understand the rationale for removing the fixed timeline for PIRs (paragraph 6.48), we believe replacing it with an open-ended approach risks unnecessary delays. To balance flexibility with accountability, we suggest that the boards consider whether sufficient information is available after two years and where it is not, the PIR should not be delayed beyond a further three years, resulting in no PIR being delayed more than five years after a standard's effective date.

Minor amendments to the standards ('annual improvements')

We understand that the term 'annual improvements' is a misnomer as the process does not occur annually and therefore support renaming this process to 'packages of minor improvements to the standards.' However, we have concerns with the proposal to expand the scope of this process to include what is described in the ED as "minor *or narrow-scope* amendments" as this would limit consultation on these matters to a 90-day comment period and restrict outreach to comment letters, which we believe may be insufficient for certain matters within the broadened scope.

IFRS Interpretations Committee

We appreciate the effort to clarify the concept of "widespread effect" as a criterion when considering such matters. However, we suggest further clarity is needed around the

application of this term, particularly regarding the timing of an issue's prevalence. For example, a matter relating to climate reporting may not have widespread effect presently but could have widespread effect in future as climate reporting becomes more prevalent.

To strengthen the IFRS Interpretations Committee's role, we recommend explicitly distinguishing and clarifying the purpose of agenda decisions, IFRIC interpretations, and SIC interpretations. Additionally, a process is necessary for assessing the continued relevance of older interpretations, especially given the rapid evolution of economic conditions.

Material to support application of standards

While we appreciate the value of clarifying the distinction between material issued by the IFRS Foundation and material developed by third parties, to maintain credibility, we recommend that the IFRS Foundation takes ultimate responsibility for reviewing and endorsing any third-party materials published on its website. Stakeholders associate a certain level of quality and reliability with materials published on the IFRS Foundation website, and due process is required to ensure these expectations are met and no misleading material is associated with the IFRS Foundation or the standards.

Meetings held in private

The proposal in paragraph 3.62 to allow consultative group meetings to be held in private raises concerns about transparency. Greater clarity is needed on the specific circumstances under which private meetings would be permitted. To reinforce stakeholder confidence, we recommend that the DPOC consider requiring all consultative group meetings to be conducted publicly. In addition, as noted above we do not support the practice of holding SASB Standards Board Adviser Group meetings in private, as stated in paragraph B3.

We have detailed our suggested improvements in our responses to consultation questions in the **Attachment**. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact either Ram Subramanian at ram.subramanian@cpaaustralia.com.au (CPA Australia) or Amir Ghandar at amir.ghandar@charteredaccountantsanz.com (CA ANZ).

Yours sincerely

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Attachment

Responses to consultation questions

Question 1—Reflecting the creation of the ISSB in the Handbook

Do you agree with how the DPOC proposes to reflect the creation of, and the due process for, the ISSB in the Handbook?

Reflecting connectivity

We support the proposals that amend the Handbook to reflect the establishment of the ISSB and commend the Due Process Oversight Committee (DPOC) for focusing on connectivity and a comprehensive package of information for users of general purpose financial reports. The requirement in paragraph 6.25(b) for the boards to publicly discuss the steps taken to ensure standards developed are compatible and avoid inconsistencies will support cohesive and useful reporting.

To further operationalise this connectivity, we recommend that the DPOC clarify how collaboration between the two bodies will be operationalised. It would be beneficial to establish a dedicated technical group, composed of an equal number of advisors from both bodies and with a balanced jurisdictional representation. The objective of this group would be to ensure compatibility and avoid inconsistencies while minimising the risk of duplicated information across financial and sustainability reports.

Due process for ISSB

We agree that the ISSB should be subject to the same due process requirements as the IASB. However, we wish to raise some concerns for the DPOC's consideration regarding the inclusion of the SASB Standards in the Handbook:

1. The current SASB Standards and the SASB Standards Taxonomy were not subject to the due process requirements, which has caused concern across various jurisdictions. We recognise the intent to balance the importance of the SASB Standards in the application of IFRS S1 with the fact that entities are not required to apply the SASB Standards, however, we emphasise that consistent due process is essential for robust standard-setting. While we support inclusion of provisions on the ISSB's responsibility for maintenance of the SASB Standards, including strategic considerations (paragraph B2) and ratifying amendments (paragraph B3), it is currently unclear how the ISSB will ensure the ongoing robustness and technical quality of the existing SASB Standards.
2. Transparency is essential when appointing members to committees or groups responsible for the development and maintenance of the SASB Standards. We strongly advocate for technical decision-making processes to be conducted publicly, with meeting

papers made available for stakeholder review. Accordingly, we are concerned with the proposal to hold SASB Standards Board Adviser Group meetings in private (paragraph B3) and believe these meetings should be conducted publicly.

We suggest the DPOC consider these points to ensure that the due process for the SASB Standards upholds the same high standards of accountability, transparency, and stakeholder engagement as those governing IASB and ISSB processes.

Additionally, we note that the provisions relating to the IFRS Interpretations Committee and how it assesses the need for standard-setting projects currently apply only to IFRS Accounting Standards. We suggest that a similar approach is adopted for IFRS Sustainability Disclosure Standards. While we recognise the Transition Implementation Group (TIG) was established to support their implementation, ongoing interpretative support is critical for reliable and comparable sustainability reporting. Establishing a separate Interpretations Committee would align with the ISSB's objective of providing implementation support for existing and future IFRS Sustainability Disclosure Standards. Such a mechanism allows identification of practical challenges associated with these standards, and insights gained from this process could inform the development of future IFRS Sustainability Disclosure Standards.

Question 2—Enhancements and clarifications

Do you agree with the proposed enhancements and clarifications to the* Handbook*?

Post-Implementation Reviews (PIRs)

We have concerns with both the objective and proposed timing of PIRs as outlined in the ED.

- ***Proposed objective***

  It has been noticed in recent PIRs that the purpose appears to be identifying “fatal flaws”, rather than thoroughly considering application issues or significant diversity in practice that surpass the reasoning of professional judgement. We have concerns that the objective of PIRs focus too predominantly on whether the *“effects of applying the requirements of a new Standard or major amendment to a Standard … are as intended when the new requirements were developed”* (proposed paragraph 6.50). The intention set at the inception of a standard may evolve throughout the development and implementation processes. To accommodate this, we recommend that this section is expanded to outline the circumstances under which specific application questions could indicate that a standard might not be functioning as intended. We understand that PIRs are not intended to be standard-setting projects, however under the current approach, the PIRs have limited utility, and most unanimous points raised in consultation are dismissed with the ambiguous reasoning that “the Standard is working as intended”.

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We note that the considerations for action and prioritisation are long-standing and have historically been reflected on the IFRS Foundation website and in PIR documentation. We support including this specificity within the Handbook, however noted a few minor changes to the historical wording. For instance, in the Project Summary and Feedback Statement: Post-implementation Review IFRS 15 Revenue from Contracts with Customers, the first consideration for whether the IASB takes action is if there is evidence that *"there are fundamental questions (fatal flaws) about the clarity* ***and suitability*** *of the core objectives or principles"*, however in proposed paragraph 6.62(a) of the Handbook, which reflects this consideration, the words "and suitability" are removed from this statement. This supports the concern that certain objectives and principals will remain unaddressed even if they are unsuitable in practice, provided they are clear and as intended when developed.

In addition, the prioritisation considerations in proposed paragraph 6.63 include that the matter "has substantial consequences" or is "pervasive". We propose that these terms are defined in the Handbook, as they are critical to the reasoning for acting on stakeholder concerns.

- ***Proposed timing***

  We acknowledge the rationale for the proposed deletion of paragraph 6.48, and while we agree that a PIR should be initiated when sufficient information is available in the market, we do not support the proposed change to "when sufficient information is available" without a clear timeline. We appreciate the need to limit disruptions to the various markets reliant upon IFRS Accounting Standards, however, we do not believe the solution is to remove these parameters entirely. We are concerned that contingency upon the vague condition of available sufficient information may lead to important issues being overlooked. To mitigate this, we suggest that the boards consider whether sufficient information is available after two years and where it is not, the PIR should not be delayed beyond a further three years. This results in no PIR being delayed more than five years after its effective date, providing a safeguard for timely and informed evaluations.

- ***Other comments***

  It is also crucial to establish a mechanism for conducting PIRs of older standards, particularly those that may no longer fully address stakeholder needs. Such a proactive approach would enhance the relevance and effectiveness of financial reporting over time.

  In addition, we note that the current provisions in the Handbook do not sufficiently emphasise the proactive enhancement of reporting quality. To strengthen this focus, we suggest that the PIR process be expanded to explicitly consider ways to improve financial reporting quality, beyond merely assessing whether a standard works as intended.

  Finally, we seek further clarity on how the boards will analyse costs and effects, both during the development of a new standard or major amending standard and after its

implementation. While we acknowledge the importance of conducting an effects analysis as part of the standard-setting process, we believe there should be a stronger focus on assessing the actual impact of applying a new standard or major amending standard once it has been in effect for a reasonable period. PIRs are crucial for identifying any unintended consequences and ensuring that standards remain fit for purpose.

Minor amendments to the standards (‘annual improvements’)

We acknowledge that the term 'annual improvements' is misleading since the process does not occur annually. Therefore, we have no objections to renaming it to 'packages of minor improvements to the standards.' However, we have concerns with widening the scope to narrow-scope amendments, given its reduced comment period. While we acknowledge the explicit clarification that this process cannot introduce new principles or alter existing ones, it is important to recognise that even when the intention is not to change the substance of a standard, rewording or added clarification can still have a meaningful impact on preparers. It is therefore essential that all amendments, regardless of their perceived ‘narrowness’, undergo thorough and meaningful consultation.

Additionally, we question whether updating a metric within IFRS Sustainability Disclosure Standards would genuinely qualify as a 'narrow-scope amendment.' Given the potential implications for reporting entities, a 90-day comment period may not provide stakeholders with sufficient time to assess and respond effectively.

To uphold transparency and foster stakeholder engagement, we recommend maintaining robust consultation processes for all amendments and reconsidering whether a shortened comment period is appropriate for updates that may materially affect preparers and users of financial statements.

IFRS Interpretations Committee

We acknowledge the effort to clarify the term "widespread effect" as a criterion for when such matters should be considered but believe further refinement of this term is necessary. The proposed wording, which considers whether transactions are prevalent and have a material effect, may still allow for significant judgment. It also remains unclear how timing considerations will be addressed specifically, whether an issue's prevalence is assessed based on its current context or its potential to become widespread in the future. For example, a matter relating to climate reporting may not have widespread effect presently but could have widespread effect in future as climate reporting becomes more prevalent.

We would also like to highlight the importance of allowing sufficient time for implementation following the issuance of an agenda decision. While this was addressed in the 2020 review of the Handbook, continuous monitoring is essential to prevent unintended disruptions for preparers. We recommend adding further clarity on how the work of the Interpretations Committee and Transition Implementation Groups (or Transition Resource Groups)

interrelate, and how their work influences the PIR process. Establishing clear linkages between these activities will enhance transparency and coordination, ultimately supporting more effective implementation and review processes.

We recommend introducing provisions to clarify the distinctions between agenda decisions, IFRIC interpretations, and SIC interpretations, as well as outlining the processes for assessing the continued relevance and robustness of older agenda decisions, IFRIC, and SIC interpretations, in light of evolving economic conditions and new information. It is important to acknowledge that agenda decisions can, in practice, be viewed as a form of interpreting accounting standards, particularly as jurisdictional corporate regulators may expect application of agenda decisions.

We also note that the last IFRIC interpretation (IFRIC 23) was issued in 2017. Given the increasing complexity of accounting requirements that stakeholders are currently navigating, this raises concerns about the IFRS Interpretations Committee's role in issuing IFRIC interpretations in a timely manner and whether agenda decisions have become a proxy for interpretations. There remains a lack of clarity around the criteria for determining when a matter raised with the IFRS Interpretations Committee should be subject to an agenda decision process instead of an IFRIC interpretation.

Furthermore, the process followed by the IASB when four or more members object to the Interpretations Committee's conclusion that a standard-setting project is unnecessary and that the agenda decision does not amend or add to IFRS Accounting Standards is also unclear. Greater transparency in this regard would strengthen stakeholder confidence in the due process.

Finally, we have concerns regarding the amendment to paragraph 7.13, which removes the term "freely" from access to draft interpretations on the website. It is unclear whether these drafts would be made available at a cost for those who do not have paid subscription, which could, in turn, reduce the volume and diversity of comments received during the consultation process. Ensuring open and unrestricted access to draft interpretations is essential for fostering broad stakeholder engagement and maintaining the integrity of the consultation process.

Material to support application of standards

We support clarifying the purpose of educational materials and enhancing transparency regarding third-party content. It is essential that stakeholders can clearly distinguish between materials issued by the IASB or ISSB and those developed by external parties. To uphold credibility and ensure consistency, we recommend that the IFRS Foundation take overall responsibility for reviewing and endorsing any third-party educational materials published on its website. To increase transparency and understanding of the source and reliability of such material, we also propose that there is clear disclosure of the review process of any third-party materials published on the site.

Other targeted amendments

- ***Consultative Groups***

  As paragraph 6.42 outlines, a board might also form a group comprising experts involved in the implementation of a standard to provide a public forum for the discussion of implementation questions. However, it does not clearly outline the specific circumstances under which an Implementation Group should be formed. To promote consistency and accountability, we recommend enhancing transparency around the criteria and decision-making process for establishing such groups, as outlined in the CPA Australia submission on the 2019 amendments to the Handbook.

  Implementation groups formed after a standard becomes effective have a vital role in supporting stakeholders with the practical application of the standards. To enhance their effectiveness, we recommend that terms of reference are clearly defined, and key performance indicators (KPIs) are established for the IASB/ISSB to assess the success of an implementation group.

  The condition in paragraph 3.62 to allow consultative group meetings to be held in private raises concerns about transparency. Greater clarity is needed on the specific circumstances under which private meetings would be permitted. To reinforce stakeholder confidence, we recommend that the DPOC consider requiring all consultative group meetings to be conducted publicly.

- ***Work plan consultations***

  We support the proposed amendment to require consultation on the IASB's work plan "at least every five years," rather than strictly every five years (paragraph 4.3). This approach enhances flexibility and responsiveness to emerging issues, offering stakeholders more timely opportunities to provide input.

Other matters

- ***Decisions not to undertake further work***

  Proposed paragraph 4.12 stipulates that a decision not to undertake further work as a result of a research project requires the support of a simple majority of the board. We note that per the ED's proposed definition of a simple majority, this is when more than half of the board members present at a public meeting attended by at least 60% of the board members vote in favour of a proposal. This results in as little as a 30% representation of the board having power to terminate further work on a particular matter. We believe this threshold is concerningly low and propose that a supermajority be required to pass such a decision.

- ***Major amendment***

  Currently, the Handbook does not define a "major amendment" to a standard. Considering such amendments are subject to unique due process, it would be beneficial to have clear criteria against which to assess if an amendment is to be classified as "major".

- ***Timing and accessibility of board materials***

  We note the proposed reduction in the distribution period for technical staff papers to board members, from 14 days to 10 days (paragraph 3.8). While we recognise the importance of streamlining processes, we emphasise that allowing adequate time for thorough review and consideration is critical to maintaining the quality of board discussions and decisions. A shorter review period may limit a board's ability to engage deeply with complex technical matters, potentially affecting the robustness of its deliberations.

  Additionally, we highlight the challenges posed by holding consultations during the December–January period. This timing coincides with year-end reporting obligations for many stakeholders and can also coincide with holiday season in many jurisdictions, which may constrain their capacity to provide meaningful and comprehensive feedback. We recommend greater flexibility in scheduling consultations to encourage broader and more meaningful stakeholder participation.

- ***Access to public materials***

  We have noted that proposed paragraph 3.37 removes the term "freely" from a variety of public materials available on the Foundation's website. We do not support any introduction of payment to access these essential materials. Such resources play a vital role in supporting the consistent application of IFRS Accounting Standards, and restricting access through paywalls may limit their reach and effectiveness. To foster transparency and inclusivity, we strongly encourage the continued free availability of these materials, ensuring that all stakeholders regardless of their financial resources, can benefit from the guidance provided.

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