IFASS Meeting Report

International Forum of Accounting Standard Setters

24 - 25 September 2024

London, UK

(Final) REPORT ON THE INTERNATIONAL FORUM OF ACCOUNTING STANDARD SETTERS (IFASS)

24-25 September 2024

Physical Meeting in London, UK with remote participation

IFASS is an informal network of regional and national accounting standard setters (NSS) from around the world, plus other organisations that have close involvement in corporate reporting issues. It is a forum at which interested stakeholders can discuss matters of common interest. The group is chaired by Chiara Del Prete from EFRAG for the March 2022-2025 period.

OVERVIEW

This report relates to the IFASS meeting held on 24-25 September 2024 at the Hilton London Canary Wharf, UK (United Kingdom) with both in-person and remote participation.

The meeting attendees included representatives (130+ in-person and 40+ virtual) of standard setters from 36 jurisdictions (i.e., Argentina, Australia, Austria, Belarus, Belgium, Brazil, Canada, Denmark, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Kenya, Korea, Lebanon, Malaysia, Mexico, Nepal, Morocco, Netherlands, New Zealand, Norway, Philippines, Romania, Singapore, Spain, Sudan, Sweden, Switzerland, Taiwan, Uganda, United Kingdom and USA).

The attendees also included representatives of five multi-country jurisdictions (i.e., the Asian-Oceanian Standard-Setters Group (AOSSG), the Group of Latin American Accounting Standard Setters (GLASS), the Institute of Chartered Accountants of the Caribbean (ICAC), The International Arab Society of Certified Accountants (IASCA) and the Pan African Federation of Accountants (PAFA)).

In addition, there were representatives of the Chartered Institute of Public Finance and Accountancy (CIPFA), the International Accounting Standards Board (IASB), the International Sustainability Standards Board (ISSB), and the International Public Sector Accounting Standards Board (IPSASB).

As outlined in the Table of Contents, the rest of the report is structured as follows:

- Meeting running order;
- Action List; and
- Appendix: List of IFASS participants.

TABLE OF CONTENTS

OVERVIEW 2
MEETING RUNNING ORDER 4
Day 1- Plenary Sessions: 24 September 2024 4
Item 1. Welcome and opening remarks 4
Item 2. Process for the selection of the next IFASS Chair 4
Item 3: Session postponed to March 2025 4
Day 1- Parallel Sessions: Financial Reporting- 24 September 2024 5
Item 4A. Power purchase Agreements 6
Item 5A. IFRS 17 implementation issues in Canada 9
Item 5B. FRC-UK update: Aligning UK GAAP with IFRS 15 and IFRS 16; Going concern; and Reduced Disclosures 11
Item 5C. IAS 37 Targeted amendments 14
Day 1- Parallel Sessions: Sustainability Reporting: 24 September 2024 17
Item 4B. Jurisdictional updates – Asian journey to SR adoption 18
Item 5D. Sustainable Philanthropy Framework (social topic) 21
Item 5E. Sustainability Reporting- Small, medium-sized Enterprises (SMEs) reporting 23
.... 23
Day 1- UKEB-hosted Dinner Event 26
Day 2- Financial Reporting and Sustainability Reporting Plenary Sessions: 25 September 2024 27
Item 6. Introduction 28
Item 7. Intangible assets 28
Item 8. Cash-flow reporting 32
Item 9. INPAG and IPSASB Update 36
Item 10. Connectivity between Financial Reporting and Sustainability Reporting 39
Item 11. Climate-related and Other Uncertainties in the Financial Statements 44
Item 12. ISSB interoperability 48
Item 13. Jurisdictional perspectives on climate-related standards 50
Item 15. Closing remarks 55
ACTION LIST 55
APPENDIX: LIST OF IFASS PARTICIPANTS 56

MEETING RUNNING ORDER

Day 1- Plenary Sessions: 24 September 2024

Item 1. Welcome and opening remarks

In opening the meeting, Chiara Del Prete welcomed the attendees, thanked the IFRS Foundation for their hosting, and gave an overview of the agenda including the parallel FR and SR sessions held in different rooms on Day 1. She also welcomed the new joiners including the EFRAG FRB Chair, Wolf Klinz, who made introductory remarks.

Item 2. Process for the selection of the next IFASS Chair

Chiara Del Prete announced that her term as IFASS Chair would conclude in March 2025 and the transfer of responsibilities to her successor will be completed by May 2025. She then presented details (including key dates and prerequisites) of the nomination and voting procedure for selecting her successor. Notably, nominations could be made for candidates from IFASS participant organisations to be either the Chair or Co-chairs of IFASS. There would only be a vote if more than one candidate was nominated. In the eventuality of a single nomination, there would be no vote conducted, and the nominee would be declared the IFASS Chair. If a vote was held, the candidate with the most votes would be declared the Chair regardless of whether they had obtained more than 50% of the vote. To be eligible to vote, an IFASS participant organisation must have attended at least one IFASS meeting since the last IFASS Chair election.

Chiara Del Prete confirmed that each regional standard-setting body would have a vote, and each jurisdictional representative would also have a vote.

Chiara Del Prete noted that as IFASS participant organisations are increasingly involved in sustainability reporting, her proposal was for the coordination within jurisdictions between those involved in accounting and sustainability reporting and that a single vote be cast per jurisdiction.

Discussion

An IFASS participant noted that there were two independent financial reporting and sustainability reporting boards in his jurisdiction (Japan) and they could reach different conclusions in their choice of IFASS Chair. Hence, he suggested that they be allowed two votes. Similarly, another IFASS participant noted that, in her jurisdiction (UK), both the regulator and standard setter were IFASS participant organisations, but due to their different objectives, it would be challenging to coordinate and elicit a single voting choice. Based on this feedback, Chiara Del Prete agreed to revise the voting procedure and to thereafter circulate (to IFASS participants) for comments an updated voting procedure paper before the initiation of the nomination and possible voting process.

Item 3: Session postponed to March 2025

Day 1- Parallel Sessions: Financial Reporting- 24 September 2024

On behalf of Chiara Del Prete, who chaired the parallel sessions on sustainability reporting, Carolyn Cordery ((External Reporting Board – XRB - New Zealand) chaired the parallel sessions on financial reporting that comprised four sessions (i.e., Power purchase agreements, IFRS 17, UK GAAP update by FRC-UK, and IAS 37 Targeted Amendments).

Item 4A. Power purchase Agreements

The objective of the session was to discuss the IASB's Exposure Draft *Contracts for Renewable Electricity* (the "ED"). The session consisted of a panel discussion moderated by Keith Kendall (Australian Accounting Standards Board – AASB) with four panellists, namely, Katharine Christopoulos (Canadian Accounting Standards Board – AcSB - Canada), Carolyn Cordery (External Reporting Board – XRB - New Zealand), José Luiz Carvalho (Group of Latin American Accounting Standard Setters – GLASS) and Pierre Martin (Autorité des Normes Comptables (ANC - France).

Responses to polling questions during the session can be accessed through this link here.

Power Purchase Agreements (PPAs) across jurisdictions and general views on the ED proposals

Australia: Keith Kendall noted that PPAs were common in Australia. Different states had different power markets, so there were different prevalences of physical and virtual PPAs. He explained that the Australian government had passed legislation to reduce carbon emissions by 43% by 2030 and to net zero by 2050. To achieve this, the largest industrial facilities had annual emissions limits and those exceeding the limits were required to manage their excess. Therefore, the IASB's accounting proposals were quite relevant for Australia. Stakeholders had noted that the current accounting for physical and virtual PPAs was difficult and introduced unnecessary costs. Thus, they generally supported the ED's proposals especially because of the reduced volatility in the income statement. He was of the view that the proposals would incentivise entities to enter into further renewable energy contracts.

Canada: Katharine Christopoulos noted that physical and virtual PPAs were also present and growing in prevalence in Canada and the AcSB supported the proposed hedge accounting requirements for PPAs (both physical and virtual) but had concerns about some of the other proposals.

Latin America: José Luiz Carvalho noted that 25% of the energy generated in Latin America was renewable and that only a small part of the market could have a PPA where volume risk could arise. Thus, the impact of the proposed amendments would be limited.

New Zealand: Carolyn Cordery noted that New Zealand had a gross pool market for electricity, which led to virtual PPAs with expected growth from the three to five currently entered into annually. She noted only 30% of New Zealand's total energy consumption came from renewable sources and there were initiatives such as emissions trading schemes to encourage the use of renewable energy. She considered the ED's hedge accounting proposals would be useful but that was not the case with the 'own use' proposals. She also highlighted concerns regarding ancillary contracts and the commercial sensitivity of the proposed disclosures.

France: Pierre Martin observed that the ED's proposals had been sought after in France because of the prevalence of physical and virtual PPAs. The issue for physical PPAs was service providers with "sleeved"/ancillary contracts. French stakeholders expected these service contracts to be included in the PPA analysis proposed in the ED.

Aspects of the ED's proposals supported by panelists

Keith Kendall observed that the AASB generally supported the IASB's proposals albeit with recommending some clarifications. The greatest benefit in Australia would be from amending the hedge accounting requirements. Most stakeholders entered into virtual PPAs to secure a volume of renewable energy at a fixed price. However, the current accounting standard resulted in income statement volatility and this could prevent entities (based on their risk management policies) from entering into such contracts. The proposed amendments to the hedge accounting requirements would remove that volatility and could remove a disincentive for entities to use renewable energy sources. Further, he conveyed that stakeholders welcomed the ED's own use proposals because calculating the fair value of PPAs was difficult and, in their view, the current accounting treatment does not reflect the substance of the contract.

Pierre Martin noted that the ANC had generally agreed with the proposals. In relation to the ED's own use proposals, the ANC appreciated the IASB's tentative decision to consider operational and production seasonality with a maximum period of 12 months.

Carolyn Cordery noted that the New Zealand XRB agreed with the transition requirements and early adoption proposals.

On the transition requirements, Katharine Christopoulos raised the concern on whether physical and virtual PPAs would be on the same playing field considering that the own use amendments were required to have a retrospective application while those applying the hedge accounting requirements would implement the proposals prospectively.

José Luiz Carvalho pointed out that GLASS generally agreed with the proposals. He explained that in Latin America the established model was such that the production risk was generally borne by the producer rather than by the client as the energy producers had to remunerate the system if there was any delay or loss of supply. Thus, he did not expect a significant impact from the ED in the Latin American region. He also expressed support for the disclosure requirements for subsidiaries without public accountability. Lastly, he agreed with the effective date being 1 January 2026 as it would allow entities to obtain retroactive information and address potential issues.

Concerns around the ED proposals

Carolyn Cordery expressed concern about the standard not being principle-based and overlooking the technological progress that may occur. In this regard, the New Zealand XRB recommended the proposed amendments to be temporary to allow technological development and experience to evolve. In addition, some disclosures could be commercially sensitive. This issue was particularly acute in New Zealand given the limited number of PPA contracts in force. Pierre Martin noted that the latter was also a concern for the ANC.

José Luiz Carvalho noted that GLASS had similar concerns as there were markets with different degrees of maturity and contracts were constantly evolving, which could mean that the proposed amendments were only temporarily applicable. He considered there was also a risk of entities analogising the amendments to other similar contracts that do not meet all the requirements.

Katharine Christopoulos agreed that the use of renewable energy contracts should not be disincentivised by an IASB delay in resolving stakeholders' concerns. However, she was of the view that the hedge accounting requirements could work for both physical and virtual PPAs as the concern about income volatility was primarily a presentation issue. She also agreed that the proposals were not principle-based. Moreover, she expressed concern that the proposals could open the door for additional standard-setting requests, as all long-term contracts experience volatility. The AcSB agreed with the dissenting views raised by a few IASB members that parallels could be drawn to other contracts with the only difference being the inability to store energy. Thus, she also supported a sunset clause until storage technology emerged. Lastly, she remarked that Canadian users had struggled to understand the differences in accounting for physical and virtual PPAs as both contracts had a similar economic outcome.

Pierre Martin highlighted concerns regarding ancillary contracts. He explained that third parties, such as aggregators that balance supply and demand on the grid, were intermediaries between the producer and the purchaser of the PPA. French stakeholders expected those third-party service contracts to be considered in the analysis as part of the proposals. This concern was also shared by Carolyn Cordery.

Aspects the IASB should consider in the future

Keith Kendall noted that the proposals were a short-term solution to address an immediate concern and agreed that there was a departure from principles-based standard setting. He considered that future research should be carried out on the energy storage concern, whether nature-dependent energy sources like hydro should be part of the scope, and whether the economic substance was reflected in the accounting treatment.

José Luiz Carvalho observed that different countries had different regulations and different sources of energy, so contracting was a challenge for operators, especially those working across multiple jurisdictions. He noted that discussion of risk management strategies for dealing with such contracts had not taken place and the IASB should take that into account for future considerations.

Carolyn Cordery noted that a principle-based approach would consider the whole portfolio of instruments for risk management. She also requested more connectivity with the sustainability requirements in the medium term, especially in terms of disclosures and definitions.

Katharine Christopoulos outlined that entities were sometimes entering into PPAs to obtain renewable energy certificates (RECs). Therefore, in the short term, the IASB needed to consider the accounting treatment of RECs.

Pierre Martin acknowledged that the ED's proposals were a speedy solution, and he reiterated his support for the rapid implementation of the amendments.

Audience Q&A-PPA

An IFASS participant noted that Europe could not rely anymore on Russian gas because of the war, so it was not possible to wait for a holistic principle-based solution. He explained that the ED made it clear that entities acquiring electricity for their own use would need to buy back any unused volume of electricity sold in the market. Entities wanted to remove the volatility in the income statement and users were not concerned with fair value from contracts that had been entered into for own use purposes. Therefore, there was reason to support the amendments even if it was not a perfect solution.

In response, Carolyn Cordery reiterated the need for a sunset clause and Katharine Christopoulos also emphasised there was no intention to disincentivize the use of renewable energy contracts. She reiterated that a hedge accounting solution would work for virtual or physical PPAs and would have similar economic outcomes.

The IFASS participant countered that due to the international conflicts and political situations, it was difficult to estimate future market prices for electricity and therefore determine a fair value for PPAs, that being the reason why most contracts were physical and why own use was important.

An IFASS participant also supported a principle-based solution, as the proposals could have an impact on the current accounting principles. However, they understood the need for a short-term solution not to disincentivise PPAs. She outlined concerns raised in her jurisdiction about the own use proposals that could open the door for other similar situations as well as concerns about the excessive disclosures. Finally, she noted that the rationale for PPAs was that they often allowed access to RECs, so not having specific accounting rules for RECs could be an issue.

Item 5A. IFRS 17 implementation issues in Canada

Katharine Christopoulos (AcSB) highlighted that Canadian entities which met the public accountability definition had to apply IFRS accounting standards with almost 300 insurance entities applying IFRS 17, ranging from multinational entities to mutual insurance companies. The market cap of the four largest insurers was almost CAD 200 billion.

IFRS 17 benefits and challenges

The benefits of transitioning into IFRS 17 included that the profit or loss statement was similar to other industry profit or loss statements and greater consistency with other standards such as IFRS 15. Operationally, there had been system improvements, as the systems were old and outdated, even though it was costly.

The challenges included the amount of judgement involved from accounting and actuary departments and that they needed to work together more which entities were not used to. There were also concerns on data intensity and there had been challenges relating to checking whether contracts for non-insurers met the definition of insurance contracts.

Analysts' views

Specialised users had been consulted on the effects of reporting under IFRS 17. On the positive side, there was support for the separation of investment and insurance results and the new non-GAAP measure in Canada (which was particularly related to the reinsurance business in Canada, for which reinsurance contracts had not been as well defined in IFRS 17). There had been less change for general insurers as the applied the simplified approach, and therefore their financial statements were not substantially different. Some analysts were supportive of profit no longer being front-ended and being reflected in the contractual service margin ('CSM') instead.

Challenges arose from the increased levels of judgement within the principles-based standard, which differs from entities' previous accounting.

Sample of challenges when implementing IFRS 17

Reinsurance held accounting - The standard had been written for direct insurance, so there had been interpretations for reinsurance contracts issued and held specifically around the contract boundaries, i.e., what was the length of the reinsurance contract, how to deal with modifications, etc. Also, reinsurance held contracts cannot be onerous thus this resulted in mismatch issues. Another aspect was that reinsurance contracts held cannot be measured using the Variable Fee Approach ('VFA') and as a result, there were cost, and systems concerns where one subsidiary reinsures another subsidiary's VFA contracts, but these figures were eliminated upon consolidation.

Annual cohorts - The application of annual cohorts was becoming very onerous because entities needed to have quarterly cohorts due to quarterly reporting and entities over time would not be able to hold on to that much data. The users had questioned how relevant the information on the annual cohorts was over time.

Liability roll-forward tables - The issue related to the granularity required in the standard and had to be repeated for every reporting segment and business line, every quarter. Users also indicated that those disclosures were not widely used.

Interim financial statements – Producing interim financial statements was onerous and costly for multinational entities with subsidiaries and branches that had different reporting frequencies (parent quarterly versus subsidiary annually reporting) and these subsidiaries/branches had to report a full set of financial statements with disclosures to be IAS 34 *Interim Financial Reporting* compliant.

Mortality losses/longevity gains disconnect – The requirement that all insurance experience resulting from a change in future cash flows goes through the CSM rather than earnings was an operational simplification and worked well with large blocks of insurance contracts as there was a natural offset of risks within that block. However, for smaller blocks of insurance (i.e. new business) or a small group of very material claims, any changes had a material impact.

Locked-in versus current rates – The CSM interest accretion being determined using locked-in rates rather than current rates had also led to unintuitive impacts when current rates were materially different from locked-in rates.

Contracts acquired during their settlement period - Katharine Christopoulos highlighted an issue with contracts acquired during their settlement period, which interacted with IFRS 3. This is related to short-term contracts with long-tail claims. Under IFRS 17, the acquiree treats this as a liability for incurred claims, i.e. the insured event had occurred, but the acquirer had to treat it as a liability for remaining coverage, i.e., the insured event has not occurred. That created insurance revenue for acquirers, which users had objected to. General insurers also had to move to the General Model and set up a CSM. This was more complex and challenging than initially considered. Users had raised that it was not relevant information in the P&L. This accounting treatment for contracts acquired in their settlement period, deterred some insurers from doing acquisitions and instead buying books of businesses versus a share purchase.

Audience Q&A – IFRS 17 implementation issues

Parallel session Chair, Carolyn Cordery observed that there had not yet been wide adoption of IFRS 17 in New Zealand and asked how the AcSB had collected the feedback on implementation. Katharine Christopoulos stated that they still had the transition resource group for insurance, and they had also carried out individual analyst calls.

An IFASS participant stated that there had been longstanding issues between IFRS 3 and other IFRS standards, particularly on deferred taxes. Katharine Christopoulos indicated that the issue on IFRS 3 was raised based on new facts and circumstances for the IASB to consider.

An IFASS participant asked whether the IFRS 17 effects had been felt similarly by all insurers. Katharine Christopoulos replied that general and life insurers had had very different experiences. Smaller insurers had had more issues meeting timelines due to resources. Some of the issues mentioned are related to multinationals.

Item 5B. FRC-UK update: Aligning UK GAAP with IFRS 15 and IFRS 16; Going concern; and Reduced Disclosures

Jenny Carter and Stephen Maloney from the UK Financial Reporting Council (FRC-UK) shared highlights from FRC-UK projects related to a) aligning UK GAAP with IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*; b) going concern; and c) reduced disclosures.

Aligning UK GAAP with IFRS 15 and IFRS 16

To contextualise the amendments aligning UK GAAP to IFRS 15 and IFRS 16, Jenny Carter gave an overview of the process of making amendments to UK GAAP standards, FRS 102[1] *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*, which is based on *IFRS for SMEs* Accounting Standards, and FRS 105 *The Financial Reporting Standard applicable to micro-entities regimes*. FRS 102 and FRS 105 are subject to a periodic review every five years. The most recent (and second) periodic review began in 2021, and the related amendments were published in March 2024, with a principal effective date of 1 January 2026.

What changed in the second periodic review? Based on feedback to Financial Reporting Exposure Draft 82 (FRED 82) published in 2022, the amendments of revenue recognition requirements in FRS 102 and FRS 105 are aligned with IFRS 15 and the amendments of lease accounting requirements in FRS 102 are aligned with IFRS 16. These amendments aim to provide better information to users of financial statements.

What has not changed in the second periodic review? Firstly, no expected credit loss model for financial asset impairment was added. This in part is in anticipation of the *IFRS for SMEs* Accounting Standard, even though the FRC requirements may differ from the IASB requirements. Secondly, there has also not been any update to align insurance contract accounting with IFRS 17, any such update would be subject to separate future consultation and there are some company law requirements that would currently prevent full alignment with IFRS 17. Finally, lease accounting for micro-entities (FRS 105) has not changed.

[1] FRS 102 is a single financial reporting standard applicable to entities without public accountability and to some that do have public accountability. FRS 102 sets out the requirements for entities that are not applying adopted IFRS and other UK GAAP standards (FRS 101 *Reduced Disclosure Framework* and FRS 105 *The Financial Reporting Standard applicable to micro-entities regime)*.

Alignment with IFRS 15

Stephen Maloney stated that the amendments to FRS 102 and FRS 105, which are based on IFRS 15, introduced a single comprehensive five-step model on revenue from contracts with customers and reestablished consistency between UK GAAP and IFRS Accounting requirements. The previous alignment had been with the IFRS 15 predecessor Standards (IAS 11 *Construction Contracts* and IAS 18 *Revenue*).

Stephen Maloney noted that FRED 82 had been informed by the third draft of the *IFRS for SMEs* Accounting Standard ED. The final amendments reflected the feedback to the FRED 82 proposals, which had been to more closely align FRS 102 with IFRS 15 and for further simplifications to FRS 105 for micro-entities applying the model.

The areas of simplification from IFRS 15 to FRS 102 include licensing; discounting is not required of payments received in advance; a simplified allocation of discounts or variable consideration; and the use of hindsight on transition. The areas of simplification from FRS 102 to FRS 105 include new guidance highlighting application to simple transactions, and the removal of certain requirements where benefits were unlikely to outweigh the costs.

Alignment with IFRS 16

Based on the alignment of FRS 102 requirements to the model in IFRS 16, more operating leases would come onto the balance sheet and this reestablished consistency between UK GAAP and IFRS Accounting requirements. There were a number of optional simplifications to IFRS 16 albeit they were reduced relative to those that had been proposed in the ED, as a result of the feedback to the ED. This feedback also called for proportionality in the requirements for the recognition of leases on the balance sheet as it could be difficult to implement.

Areas of simplification from IFRS 16 to FRS 102 included the recognition exemption for leases of low-value assets. No threshold for exemption had been specified but a list of assets that were not considered low value had been provided. Similar to IFRS 16, if readily determinable, the implicit interest rate is applied for discounting. If the implicit interest rate is not readily determinable, similar to IFRS 16, the incremental borrowing rate is applied for discounting. In addition, for simplification purposes, an obtainable borrowing rate[2]can be applied as an alternative to the incremental borrowing rate.

Stephen Maloney stated that FRS 102 applied to public benefit entities in the UK, and he noted that it was possible for those entities to receive a donation as part of a lease and this had been accommodated via the requirements for leases containing a non-exchange component.

Going Concern

Jenny Carter noted that, as a result of the 2024 periodic review, changes were made to FRS 102 to explicitly require a statement that the going concern basis of accounting had been applied and management had considered the required future information. The amendments also drew attention to the requirement to disclose significant judgements related to going concern assessment.

Jenny Carter noted there were company law requirements around principal risks and uncertainties in the strategic report, requirements in the listing rules, requirements in the UK Corporate

[2] Obtainable borrowing rate is "*the rate of interest a lessee would have to pay to borrow, over a similar term, an amount similar to the total undiscounted value of lease payments to be included in the measurement of the lease liability*"

Governance Code, and auditing standards which all play a role in informing about a reporting entity's going concern.

She also highlighted an FRC publication to help preparers with their going concern disclosures, which had been updated and was out for consultation until late October. It collated the disclosure requirements in different places to give preparers guidance on the process to follow and potential disclosure requirements they would have to apply under different scenarios. Updates included changes to factors and techniques to support the assessment process, focus on significant judgments, proportionality, and reflecting the circumstances of individual entities.

Reduced Disclosure Framework

Stephen Maloney highlighted that although the endorsement of IFRS 19 in the UK was under the remit of the UKEB, the publication of IFRS 19 raised questions about FRS 101 *Reduced Disclosure Framework*. He noted that despite these two standards having similar objectives, their scopes and exemption mechanisms were different. Under FRS 101, a preparer was required to make the same disclosures as IFRS Accounting Standards unless there was a specific exemption. Some exemptions in FRS 101 were not available to financial institutions or were only available if there was equivalent disclosure in the group financial statements under FRS 101. On the other hand, IFRS 19 specified which disclosures were required and which ones allowed reduced disclosures.

As part of the exemption mechanism, FRC conducts an annual review to consider exemptions from new disclosure requirements of IFRS Accounting Standards and the exemptions are decided upon based on principles included in the FRS 101 Basis for Conclusions (relevance; cost-constraint; and avoiding gold-plating). There is a question of whether these principles are still right after 10 years. There are a number of differences between the disclosures required by the two standards (e.g., FRS 101 preparers are exempt from applying the requirements of IAS 7 *Statement of Cash Flows*).

Stephen Maloney stated that FRS 101 was popular and working well, but there is not much data to either determine the number of applying entities or their feedback on the requirements. A research survey is underway to obtain preparers' views on the principles and disclosure exemptions to inform the future development of FRS 101 along with enabling its comparison to IFRS 19.

Audience Q&A –FRC- UK update

Parallel session Chair, Carolyn Cordery asked if users of the reduced disclosure framework were known and, whether similar to the preparer survey, users were being asked for feedback. Stephen Maloney replied that there was interest in users' views, but the current survey was not aimed at users. He observed there were not many users of qualifying entities' financial statements with particular interest, so it was difficult to gather feedback. Jenny Carter noted that a lot of the preparers would be wholly owned subsidiaries. External users would be interested in specific disclosures.

Carolyn Cordery noted that many participants had stated that local GAAP might have outdated revenue or lease situations. Katharine Christopoulos stated that Canada had different frameworks to account for this. Private entities were on the risk rewards model. The GAAP had not yet been updated as stakeholders were concerned about change and did not want to move to an IFRS Standards model. Jenny Carter stated that the FRC's feedback had suggested that entities agreed with maintaining alignment with IFRS Standards, but there needed to be appropriate simplifications.

An IFASS participant stated that Italy had developed local accounting standards for unlisted companies and a revenue standard that would be close to IFRS 15. Also, the local accounting for leases needed to be updated but entities found IFRS 16 more complex to apply. The participant asked whether there was a standard for liquidation. Jenny Carter indicated there wasn't one.

Item 5C. IAS 37 Targeted amendments

Joan Brown (IASB) moderated the session. After she gave an overview of the proposals for targeted amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; jurisdictional perspectives on the proposals were shared by Katherine Knowlton (AcSB), Pierre Martin (ANC), and Rasmus Sommer (EFRAG).

<u>Overview of the proposals for targeted amendments to IAS 37</u>

Joan Brown highlighted that an Exposure Draft (ED) on the amendments was expected to be published in November 2024, with a comment period until March 2025. The three aspects targeted for improvement were the present obligation criterion for recognising a provision, the estimates of expenditure required to settle a provision, and the rates used to discount future expenditure to its present value.

Proposals on the present obligation recognition criterion: Joan Brown explained that the current requirements were unclear, leading to interpretations such as IFRS Interpretations Committee Interpretation 21 *Levies* (IFRIC 21), which investors considered to not always result in useful information. Against this backdrop, the proposals clarify and amend this criterion by:

- Disentangling it into three separate conditions, namely a) the entity having an obligation; b) the nature of the obligation being to transfer an economic resource; and c) the obligation being a present obligation that exists because of a past event. This would also align IAS 37 with the Conceptual Framework for Financial Reporting as updated in 2018.
- Removing the current requirement that an obligation exists independently of an entity's future actions and withdrawing IFRIC 21. Instead, an entity would recognise a provision if:
  a. It has obtained specific economic benefits or taken a specific action set out in the obligation and therefore will or may have to transfer an economic resource it would otherwise not have had to transfer; and
  b. if it has no practical ability to avoid any remaining actions required to trigger a transfer,

  Under IFRIC 21, no provision is recognised until all the remaining actions have been taken.

Joan Brown provided an example where a levy is triggered when an entity generates revenue and is operating on a given date to illustrate the difference in the timing of recognition of a provision between IFRIC 21 and the proposals.

Discount rate proposals: Joan Brown highlighted that IAS 37 requires the discount rate for provisions to reflect the time value of money and the risks 'specific to the liability', but does not specify those risks. In particular, it is not clear whether they include non-performance risk. This has resulted in diversity in practice, leading to significant differences for entities with large long-term provisions, typically asset decommissioning ones.

Joan Brown noted that the proposal specified that the non-performance risk was not to be included in the discount rate, which would reflect the time value of money as represented by a risk-free rate, and uncertainty related to the timing and amount required to settle the obligation if they were not reflected in the cash flow estimates.

Jurisdictional perspectives on the proposed amendments

ANC (France) perspective: Pierre Martin expected most of the proposals to be met with support, especially for disentangling the three conditions and for aligning IAS 37 with the Conceptual Framework. Moreover, he called for additional clarity on the time horizon of the assessment. With respect to the proposal for the provision to be recognised over time instead of at a point in time, Pierre Martin recommended strengthening the conceptual justification of the proposal in the ED's Basis for Conclusions, by adding explicit references to the Conceptual Framework and making analogies to existing IFRS Accounting Standards (e.g., IAS 12). This will help make it clear that the proposal pertains to the recognition and not the measurement condition.

AcSB perspective: Katherine Knowlton indicated that in Canada some industries typically included non-performance risk in provisions' discount rates (e.g., oil and gas), while others did not (e.g., mining). She highlighted that the amendments foster greater comparability within Canada and across IFRS jurisdictions but hindered comparability with US GAAP which requires including non-performance risk in the discount rate for provisions.

Lastly, Katherine Knowlton recommended the IASB to clarify in the ED's Basis for Conclusions why the requirements to use a pre-tax discount rate were retained in IAS 37, given that they had recently been removed from other IFRS Accounting Standards, and whether the requirement to use a discount rate not including non-performance risk would be consistent with fair value measurement. As regards the latter, were it not to be the case, a gap would be created between the measurement of provisions for IAS 37 versus for fair value purposes, which would impact IFRS 3 leading to a recognition of a day 2 difference. This could arise because the proposals removed the exception on the recognition of provisions in IFRS 3 that was in place because of the differences between the definition of a liability in IAS 37 and the Conceptual Framework mentioned above.

EFRAG perspective: Rasmus Sommer presented two examples illustrating interpretation issues that may arise from the proposed present obligation recognition criterion.

Example 1: The first example related to European banks' levies (contributions) to the Single Resolution Fund[3] whereby each year, a participating bank pays a levy/contribution based on its level of liabilities two years ago (i.e., a levy/contribution to be paid in 20X2 would depend on the level of liabilities in 20X0) and other factors including a) the total amount that should be collected from all covered institutions in a particular year; and b) the bank's assessed risk compared to other banks. If a bank would not have been operating in 20X0, the levy to be paid in 20X2 would be calculated using other/more recent figures besides those of the 20X0 financial statements.

[3] The Single Resolution Fund (SRF) is a financial mechanism established in the European Union, aimed at managing the resolution of failing banks in a way that minimizes costs to taxpayers. The SRF is financed through ex-ante contributions collected from credit institutions and certain investment firms within the European Banking Union.

For this fact pattern, Rasmus Sommer presented the following arguments/circumstances for concluding that, for a participating bank, a past event exists/ recognising a liability occurs in either 20X0 or 20X2.

- A reason for concluding a past event exists/recognising a liability in 20X2 could arise if the bank will have to pay the levy even if it was not operating in 20X0. That is, the bank will not transfer an economic resource in 20X2 that it would otherwise have had to transfer in 20X0.
- A reason for concluding that a past event exists/recognising a liability two years prior (i.e., in 20X0) could be that, for a bank operating in 20X0, if it would borrow additional money in 20X0 (i.e., increase its riskiness). That is, the bank would have to pay an amount in 20X2 that it would otherwise have not had to pay had it not taken action to increase its risk in 20X0.

Either interpretation that a past event exists/recognising a liability occurs in 20X0 or 20X2 could result in further questions/issues to be considered.

- For an interpretation (that would be similar to IFRIC 21) that a past event exists/recognising a liability in 20X2, a question would arise whether the outcome would be different if there were two separate levies depending on when entities were operating (e.g., Levy 1 applicable for banks operating in 20X0 and Levy 2 applicable for banks operating after 20X0), and whether differences in the reporting outcomes contribute to useful information.
- For an interpretation that a past event exists/recognising a liability in 20X2, the question would arise whether a) a bank operating in 20X0 would have the practical ability not to operate as a bank in 20X2; and b) the liability can be measured reliably as the amount of the levy/contribution also depends on factors completely outside the control of the entity – including the total amount of contribution that would have to be collected from all covered institutions and the riskiness of other banks.

Example 2: The second example is related to property tax based on rental values. An entity using a building pays tax on its rental value of two years ago, unless it moves out of the region where the building is located. In the first two years, the tax would, however, depend on the rental value in the year the entity would start using the entity. The proposed present obligation recognition criterion could thus result in an entity having to recognise the tax of three years as a liability when starting to use a building. Also, a question could arise whether the entity had the practical ability to move to another region within two years.

Audience Q&A- IAS 37 targeted amendments

An IFASS participant emphasised the increased complexity of the proposals, as they require the application of judgement to determine whether a provision should be recognised.

Day 1- Parallel Sessions: Sustainability Reporting: 24 September 2024

Item 4B. Jurisdictional updates – Asian journey to SR adoption

Bee Leng Tan (Malaysian Accounting Standards Board-MASB) moderated the session on the Asian journey to sustainability reporting adoption, whereby Sam Prestidge (ISSB) initially presented the ISSB perspective on Asian adoption. This was followed by presentations made by Bee Leng Tan (MASB), Kuldip Gill (Accounting and Corporate Regulatory Authority-ACRA, Singapore), and Rosita Uli Sinaga (Indonesia Institute of Chartered Accountants, IAI) on their jurisdictional perspectives. A panel discussion was held after the presentations.

Responses to polling questions during the session can be seen here.

ISSB Asian Adoption

Sam Prestidge highlighted the extensive momentum for the adoption of ISSB Standards across the world. The ISSB could help jurisdictions to navigate towards the final goal of adoption and it has engaged with dozens of jurisdictions on application and implementation questions for the technical content of ISSB Standards (IFRS S1 and IFRS S2) and it has also engaged with regulators.

Bee Leng Tan asked how the ISSB was providing targeted support to national standard setters during the early stages of the adoption of ISSB Standards. Sam Prestidge replied that a key area where the ISSB could provide support was in addressing specific implementation questions, especially with the work of the Transition Implementation Group (TIG). It was useful for jurisdictional stakeholders to highlight areas where they would welcome further educational material.

The panellists also pointed to common challenges in the collection of data (e.g., emissions data), estimation methodology, and upskilling of human resources within their jurisdictions.

Malaysia jurisdictional update

History and key players that have shaped Malaysia's sustainability reporting: Bee Leng Tan reported that Bursa Malaysia, the stock exchange, had laid the foundation for sustainability reporting for listed issuers through its sustainability framework introduced in October 2015. Other regulators, including Bank Negara Malaysia, the Malaysian central bank, and the Companies Commission, had issued some form of requirements, be it mandatory or voluntary.

Following the establishment of the ISSB, the regulatory agencies had come together and a national committee, the Advisory Committee on Sustainability Reporting (ACSR), chaired by the Securities Commission Malaysia was formed. In February 2024, ACSR issued a public consultation paper on the roadmap for the adoption of ISSB Standards in Malaysia. The ACSR's key roles were to identify enablers that would facilitate the use and application of ISSB Standards, and to identify supporting elements that had to be in place, including a framework for assurance and capacity building. These collectively constitute the National Sustainability Reporting Framework (NSRF) which in the initial years of implementation would be overseen by the ACSR.

The ACSR had engaged with stakeholders across sectors, including the International Auditing and Assurance Standards Board (IAASB) when it issued the proposed ISSA 5000 on the general requirements for sustainability assurance engagements. The finalised NSRF had been issued earlier on 24 September, and following that, the ACSR would move on to focusing on capacity building as well as acting as the NSRF implementation support hub.

ACSR public consultation: Bee Leng Tan stated that the ACSR public consultation paper (February 2024) had proposed different adoption timelines[4] for different market players to adopt ISSB Standards given the differences in terms of readiness and maturity between listed and large non-listed companies. Large non-listed companies within the scope of the NSRF were those with revenue of RM2B and above, instead of sector-specific thresholds which would add another layer of complexity for large non-listed companies operating in multiple sectors. To address the level of readiness, the ACSR also proposed certain short-term reliefs beyond that provided by the ISSB.

Final roadmap after ACSR consultation: As a result of the feedback to the ACSR, the finalised NSRF has split the Main Market listed issuers in the Malaysia Stock Exchange (Bursa Malaysia) into two groups, publicly listed companies with a large cap of RM2B and above in Group 1 and the rest of the Main Market listed issuers in Group 2. Both the ACE Market listed issuers and the large non-listed companies would be in Group 3.

IFRS S1 and S2 would be adopted at the same time, which would be in 2025 for Group 1, 2026 for Group 2 and 2027 for Group 3. External reasonable assurance would be required two years after the mandatory application of the ISSB Standards instead of limited assurance as proposed earlier. As for the additional reliefs beyond the ISSB Standards, only the proposal on climate-related disclosures for principal business segments was finalised in the NSRF. The existing one-year transition relief in IFRS S1 on climate-related disclosure only is extended for an additional 1 year for Group 1 and Group 2, and 2 years for Group 3. The existing one-year transition relief in IFRS S2 to not disclose Scope 3 GHG emission is similarly extended the additional 1 year for Group 1 and Group 2, and 2 years for Group 3 except for categories already required by applicable entities' respective regulators.

<u>Singapore jurisdictional update</u>

History and key players that have shaped Singapore's sustainability reporting: Kuldip Gill reported that in February 2024 the Accounting and Corporate Regulatory Authority (ACRA) Singapore had announced mandatory climate reporting and assurance. In June 2022, ACRA had set up, with the Singapore stock exchange, the Sustainability Reporting Advisory Committee (SRAC) to advise in terms of advancing climate reporting. In July 2023, the SRAC published a public consultation, for which 3,000 stakeholders had been engaged, and 180 written comments had been received providing valuable feedback, which had been incorporated into the SRAC recommendations.

Roadmap, timeline for mandated requirements and companies in scope: The aim was to have collective action involving both listed and non-listed companies (99% of the 440,000 incorporated Singapore companies are non-listed). However, there was a need to initially focus on climate with requirements for limited assurance on scopes 1 and 2. To be practicable, the roadmap was phased to factor in companies' experience and readiness. Listed entities would be covered in 2025, as they had been publishing sustainability reports since 2017, and then large non-listed

[4] The February 2024 ACSR consultation had proposed the Main Market listed issuers would start adoption in 2025 with IFRS S2, then move onto IFRS S1 in 2026. The ACE Market listed issuers and the large non-listed companies would start two years after the Main Market listed issuers. Large non-listed companies were scoped in as they are integral to the broader supply chain and also, economically or environmentally significant companies would not be limited to public listed companies.

companies, with greater than S$1 billion and total assets greater than S$500 million, would be covered from 2027.

Kuldip Gill stated that the immediate priority was to implement the roadmap, so companies were ready for the upcoming requirements, which involved capacity building and providing the right tools. In a few years, there would be a review to increase the scope to smaller non-listed companies and to lift the assurance from limited to reasonable assurance. There would also be a move to cover areas beyond climate, which would involve taking international developments, the capacity of the industry and the experience of the issuers into consideration.

Capacity building: Kuldip Gill pointed to and detailed several capacity-building initiatives involving other key actors besides ACRA. These initiatives aim to incentivise and support the sustainability reporting rollout and involve the national accounting board, the Institute of Singapore Chartered Accountants (ISCA), the Ministry of Trade and Industry, and various agencies and industry leaders, like Singtel, PwC and the Singapore Business Federation.

Interoperability: Kuldip Gill noted that 99.8% of listed issuers in Singapore had been using the Global Reporting Initiative (GRI). They had to be able to identify the gaps and develop a roadmap for the transition to ISSB standards. There was a joint effort between Singapore Exchange (SGX) and ISCA to produce illustrative sustainability reporting that had interoperability with the GRI and the ISSB standards.

Indonesia jurisdictional update

History and key players that have shaped Indonesia's sustainability reporting: Rosita Uli Sinaga highlighted that, since 2017, without the IAI's involvement, the Indonesia Financial Services Authority (OJK) had mandated selected companies to issue sustainability reporting, based on various frameworks (mostly the GRI Standards). Thus, it would not be straightforward for companies to adopt ISSB Standards (IFRS S1 and IFRS S2). Some reports were being prepared by consultants, which created concerns. Hence, a realistic local roadmap had to be developed.

Rosita Uli Sinaga noted that since 2020 there had been an initiative to align sustainability reporting with financial reporting, and the IAI's view was that there was an opportunity to help drive companies towards transition. A voluntary task force was set up in 2020 to gather stakeholders and raise awareness about there being a new era for sustainability reporting. Stakeholder engagement was difficult because, unlike with financial reporting, the sustainability reporting ecosystem did not exist. Hence, there was a need to map out what the different companies had done to understand what was needed before a standard was released.

New SR Board: In November 2023, a new sustainability standards board had been set up under the IAI and it was responsible for preparing the roadmap. Environmental experts were included in the board membership, so it was not exclusively composed of accountants.

Indonesia adoption roadmap: The target release date of the roadmap is October 2024. The roadmap would have multiple effective dates and support a climate-first approach that complied with ISSB Standards (IFRS S1 and IFRS S2). The intention is to start with large corporates, including unlisted organisations. A new law required all financial services entities to prepare sustainability reports. Rosita Uli Sinaga questioned whether the ISSB would have requirements for SMEs, as something had to be prepared for them in Indonesia, given the new law.

Panel discussion & Audience Q&A- Asian journey to SR adoption

Updates on jurisdictional profile: Bee Leng Tan asked how the latest developments would affect the jurisdictional profiles and whether they would be developed similarly to those of IFRS accounting standards. Sam Prestidge replied that inspiration was being taken from what had been developed on the IASB side. The intention was to develop jurisdictional profiles on the sustainability side, but not without the knowledge of the jurisdictions. It was important for there to be sufficient room for developments to occur, so there could be further discussions with the jurisdiction.

Expected ISSB activity: Bee Leng Tan asked what should be expected from the ISSB in the coming 12 months. Sam Prestidge emphasised that a great deal was happening in the space. One issue was the importance of the GRI in the Asia Pacific, and the ISSB had announced a deeper collaboration with the GRI to allow for full interoperability.

Differences with ISSB Standards: Chiara Del Prete posed an audience question about where Malaysian stakeholders were requesting departures from ISSB Standards (IFRS S1 and IFRS S2), other than on transition and assurance relief. Bee Leng Tan replied that there would not be any departure, but to assist with company readiness, there would be three short term transition reliefs.

Item 5D. Sustainable Philanthropy Framework (social topic)

Dr Wei Lin Tan (National Council Social Services of Singapore) presented the Sustainable Philanthropy Framework (SPF).

Responses to polling questions during the session can be seen here.

Wei Lin Tan stated that the SPF was developed to fill the gap in social disclosure, which primarily focuses on human capital and human rights disclosures, by defining how community investment could impact society and having a corresponding set of social disclosures metrics. It is underpinned by three motivations: a) establishing the intentionality behind philanthropy or community investment; b) identifying impact areas and how businesses can make a difference; and c) developing metrics and indicators for measuring, monitoring and benchmarking community investment.

Detailing the methodology behind it, Wei Lin Tan explained that existing ESG frameworks and impact databases were screened to develop the framework and identify metrics, and validated through interviews, focus group discussions and public consultations. To understand the challenges to drive framework and metrics adoption 42 undertakings were recruited to an early adopter programme. Wei Lin Tan shared that underpinning SPF is the concept of shared value, which was identified as a powerful practice for undertakings to achieve its purpose at scale. When combined with assets, social challenges can be transformed into business opportunities. Wei Lin Tan emphasised that this approach is important to community investment and alignment on this principle would benefit all stakeholders.

Wei Lin Tan listed five impact areas identified, upon which the metrics were developed to monitor, measure and benchmark philanthropic efforts. She noted the complexity of social issues and the competition for resources with other topics, hoping that the SPF helps undertakings take intentional action and create value for stakeholders. The envisaged outcome for undertakings was to link the impact of community investment on community relationships, uplifting the social sector, building common practice to address issues, and engaging in long-term impact creation over short-term giving.

She shared some observations and feedback gathered thus far, Businesses with strong philanthropic commitments found it was more challenging to measure outcome metrics than it is to do so for output metrics, and learning from peers via the SPF platform was valuable. Additionally, businesses with few philanthropy commitments found the framework and metrics helpful towards understanding shared value, tracking data and setting goals. SMEs particularly benefited from guidance on linking community investment to business models and community impacts.

Substantial learning took place from the climate-related disclosures and attempts to prevent impact washing. Therefore, the framework focused on value creation, through which it shows how to sustainably resource critical social aspects. The SPF proposes viewing community investment as helpful for stakeholders to understand the relationship between social issues and business strategies and performance. Wei Lin Tan noted the intention to simplify reporting processes and that the SPF supplements standards and frameworks through adding voluntary metrics. In the long term, it aims to help translate community investments into long-term business outcomes.

Audience Q&A – Sustainability Philanthropy Framework

An IFASS participant stated that the framework could help support and disclose social efforts, which the Australian productivity commission recommended for listed entities in their report on philanthropy. They suggested that the framework could be aligned with standard setters reporting frameworks for charities to report on their service performance.

An IFASS participant noted the difficulties in fitting the framework into the ISSB model, as it would be a sustainability-related risk or opportunity that would influence future prospects and strategy, making mandating reporting a challenge. Wei Lin Tan noted that there was a great deal of empirical studies around stakeholder capitalism, and the value creation aspect of areas like brand value provided competitive advantages. Understanding social risks and their impacts on community well-being, and then engaging in community investment, could bring positive impacts.

An IFASS participant noted that the SPF objective differs from the ISSB objective which concerns the undertaking's own sustainability and value, whereas philanthropy concerns society's value. Wei Lin Tan said that the objective was the same because creating social and community value could create value for the undertaking. The participant emphasised that it would be an indirect impact.

Chiara Del Prete highlighted the perception aspect of the framework's name and recommended considering 'social impact disclosures' or 'community impact disclosures' instead. EFRAG discussions on double materiality highlighted the perspective's relevance and that affected communities can be material. EFRAG discussed a disclosure on philanthropic actions and charity for SMEs, but it was agreed that there was first a need to mitigate or remedy negative impact before disclosing positive impact. Chiara Del Prete noted that philanthropy may still fit in the financial materiality context as it may be important in some sectors.

An IFASS participant suggested a potential to meet the Paris Agreement and Sustainable Development Goals by bringing in philanthropy more effectively to the corporate sector, governments and investors. He suggested entity-level disclosures, due to the difficulty for every organisation to detail its own impacts. A collaborative approach could allow for more funding, leading to higher-level disclosures. Wei Lin Tan explained that only very large companies could afford to measure impact, preventing inclusivity. The framework aims to bridge the gap and it benefits all by being simple to adopt, even for small companies. It also presents competitive advantages when seen from a value creation- rather than compliance perspective. However, as the market matures, more outcome and impact metrics could be introduced.

Item 5E. Sustainability Reporting- Small, medium-sized Enterprises (SMEs) reporting

This session moderated by Chiara Del Prete consisted of presentations by Rana Usman (Asian-Oceanian Standard Setters Group-AOSSG), Patricia Moles (Consejo Mexicano de Normas de Información Financiera y de Sostenibilidad- CINIF, Mexico), and Chiara Del Prete (EFRAG)

Responses to polling questions during the session can be seen here.

Asian-Oceanian perspective on SMEs reporting

Rana Usman provided an update on the work on sustainability reporting for SMEs in the Asia Oceanian (AO) region. He noted that most countries in the region are implementing voluntary sustainability reporting through a phased approach, initially focusing on large entities, leveraging globally recognised frameworks, e.g. ISSB Standards (IFRS S1 and S2), GRI standards, and TCFD recommendations. Some jurisdictions are further targeting sustainability reporting within key sectors like the financial services and energy sectors, with plans to gradually expand to other industries, including SMEs. SMEs are not required to report sustainability information yet, but many will be indirectly affected by the, eventually mandatory, reporting of larger companies, whose value chains they are a part of.

Rana Usman outlined some key challenges faced by SMEs in the AO region regarding sustainability reporting including difficulties related to data due to a lack of historical data and complex climate risk modelling; resource constraints stemming from financial and competence limitations; entities' operational focus on short-term gains conflicting with long-term sustainability goals; and limited awareness of sustainability benefits, which often leads to prioritising financial reporting.

To address these challenges, Rana Usman emphasised four solutions: capacity building through training and government support as well as financial incentives; developing simplified reporting frameworks tailored for SMEs; providing accessible financial assistance (e.g., green loans with reduced collateral, and project funding); and building on a streamlined process implementing sustainability standards for larger companies first, and allowing SMEs to build their capabilities over time.

Sustainability reporting for SMEs in Mexico – CINIF

Patricia Moles provided an update on the work with sustainability reporting for SMEs in Mexico. CINIF is working on sustainability disclosures for SMEs and other non-public entities. In developing sustainability standards for SMEs, Patricia Moles explained that CINIF has closely examined and tried to align with ISSB Standards, the four pillars of TCFD recommendations while considering the realities of Mexico. Mexico's capital markets are relatively small, and many companies are either private or family-owned. Together with micro-enterprises and SMEs, these make up most of the companies in Mexico.

CINIF recognises that non-public entities typically have different users of sustainability information compared to public ones, and they have considered Mexico's extensive value chains and integration with North America. The major banks also work closely with SMEs and require sustainability information from them. However, SMEs typically have low familiarity with ESG definitions and terminology. There is a limited culture of sustainability reporting and few requirements from users, resulting in a lack of reporting against voluntary frameworks.

With these aspects in mind, two standards were launched in May 2024 with a focus on metrics to build an understanding of information relevance. The first provides a conceptual framework aligned with IFRS S1 and CINIF's framework for financial information. The second standard focuses on sustainability indicators, representing core metrics common across industries. The aim is to keep it as simple as possible to encourage widespread adoption of qualitative and quantitative metrics, to report in absolute and relative values, and to highlight their impact on future financial performance. On environmental topics, the metrics focus on quantitative metrics across topics, and one metric is on alignment with the Mexican Taxonomy. A choice was made to initially focus on human capital for social matters. On governance, quite some qualitative information is required, on a yes/no basis.

Patricia Moles noted that to improve adoption, CINIF has been working to provide free access to various support tools and platforms, such as a GHG calculator, a platform to identify key biodiversity and water stress areas near entities, and other training materials. In the future, CINIF envisages risk management, strategy and governance disclosures aligned or convergent with disclosures under ISSB Standards to a certain extent.

European Sustainability Reporting Standards (ESRS) for SMEs - EFRAG

Chiara Del Prete provided an update on the work on sustainability reporting for SMEs in the EU. The standard for listed SMEs (LSME) and the voluntary standard for SMEs (VSME) were issued for public consultation in May 2024. The LSME is mandatory and will become law starting in 2026. It applies to listed SMEs and small and non-complex institutions (SNCIs). Chiara Del Prete explained that the objective is to establish disclosure requirements that are proportionate and relevant to the scale and complexity of SMEs' activities. This will support their access to finance and help them avoid discrimination by financial market participants. The LSME is based on the ESRS for large corporates.

The VSME is a voluntary standard for non-listed SMEs, which applies to approximately 23 million companies, or around 90% of all companies in the EU. Chiara Del Prete explained that the VSME will not be European law but recommended by the European Commission. It was created from scratch and builds on a modular approach to handle the highly diversified scope. She provided an overview of the public consultation of the LSME and VSME standards, including the outreaches and field tests that took place in the first half of 2024, and she noted the importance of collaborative policy focus on digital reporting.

Chiara Del Prete provided the objectives of the VSME, which are to provide a simple reporting tool to replace questionnaires by business partners for ESG data and to support the use of resulting information to improve the management of sustainability issues by SMEs. The VSME comprises a basic module serving as the entry point for all applicants; a module for narrative management information; and a business partner module based on common disclosures from real-world questionnaires.

The consultation process revealed good support for the fundamental elements of the disclosures, language and SFDR data points, though some challenges were noted. One issue is that the standards are aimed at a moving target meaning certain sector-specific disclosures will not be captured entirely, and there might be a future need of sector modules for SMEs. Actions taken to respond to these issues include reducing the narrative module to yes/no responses, merging it with the basic module, and removing materiality entirely, as it is not feasible for SMEs to list what is material until a sector-level materiality map is available.

Given its voluntary nature, it is critical to create incentives for the adoption of VSME. On the individual level, the VSME will initially bring costs for the company. However, one goal of the VSME is to provide a simple reporting tool to reduce the burden of uncoordinated data requests from banks, value chain counterparts, etc. Thus, a benefit to the companies will come from having a single questionnaire based on the VSME that satisfies multiple stakeholders. To make this a reality, Chiara Del Prete explained that EFRAG is collaborating with the Commission to foster an ecosystem for widespread adoption of the VSME, stressing the design of the future digital reporting platform and harmonization of the tool and data template on the national level.

Audience Q&A – Sustainability reporting for SMEs

An IFASS participant asked whether the altered VSME standard would be exposed again for consultation. Chiara Del Prete confirmed that it would not, but that workshops with banks are taking place.

An IFASS participant asked how CINIF plans to make their reporting standards work for very small undertakings; what the smallest undertakings they engage with would be; and inquired about their responses to CINIF's work. Patricia Moles acknowledged the challenge posed by the wide range in sizes of SMEs, explaining that CINIF does not expect to reach the smallest companies, but adjustments were made to ensure the requested information is relevant for small and large undertakings in dialogues with users and general acceptance has been seen so far.

Day 1- UKEB-hosted Dinner Event

After an enriching day of technical discussions and updates, the IFASS participants gathered at the DoubleTree Hilton for a UKEB-hosted drinks and dinner event, thanks to Pauline Wallace and Seema Jamil-O'Neill.

Day 2- Financial Reporting and Sustainability Reporting Plenary Sessions: 25 September 2024

Item 6. Introduction

In opening the day's session, Chiara Del Prete commended the enjoyable UKEB dinner event. She thanked UKEB and Pauline Wallace for generously hosting IFASS members. She then summarised the Day 2 agenda.

Item 7. Intangible assets

Rasmus Sommer (EFRAG) moderated this session and it consisted of a high-level overview of the IASB's project provided by Tim Craig (IASB) followed by presentations from Fridrich Housa (AASB) and Matthew Tilling (UKEB). The presenters discussed the results of audience polling questions related to the overall problem the IASB should seek to solve, the priority of the identified topics, and how the IASB could stage the project.

Overview of the IASB project

Tim Craig noted the IASB project aims to review the accounting for intangibles and assess whether the requirements of IAS 38 remain relevant for current business models or required improvement. The IASB was consulting with stakeholders to define the overall problem, the scope and how to best stage the project to deliver timely improvements.

What's the problem? Respondents to the IASB's third agenda consultation rated the project to be of high priority. In the feedback, financial statements were considered not to provide sufficient information about unrecognised and recognised intangible assets and they consequently failed to reflect key drivers of how an entity creates value. Also, the recognition criteria and prohibitions in IAS 38 prevented useful information from being provided. Stakeholders also noted that the standard required modernisation to account for new types of intangibles and to cope better with the increased importance of intangibles in emerging business models.

Based on national standard setters' research and the feedback received from the third agenda consultation, the IASB staff had identified a number of topics that could be explored regarding the scope, definition, recognition, measurement, presentation and disclosures. Moreover, three possible project approaches were contemplated by the IASB staff, namely: an all-in-one approach; an early evaluation approach; and a phased approach.

AASB research: Customer-related intangible assets

Fridrich Housa presented the AASB preliminary research into customer-related intangible assets. This research was inspired by the UKEB research that identified a substantial level of customer-related intangible assets on companies' balance sheets. The research examined the 2023 financial reports for the top 100 Australian-listed companies and found that 32% of these companies disclosed customer-related intangible assets in either the balance sheet or in the notes to the financial statements. This finding is aligned with the UKEB research findings.

Various types of customer-related intangible assets were identified, and most of them had been acquired and recognised through business combinations. These included: customer relationships; customer lists; customer contracts; customer intangibles; customer base; customer-related assets; and contract costs. However, there was insufficient information, for example, to determine whether terms like 'customer-base' or 'customer relationship' meant the same asset, indicating that specific information would help users of financial statements. Some assets had been aggregated with other intangible assets, which made it hard to ascertain which proportion of the intangible assets were related to the customer relationship. There had been a variation in useful life, often with insufficient information to understand how this had been determined and what underlying assumptions had been applied in the measurement.

The top five industries with the highest customer-related intangible assets proportion (i.e., customer-related intangible assets relative to total intangible assets) identified were similar to those identified in the UKEB research albeit the average customer-related intangible assets proportion for the top-five industries was lower than the UK average of 50%. Regardless, customer-related intangible assets were still a significant part of the balance sheet.

Fridrich Housa emphasised the need to improve the quality and specifics of disclosures around this type of intangibles and for standardisation of terminology and disclosure of key assumptions (e.g. useful life of customer-related intangible assets) applied when recognising these assets. He recommended that disclosures and presentation be considered one of the priority topics in the context of the IASB's project.

UKEB Intangibles Research

Matthew Tilling presented the research findings from UKEB, where three pieces of research have been completed.

The first report[5] was based on qualitative research from discussions with 35 stakeholders, to determine their concerns about intangibles. The key findings were that stakeholders were concerned that IAS 38 was not wholly aligned with the current Conceptual Framework; comparing companies which had grown organically with those that had grown by acquisition was problematic due to the different requirements for internally generated and purchased intangibles; and the disclosure about intangible expenditures in financial statements could be enhanced with more disaggregated information.

The second report[6] based on a survey that the UKEB sent to users of financial statements. Users stated that they were utilising narrative information on intangible assets but were making their own calculations. They said that they needed high-quality information and would prefer that to be in the financial statements and notes rather than in other sources of information as it provided a higher level of assurance and reliability. However, they were also cautious about how information on intangibles could be improved. It was also noted that creditors have started to become more vocal on intangibles. They suggested that it would be easier to lend if intangibles were recognised on the balance sheets.

The third report[7] was based on a quantitative review of financial statements. It was found that intangibles excluding goodwill represented 3% of the balance sheet. However, the distribution of intangibles was highly skewed, the top 20 companies held nearly 66% of the intangibles. It was also noted that customer-related intangibles accounted for 50% of the recognised intangibles of entities included in the sample analysed.

[5] Accounting for intangibles: UK Stakeholder's Views
[6] Accounting for intangibles: A survey of users' view
[7] Accounting for intangibles: A Quantitative Analysis of UK Financial Reports

Panel discussion based on responses to detailed polling questions that had been shared pre-meeting (detailed polling question results can be found through this link here)

Before the panel discussion, Rasmus Sommer reported on the results of audience responses to each of the four polling questions related to a) the overall problem the IASB should seek to solve, b) the priority of the identified topics, and c) how the IASB could stage the project.

Polling Question 1 on the overall problem and the project objective that the IASB should seek to solve in this project

Audience responses to polling question 1 (as announced by Rasmus Sommer) showed that the most frequently considered problem was that IAS 38 was an old accounting standard that could not cope with the new types of intangible items an entity owned. The next frequently considered problem was that the financial statements did not provide sufficient information to users about intangibles followed by that users found it difficult to compare entities that had internally generated intangible assets versus those that acquired intangible assets.

Rasmus Sommer asked Matthew Tilling whether the polling results echoed the findings of the UKEB research. Matthew Tilling was not surprised by the result, which reflected that IAS 38 appeared to be an outdated standard that did not adequately reflect more modern assets like crypto-assets. However, there was a clear message that investors were not looking to solve the gap between market value and book value. Fridrich Housa concurred that new types of intangibles not covered in IAS 38 were top of the agenda for stakeholders. He also observed that the difference between internally generated versus acquired intangible assets had not been rated as highly and was also not high on the agenda for users which could imply that recognising additional intangibles was not a priority for at least for some stakeholders including users.

Tim Craig, reflecting on the feedback the IASB had received to date on this topic, noted that it was not clear that there was an overarching problem for the majority of stakeholders, so the project might need to address more than one problem. The main concerns highlighted to the IASB would be the financial statements not providing enough information and the need for modernisation of IAS 38. In the feedback the IASB received, there were differing opinions as to whether a fundamental change in accounting was needed or whether IAS 38 simply required improvements to cope with new types of intangibles.

Polling question 2 on the topics the IASB should prioritise to explore in its project on Intangible Assets

Audience responses (as announced by Rasmus Sommer) to polling question 2 showed they would prioritise the following: considering intangibles held for investment purposes separately; exploring information about broader intangible items rather than focusing solely on financial statement elements; exploring the information users need about recognised and unrecognised intangible assets; and updating the definition of intangible assets and associated application guidance.

Fridrich Housa noted that recognising additional intangible assets was not necessarily the solution. Classifying types of intangibles based on the business model for these was, however, something that should be considered and was reflected in the result of the polling question which suggested that intangibles held for investment purposes should be considered. He commented that the challenge would be whether to define the scope of the project narrowly and early or segment the different issues, such as a distinction based on business model. The challenge of the latter is that there would be interdependency between concepts, recognition, measurement and disclosures across different streams. It would be unlikely that a consensus would emerge any time soon and the risk of rework due to interdependencies between the issues should not be underestimated.

Matthew Tilling pointed out that research suggested stakeholders felt that the intangible assets held for investment purposes should be a priority for the IASB. He also commented that requirements on investment assets more generally already existed, and these requirements could also be considered for intangible assets held for investment purposes. It was important to reflect that the same intangible could have different uses in different organisations. He was surprised there were few comments around the option to develop requirements to disaggregate expenses associated with unrecognised intangible assets.

Tim Craig stated that there was a consistency between the polling results and what the IASB had heard. He also said that it was necessary to explore whether stakeholders' support for intangible assets held for investment purposes suggested this should be captured under a separate project (i.e. a project on cryptocurrencies or carbon credits) or within the scope of IAS 38 and this project. Other topics such as the recognition criteria, the prohibitions, the differences between acquired and internally generated assets, the definition of intangible assets and the update for revisions to the Conceptual Framework had also gotten reasonable support from stakeholders the IASB had heard from. Given that stakeholders considered disclosures to be a high priority, he was surprised that the disaggregation of expenses had not been more highly rated. He was also surprised that the topic related to exploring information about broader intangibles received so many votes. Lastly, he noted that many topics that had received support from stakeholders and in the poll touched broad topics and that it could take much time and effort to explore and research such topics.

Polling question 3 on the topics the IASB should either not explore or allocate a low-priority

Requirements to disaggregate particular expenses associated with unrecognised intangible assets were voted the lowest priority topic (as announced by Rasmus Sommer). Rasmus Sommer noted that this was a surprising result, considering the input EFRAG had received on this.

In reaction, Matthew Tilling agreed that this was a surprise and further stated that stakeholders had communicated that the recognition criteria for IAS 38 were out of step with the Conceptual Framework. Users pointed out that companies had a wealth of intangibles that were not recognised on financial statements.

Fridrich Housa commented that the views on disaggregation were interesting considering that participants had requested more information about the broader intangible assets and that users did not generally want additional intangibles recognised in the balance sheet. He also remarked that the topic of whether the IASB should reconsider the requirement to refer to an active market when revaluing an intangible asset was not rated high.

Tim Craig noted there were mixed views on reconsidering the recognition criteria and the prohibitions in paragraph 63 of IAS 38 from recognising several internally generated intangible assets. The IASB had also heard concerns from some stakeholders that recognising more intangible assets on the balance sheet would impact the income statement, as well as distort performance. The difference between acquired and internally generated also garnered mixed views.

Polling question 4 touched on project approaches that would best respond to stakeholder concerns and allow timely progression (i.e., all-in-one approach; early evaluation approach; and phased approach)

Most audience respondents preferred a phased approach (as announced by Rasmus Sommer).

In reaction, Fridrich Housa commented that his preference would be an early evaluation though he considered it as a hybrid with the phased approach. He also noted that if there were many issues in the scope, there is a risk a phased approach could eventually turn into an all-in-one approach.

Matthew Tilling commented that while a phased approach could bring quick wins, it risked locking the project down a certain path early on. Subsequently, the IASB may be reluctant to revisit previous decisions. Instead, the IASB could identify the highest priorities to be addressed and then use a principle-based approach to amend the standard.

Tim Craig noted that many stakeholders the IASB had heard from would not favour an all-in-one approach on the basis that it would take excessive time whereas they would want to see timely improvements. He also noted that most supported early evaluation, phased or a combination of both approaches. He commented that it would be challenging to find the right balance between the comprehensive list of difficult and broad topics raised by stakeholders and the request for the IASB not to wait too long to have an output on this project.

Audience Q&A- Intangible assets

An IFASS participant queried how the IASB would plan to interact with other projects, such as Business Combinations – Disclosures, Goodwill and Impairment (BCDGI), to ensure that goodwill did not become a dumping ground for unrecognised intangibles. Tim Craig acknowledged that the project would have several touchpoints with other projects, including ISSB's projects, and this would need to form part of the project plan. Early feedback suggests the IASB should not relook at the scope exclusions in IAS 38 and not bring goodwill into the project, but he acknowledged decisions could potentially be related to goodwill and there would have to be discussions with other project teams.

An IFASS participant stated a preference for beginning with disclosures, leaving measurement and recognition for a later phase.

Item 8. Cash-flow reporting

In this session moderated by Katharine Christopoulos (AcSB); Rasmus Sommer and Wolf Klinz (EFRAG), Keith Kendall (AASB), and Katharine Christopoulos (AcSB) provided an overview and key findings of their research projects on the statement of cash flows.

EFRAG Presentation

Setting the scene, Wolf Klinz highlighted that when EFRAG had presented its project on the cashflow statement at the European Accountancy Association annual meeting, the response had been favourable for such a project. He had been a bit surprised that a project on the statement of cash flows was needed. Decades ago, when he had his business career, the usefulness of the statement of cash flows was not questioned. The statement provided insight into an entity's financial health and efficiency, and it was used by all types of stakeholders. Feedback had indicated that the cashflow statement was no longer as efficient and required an overhaul.

Wolf Klinz observed that cash was disappearing, and the use of cash equivalents was broadening. The question was whether the cash equivalent changes warranted an overhaul of the cashflow statement or a smaller-scale adjustment. Finally, he noted that a cashflow statement was a measure of strength, profitability and the long-term outlook for a company, but it was important to establish a definition of a cashflow statement fit for the future.

Getting into the details of EFRAG's research, Rasmus Sommer explained that the objective of EFRAG's project was to identify the issues with the statement of cash flows, as prepared in accordance with IAS 7, and compile a comprehensive list of issues for the IASB to consider in its project. For identifying these issues, EFRAG first identified the objectives of the statement of cash flows and how it is used. He explained that the objectives have been developed by looking at the Conceptual Framework for Financial Reporting and IAS 7. He indicated that when users were asked about how they use the statement of cash flows, their responses were generally aligned with the identified objectives, except for the objective of comparing entities that use different accounting practices. Rasmus Sommer clarified that the use of the statement of cash flows varies significantly among users, both in terms of how frequently they use it and how extensively they rely on its information.

Rasmus Sommer presented the main categories of issues identified with the statement of cash flows, namely:

- *Definition of cash and cash equivalents:* There was diversity in practice of what is considered to be cash and cash equivalents, some considered it to be 'narrower' and others 'broader' compared to the IAS 7 definition.
- *Cash flows of an agent:* There was diversity in how transactions involving an agent's cash flows were reflected in the statement of cash flows. For example, when a bank acquires an asset on behalf of an entity, it was suggested that presenting the transaction as the bank first receiving cash inflows and then investing would provide more relevant information rather than simply showing the cash outflow to the bank.
- *Non-cash transactions:* Some users expressed interest in having certain non-cash transactions reflected in the statement of cash flows.
- *Classification of cash flows:* There was variation in how transactions are classified, and in some cases, the classification of some transactions was found not to result in the most useful information to users.
- *Disclosure requirements:* It was highlighted that disclosures on the restrictions in cash were insufficient, particularly, concerning situations where cash within a group may not be readily available for another entity within the same group.
- *Cohesiveness with other primary financial statements:* There were differing views about whether the categories introduced in IFRS 18 should align with those in the statement of cash flows.
- *Presentation of cash flows from operating activities:* In Europe, users generally indicated a preference for the indirect method.

Issues for financial entities: Rasmus Sommer noted that the relevance of the statement of cash flows for financial institutions was questioned, with differing arguments challenging its usefulness. However, he acknowledged that it could be useful for some types of financial institutions.

AASB Presentation

Keith Kendall (AASB) provided an overview of AASB's research project on the statement of cash flows which consisted of two phases. The first phase has been completed and focused on the analysis of the 2023 financial reports of the 50 largest Australian listed companies. The second phase was planned to start in October and would focus on interviews with various stakeholders.

Keith Kendall presented the results of Phase 1. The sample used reflected the structure of the Australian economy; of the 50 entities analysed 38% operated in the financial services and mining sectors. The research focused on 5 main topic areas:

- *Direct and indirect methods:* The research found that 72% of entities used both the direct and indirect methods, likely due to the requirement mandating the direct method in Australia before the adoption of IAS 7 in 2007. The mining sector, however, used only the indirect method. There was also variation in the starting point for the indirect method, with 92% using profit or loss after tax, and the remainder using profit or loss before tax or profit or loss from continuing operations. The research team recommended to continue allowing entities to choose between the direct or indirect method, as they both provide useful information to users, while acknowledging the potential effects on comparability when allowing both methods.
- *Cash and cash equivalents*: There was diversity in how the notion of cash and cash equivalents was applied. 40% of entities did not split between cash and cash equivalents, making it challenging for users to understand what constitutes cash and cash equivalents in the financial statements. 62% of entities considered 'short-term maturity' as three months, 2% 12 months, and the remainder did not specify. The research team recommended reconsidering the concept of 'short term' and whether the 90-day threshold is still appropriate, as well as the meaning of the term 'highly liquid'.
- *Cash flows arising from taxes on income:* Consistent with paragraph 35 of IAS 7, 96% of the entities separately disclosed cash flows arising from taxes on income in the operating category unless specifically identified with financing and investing activities. The research team recommended requiring separate disclosure of these cash flows when the indirect method is used, and to introduce additional guidance on how to identify and separate cash flows arising from taxes on income.
- *Voluntary disclosures:* The research found that almost all entities provided notes disclosures regarding undrawn borrowings, there were limited disclosures relating to growth versus maintenance cash flows, and none of the entities provided disclosures on cash flows of reportable segments. The research team recommended reconciling paragraph 50 of IAS 7 and paragraph 39(c) of IFRS 7 for any inconsistencies, to provide more comprehensive guidance (clearer definition and illustrative examples) for paragraph 50(c) of IFRS 7, and finally to reconsider removing the encouragement for disclosure in paragraph 50(d) of IAS 7.
- *Free cash flows:* 52% of entities provided free cash flow disclosures, which was more prevalent in some industries, for example, energy and utilities and mining sectors. There was a lot of variation in the location of the disclosures and the definition of free cash flows. The research team recommended exploring whether there are any information gaps and a need to standardise the definition of free cash flows.

Overall, the feedback received in Phase 1 suggested that a comprehensive review is not particularly needed, while targeted improvements may be worthwhile.

AcSB presentation

Katharine Christopoulos presented the AcSB's research, which focused on Canadian users' information needs. The main findings of the research revealed that:

- *Relevant cash flow measures:* The statement of cash flows could be improved by communicating other relevant measures commonly used by users.
    - *Free cash flows:* Users wanted to improve comparability by how the free cash flow measure is calculated. It was recommended to extend the disclosure requirements for management-defined performance measures in IFRS 18 to the statement of cash flows.
    - *Capital expenditures:* Users would like to understand growth versus maintenance cash outflows. Acknowledging that it is challenging to bring uniformity, users would like to know management's view on this aspect. It was suggested to require disclosing cash flows that represent increases in operating capacity and cash flows to maintain operating capacity.
    - *Cash and cash equivalents:* Users questioned whether a definition of cash and cash equivalents is needed and suggested that the focus should be on liquidity.
- *Direct and indirect method:* There were benefits to both the direct and indirect method. Canadian users prefer the indirect method; however, it could be supplemented with additional direct method disclosures. The users' preferred additional disclosures included: cash received from customers, cash paid to suppliers, cash paid to employees, cash paid for income taxes, and cash paid for interest.
- *Financial services sector:* The relevance of the statement of cash flows for banks and insurers was considered to be limited as the focus was on solvency. Even though preparers did not receive any comments on the statement of cash flows, users noted that there is still some information that is valuable to them (e.g., information on contingent consideration paid for acquisitions, interest and dividends paid). Canadian users did not support the removal of the requirement to prepare a statement of cash flows for financial institutions and favoured targeted improvements to address information gaps.
- *Non-cash transactions:* The need for more transparency for non-cash transactions was highlighted (e.g., supplier finance arrangements).
- *Classification:* There was diversity in how specific transactions are classified.
- *Working capital:* There was inconsistency in what entities consider as working capital.

Audience Q&A- Cashflow reporting

An IFASS participant was surprised at the strong support for the direct method in Australia and Canada, which contrasts European users' preferences, and he queried why this might be the case. He also asked if targeted improvements to the statement of cash flows would prove satisfactory to financial institutions in Australia and Canada. Katharine Christopoulos replied that the starting point is what matters, and Canadian users had highlighted the additional direct method disclosures that they would like to see. Keith Kendall noted that the research has shown that both methods have benefits, however historically, the direct method has been prevalent in Australia. He added that concerns specific to financial institutions would be addressed in Phase 2 of the AASB project.

An IASB participant remarked that while the feedback from the agenda consultation did not prioritise issues related to cryptos, they are becoming a key issue in the context of cash and cash equivalents. He questioned whether the IASB should reconsider its stance on accounting for cryptos. Katharine Christopoulos noted that the focus for users is liquidity, and not cash and cash equivalents and therefore she advocated removing cash and cash equivalents, and instead to improve the way liquidity is depicted in the statement. Rasmus Sommer noted that companies with high amounts of revenues in cryptos may find the statement of cash flows as currently prepared less useful.

An IFASS participant noted that from the financial institutions' perspective, producing the statement of cash flows is burdensome and it does not reflect management's view. Therefore, it could be beneficial to only produce the information that users need. Katharine Christopoulos noted that financial institutions did not find the preparation of the statement of cash flows burdensome. However, financial institutions would be open to exploring ways to meet users' needs while reducing the burden for preparers.

Item 9. INPAG and IPSASB Update

International Non-Profit Accounting Guidance[8] (INPAG) and International Public Sector Accounting Standards Board (IPSASB) updates were respectively provided by Karen Sanderson (CIPFA) and Ian Carruthers (IPSASB).

<u>INPAG update</u>

Karen Sanderson gave an update[9] on INPAG noting that the third and final ED comment period had just closed and the aim was to publish INPAG in mid-2025. She gave an overview of the following related exposure drafts.

- ED1 *Framing* had looked at the concepts and pervasive principles in IFRS for SMEs and the extent they required modification for non-profit organisations (NPOs). Discussions had focused on equity because, while some jurisdictions required an equity stake, this was not the purpose of NPOs. It was important to consider the importance of narrative reporting to understand what had happened to the resources provided.
- ED2 *Accounting* had focused on grant accounting (i.e., grants received and grants paid either in cash or non-cash transfers) including accounting for volunteer time and gifts. The technical advisory group meeting would look at the feedback to ED2.
- ED3 *Presentation* had looked at presentation issues including the classification of expenses. The proposed approach for NPOs was that there was a presumption to follow a

[8] INPAG aims to create international financial reporting guidance for non-profit organisations using IFRS for SMEs as the starting point

[9] At the April 2023 IFASS meeting, Karen Sanderson gave an update on the feedback to ED 1 *Framing* and the scope of ED 2 *Accounting* (See <u>April</u> 2023 IFASS report – pages 15 and 16). At the September 2023 IFASS meeting, Karen Sanderson gave an update on the ED 2 *Accounting (*see item 4 in the <u>report</u>*).*

natural classification of expenses, which could be rebutted if there were another more relevant and reliable means of presentation. ED3 included new guidance sections on fund accounting and reporting to donors. Donors wanted grants and funds to be tracked and it was important to know what funds NPOs had from a resilience perspective. There might be a legal requirement for funds to be applied to a particular purpose or a public commitment to use resources.

Donor reporting: Karen Sanderson noted that donor reporting requirements were a significant issue for NPOs requiring specific reports in multiple formats for individual donors, which were prepared independently of the financial reports. The draft practice guide aimed to create connectivity between the general-purpose financial statements and any special purpose statements produced for an individual donor, with a standardised format for donor reporting through supplementary statements, connected to key audited information. These should have the same reporting period, reporting boundary, and recognition and measurement principles. The practice guide would also create flexibility for NPOs to provide information suitable for donors.

Finally, Karen Sanderson noted that final version of the guidance, was planned for publication in September 2025.

IPSASB update

Ian Carruthers provided the IPSASB update touching on the strategy for 2024-2028 which encompasses developing financial reporting and sustainability reporting[10]standards, supporting their adoption and implementation at jurisdiction level, and working with international organisations to promote the use of financial and sustainability reporting information in strengthening public financial management and sustainable development globally.

Financial reporting

New standards had been issued on revenue, transfer expenses, measurement and leases, and relevant IFRIC pronouncements were being brought into the existing standards. Moreover, consultations were ongoing concerning the applicability across the IPSAS suite of the new measurement standard guidance on the use of current operational value for measuring assets held for service potential. One debate was whether current operational value could be applied to the standard on intangibles or whether this should wait for the IASB to proceed on the intangible assets study. The standard on first-time adoption of standards would be updated to consolidate and clarify the guidance. An ED on natural resources had also been approved.

- *Natural resources project*: This project addressed a key issue for governments in terms of whether these items could be recognised on a government balance sheet or through additional disclosure. An exposure draft would be published in October and the decision had been to cover only tangible natural resources instead of all natural resources, for which there was a two-part definition of naturally occurring embodying service potential or capability to generate economic benefits. The project would sit within the existing literature as a residual standard built off the standard on property, plant and equipment in terms of the approach to control, measurement, recognition, and disclosure.
- *Presentation of financial statements*: IFRS 18 would be used as a starting point, bringing in additional material from IPSAS 1 where relevant. Cash flow statements were not being included at this point in time. The format of the performance statement was currently being debated, as well as what to do with other gains and losses.

[10] IPSASB updates also touched on these topics at the April 2023 IFASS meeting (see item 5 in report), September 2023 IFASS meeting (see item 5 in report) and April 2024 IFASS meeting (see item 5 in report).

Overall, the current five-year strategy had moved from the 'catch-up with relevant changes in IFRS' phase towards maintenance, which provided space for the creation of an application panel to address issues with how the standards were being applied in practice. Any necessary further work on standard setting would go to the board, with a program of post-implementation reviews also being conducted for recently implemented standards.

Sustainability reporting

The first ED on climate-related exposures had been approved. One of the preoccupations had been the broader responsibility of the public sector, drawing a distinction between own operations and the outcomes from public policy programmes. The TCFD approach had been applied as an overarching approach as there were advantages to having interoperability with the ISSB Standards. Material had been brought in from the IFRS S1 with application guidance for own operations and public policy programmes. The greenhouse gas protocol for corporates was being used as the basis of requirements for own operations as in IFRS S2. The ED was intended to address the requests from Governments for a sense of direction from IPSASB before moving forward, and roundtables were planned for the consultation period between October 2024 to February 2025.

Audience Q&A - INPAG and IPSASB updates

An IFASS participant sought a view on the recognition of tangible natural resources, because it was an uncomfortable idea that one of the poorest countries in the world could show by its balance sheet that it was one of the richest in the world. Ian Carruthers concurred that it could be controversial, but noted that what could be reflected in the balance sheet would most probably be limited. Although the IMF studies of sovereign net worth had put natural resources onto the balance sheet, they were unlikely to end up on an IPSAS-based balance sheet.

An IFASS participant commented that they were in the post-implementation stage of implementing a similar standard to INPAG and noted issues with the classification of funds with restrictions, the initial recognition of fair value and the concept of impairment, which it would be helpful to discuss with the presenters.

An IFASS participant queried how social impact would be accounted for in the framework, given this was the aim of many NPOs, and how natural resources could be considered both assets and liabilities. A further query related to how the quality of public services could be measured within the framework.

Karen Sanderson stated that mandatory narrative information had been included as part of the proposals, including some performance reporting, although the requirements were relatively high level.

Ian Carruthers agreed that there could be environmental liabilities and there was an existing standard based on IAS 37 (IPSAS 19) that addressed this issue. There was also existing non-mandatory guidance for narrative reporting on service performance and there was a question around whether this should become a sustainability reporting standard at some stage.

Item 10. Connectivity between Financial Reporting and Sustainability Reporting

Seema Jamil-O'Neill (UKEB) moderated the session consisting of three presentations by Jack Bisset (NZ XRB), Vincent Papa (EFRAG), and Katharine Christopoulos (AcSB) followed by a panel discussion and audience Q&A.

Responses to polling questions during the session can be seen here.

NZ XRB presentation: Prisoner's dilemma under voluntary versus mandatory disclosure regime

In setting the scene for his presentation, Jack Bisset applied the game-theory-derived 'prisoner's dilemma[11]' to explain the incentives for entities to disclose under a voluntary disclosure regime. He posited entities held little incentive to voluntarily disclose climate-related information and this hindered investors' decision-making. He questioned whether the prisoner's dilemma was still at play following the introduction of mandatory climate reporting standards in New Zealand[12]. He shared the following two real-world examples under the recently mandated requirements:

- *Apple grower example:* Jack Bisset explained that this entity had been significantly impacted by an extreme storm in 2023, attributed to climate change, damaging the entity's orchards and causing soil erosion. As such, the entity disclosed significant losses. In the notes to the financial statements:
  - (a) A revaluation was carried out for the 'orchard land and improvements' item, resulting in a decrease in its fair value.
  - (b) A dedicated climate note also indicated the storm as a cause for asset write-offs and increased insurance costs.

  On the sustainability reporting side, extreme weather events were identified as a key future risk, with multiple potential impacts such as disrupted operations, clean-up costs and insurance renegotiations.
- *Renewable energy generator example:* This example pertained to a renewable energy generator with various assets across New Zealand. The entity had not been significantly impacted by the storm, with no direct damage to sites and with access roads to assets and associated infrastructure mostly suffering damages. At the same time, sustainability reporting information indicated significant risks for the entity's activity due to extreme

[11] Prisoner's dilemma is an analytical framework in economic theory applied to assess outcomes of choices under uncertainty made by interdependent parties. That is, the choice made under information uncertainty between maximizing common good (collaboration) or pursuing maximum individual benefit, i.e., competition, pure self-interest (albeit the latter may result in a higher cost/lower pay off than collaborating). Essentially, it is the choice between cooperating with a partner for mutual benefit or betraying the partner for individual reward or mutually assured loss.

[12] https://www.xrb.govt.nz/standards/climate-related-disclosures/aotearoa-new-zealand-climate-standards/

weather events as rain patterns change, which could lead to either a loss of capacity or damage to dam structures.

Investor perspective: Jack Bisset highlighted a paradox with respect to the investors' perspective. Specifically, he questioned whether investors would punish entities that disclosed low exposure to climate change, as from a climate science perspective every industry and community is exposed to significant impact, or those that disclosed a higher risk exposure. He noted that the latter could indicate a mature understanding of climate change and potentially of the responses to associated risks, which in his view were the key questions entities should address. However, Jack Bisset questioned whether investors were currently able to use disclosed information in this way.

Jack Bisset concluded that both entities shown above faced a prisoner's dilemma, having to decide how much to disclose without knowing what the other would do. He highlighted that moving from a regime where all entities disclose limited information to one where detailed disclosures were being provided was necessary for managing climate-related risks. In other words, a mandatory reporting regime would likely eliminate the prisoner's dilemma.

EFRAG presentation- Connectivity and reporting boundaries

Vincent Papa indicated his presentation was informed by EFRAG's initial paper on connectivity[13], addressing connectivity concepts and boundaries of the different Annual Report (AR) sections. A discussion paper consisting of conceptual issues, suggested solutions and practical illustrations and techniques of connectivity will also be published.

Vincent Papa presented a selection of highlights from the initial paper including in relation to anticipated financial effects and he shared learnings from two real-world examples. As an overarching observation, he noted that connectivity is an essential aspect of entities' strategic communication as it encompasses an overarching aspect of the integration of information, and making connections across reports is part of conveying the value creation story of a reporting entity.

Reporting boundaries: Vincent Papa mentioned that differences in objectives, materiality considerations, financial statements recognition criteria, the incorporation of value chain information, and the extent to which forward-looking information is incorporated also differentiated information reported in different parts of the AR. Moreover, under the EU reporting framework, unlike the ISSB Standards, double materiality is considered for sustainability reporting, and connections across reports occur in the context of a clear demarcation of sustainability reporting (in the sustainability statement in the management report), the rest of the management report, and financial statements.

Anticipated financial effects considerations: Vincent Papa explained that although financial reporting primarily occurs in the financial statements, financial effects could appear in different parts of the AR. He further noted that there is an interplay between entities' impacts, risks and opportunities (IROs), strategy and business model. The effects arising from those can be depicted in different parts of the AR, but there's a higher threshold for reporting in the financial statements in part due to recognition criteria of financial statements, such as the need to consider a past event. He added that financial effects may transition from one part of the AR to another in future

[13] EFRAG Connectivity project initial paper *Connectivity considerations and boundaries of different Annual Report sections*, June 2024 https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/EFRAG%20Connectivity%20Project_WEB.pdf

reporting periods, and these include what are disclosed as anticipated financial effects. He indicated that the ESRS and ISSB Standards' definitions and requirements on anticipated financial effects are similar.

Vincent Papa pointed to the potential overlap between current (i.e., as per IAS 1.125) and short-term anticipated financial effects. Moreover, projections disclosed as anticipated financial effects (e.g. margin erosion) may have been factored into the carrying amounts of assets and liabilities. A lack of clarity on this overlap gives rise to duplication risks.

He also highlighted that anticipated financial effects may not necessarily crystallise in future period financial statements, which could be due to measurement uncertainty. He opined that measurement uncertainty and principles of measurement of information in sustainability statements could be addressed by developing a conceptual framework for sustainability reporting, as recommended by EFRAG in its ISSB agenda consultation comment letter response. In addition to measurement uncertainty, Vincent Papa provided various reasons why anticipated financial effects may not be quantifiable, including the lack of separability of the effects, issues with the data and methodologies to quantify the effects, and cases (as illustrated in the ESRS Materiality Assessment Implementation Guidance - MAIG[14] Example under FAQ 9) whereby long-term risks may be immaterial.

Learnings from examples: Vincent Papa highlighted that EFRAG evaluated 44 early ESRS adopters (most were only partial adopters) and only five of these entities provided quantitative information on financial effects. The limited disclosure of quantitative effects could be explained by the ESRS transitional provisions allowing entities to only provide qualitative disclosures on anticipated financial effects. He also noted that full ESRS reports will only be available from 2025, so the quality of disclosures would likely improve. He presented the following two examples:

- *EU property management company example:* The first example pertained to a property management company with 160 hotel properties across 12 European jurisdictions. The entity had identified areas of focus for sustainability including green operations, green properties and sustainable supply chains. Moreover, the entity delineated its actions and targets, one being the need to certify its assets. The entity had also performed a double materiality assessment as per the ESRS.
- The financial implications of the material climate risks and opportunities had been disclosed via the scenario analysis but not categorised as anticipated financial effects albeit that, as per ESRS and ISSB Standards, scenario analysis information can be incorporated into entities' disclosures of anticipated financial effects.
- *UK paper and packaging company example:* The second example pertained to a UK paper and packaging company with global operations, including in the EU, that had also performed the ESRS double materiality assessment. Alongside climate, the circular economy aspect was material for this entity, and there was coherence between the material topics identified by the entity and the quantitative disclosures of current and anticipated financial effects. As regards circular economy, the entity expected annual revenue growth predicated on a shift in demand towards more sustainable products. As regards climate risk, the entity referred to forest assets being associated with physical risks and fossil fuel plants being associated with transition risks.

[14] EFRAG IG 1 *Materiality Assessment,* May 2024, https://www.efrag.org/sites/default/files/sites/webpublishing/SiteAssets/IG%201%20Materiality%20Assessment_final.pdf

- In its quantitative disclosures, the entity linked current financial effects to goodwill impairment, and climate change to the valuation of forest assets and the business acquisition valuation of assets and liabilities. There was a clear breakdown of which financial statement line items would be affected and a clear explanation of the entity's short, medium and long-term time horizons. He noted that this was a good example of connectivity.

Next steps: In conclusion, Vincent Papa highlighted the recommendations in the EFRAG initial paper to enhance connectivity across the different AR sections. These include developing a Conceptual Framework for Sustainability Reporting, updating the Conceptual Framework for Financial Reporting to encompass connectivity, updating the Management Commentary guidance to clarify how Management Commentary can serve as the connective tissue of IFRS general purpose financial reporting, conducting outreach to educate stakeholders, and leveraging technology (e.g., the ongoing work on digital taxonomies).

<u>AcSB presentation- Time horizons and materiality in sustainability reporting and financial reporting</u>

Katharine Christopoulos noted that her presentation was prepared against the backdrop of Canada not yet having mandatory sustainability reporting standards. She highlighted that one of the reasons different information is reported across different parts of the AR (sustainability disclosures, the management report, and financial statements) is related to time horizons. An item that was material in terms of sustainability disclosures would eventually make its way into the financial statements.

Mismatch in sustainability reporting vs financial statements time horizons: Katharine Christopoulos noted that while it is typically considered that a one-year time horizon is pertinent for the financial statements, financial statements line items also incorporate forward-looking information (e.g., impairment of assets and recognised goodwill). Nonetheless, she acknowledged that sustainability reporting typically incorporates even longer-term time horizons and this raises questions about when and how sustainability reporting information (e.g., Net-zero commitments in Canada which go out to 2050) would affect the financial statements.

Katharine Christopoulos considered that apart from any potential mismatch in time horizons across different parts of the AR, users also needed to better understand what information is being reported, when it would be reported, what is material from both the financial reporting and sustainability reporting perspectives, and overcome challenges posed by impact materiality and double materiality, especially on quantitative information.

Learnings from examples: Katharine Christopoulos presented the following two fictional examples to highlight the different information respectively reported in the financial statements and sustainability report and the consideration of materiality and time horizon.

- *Example 1- An entity switching its shipping trucks to EV technology*: The first example was an entity that decided to switch from fossil-fuel-based to electricity (EV)-based shipping trucks. From a financial reporting perspective, the entity will sell off trucks that still have a useful life, impair the remaining trucks and establish a new asset class on its balance sheet for the EV trucks. IAS 36 *Impairment of Assets* would be used first to determine whether impairment exists on gas-powered trucks. Depending on the significance of the sale it would also be considered whether to apply IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The impaired trucks would be expensed through profit and loss. Lastly, the interaction with IFRS 18 *Presentation and Disclosure in Financial Statements* requirements on the disaggregation of information would be considered.

- From a sustainability reporting perspective, the entity would disclose qualitative information related to its business decisions, and quantitative information related to a) its reduction in gross scope 1 emissions; and b) economic activity undertaken in the short, medium and long term related to the switch to EV-based shipping trucks. The latter would also affect the entity's climate scenario analysis.
- *Example 2- Carbon credit buyer*: The second example is related to a supply chain entity that purchased carbon credits as part of its overall strategy to lower emissions. This purchase is material from both a financial reporting and a sustainability reporting perspective. On the financial reporting side, these credits were assessed under the three criteria for asset recognition (control, rights, and economic benefit). While the control and rights criteria were met, the entity is unsure whether the criteria of potential to produce economic benefits have been met, therefore the credits were expensed. The carbon credits were classified under other expenses and were disclosed in the notes to the financial statements.
- On the sustainability reporting side, the entity would disclose information in accordance with ISSB Standards, which require, among other information, an explanation of the use and characteristics of the carbon credits and a reconciliation of the variance between gross and net greenhouse gas emissions.

Panel discussion on connectivity concerns raised by stakeholders

Seema Jamil-O'Neill noted that the implementation of mandatory sustainability reporting had been described as the biggest challenge to corporate reporting in a generation. She asked which key connectivity concerns were being raised by stakeholders in the panellists' respective jurisdictions.

Jack Bisset replied that stakeholders had not reported significant problems with current financial effects but sought more guidance on anticipated financial effects. Moreover, he considered that as climate disclosures were still being developed, entities needed to first improve their climate risk assessments before meaningful connections could be made.

Vincent Papa concurred with the challenges around anticipated financial effects, especially with respect to data and estimation methodology. He also pointed to materiality-assessment-related challenges noting that while financial materiality is similarly defined in financial reporting and sustainability reporting, entities were struggling with when to make a distinction in how it is being applied in sustainability reporting relative to the context of its application in the financial statements.

Katharine Christopoulos indicated that users, particularly retail investors, needed help to better understand how the information disclosed in sustainability reporting will affect the financial statements.

Seema Jamil-O'Neill remarked that the mentioned example from the UK paper and packaging company with good disclosures and connected information was because sustainability matters were embedded in the company's business planning and whenever a new project is considered, the company takes into account both the net present value of the projects and its climate impact and other sustainability matters.

Audience Q&A- Connectivity

An IFASS participant considered that as sustainability-related financial disclosures and financial statements complemented each other, an overlap should not be expected and there would inevitably be differences in time horizons, but this should be seen as a positive feature as it provided incremental information to users. He noted that users' education needs would become clearer when more real-world examples emerged.

Katharine Christopoulos affirmed that different time horizons contribute to the complementarity of information but indicated that user education on how they could analyse complementary information was necessary. Vincent Papa also acknowledged that complementarity was important but emphasised that boundaries of the different AR sections also help to identify and eliminate avoidable duplication; ensure necessary duplication of information where needed would enhance the overall understandability of AR information available for users; and identify gaps in information needed by users including due to such information mistakenly being assumed to be in another part of the AR when it is not.

An IFASS participant remarked that entities' opportunities to invest in new sustainable business models also bear risks due to rapid technological obsolescence and an underlying sensitivity to changing regulation. He emphasised that these risks were relevant for both financial reporting and sustainability reporting and users are interested in entities' exposures to such risks. Seema Jamil-O'Neill affirmed that risks associated with such investments may also need to be disclosed purely from a financial reporting perspective.

Chiara del Prete remarked that connectivity serves to unlock the benefits of complementarity of AR parts and it is not an objective in itself. She also underscored that items reported in sustainability disclosures/statement are expected to migrate to the financial statements over time.

An IFASS participant asked how the different levels of assurance between financial reporting (usually under reasonable assurance) and sustainability reporting (usually under limited assurance or no assurance at all) information could be addressed. Seema Jamil-O'Neill considered that mandatory sustainability reporting standards would help in this respect. She affirmed that one reason users call for financial effects to be reflected in the financial statements is the greater reliability associated with the required reasonable assurance of its information.

Item 11. Climate-related and Other Uncertainties in the Financial Statements

The objective of the session was to get feedback on the IASB Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements (*hereafter *'the ED'*). This session consisted of a panel discussion moderated by Nili Shah (IASB) with three panellists: Karen Robson (IASB), Charis Halliday (AASB – Australia) and Simone Scettri (OIC – Italy).

To set the scene, Karen Robson gave an overview including the genesis of the IASB project and the steps taken by the IASB including the publication of the ED. She gave an overview of the ED, noting that it outlined eight illustrative examples illustrating how companies could apply IFRS Accounting standards to report the effects of climate-related and other uncertainties in their financial statements. The examples in the ED are grouped into the following categories:

- Making materiality judgements; Examples 1 and 2;

- Disclosing information about assumptions and other sources of estimation uncertainty; Examples 3 to 7; and
- Disaggregating information; Example 8.

Karen Robson noted that the examples did not add to or change the requirements in IFRS accounting standards and instead illustrated the application of existing requirements. In addition, Nili Shah noted that IFRS Accounting Standards already require companies to consider the effects of climate-related and other uncertainties in financial statements. However, the IASB's research showed that companies might face some challenges in applying the standards because incorporating climate-related and other uncertainties involves a lot of judgement. The principles and requirements illustrated in the ED's examples apply equally to climate and other uncertainties including biodiversity, human capital, and political issues.

<u>Developments in reporting of climate-related and other uncertainties disclosures in the financial statements</u>

Nili Shah asked Charis Halliday and Simone Scettri how reporting associated with climate-related and other uncertainties in financial statements was developing in their jurisdictions.

Australia: Charis Halliday replied that there was an increasing trend of such disclosure encouraged by regulatory guidance issued in 2018, a joint AASB and AUASB bulletin published in 2019, and a request from the stock exchange in 2019 for disclosure of material environmental risks in corporate governance statements. She highlighted that the Chartered Accountants Australia and New Zealand, the University of Melbourne, and the University of Queensland had for the last three years published a report on climate-related matters in the financial statements. For the 2023 reporting season, they found that for the largest 200 companies listed on the Australian Stock Exchange, the proportion of companies disclosing on climate-related matters had increased from 23% in 2021 to 37%/34% in 2022/3. Disclosures primarily occurred in the impairment of non-current assets. Despite the increasing number of reporters mentioning climate matters in their financial statements, many companies were still not quantifying the financial impacts of climate and the quality and extent of disclosures varied widely. As mandatory climate-related disclosures are coming into effect from 2025, the quality of these disclosures is expected to improve.

Italy: Simone Scettri stated that climate-related and other uncertainties and connectivity between financial reporting and sustainability reporting were subjects of much discussion in Italy. A study was done to analyse disclosures provided by 25 listed entities in Italy. The financial statements had been compared to the eight examples in the exposure draft. 21 out of 25 companies had provided disclosure on the financial impact of climate risk in the notes. The disclosures were in line with the examples provided in the exposure draft. The examples provided in the exposure draft could provide additional motivation for companies to develop their disclosures. He also highlighted an event organised in Milan in October 2024 to encourage dialogue between stakeholders and develop examples that were relevant to real-world issues.

<u>Jurisdictional views on the ED examples</u>

Nili Shah asked Charis Halliday and Simone Scettri for their overall comments on the ED's examples.

Charis Halliday noted that their outreach was still at an early stage and her initial comments were based on a roundtable attended by 120 people and the views of the disclosure initiative advisory panel. She highlighted the following specific feedback on the examples:

- Some stakeholders noted that there was significant judgment involved in arriving at some aspects of the fact patterns. For instance, for Example 1, the key judgement was whether users could reasonably be expected to be influenced by a lack of understanding of how the entities' transition plans had affected financial performance and position. The illustrative example had one sentence with an example of why this would be the case and hence, stakeholders highlighted that further elaboration on that would make it more useful for them.
- Stakeholders had suggested that Example 3 was too simplistic and should include more key assumptions of the value in use calculation relating to climate or other uncertainties. For example, it could include assumptions relating to terminal values or the period of reliable cash flow, projections and inclusion of future investments. Stakeholders considered it was a missed opportunity to expand on that area.
- Some stakeholders had commented that Examples 1 and 5 had stretched the application of the overarching requirements in IAS 1 (IAS 1.31) too far, which could result in boilerplate disclosures. However, other stakeholders liked these examples.

Simone Scettri reported that the conclusions of outreach work had generally agreed with points in the EFRAG draft comment letter. There had been general agreement that the examples addressed the appropriate topics. Additional examples around recognition and measurement requirements could also be useful. The potential issues arising from green initiatives and the related impact on disclosures were discussed at length. Stakeholders suggested the possibility of having standard-setting activities in this field.

Commenting on the basis of their selection, Karen Robson stated that the examples were intentionally high-level rather than detailed so that they would be applicable to a variety of industries and companies. The examples had been chosen to best target the concerns that had been identified through outreach work.

<u>Behaviour impact and appropriate vehicle of the examples</u>

Nili Shah asked whether the proposed examples would improve financial reporting and whether including the proposed examples as illustrative examples accompanying IFRS Accounting Standards is the best vehicle for these examples.

Simone Scettri replied that the illustrative examples could be a useful first step. However, additional guidance would be needed to address this sensitive issue. This could include standard-setting activities. Simone Scettri pointed out that, for example, regarding IAS 36 *Impairment of Assets* requirements, attention is required for companies involved in carbon capture and storage investments as there is a need to incentivise such long-term investments by allowing them to capitalise such investments. Connectivity and the IASB project on climate-related and other uncertainties in the financial statements should be managed together and viewed as 'two sides of the same coin'.

Charis Halliday reported that stakeholders had mixed views on whether the addition of the proposed illustrative examples would improve reporting. She highlighted the following key messages gleaned from the roundtable participants' feedback.

- *Impact of ED examples may be limited:* 70% of respondents at the roundtable had agreed that the examples were helpful, but the sentiment had been more nuanced during discussions. Stakeholders had suggested that the examples would not have a significant impact. Some stakeholders had been unsure as to the purpose of the examples questioning whether it was intended to initiate thinking about connected reporting or whether it was to prompt preparers to more fully consider the impact climate climate-related matters and their financial statements.

- *Other complementary vehicles expected:* Roundtable participants were asked whether the illustrative examples are the right vehicle.12% of respondents supported only having illustrative examples but a further 60% of respondents had agreed that the illustrative examples together with a separate package of examples would be the best option. Some stakeholders had suggested that illustrative disclosures would be more useful, many of them thought that the illustrative examples would be illustrative disclosures. Charis Halliday's view is that a separate package, in addition to the illustrative examples, would be useful including the upcoming illustrative examples that would be added for the IAS 37 Targeted Amendments depending on where that project went, the relevant IFRIC decisions, and some illustrative disclosures.
- *Connectivity efforts would be valued*: Stakeholders had also commented that considering the topic in isolation from ISSB Standards (IFRS S1 and IFRS S2) was unhelpful. A separate publication that was specifically targeted at entities, applying both IFRS Accounting Standards and ISSB Standards and education material would be useful. This publication would highlight that these disclosures are intended to complement and supplement one another, and then it could include connectivity points.
- *Need for continual updating including to cover emerging risks*: Stakeholders commented that it would be useful for the IASB to continue updating the illustrative examples as the environment changes. Roundtable participants were asked whether these 8 examples are sufficient to cover other emerging risks and 88% said that the IASB should keep updating the examples illustrating the impact of emerging risks on financial statements.

Charis Halliday asked whether the IASB intended to periodically update the illustrative examples. Nili Shah replied that the IASB was open to stakeholder feedback. The aim was to produce future-proof examples that could be applied to climate or other issues, and it was hoped that the illustrative examples would stand on their own.

Karen Robson added that a key conclusion from outreach work had been that the accounting standards were generally sufficient in requiring reporting of climate-related and other uncertainties in the financial statements. As such, the approach had been to create illustrative examples, rather than standard setting. Feedback from stakeholders was very welcome. Nili Shah added that, when determining whether standard-setting action was necessary, the IASB technical staff reviewed IFRS Accounting Standards to identify potential gaps, unclear requirements or limitations in the requirements that might impede the reporting of long-term uncertainties in the financial statements, however none were identified.

Simone Scettri reported that stakeholders had suggested that the IASB should analyse what was a disclosure and what could be considered an interpretation of standard rules already in existence. Paragraph 125 of IAS 1 was an example of this. Any risk of misinterpretation should be minimised as this would impact governance bodies.

Audience Q&A- Climate-related and other uncertainties in the financial statements

An IFASS participant noted that the approach to climate matters could be used for other uncertainties, for example, human capital risks, but stakeholders might then request more and more examples. Example 8 demonstrated the principle of IFRS 18. However, IFRS 18 was not yet in effect so this could cause confusion.

An IFASS participant noted that, from a macroeconomic perspective, climate risk directly affected financial stability. Three regulators play a part in ensuring financial stability: the banking regulator, the markets or capital regulator and the insurance regulator. The experience and authority of these three regulators should be leveraged.

An IFASS participant commented that the interaction of the climate risk project with the IASB project on intangibles was important. Entities were planning to invest significant amounts of money into projects that would require them to recognise a large provision or, if there was no provision, any expenditure. Including this expenditure in profit or loss was perceived as a punishment in the context of an asset that would be of benefit to the entity in the future but did not meet the recognition criteria in IAS 38. As such, there has been a suggestion that the recognition criteria in IAS 38 should be reviewed.

In addition, the IFASS participant expressed there was a view that some examples were putting too much pressure on IAS 1. The majority of the stakeholders welcomed the examples but wanted further examples. However, a significant minority did not want more examples.

Nili Shah commented that the landscape was evolving rapidly. Developments would be reviewed before further action is taken. Further feedback from stakeholders regarding paragraph 31 and paragraph 125 of IAS 1 would be valuable. Financial reporting's primary purpose is to provide decision-useful information to investors; the effect on behaviour is a data point, but not the primary purpose.

Item 12. ISSB interoperability

Sam Prestidge (ISSB) presented the session. He noted that the finalisation of the ESRS–ISSB Standards Interoperability Guidance had been discussed at the previous IFASS meeting, hence, the focus of his presentation was on forward-looking work and how to embed interoperability within the ISSB's process. Where companies were mandated or chose to report on ISSB Standards and another framework, ensuring understanding of differences and alignment on key definitions would enable these companies to collect and use decision-useful information once. The reduced cost for companies and increased comparability for investors.

In February 2024, the ISSB made it explicit that it would consider the work of other relevant standard setters when establishing a workplan. From March to April 2024, the ISSB had indicated that interoperability would be integral to ongoing work and it would pursue approaches that would promote interoperability between the global baseline and other standards. In this context, a paper considering how to appropriately embed interoperability was discussed at the July 2024 ISSB board meeting. One aim was to develop a more disciplined definition of interoperability.

The ISSB's plans to work on interoperability were related to but distinct from its strategy to support jurisdictional adoption. The ISSB would identify opportunities to assist companies that needed or wanted to apply the ISSB Standards alongside other standards. The ISSB would communicate with stakeholders regarding developments in interoperability. He further explained the interoperability with ESRS and GRI Standards.

Future interoperability work with the ESRS

The aim was to ensure that ISSB and ESRS digital reporting was interoperable and reflected the high degree of alignment that was achieved at the standards level. Going forward, the ISSB would work closely with ESMA as it proceeded with its consultation on moving the EFRAG digital reporting requirements into European regulation.

In its research projects on biodiversity, ecosystems and ecosystem services, and human capital, which are topics already addressed by ESRS, the ISSB would need to consider what information would be decision-useful to investors and would be internationally relevant to standard setting.

The SASB Standards were an effective tool for meeting industry-specific requirements in both ISSB Standards and ESRS. ESRS included a transition provision that enabled companies to use the IFRS industry-based guidance, which included the SASB standards, to complement their disclosures prepared in accordance with topical, sector-agnostic ESRS with industry specificity.

EFRAG was working on ESRS sector standards to support ESRS topical, sector-agnostic standards, which would include consideration of the industry classification system used. Significant differences between classification systems could result in different standards for different industries, which would affect comparability. The EFRAG priority sectors had informed the sectors that the ISSB had prioritised in its SASB enhancements work. The ISSB had done this in part to support interoperability.

GRI and IFRS Foundation collaboration to deliver full interoperability

A deeper collaboration, aiming to achieve full interoperability between GRI and ISSB Standards, has been announced recently. The collaboration would lead to the development of a seamless global and comprehensive sustainability reporting system. GRI standards were of crucial importance, particularly in certain regions, for companies to meet the information needs of a broader range of stakeholders. This was a key motivation driving the work on interoperability between ISSB and GRI standards. Biodiversity had been the initial area of focus but work was now moving into different aspects such as human capital and sector work. The IFRS Foundation and GRI are currently working to understand the respective timelines and identify points at which it would be possible to inform each other's work.

Audience Q&A- ISSB Interoperability

An IFASS participant commented that alignment of the digital taxonomies would be foundational. The ISSB and SASB had different digital taxonomies, and this would present an additional challenge. Sam Prestidge confirmed that digital reporting would be important in the identification of investor-relevant information and where information was relevant for a broader range of stakeholders. Granularity was key to this.

Chiara Del Prete noted that Sam Prestidge had stated that interoperability with GRI would also improve interoperability between ISSB Standards and ESRS. Sam Prestidge replied that the aim was to achieve as much consistency as possible between ISSB Standards, ESRS and GRI Standards. Chiara Del Prete noted that companies that complied with ESRS would also be compliant with GRI Standards, but the reverse was not necessarily true as ESRS also included financial materiality.

An IFASS participant commented that GRI did not provide sufficient information about metrics. Using other standards to complement the application of GRI Standards has been discussed. Sam Prestidge commented that other stakeholders had shared similar opinions. As work on biodiversity and human capital progressed over the following years, if GRI and ESRS work informed the establishment of the global baseline, this would result in further consistency. Chiara Del Prete observed that every jurisdiction should consider the May 2024 ESRS–ISSB Interoperability guidance[15] and use this as a 'common language' to translate between the ESRS and ISSB Standards.

An IFASS participant noted that the interface between bottom-up and top-down work should be considered. Sam Prestidge commented that further work around this would focus on the delta between an impact, a risk and an opportunity. Materiality guidance would be produced in future and would assist with this.

An IFASS participant reported that Taiwan had completed a pilot programme whereby the IFRS S1 and IFRS S2 digital reports were combined. Standards were conceptual and sometimes difficult for filers to understand. In comparison to this, the question-and-answer structure of the digital taxonomy was clear and easy to understand and was thus the appropriate place to begin work. Sam Prestidge commented that the problem with starting with the taxonomy would be that the context at the standards level would be lost. The digital reporting piece should support the disclosures and enable investors to identify specific information. Further possibilities around the question-and-answer structure could be explored.

Chiara Del Prete added that people tended to use the ESRS implementation guidance for the data points without the filter of the materiality and therefore became overwhelmed.

An IFASS participant asked why the focus was on interoperability instead of equivalence. Sam Prestidge explained that the European Union had started work before the establishment of the ISSB. Therefore, collaboration would be needed to understand how the different standards relate to each other, as they would be used internationally alongside one another.

An IFASS participant indicated that UK FRC outreach work had suggested that companies were initially focusing on ESRS and were not yet committing resources to the ISSB Standards.

Item 13. Jurisdictional perspectives on climate-related standards

Pedro Faria moderated the session where David Bolderston (ISSB) initially presented the ISSB perspective. This was followed by presentations of jurisdictional perspectives on climate-related standards made by Doris Yi-Hsin Wang (Accounting Research and Development Foundation Taiwan)), Gina Chammas (International Standards on Auditing, Lebanon), José Luiz Carvalho (GLASS), and Carolyn Cordery (New Zealand-XRB), and a discussion by the panellists thereafter.

Responses to polling questions during the session can be seen here.

[15] https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/esrs-issb-standards-interoperability-guidance.pdf

ISSB perspective

David Bolderston noted that the ISSB was supporting jurisdictions' implementation of IFRS S1 and IFRS S2 in the following five areas: developing and enhancing educational materials; convening the Transition Implementation Group (TIG); monitoring the progress of relevant standard setters; supporting the IFRS Foundation's comprehensive capacity-building programme; and supporting companies in the use of the IFRS Sustainability Disclosure Taxonomy.

Educational material: David Bolderston noted that a number of educational material deliverables had been published since the launch of the ISSB Standards while others were still under development. Educational material had been published on the comparison between IFRS S2 and the TCFD recommendations, interoperability considerations for GHG emission disclosures when applying GRI Standards and using the ISSB Standards, and SASB Standards for purposes of meeting IFRS S1 requirements.

Educational materials currently under development addressed topics such as materiality and proportionality, which was particularly important due to the varying capabilities and preparedness of entities around the world. Through close jurisdictional engagement, the ISSB would continue to monitor what subjects would need to be addressed in educational materials in the future.

Transition Implementation Group (TIG): David Bolderston conveyed that the TIG was a public forum with global participation that considered implementation questions. Participating and interested stakeholders would have visibility of how those questions were analysed and discussed. In addition to providing feedback to the ISSB, the TIG also had an educational function. The first paper of the TIG considered how to apply IFRS Standards. The second paper was produced with an awareness that, in addition to accountants, it would be read by people from a sustainability reporting background.

Taiwan perspective

Doris Yi-Hsin Wang stated that listed companies in Taiwan had been using GRI for a long time. These companies were also familiar with the TCFD recommendations, SASB standards, and the recently adopted ISSB Standards (IFRS S1 and IFRS S2). Companies were required to use the GRI as part of their sustainability reports. Disclosures based on ISSB Standards, TCFD recommendations and SASB standards were also included in the annual report. Doris Yi-Hsin Wang conveyed that the lack of data was a key issue and she called for guidance on this from the ISSB and other jurisdictions.

Middle East and North Africa (MENA) perspective

Gina Chammas outlined the state of play in the adoption of ISSB Standards in the MENA region ranging from countries with mandatory adoption of ISSB Standards (i.e., Bahrain, Iran, Jordan, Oman, Palestine, Qatar and Syria), to those that only partially comply with both IFRS Accounting[16] Standards and ISSB Standards (i.e., Lebanon) albeit that compliance with ISSB Standards in Lebanon was improving due to commitments to Sustainable Development Goals, and those that yet-to adopt ISSB Standards (i.e., Egypt, Djibouti, Algeria, Libya, Morocco, Mauritania, Sudan, Somalia and Tunisia). Data collection was improving in these countries but many were only focusing on environmental, social and governance issues, rather than strategy and risk management of climate-related matters.

[16] in Lebanon some auditors would regard companies as complying with IFRS even if they did not apply the IAS 21 and IAS 29 standards, although different auditors would have different opinions on this

The difficulties that countries have faced in adopting ISSB Standards include those related to data collection and a differing understanding among stakeholders of climate-related matters and transparency measures. Other challenges included data security, trust issues, integrity and ethics of competing markets in the region, and war and security issues. Gina Chammas observed that the banking issues in 2019 had severely impacted transparency in Lebanon. A greater understanding of the benefits of reporting on ISSB Standards was needed. The adoption of these standards was perceived as being dictated by the West and therefore several countries did not engage with them.

Despite the challenges, MENA countries have made significant progress on sustainability issues in recent years. Gina Chammas emphasised that investment in training and information was needed. She recommended that TIG-type committees should be formed to increase stakeholder engagement.

GLASS perspective

José Luiz Carvalho reported on the close collaboration with ISSB to build cooperation in the region, and he highlighted that, based on survey findings, the proportion of 'undefined' had reduced dramatically since the initial survey. Brazil had gone through full adoption and was currently in the process of publishing training material in Portuguese.

11 countries participated actively in the GLASS permanent commission for sustainability. 46% of national regulators still did not know whether ISSB standards would be fully adopted in their countries. This uncertainty was likely because the decision would be made by the government.

Based on the survey feedback, Venezuela was the only country that indicated that ISSB standards were likely to be modified upon adoption. Venezuela was focusing on SMEs and had created a task force to work on this. Five countries within the region had stated that they planned to develop their own standards. These standards would be heavily based on ISSB Standards but adapted to local legislation.

Countries had highlighted other relevant points related to ISSB sustainability standards. Training material in Spanish would be needed. Guidance from the national government on S1 and S2 and their local application was awaited in Colombia. In Mexico, the CINIF has developed two sustainability reporting standards. Adoption of these would be mandatory for non-public companies, unlisted companies and the financial and insurance sector. Countries had suggested that the ISSB should allow the use of sustainability standards with more accessible requirements, noting that most companies in Latin America were SMEs. In addition to the permanent commission on sustainability, GLASS has produced webinars to provide further information.

New Zealand perspective

Carolyn Cordery stated that New Zealand had released its first climate standards in December 2022. In addition to the three standards, 12 guidance documents have been published. 13 sectors had completed sector-level scenarios. Companies were now producing disclosures. The reporting was not yet perfect, but progress was being made.

A voluntary project on broader sustainability reporting was ongoing. The XRB had recently announced that a sustainability standards board would be created. A position paper outlining plans for consultation in the first half of 2025 will be produced. Development of the indigenous intergenerational impact reporting framework, based on a Māori worldview, was ongoing.

Panel discussion

In reaction to the audience response to a polling question on the most significant barriers to implementing climate-related standards (i.e., the lack of resources, data and expertise; limited stakeholder engagement and awareness; and regulatory uncertainty), Pedro Faria noted that the ISSB had indicated what it was doing to address some of these barriers while the jurisdictional presentations had highlighted the importance of having materials in the right language.

Doris Yi-Hsin Wang highlighted several key initiatives in Taiwan including a pilot study on digital reporting and the formation of a task force to assist with the implementation of ISSB Standards. José Luiz Carvalho noted that some companies in Latin America had signalled that they would adopt ISSB Standards in 2024. Five countries were on the journey towards adoption albeit with an extended transition period. He recommended that awareness must be raised at the top management level so that compliance with ISSB Standards is embedded in the business model and strong governance is needed to avoid greenwashing.

Strategies or innovative approaches applied for implementing ISSB Standards: Pedro Faria asked Gina Chammas what strategies or innovative approaches were being used in the application of ISSB Standards given the context of limited regulatory oversight. Gina Chammas replied that Lebanon was a small country and regulatory oversight was provided by the Ministry of Economy and Trade with approval of any standards done by the Ministry of Finance.

She noted that enormous resources and expertise would be needed for companies' implementation of ISSB Standards and the aim was to encourage competition among the private sector participants. Private sector initiatives were the current main drivers of progress. Due to the insecurity and geopolitical threats in Lebanon, the focus was on the implementation by large companies and not SMEs which faced significant financial barriers with no support currently available.

Obstacles to implementing ISSB Standards: Pedro Faria asked José Luiz Carvalho what were the primary obstacles (besides language) to implementation in his region. José Luiz Carvalho replied that the survey feedback had demonstrated that there were no conflicts between legislation in the region and adoption of the standards and although progress was slow, it was going in the right direction. He noted that large public companies would have until 2026 or 2027 to adopt the standards. An economic rationale would need to be identified before SMEs would adopt the standards and the lack of resources was a critical problem faced by SMEs. The financial capital providers would be part of this initiative, as entities' compliance with the standards would be required to be eligible for loans or investment financing. Pressure from customers was another important element.

Lessons learnt from implementation experience: Pedro Faria asked Carolyn Cordery what lessons had been learned from experiences in New Zealand and what was being done to support companies as they improved their reporting. Carolyn Cordery replied that producing the sector-level scenario analysis had been very helpful and had provided mutual support to companies within a sector. The University of Otago had been commissioned to carry out a three-year effectiveness project. The aim of mandatory reporting was not to influence investor decision-making but instead to change internal decision-making within companies to enable them to transition more easily. This resulted in a different focus from that of the ISSB work.

The interim report of the effectiveness project revealed that companies were finding the process difficult and wanted help from the standard setter on implementation. The most challenging[17]

[17] For example, in scope 3 the assurance providers believed that a spend-based method would be more robust, but the preparers had found that the supplier-specific method had helped them to engage with suppliers to reduce emissions.

area was the assurance of GHG emissions and the link to director liability. In response to the difficulties, the XRB had just announced a proposal to extend the transition period for reporting scope 3 by one year.

A post-implementation review would begin in 2025. As part of this, improvement of the TCFD basis would be considered and international alignment would also be reviewed. The New Zealand standards had been published before those of the ISSB and were very similar. Implications for companies that were dual registered in Australia and New Zealand would be an important area of focus in the post-implementation review.

Ensuring IFRS S2 applicability across jurisdictions: Pedro Faria asked David Bolderston to explain how the ISSB would ensure that IFRS S2 could be applied across jurisdictions and to provide an overview of collaborations with local standard setters to address particular challenges. David Bolderston stated that IFRS S2 was principle-based and designed to be applied across industries and business models to elicit entity-specific disclosures. It had been designed to accommodate different jurisdictional settings. For example, the jurisdictional relief from the GHG protocol relieved entities from reporting where they were already subject to jurisdictional authority to report emissions using a different method of measurement. Requirements around the location of information accommodated different jurisdictional settings. IFRS S1 specifically referred to interaction with regulations and relevant considerations in this area.

The feedback to the exposure draft conveyed that different entities around the world had very different levels of preparedness. The ISSB had responded to this with the introduction of proportionality mechanisms, which included consideration of resource constraints, throughout the standards.

Engagement with national standard setters had been of paramount importance. The Sustainability Standards Advisory Forum (SSAF) members contributed to the development of a comprehensive baseline that was interoperable with jurisdictional standards. This engagement provided intelligence on current jurisdictional practices and suggested areas for prioritisation and development. Supporting implementation would be a priority for the ISSB in the next year.

An IFASS participant asked whether standard setters needed to have a copyright agreement with the IFRS Foundation to use ISSB standards to develop standards for their jurisdictions. David Bolderston advised that standard setters should liaise with the IFRS Foundation regarding the use of the standards in this way.

Integration of local contexts including indigenous perspectives into the development of standards: José Luiz Carvalho commented his organisation had not addressed this aspect. Instead, specific legislation protected indigenous communities. In many countries, the protection of indigenous people was embedded in the constitution. Countries had not directly involved indigenous people in consultation on sustainability-related financial reporting standards, but this could be considered in future. He also noted that, at the beginning of the value chain, there would be points of interaction with indigenous communities, for example in the food or pharmaceutical industries.

Carolyn Cordery commented that involving indigenous communities could require a different way of working. Standard-setting organisations needed to consider diversity in their hiring and staffing practices. Genuine engagement and relationship building with indigenous communities and people with different worldviews took time and would lengthen the standard-setting process. That said, Māori and other perspectives were represented on the new XRB sustainability board.

Gina Chammas noted that opportunities were an important part of ISSB Standards and indigenous people often identified new opportunities, so engaging with them as part of the process could be very valuable.

Noting the results of a polling question, where a majority of the audience stated that local contexts were included in the process through representation, Pedro Faria asked David Bolderston how the ISSB could ensure that all communities were represented. David Bolderston replied that the ISSB was focused on investor decision making but engagement with relevant communities around the globe was also important.

Item 15. Closing remarks

Chiara Del Prete thanked all attendees for their participation, the speakers for their contribution, the IFRS Foundation for hosting, and the IFASS Secretariat for supporting the meeting. She announced that a survey would be conducted shortly after the meeting to gather feedback and suggestions for topics that should be addressed at the next two IFASS meetings. Of note, earlier in the day she had announced that the next meeting would be held in Naples, Italy on 12-14 March 2025. The survey would also seek opinions on whether IFASS was succeeding in its overall mission and this could be a useful roadmap for her successor as IFASS Chair. She then closed the meeting.

ACTION LIST

IFASS Chair/Secretariat
• To oversee the nomination and possible voting to select the next IFASS Chair • To organise an in-person meeting with remote participation for 12-14 March 2025 which will take place in Naples, Italy including sending the registration survey
All IFASS participants
• A call for IFASS Chair nominations has been launched – deadline is 29 November 2024 • A survey asking for voting-related information has been launched to voting-eligible IFASS participant organisations – deadline is 18 November 2024 • Another survey seeking comments from IFASS members on the role and purpose of IFASS, feedback on the September 2024 IFASS meeting and to identify meeting agenda suggestions for March and September 2025 has been launched – deadline for survey responses is 21 November.

APPENDIX: LIST OF IFASS PARTICIPANTS

IFASS participants that attended in person:

	Name	Organisation
1	Charis Halliday	AASB - Australia
2	Fridrich Housa	AASB - Australia
3	Keith Kendall	AASB - Australia
4	Lachlan McDonald-Kerr	AASB - Australia
5	Gowri Palaniappan	ACRA - Singapore
6	Huey Min Chia-Tern	ACRA - Singapore
7	Kangli Lau	ACRA - Singapore
8	Kuldip Gill	ACRA - Singapore
9	See Tiat Quek	ACRA - Singapore
10	Yat Hwa Guan	ACRA - Singapore
11	Katharine Christopoulos	AcSB - Canada
12	Katherine Knowlton	AcSB - Canada
13	Alfred Wagenhofer	AFRAC - Austria
14	Gerhard Prachner	AFRAC - Austria
15	Pierre Martin	ANC - France
16	Muhammad Imran Khan	AOSSG
17	Rana Usman Khan	AOSSG
18	Chao-Ming Chang	ARDF - Taiwan
19	Chi-Chun Liu	ARDF - Taiwan
20	Doris Yi-Hsin Wang	ARDF - Taiwan
21	Hsiu-Wen Chen	ARDF - Taiwan
22	Margaret Tsui	ARDF - Taiwan
23	Shi-Hao Chou	ARDF - Taiwan
24	Dol Prasad Dahal	ASB Nepal
25	Prakash Jung Thapa	ASB Nepal
26	Nami Yamaguchi	ASBJ - Japan
27	Satoe Yamamoto	ASBJ - Japan
28	Shingo Murase	ASBJ - Japan
29	Georg Lanfermann	ASCG - Germany
30	Sven Morich	ASCG - Germany
31	Sadi Podevijn	CBN - Belgium
32	Lyn I. Javier	Central bank of the Philippines

33	Ana Tércia Rodrigues	CFC - Brazil
34	William Biese	CINIF -Mexico
35	Karen Sanderson	CIPFA
36	Marcio Rost	CPC - Brazil
37	Gerard van Santen	DASB - Netherlands
38	Christine Barckow	Deloitte
39	Kristian Koktvedgaard	DSSB - Denmark
40	Chiara Del Prete	EFRAG
41	Didier Andries	EFRAG
42	Jamal Boualla	EFRAG
43	Kathrin Schoene	EFRAG
44	Ovidiu Spirescu	EFRAG
45	Pedro Faria	EFRAG
46	Rasmus Sommer	EFRAG
47	Sapna Heeralall	EFRAG
48	Sebastien Harushimana	EFRAG
49	Vincent Papa	EFRAG
50	Wolf Klinz	EFRAG
51	Jan Peter Larsen	EY
52	Joyce Joseph	FASB - USA
53	Wilson Tan	FSRSC - Philippines
54	Hernan Pablo Casinelli	GLASS
55	José Luiz Carvalho	GLASS
56	Cecilia Kwei	HKICPA - Hong Kong
57	Severinus Wijaya	IAI - Indonesia
58	Rosita Uli Sinaga	IAI - Indonesia
59	Mousa Rizk	IASCA
60	Oussama Tabbara	IASCA
61	Andrea St Rose	ICAC - Caribbean
62	Carlos Moreno Saiz	ICAC -Spain
63	María Dolores Urrea Sandoval	ICAC -Spain
64	Mangesh Pandurang Kinare	ICAI - India
65	Kemisha Soni	ICAI - India
66	Catherine Asemeit	ICPAK - Kenya
67	Benjamin Mbolonzi	ICPAK - Kenya
68	Grace Kamau	ICPAK - Kenya

69	Charles Lutimba	ICPAU - Uganda
70	Andreas Barckow	IFRS Foundation
71	Ann Tarca	IFRS Foundation
72	Bruce Mackenzie	IFRS Foundation
73	David Bolderston	IFRS Foundation
74	Elena Kostina	IFRS Foundation
75	Florian Esterer	IFRS Foundation
76	Fred Nieto	IFRS Foundation
77	Gustavo Olinda	IFRS Foundation
78	Hagit Keren	IFRS Foundation
79	Jelena Voilo	IFRS Foundation
80	Joan Brown	IFRS Foundation
81	Jonathan Bravo	IFRS Foundation
82	Karen Robson	IFRS Foundation
83	Linda Mezon-Hutter	IFRS Foundation
84	Michelle Sansom	IFRS Foundation
85	Mosireletsi Mogotlhwane	IFRS Foundation
86	Ndidi Nnoli-Edozien	IFRS Foundation
87	Nick Anderson	IFRS Foundation
88	Nili Shah	IFRS Foundation
89	Patrina Buchanan	IFRS Foundation
90	Ravi Abeywardana	IFRS Foundation
91	Riana Wiesner	IFRS Foundation
92	Rika Suzuki	IFRS Foundation
93	Robert Uhl	IFRS Foundation
94	Samuel Prestidge	IFRS Foundation
95	Sue Lloyd	IFRS Foundation
96	Thathsara Ramanayake	IFRS Foundation
97	Tim Craig	IFRS Foundation
98	Yulia Feygina	IFRS Foundation
99	Stefano Tampubolon	IFRS Foundation
100	Tadeu Cendron	IFRS Foundation
101	Ian Carruthers	IPSASB
102	Ilhong Park	KAI - Korea
103	Jiseong Yu	KAI - Korea
104	Subin Kim	KAI - Korea
105	Sumin Kim	KAI - Korea

106	Woung Hee Lee	KAI - Korea
107	Young Seo Jung	KAI - Korea
108	Bee Leng Tan	MASB - Malaysia
109	Mohd Nasir Ahmad	MASB - Malaysia
110	Ismail Mhamdi	Moroccan government
111	Bjørn Einar Strandberg	NASB - Norway
112	Karina Hestås	NASB - Norway
113	Jamie Poon	NCSS Singapore
114	Wei Lin Tan	NCSS Singapore
115	Paolo Marullo Reedtz	OIC - Italy
116	Simone Scettri	OIC - Italy
117	Tommaso Fabi	OIC - Italy
118	Chiara Pizzoferrato	OIC - Italy
119	Lebogang Senne	PAFA
120	Abubakr Hummeida	SCCA - Sudan
121	Emi Chujo	SSBJ - Japan
122	Mizuho Watanabe	SSBJ - Japan
123	Yasunobu Kawanishi	SSBJ - Japan
124	Yuri Imai	SSBJ - Japan
125	Fredrik Walmeus	Swedish Corporate Reporting Board
126	Elisa Noble	UK FRC
127	Jenny Carter	UK FRC
128	Sarah-Jayne Dominic	UK FRC
129	Stephen Maloney	UK FRC
130	Matthew Tilling	UKEB
131	Pauline Wallace	UKEB
132	Seema Jamil-O'Neill	UKEB
133	Paul Munter	US SEC
134	Carolyn Cordery	XRB - New Zealand
135	Jack Bisset	XRB - New Zealand
136	Michelle Lombaard	XRB - New Zealand

The following IFASS participants registered to join the meeting remotely:

	Name	Organisation
1	Chuan Jian Lo	ACRA - Singapore
2	Chiahwa Yu	ACRA - Singapore

3	Yun Leng Chua	ACRA - Singapore
4	Armand Capisciolto	AcSB - Canada
5	Sushil Poudel	ASB Nepal
6	Miki Nakanishi	ASBJ - Japan
7	Masashi Hayano	ASBJ - Japan
8	Atsushi Itabashi	ASBJ - Japan
9	Yasuyuki Natsume	ASBJ - Japan
10	Hisashi Yuhara	ASBJ - Japan
11	Masaaki Yamada	ASBJ - Japan
12	Yuri Iino	ASBJ - Japan
13	Yuki Matsuda	ASBJ - Japan
14	Mirela Paunescu	CECCAR - Romania
15	Elsa Beatriz García	CINIF - Mexico
16	Jessica Magaña	CINIF - Mexico
17	Oscar Avila	CINIF - Mexico
18	Patricia Moles	CINIF - Mexico
19	Hillary Salo	FASB - USA
20	Irwan Lau	IAI - Indonesia
21	Pera Yulianingsih	IAI - Indonesia
22	Refin Dimas	IAI - Indonesia
23	Elly Zarni Husin	IAI - Indonesia
24	Ana Garrido Roma	ICAC - Spain
25	Ana Belén Muñoz Muñoz	ICAC - Spain
26	Ana Hernáiz Ballesteros	ICAC - Spain
27	Arnold Houser	IEAF
28	Gina Chammas	ISAL - Lebanon
29	CHUNHO LEE	KAI - Korea
30	Hyejin Jung	KAI - Korea
31	SungHo Joo	KAI - Korea
32	Hyeonjae Bae	KAI - Korea
33	YELIM SEO	KAI - Korea
34	Yongwoo Kwon	KAI - Korea
35	Tatsiana Rybak	Ministry of Finance of the Republic of Belarus
36	Signe Haakanes	NASB - Norway
37	Dollee Dollee	NCSS - Singapore
38	Hana Murayama	SSBJ - Japan
39	Tomoyuki Ogawa	SSBJ - Japan

40	Naoko Yagishita	SSBJ - Japan
41	Aiko Saito	SSBJ - Japan
42	Reto Zemp	Swiss GAAP FER