

Draft Comment Letter

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Comments should be submitted by 24 March 2025.

IFRS Foundation
7 Westferry Circus, Canary Wharf
London E14 4HD
United Kingdom

[XX March 2025]

Dear Mr Steven Maijor,

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

On behalf of EFRAG, I am writing to comment on the Exposure Draft *Proposed Amendments to the IFRS Foundation Due Process Handbook*, issued by the IFRS Foundation in December 2024.

EFRAG welcomes the IFRS Foundation initiative to publish proposed updates to the Due Process Handbook ('Handbook') to reflect the creation of the ISSB in 2021 together with some proposed enhancements and clarifications. Due process is key for ensuring the legitimacy, transparency and robustness of standard setting, fostering stakeholder trust and ultimately leading to higher quality and more effective corporate reporting standards.

We report below our concerns and observations on the proposed changes reflecting the creation of the ISSB in the Handbook.

- In its past commentaries (i.e. responses to ISSB agenda consultation and the IASB ED on climate-related and other uncertainties in the financial statements, and EFRAG's initial paper on connectivity considerations and boundaries of different Annual Report sections), EFRAG has recommended the much needed development of a **conceptual framework dedicated to sustainability reporting**. EFRAG notes that reference to the boards in some paragraphs in which the Conceptual Framework for Financial Reporting ('Conceptual Framework') is mentioned (such as 4.10) might lead to the interpretation that the Conceptual Framework also covers sustainability disclosure standards

notwithstanding that it does not significantly address the conceptual underpinnings of sustainability reporting. Consequently, it would be helpful to systematically refer to the Conceptual Framework as the 'IASB conceptual framework'.

- EFRAG strongly recommends that the **SASB Standards and the SASB Standards Taxonomy are brought in the scope of the due process procedures** foreseen for ISSB standard setting (IFRS Sustainability Standards). Keeping them outside the scope would fall short of the minimum quality requirements for standard setting and ultimately affect their legitimacy. SASB material has not been subject to the IFRS due process so far, as it was developed before the integration with the IFRS Foundation and it was developed in a different context, including due to its US geographic focus. The reference to 'shall refer and consider' disclosure topics and metrics in that material, which we support, should not have in practice the effect of requiring the inclusion of the corresponding disclosures. However, SASB material plays a crucial role in enabling fair presentation of sustainability reporting under IFRS S1 and IFRS S2 when they are applicable to the entity's circumstances, in particular for topics that are not covered by IFRS Sustainability Standards. In line with this enabling role, the due process related to SASB material should be enhanced. The Handbook proposes having a consultation and the ISSB approval in a public meeting, but this does not grant the same level of transparency as discussing the content of the SASB material in public meetings during the full standard-setting cycle. This should also be considered when amending SASB Standards. Similarly, SASB material should also be subject to field testing.
- EFRAG is of the view that **connectivity** should also be considered in deciding upon new IFRS Accounting Standards or major amendments and illustrative examples. EFRAG recommends that the IFRS Foundation go beyond a focus on connectivity in process and information and that there be processes to clearly define the reporting boundaries amongst financial statements, sustainability disclosures and other reports. This will help to identify gaps in information and avoid unnecessary duplication across different reports.
- EFRAG recommends the introduction of an **interpretations committee for sustainability reporting**. This would ensure that an appropriate due process is in place to address interpretation issues, as the current work of the Transition Working Groups does not foresee any form of public feedback.

We report below our concerns and observations on the proposed enhancements and clarifications to the Handbook.

- EFRAG understands the need of the board to have a relative stable pipeline of projects in the form of a long-term **work plan**. However, EFRAG finds it challenging to add new projects to the respective board's work plan while the boards can change the work plan with a simple majority. The criteria for prioritising of projects, including pausing or retiring projects, is now included in the draft IASB prioritisation framework (drafted in April 2024, most recently discussed in January 2025). It can be observed that there is a certain imbalance between constituents providing feedback on the agenda consultation or specifically addressing the need for changes later as well as the possible boards decisions. The role of the prioritisation framework should be clarified in the Handbook, including its interaction with the periodic agenda consultation. EFRAG would also recommend moving from a simple majority to a supermajority for initiating, pausing or retiring major projects.
- EFRAG recognises that there are situations where due to time urgency **comment periods** may need to be shorter than the 120 days standard requirement. However, in a number of situations EFRAG observes that due to the complexity of the proposals and the need to field-test them, comment periods well in excess of 120 days may be needed. EFRAG has found it increasingly difficult to gather sufficient constituents' feedback within the comment periods. When it comes to new standards and major amendments, especially those requiring field testing, EFRAG often receives requests from its constituents for more time during the exposure period and also finds it challenging to get field-test participants within the given time frame. The use of 180, 270 or 360 days should not be excluded when complexity is significant, field testing is needed and timing allows. The necessary timing should be consulted with the IFRS Foundation consultative bodies before deciding on the comment period. On request for information, EFRAG would like to see the wording changed from 'a minimum of' to 'at least' when the period is extended to 90 days.
- EFRAG considers that the **Post-implementation Review (PIR)** should be more forward-looking than currently expressed in the Handbook and that the criteria for further actions after a PIR should be revised. The current criteria limit the usefulness of PIRs from enhancing reporting quality. Experience gained from the use of a standard should be utilised for further development of that and other standards.
- EFRAG agrees with the principle that educational material cannot change the requirements in the standard. However, when **material that supports the application of IFRS Standards** introduces illustrations on how to apply the requirements, this may have an effect on the reporting practice. EFRAG suggests considering the introduction of predefined criteria to distinguish between educational material (not exposed to public

feedback) and guidance (exposed to public feedback, similar to what the IASB did for the Management Commentary).

- Further, EFRAG notes that the work of the IFRS Interpretations Committee (Interpretations Committee) and the regulation of its work are described in different places in the Handbook, and we recommend centralising this content.

Beyond the Handbook consultation, but nevertheless related to it, EFRAG questions how the proposed amendment to IFRS S2 allowing the omission of Scope 3 emissions can qualify as a 'narrow-scope amendment' or as a 'maintenance project'. EFRAG is of the view that a temporary phase-in would be more appropriate given that the justification is the immaturity of the calculation methodologies.

If you would like to discuss our comments further, please do not hesitate to contact Didier Andries, Sebastian Heintges, Didrik Thrane-Nielsen, Kathrin Schoene or me.

Yours sincerely,

Benoit Jaspar

EFRAG Administrative Board President – Chair

Appendix – EFRAG’s responses to the questions raised in the ED

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

Notes to constituents: Summary of proposals in the ED

Including the due process for the ISSB

- 1 The DPOC proposes amendments to the Handbook to specify that the due process requirements apply to the ISSB as well as the IASB. For clarity, the DPOC proposes to add an explanation for paragraph 1.5 whereby the boards apply the same due process requirements except the ISSB, which does not have an equivalent of the Interpretations Committee and does have a specific due process for the SASB Standards and the SASB Standards Taxonomy.

Due process for the SASB Standards and the SASB Standards Taxonomy

- 2 The DPOC proposes adding a new annex, Annex B, to the Handbook to include a specific due process for the SASB Standards and the SASB Standards Taxonomy. The DPOC approved and published this due process on the Foundation’s website in 2022.
- 3 The ISSB assumed responsibility for the SASB Standards after the IFRS Foundation and the Value Reporting Foundation consolidated in August 2022. The SASB Standards are not IFRS Standards, but an entity applying IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information is required to refer to and consider the applicability of the SASB Standards to identify sustainability-related risks and opportunities and associated disclosures. Thus, the SASB Standards have a unique role in IFRS Standards and their accompanying materials.
- 4 The due process for the SASB Standards allows the ISSB to use a group of ISSB members, the SASB Standards Board Adviser Group, to develop amendments to the SASB Standards for ratification by the ISSB. Ratification requires a supermajority of the ISSB, the same amount of support required for an amendment to an IFRS Sustainability Standard. The ISSB ratifies amendments and proposed amendments to the SASB Standards during its public board meetings.
- 5 When developing the due process for the SASB Standards in 2022, the DPOC drew on principles from the current due process. The DPOC also sought to balance the need for transparency and inclusiveness of due process, given the importance of the SASB Standards in the application of IFRS S1, with the fact that entities are not required to apply the SASB Standards. The DPOC also concluded that using a group of ISSB members in the development process would enable the ISSB to be more efficient in maintaining and

enhancing the SASB Standards in a timely manner, while ensuring the ISSB remains responsible for proposed and issued amendments to the SASB Standards.

Reflecting connectivity

- 6 *The DPOC proposes amendments to reflect the fact that the IASB and the ISSB aim for their respective requirements to work well together and provide a comprehensive package of information for users of general-purpose financial reports.*
- 7 *The DPOC therefore proposes to include the objective stated in paragraph 2 of the Constitution that the IASB and the ISSB develop complementary sets of IFRS Standards.*

Question 1 Reflecting the creation of the ISSB in the Handbook

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

EFRAG's response

- 8 Overall, EFRAG suggests that the Handbook include a schematic overview of the different IFRS bodies named in it, their roles and interactions. In particular, clarity is needed on which board takes the lead in issues that affect connectivity between the two fields of reporting. In addition, a clarification would be useful between the work of the Interpretations Committee, Transition Implementation groups and the impact of their work on the Post-Implementation Review Process.

Conceptual Framework

- 9 In past commentary¹, EFRAG has recommended the much needed development of a conceptual framework dedicated to sustainability reporting. While the Handbook refers to the Conceptual Framework (paragraph 4.21 and following), the impression may be created in paragraph 4.10 that the Conceptual Framework covers also sustainability disclosure standards notwithstanding that it does not address many foundational and conceptual underpinnings of sustainability reporting.

¹ The call for a sustainability reporting conceptual framework was made in EFRAG's response to the 2023 ISSB agenda consultation and 2024 IASB Exposure Draft on climate-related and other uncertainties in the financial statements, and in the 2024 EFRAG Connectivity Project initial paper *Connectivity considerations and boundaries of different Annual Report sections*.

SASB Standards

- 10 Entities applying IFRS S1 are required to refer to and consider the applicability of SASB material. SASB material constitutes the sector-specific requirements applicable when reporting under ISSB Standards; it also constitutes it if they are worded as 'shall refer and consider'. So, their importance cannot be underestimated.
- 11 EFRAG is concerned that the SASB Standards and the SASB Standards Taxonomy are not part of the overall due process requirements. EFRAG urges the IFRS Foundation to address as a priority the expectations of constituents that the SASB Standards would be incorporated into authoritative IFRS pronouncements over time. Even when the specialised SASB due process is to some extent similar to the overall due process requirements, EFRAG identifies the following differences.
 - (a) The principles of transparency, full and fair consultation and accountability are not specified for the SASB Standards or the SASB Standards Taxonomy.
 - (b) It is unclear how the SASB Standards and the SASB Standards Taxonomy integrate in the technical work plan as well as how standard-setting projects in relation to them can be added to the work plan.
 - (c) It is unclear whether SASB Standards and the SASB Standards Taxonomy can be updated through packages of minor improvements.
 - (d) SASB Standards and the SASB Standards Taxonomy are not subject to the post-implementation review process.
 - (e) SASB Standards and the SASB Standards Taxonomy are not subject to IFRIC interpretations (see the wider topic on this area).
- 12 In addition, three to five ISSB members – meeting privately – assisted the ISSB as advisors in relation to SASB Standards and the SASB Standards Taxonomy, whereafter the ISSB was able to ratify ISSB exposure drafts or amendments to SASB Standards.
- 13 These shortcomings make the SASB Standards and the SASB Standards Taxonomy fall short of the minimum quality requirements for sustainability reporting and ultimately affect their legitimacy.
- 14 Also, while the consultation of the SSAF is a mandatory step in the due process for major projects or proposals in order to add projects to the work plan, the SSAF has not been consulted on the integration of the SASB Standards. The SSAF was only informed about the proposed methodology to enhance international applicability of the SASB Standards in July

2023 but not about the introduction of the SASB Standards themselves as a major part of the IFRS Sustainability Standards framework.

- 15 An essential step in standard setting is the effects analysis. Yet, it is unclear whether the SASB Standards and the SASB Standards Taxonomy have been subject to an effects analysis and whether future amendments to them will be subject to it.

Reflecting connectivity

- 16 EFRAG welcomes the possibility for joint board meetings (paragraph 3.2) as well as the possibility that board members of one board attend another board's meetings (paragraph 3.43).

- 17 Yet, EFRAG is convinced that more is to be done to ensure connectivity, in particular when deciding upon new IFRS Standards or major amendments or illustrative examples. The considerations mentioned in paragraph 5.4 of the Handbook refer to:

- (a) whether there is a deficiency in the way entities report a particular type of transaction or activity in general purpose financial reports;
- (b) the importance of the matter to users of general purpose financial reports;
- (c) the types of entities the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than others; and
- (d) how pervasive or acute the matter is likely to be for entities

- 18 EFRAG is of the view that connectivity should also be considered in deciding upon new IFRS Standards or major amendments and illustrative examples (such as those developed for climate-related and other uncertainties in the financial statements).

- 19 EFRAG notes that, in addition to the goal of attaining coherence and connectivity in reported information, the steps to enhance the connectivity of the IASB and ISSB processes and the respective IFRS Standards should also be oriented towards ensuring there are clearly defined and distinct boundaries for the information respectively reported in the financial statements, sustainability disclosures, management commentary and other reports. For this purpose, as noted above, there needs to be separate conceptual frameworks for financial reporting and sustainability-related disclosures. Clearly defined reporting boundaries will help to identify gaps and avoid unnecessary duplication of information in different reports. Moreover, the sustainability disclosures and management commentary should not be treated as alternative locations for information that ought to be reported and that is material in the context of financial statements.

Interpretations Committee – Sustainability reporting

- 20 EFRAG observes that the ISSB does not have an equivalent body to the Interpretations Committee. EFRAG recommends the establishment of an equivalent Interpretations Committee for the ISSB, especially as sustainability reporting standards are less mature and arguably more in need of interpretation than their financial reporting counterparts. The support of an equivalent Interpretations Committee for IFRS sustainability standards is urgently needed. We recommend a timely amendment in the Constitution and subsequently also an amendment in the Handbook.
- 21 Jurisdictions across the planet are in the process of implementing IFRS S1 and S2 whereby most will follow the IFRS principles while others anticipate deviating from these. In this crucial phase of achieving global acceptance of sustainability standards, and with respect to national authority to deviate where it is decided to do so, finding a common global baseline also requires the need from a body that has the authority to interpret the standards.
- 22 EFRAG notes that the transition working groups (TWG) have no due process. The reason for sustainability standards not to have an IFRIC for the ISSB is that there is the TWG. EFRAG is of the view that the TWG should have a due process similar to IFRIC or at least ensure it is open for public feedback.

Question to constituents

- 23 Do you agree with the need for developing an interpretations committee for sustainability reporting? Please explain.

Question 2 – Enhancements and clarifications – Post-implementation reviews

Notes to constituents: Summary of proposals in the ED – Part 1/3

Post-implementation reviews

- 24 *The DPOC proposes amendments to clarify the requirements for a post-implementation review (PIR). The proposed amendments clarify:*
- (a) *the objective of a PIR, which would be to assess whether the effects of applying the requirements of a new IFRS Standard or major amendment to a Standard are as intended when the requirements were developed. The proposed amendments*

emphasise that a PIR is not a standard-setting project and does not automatically lead to standard-setting;

- (b) the start date for a PIR, which would be when sufficient information, is available to assess the effects of the new requirements, instead of after two years of application as specified now. This principle-based definition reflects both the IASB's experience and the nascency of sustainability reporting;*
- (c) the process to decide whether matters arising from a PIR warrant further action and, if so, how to prioritise them;*
- (d) the possible outcomes of a PIR, including specifying that, when gathering evidence to make an overall assessment about whether the new requirements are working as intended, the boards may identify specific application questions. However, a PIR is not intended to lead to the resolution of every application question.*

Question 2 Enhancements and clarifications

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

EFRAG's response – Part 1/3

Post-implementation reviews

General comments

- 25 Paragraph 6.50 describes the objective of a post-implementation review (PIR). 'The objective of a post implementation review is to assess whether the effects of applying the requirements of a new Standard or major amendment to a Standard on users of general purpose financial reports, preparers, auditors and securities regulators are as intended when the new requirements were developed.'
- 26 In EFRAG's view, the stated objectives and outcomes of a PIR of a Standard or major amendment create a high threshold before any corrective or enhancing action can be taken on the Standard or the major amendment. As experienced in recent PIRs, it seems that their sole purpose is to identify fatal flaws rather than an opportunity to learn from application experience to enhance the Standards. The call for clarifications and refinements based on practical experience should not be seen as stakeholders expecting a fundamental overhaul (i.e. doing nothing or else a fundamental overhaul are not the only options). With their current objective, the PIRs have limited utility and, due to the use of resources involved in the process, a negative cost-benefit for stakeholders.

- 27 EFRAG also recommends that the issues raised in PIRs be reviewed cumulatively to identify and resolve recurrent, cross-cutting application issues. An issue may be deemed insignificant in the context of the PIR of a particular Standard, but it could be significant if recurrent and seen through the lens of the body of IFRS Standards. For instance, the interaction with IFRS 3 past business combinations is an issue that has arisen in many PIRs. But the issues raised, which were unresolved, have recurred in new Standards (e.g. RRA transition for past business combinations) and amendments to existing Standards (e.g. equity method transition requirements).

Questions to constituents

- 28 Do you agree with the comments made by EFRAG above in relation to the Post-Implementation Review, or would you propose different potential improvements? Please explain.

Specific comments

- 29 EFRAG agrees with the focus of assessing the validity of past expectations; however, constituents also need evidence that a Standard works well in the current environment, which may have developed from the time when the board developed the Standard or a major amendment to it. The PIR should be both forward- and backward-looking. Experience gained from the use of a Standard or a major amendment should be utilised in the subsequent development of that and other Standards.
- 30 EFRAG notes that the requirement of a PIR is extended to apply also for a 'major amendment to a Standard'. EFRAG notes that the Handbook does not describe or include criteria for what constitutes a major amendment to a Standard.
- 31 EFRAG disagrees with the proposed deletion of current paragraph 6.49 as standard setters, among others, should not be prevented from raising issues that require the initiation of a PIR process.
- 32 We note that there is no predefined date for starting a PIR. This creates uncertainty on when new requirements will be reviewed. EFRAG sees the need for flexibility dependent upon specific circumstances for the relevant Standard or major amendment. EFRAG proposes that, when approving a new Standard or major amendment, the board also publish a tentative schedule of the PIR. Any form of anticipation of deviation from the tentative schedule should be reported to the DPOC.

Question to constituents

33 Do you agree with the proposal above (to publish a tentative schedule for a PIR when releasing a Standard), or would you prefer a different approach such as a required start of the PIR after a predefined number of years of application?

34 EFRAG suggests replacing 'scope' with 'focus' in paragraph 6.57, as it could be assumed that the scope of the feedback would be an entire new Standard or a major amendment to a Standard.

35 EFRAG does not see a clear link between the objectives of the PIR in paragraph 6.50 and the conditions for considering taking actions as a result of the feedback received during the PIR in paragraph 6.62. There is not a clear link between assessing the effects of applying the requirements of a new Standard or a major amendment to a Standard and the requirement of 'fundamental questions about the clarity of the core objectives or principles' (see paragraph 6.62 (a)). Deleting 'fundamental' and 'core' could be a way to enhance the request for a link. EFRAG agrees that a change in the expected cost/benefit considerations as described in (b) and (c) in paragraph 6.62 would be considered triggers for action to be taken by the board.

36 In regard to the cost-benefit assessment in paragraph 6.62, EFRAG notes that the cost-benefit balance may change, for example when benefits to users are proved to be higher than expected, or when the cost of applying the requirements is lower than expected.

37 EFRAG observes that there is no regulation of the possibility that the board in the PIR may conclude that a Standard should be withdrawn (a negative conclusion). EFRAG considers this to be a very unlikely outcome but notes that there is no regulation of the process of coming to such a conclusion in the Handbook.

Question 2 – Enhancements and clarifications – Interpretations Committee

Notes to constituents: Summary of proposals in the ED – Part 2/3

Interpretations Committee

38 *The DPOC proposes no fundamental changes to the Interpretations Committee’s due process. However, it does propose a few clarifications to enhance understanding of the Interpretations Committee’s process, in particular:*

(a) *to clarify the criterion in paragraph 5.17(a) ‘widespread effect’. The DPOC proposes to clarify the meaning of ‘widespread effect’ that is, the circumstance or transaction is prevalent and there is diversity in practice. The proposed amendment is consistent with the approach the Interpretations Committee has been following to evaluate matters submitted to it and would enhance the transparency and understandability of the Interpretations Committee’s process; and*

(b) *to delete paragraph 8.2(d). Paragraph 8.2(d) states that, after considering comments on a tentative agenda decision, the Interpretations Committee can choose to refer the matter to the IASB. The proposed changes to paragraph 8.2(c), including adding a reference to paragraphs 5.17 -5.20, would encompass the possibility of the Interpretations Committee referring a matter to the IASB, making paragraph 8.2(d) redundant. .*

39 *The proposed amendments also reflect that the formal remit of the Interpretations Committee as specified in the Constitution relates to the IASB and IFRS Accounting Standards. At present, the ISSB and its Transition Implementation Group on IFRS S1 and IFRS S2 consider questions arising on IFRS Sustainability Disclosure Standards.*

Question 2 Enhancements and clarifications

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

EFRAG’s response – Part 2/3

Interpretations Committee – Need for clarifications

40 EFRAG notes that the work of the Interpretations Committee and the regulation of this work are in different places in the Handbook. We would appreciate a review of this issue in terms of whether more parts can be concentrated in one place.

41 When the Interpretations Committee considers recommending narrow-scope amendments for the IASB to consider, this is regulated in paragraphs 5.14 to 5.20 (Standard-Setting Projects) and includes a set of criteria to be applied in paragraph 5.17.

- 42 When the Interpretations Committee is developing an IFRIC Interpretation, this is regulated in section 7, and when it is issuing an agenda decision, this is regulated in section 8.
- 43 Given the different status of a narrow-scope amendment and an IFRIC Interpretation, EFRAG questions the suitability of applying the same criteria in paragraph 5.17 when deciding to recommend narrow-scope amendments or the development of an IFRIC Interpretation.
- 44 On the requirement in paragraph 5.17(a), EFRAG notes that it might be beneficial with a rebuttable presumption of a matter having widespread effect if the matter is submitted to the Interpretation Committee from international or regional bodies of standard setters, security regulators or standard enforcers. EFRAG further notes that the Interpretations Committee should also consider whether a matter could be expected to be prevalent in the future, if not in the present. For example, before a new Standard or major amendment is applied, it would be very helpful for the Interpretations Committee to provide guidance ahead of its first application, or before the Standard or major amendment has been applied for some time (i.e. before a PIR can be started), to avoid diversity in practice before it even starts.
- 45 In regard to submissions where the Interpretations Committee considers that the Standard is clear but the result does not provide useful information, EFRAG recommends that the Interpretations Committee be given authority to request the board to consider undertaking standard-setting activities.
- 46 EFRAG recommends that, in cases where the Interpretations Committee decides not to develop an IFRIC Interpretation but instead recommends the IASB to develop narrow-scope amendments, the Interpretations Committee subsequently resumes its work on the submission if the project is not added to the work plan of the IASB within a reasonable timeframe (e.g. 30 months).
- 47 EFRAG notes that the Handbook does not cover the issue of amendments or consequential amendments to IFRIC Interpretations.
- 48 Paragraphs 8.2 to 8.7 regulate the issuance of agenda decisions. The topic of procedures for the withdrawal or amendment of an agenda decision is not covered in the Handbook.
- 49 EFRAG notes that the word 'freely' is no longer specified when the EDs and draft interpretations are to be made available on the Foundation's website. EFRAG is worried that this limits the access to these documents by stakeholders.

- 50 Paragraph 7.10 states that if four or more IASB members object to the release of a draft interpretation during the balloting process, the draft interpretation is not released. EFRAG suggests that the Handbook be clearer on whether any steps of the decision process in this paragraph should be held in a public meeting.

Question 2 – Enhancements and clarifications – all other issues

Notes to constituents: Summary of proposals in the ED – Part 3/3

Draft

Minor improvements to IFRS standards

51 *The current requirements limit the minor or narrow-scope amendments that can be included in the annual improvements process to amendments that clarify wording or correct relatively minor unintended consequences, oversights or conflicts. Accordingly, the ISSB would be unable to use the process to propose a narrow-scope amendment to update a metric included in an industry-based requirement.*

52 *The DPOC also proposes changing the term ‘annual improvements’, which is currently used to describe this process. The term has become a misnomer because the process does not occur annually. The DPOC proposes the Handbook instead refers to ‘packages of minor improvements to the Standards’ that are part of a board’s regular maintenance of its Standards.*

Educational material – material to support application of IFRS standards

53 *The material supporting the Standards is currently described in the Handbook as ‘educational material’. The DPOC proposes deleting this description because it could imply materials are published only to facilitate learning about the Standards, whereas the Foundation publishes a broad array of materials to support the application, implementation or adoption of the Standards.*

54 *The current due process requires that materials relating to the Standards be reviewed by board members, with the number of board members depending on the nature and complexity of the material. The DPOC concluded that this process is still appropriate and should remain appropriate for new types of material that might be developed, because such material cannot add or change requirements in the Standards.*

55 *The DPOC proposes amending paragraphs 8.8–8.16 Other material to support application of IFRS Standards:*

- (a) to clarify that materials published by the Foundation relating to the Standards cannot add or change requirements in the Standards and, accordingly, if new or amended requirements are needed, the boards develop an amendment to a Standard applying the normal due process;*
- (b) to clarify that the specified number of board members required for review for each type of published material is a minimum;*

- (c) *to specify the due process for materials developed with third parties to ensure that the material explains the content that has been subject to the Foundation's due process;*
- (d) *to clarify the Foundation's engagement with the other organisation involved in interoperability guidance; and*
- (e) *to clarify that materials prepared by third parties and made available on the Foundation's website are required to be clearly labelled to ensure they can be distinguished from materials published by the Foundation.*

Other targeted arrangements

56 *The DPOC proposes amendments to:*

- (a) *the DPOC's process—paragraph 2.9 would be amended to clarify that in addition to its ongoing review of board compliance with the due process requirements, the DPOC conducts a separate review and evaluation of the due process followed by a board in developing any new IFRS Standard or major amendment to a Standard before it is issued;*
- (b) *voting arrangements—the definition in the glossary of a 'simple majority' for a decision taken in a public meeting (and as described in paragraphs 3.15 and 3.17) would be amended to clarify that it is a majority of the board members present at the meeting, not of the appointed members, i.e. the vote considers only the board members attending the meeting (whether in person or virtually). In addition, the requirement relating to the Chair's casting vote would be moved from paragraph 3.23 to 3.18 to clarify that the Chair has a casting vote on all decisions made in a public meeting that require a simple majority;*
- (c) *consultative groups—paragraphs 3.59–3.64 would be amended to focus first on the boards' 'standing' consultative groups before discussing project-specific consultative groups;*
- (d) *surveys—paragraph 3.68 would be added to explain that the boards might offer stakeholders the opportunity to respond to formal consultations by completing a survey. Responses to such surveys would be treated in the same way as comment letters with respect to being made available on the website;*
- (e) *work plan consultation—paragraph 4.3 would be amended to require each board to consult on its work plan at least every five years (from every five years*

previously). This change would clarify that a board can set a work plan for a shorter period than five years, and therefore might consult more frequently than after five years;

- (f) *the process to end a project—paragraphs 4.12 and 6.24 would be added to clarify the process a board follows when it decides not to conduct further work on a research project or a standard-setting project, respectively. In both cases, a simple majority of the board would be required for the decision and, for a major project, the board would publish a project summary;*
- (g) *considerations for new IFRS Standards or major amendments—paragraph 5.4 lists the matters a board is required to consider when deciding whether to add a project to the work plan;*
- (h) *building on work of other bodies when developing proposed requirements—paragraph 6.6 would be added to explain that the boards might draw on requirements or other material from other standard-setters when developing proposed requirements;*
- (i) *re-exposure criteria—paragraph 6.42 would be amended to explain that, after issuing a new Standard, a board might form a group comprising experts involved in the implementation of that Standard to discuss implementation questions that arise;*
- (j) *protocol for Trustee action for perceived breaches of due process—Section 9 would be amended to clarify the process by which the DPOC considers alleged breaches of due process;*
- (k) *IFRS Taxonomy—the definition of an ‘IFRS Taxonomy’ would be updated to match how it is now described in other Foundation materials. In addition, paragraph A32 and others that refer to ‘common practice content’ would be amended to clarify such content does not necessarily relate only to new Standards or amendments to the Standards.*

Question 2 Enhancements and clarifications

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

EFRAG's response – Part 3/3

Educational material – material to support application of IFRS standards

- 57 EFRAG agrees with the principle that educational material cannot change the requirements in a standard. However, when material supporting the application of IFRS Standards introduces illustrations on how to apply the requirements, this may have an effect on the reporting practice. For example, the ISSB educational guide on materiality has introduced a new welcomed concept, i.e. the external perspective: when one conducts materiality analysis on information, one looks at what is material for the reader² and not for the undertaking only. This concept is new and its exposure to public feedback would have been useful.
- 58 EFRAG suggests considering the introduction of predefined criteria to distinguish between educational material (not exposed to public feedback) and guidance (exposed to public feedback), similar to what the IASB did for the Management Commentary. EFRAG has applied this approach in the development of ESRS supporting material, and this is working well.

Technical work plan / work plan consultation

- 59 EFRAG supports the direction of change from conducting a public consultation on the work plan of a board from every five years to at least every five years.
- 60 EFRAG understands the need of the board to have a relative stable pipeline of projects in the form of a long-term work plan. High quality standard setting is a time-consuming exercise that may span several years. EFRAG recognises the challenges of adding new projects to the respective board's work plan. The boards can change the work plan with a simple majority. In fact, changes are possible with the votes of 30% of the respective board members. The criteria for prioritising projects, including pausing or retiring projects, is now incorporated into the draft IASB prioritisation framework (drafted in April 2024, most

² IFRS S1 requires disclosure of information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. This means that, when identifying such sustainability-related risks and opportunities, the entity considers an external perspective.

An entity might judge that a sustainability-related risk or opportunity could reasonably be expected to affect its prospects (based on the expectations of an external party), even though the entity itself might not have that expectation. In particular, the entity needs to consider matters about which information, if misstated, omitted or obscured, could reasonably be expected to influence a decision by primary users. Thus, the perspective of primary users is a particular consideration for the entity.

recently discussed in January 2025). It can be observed that there is a certain imbalance between constituents providing feedback on the agenda consultation or specifically addressing the need for changes later and the possible boards' decisions in order to change the work plan. The role of the prioritisation framework should be clarified in the Handbook, including its interaction with the periodic agenda consultation. EFRAG would also recommend moving from simple majority to supermajority for initiating, pausing or retiring major projects.

- 61 Terminating projects requires robust evidence that changes are not needed, as projects are included in the work plan following public consultation with the boards' constituents. Therefore, the rationale for terminating a project must be proportionate, i.e. valid and supported by a broad base of constituents and specifically by those that addressed the issue. In this case, too, the question arises as to whether boards voting by a simple majority should be replaced by a supermajority.
- 62 EFRAG recommends clarifying the process of getting practice guidance, as described in paragraph 6.41, into the work plan.

Due Process Oversight Committee

- 63 EFRAG questions why the text in paragraph 2.8 is amended so that it is no longer explicitly written that the Due Process Oversight Committee shall have sufficient time to review the reports on each technical project.

Papers and public access

- 64 While EFRAG understands the difficulty of preparing technical staff papers well in advance of them being scheduled for discussion and thus agrees with the modification in paragraph 3.8 from 10–14 days to at least 10 days, EFRAG finds it important that the phrase 'made available on the Foundation's website' be included. It is important to ensure that the papers are known to the public. This is about timing, not about the duplication of requirements in paragraph 3.11. However, in order to ensure timely discussion of the papers by national standard setters or other constituents, the aim should be to publish the papers two weeks in advance. 10 days should be the exception and not the norm.

Voting and decision making

- 65 For clarification purposes, EFRAG recommends separating the paragraphs relating to voting from the Transparency section paragraphs 3.2–3.43. All regulation of voting and decision making may benefit from being presented in a separate section. Principles of voting or decision making should not partly be repeated in other parts of the Handbook. As it is currently the case, uncertainty exists as to the regulation of voting or decision making in

parts of the Handbook since it is partly repeated from paragraph 3.14 to 3.18 and partly not³.

Re-exposure criteria

66 EFRAG observes that for a number of projects there are significant changes in wording and content between an exposure draft and a new or amended Standard. This may be a healthy fact pattern reflecting the board's reflection of inputs from its constituents. EFRAG observes that over the years the number of re-exposures of exposure drafts has been relatively low. In this context, EFRAG would like to point out that significant changes and their interaction require feedback from constituents. Targeted outreach can be one way of achieving this provided it does not just cover individual isolated aspects. In some areas a re-exposure would be more advisable.

Comment periods

67 EFRAG acknowledges that there are situations where due to time urgency comment periods may need to be shorter than the 120 days standard requirement. However, in a number of situations EFRAG observes that due to the complexity of the proposals and the need to field-test them, comment periods well in excess of 120 days may be needed. EFRAG has found it increasingly difficult to gather sufficient feedback from its constituents within the comment periods. When it comes to new Standards and major amendments, especially those requiring field testing, EFRAG often gets requests from its constituents for more time during the exposure period and also finds it challenging to get field test participants within the given time frame. The use of 180, 270 or 360 days should not be excluded when complexity is significant, field testing is needed and timing allows. The necessary timing should be consulted with the IFRS Foundation consultative bodies before deciding about the comment period. On request of information, EFRAG would like to see the wording changed from 'a minimum of' to 'at least' while the period is extended to 90 days.

68 Since 2013, the guidelines relating to setting comment periods have remained unchanged. While EFRAG understands and supports the need for shorter comment periods for urgent minor scope fast-track projects, it finds that the Handbook lacks anchors allowing for 9–12 months comment periods for exposure drafts on significant new Standards and major amendments to Standards where field testing might be required.

³ Paragraphs where procedures for decision making are missing include paragraphs 3.53, 3.55, 3.59, 3.63, 3.73, 3.76, 6.55, 7.10, 7.17, 7.25 and 8.7.

Other issues

- 69 EFRAG questions the use of ‘minor improvements’ in paragraphs 6.11, 6.12, 6.13, 6.14 and 6.15. EFRAG trusts that the intention of amendments is expected improvements and asks why this part of the Handbook uses the term ‘improvements’ (and not ‘amendments’). Further, EFRAG points out that the title of paragraph 6.11 is slightly inconsistent with the content of the paragraph itself.
- 70 EFRAG recommends the usage of similar wordings between paragraphs 6.13 and 8.9 (regarding the effect of material outside a Standard).
- 71 EFRAG finds it hard to grasp from the Handbook what the minimum sharing of information is and the conduction of consultation necessary to fulfil the boards’ obligations toward ASAF, SSAF and international and regional bodies as well as jurisdictional standard setters, as described in paragraph 3.53 (Full and fair consultation), and would recommend clarifying this.
- 72 Paragraphs 3.59 to 3.64 regulate the use of consultative or advisory groups. The topic of the procedure for amending or discontinuing consultative or advisory groups is not covered in the Handbook. EFRAG recommends clarifying it.
- 73 Paragraph 3.30 states that ‘as part of the balloting process the technical staff liaises with the Foundation translations staff and IFRS Taxonomy staff to evaluate whether the proposed document can be translated from English into other languages and incorporated easily into an IFRS Taxonomy’. EFRAG encourages regulating earlier liaison between technical and translation staff, in particular when developing defined terms and key principles, to ensure that critical elements of an IFRS Standard are available on a timely basis for clear and consistent high-quality translation.
- 74 On the use of surveys as described in paragraph 3.68, EFRAG suggests that the board be aware of the risk of varying participation, varying quality of feedback and significant self-select bias by design.
- 75 The Handbook uses a number of descriptions of amendments in different paragraphs and sections. EFRAG recommends a definition or description of what constitutes a major amendment, narrower scope than a major amendment, an amendment, content amendment, maintenance amendments, minor amendment, narrow-scope amendment and minor or narrow-scope amendment. EFRAG recommends clarifying the description of what distinguishes explanatory material from accompanying material.

- 76 The Handbook includes a list of considerations relating to new Standards or major amendments in paragraph 5.4, a list of assessments relating to standard-setting projects in paragraph 5.17 and a list of matters determining prioritisation in paragraph 6.63. EFRAG recommends the use of consistent or deliberate different terms in these lists.
- 77 The IFRS Standards are developed in English with several official translations in addition to this. Interpretation differences may occur among the different language versions that co-exist. EFRAG observes that it could be beneficial to clarify in the Handbook which language should prevail in case such interpretation differences occur.
- 78 EFRAG recognises and appreciates that paragraph 3.42 of the Handbook expresses the preference for technical discussions to be held in public meetings.

Other topics – not related to Q1 or Q2

Forthcoming amendment to IFRS S2 allowing to omit Scope 3

- 79 EFRAG doubts how such an important change to the standard can qualify as ‘narrow-scope amendment’ or as a ‘maintenance project’, as indicated on the Foundation’s website, given the current Handbook.
- 80 A fundamental aspect of climate reporting for financial institutions is including insurers that play a key role in sustainability at macro-level. Also, EFRAG notes that the ISSB agenda papers do not report the assessment of loss of information from users’ perspective.
- 81 Finally, a temporary phase-in would be more appropriate given that the justification is the immaturity of the calculation methodologies. Given the current pace of sustainability development, EFRAG expects calculations to evolve and data to become more mature. In these conditions, the IFRS Foundation should consider including in the Handbook a rule that in these cases indicates a preference for a temporary option to be reassessed in the future rather than a permanent option that could be revised in the future. This could be a general issue beyond Scope 3 given the immaturity of metrics of many other subjects.