

28 March 2025

The Trustees of the International Financial Reporting Standards  
Foundation  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London  
E14 4HD

Dear Trustees,

Invitation to comment – Exposure Draft – Proposed Amendments to the IFRS Foundation  
*Due Process Handbook*

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the Exposure Draft – Proposed Amendments to the IFRS Foundation *Due Process Handbook*.

We generally agree with the proposed amendments to the IFRS Foundation Due Process Handbook (the Handbook). However, we would like to highlight the following points:

The SASB Standards and the SASB Standards Taxonomy

- As entities using IFRS S1 *General Requirements for Disclosure of Sustainability-related Information* must refer to and consider SASB Standards, we find the proposed maintenance and enhancement processes for SASB Standards acceptable. However, if mandatory application of SASB Standards occurs, the current due process would be inadequate, and should rather align with that of IFRS Sustainability Standards.

Post-implementation reviews (PIR)

- A PIR should address significant issues, whether they are important or contentious. Therefore, we suggest retaining 'important or contentious' to ensure all relevant issues are included in the scope of a PIR.
- We interpret the proposed wording regarding the commencement of a PIR as being left to the discretion of the board, with no specific timeframe indicated. We suggest retaining the current wording, but adding a provision that allows the board to wait for an additional specified amount of time before initiating the PIR to ensure it has sufficient information to determine the scope of the review. If the current wording is not retained, we recommend providing clear criteria for the boards to assess whether a Standard is ready to undergo a PIR.

Interpretations Committee

- Whether a matter has widespread effect is an important consideration for the Interpretations Committee. Therefore, it would be beneficial to understand how the Interpretations Committee determines if a matter is widespread.

- Additionally, it is noted that there has not been an IFRIC Interpretation issued recently, raising questions about the effectiveness of the four criteria.
- When an issue is not added to the agenda of the Interpretations Committee because it may be addressed by a future PIR of the related Standard, and if the PIR is postponed, the issue remains unresolved for an extended period. It is recommended that the Interpretations Committee should have procedures in place to periodically review its past agenda decisions in such cases and determine if these issues require reassessment.

#### Material to support application of IFRS Standards

- The distinction between the due process for materials prepared and reviewed by the IFRS Foundation and those prepared solely by third parties may not be sufficiently clear to stakeholders. Moreover, there is no explanation regarding the Foundation's decision to make third-party materials available on its website or their intended use by stakeholders, considering their different nature compared to the materials developed by the Foundation. It would be beneficial to address these points in the Handbook.

Our detailed responses to the questions in the Exposure Draft (ED) are set out in the Appendix to this letter.

Should you wish to discuss the contents of this letter with us, please contact Michiel van der Lof on +31 88 407 1030.

Yours faithfully

*Ernst + Young Global Limited*

## Appendix

### 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?

We generally support the suggested revisions to the Handbook to incorporate the establishment of the ISSB and to outline the due process procedures of the ISSB. Nevertheless, we wish to highlight certain specific points, which are detailed below.

The SASB Standards and the SASB Standards Taxonomy (new Annex B):

- Entities applying IFRS S1 *General Requirements for Disclosure of Sustainability-related Information* are currently required to refer to and consider the applicability of the disclosure topics in the SASB Standards. If entities decide that the disclosure topics are not relevant to their particular circumstances, they do not have to apply the SASB Standards. Given this, we think that the proposed due process procedures for maintenance and enhancement of the SASB Standards are acceptable. However, if the application of some or all of the SASB Standards were to be required in the future, we do not think the proposed due process would be sufficient. In this case, the SASB Standards should go through the same due process as for IFRS Sustainability Standards. We think that the Handbook should include wording to this effect, to ‘future proof’ the Handbook.
- Following the consolidation between the IFRS Foundation and the Value Reporting Foundation (VRF) in August 2022, the ISSB assumed responsibility for the SASB Standards. The IFRS Foundation took charge of the Integrated Reporting Framework as part of this consolidation. The IFRS Foundation also completed its merger with the Climate Disclosure Standards Board (CDSB) in January 2022. However, the proposed revisions to the Handbook do not reference either the CDSB or the Integrated Reporting Framework, nor do they address the maintenance responsibilities of related materials by the IFRS Foundation, if any.

We recognise the rationale behind proposing due process procedures for the SASB Standards, considering their unique role in applying the IFRS Sustainability Disclosure Standards. Nevertheless, we recommend that the Handbook provide some explanation regarding the IFRS Foundation's responsibilities concerning the CDSB and the Integrated Reporting Framework, and clarify why there are no due process procedures for these entities, if indeed that is the case, given that they also fall under the Foundation's purview.

## Question 2 – Enhancements and clarifications

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

We generally support the proposed amendments to the relevant sections. However, we have outlined some specific points for consideration below.

### 2.1 Post-implementation reviews (PIR)

- Objective of a PIR (paragraphs 6.50 and 6.51)
  - The proposed wording of the objective of a PIR has been revised from considering ‘important or contentious’ issues to those that are both ‘important and contentious’ [emphasis added]. We read this as narrowing the scope of the issues to be considered in a PIR. For example, an issue may be important – e.g., the Standard does not work as intended – but if the majority of stakeholders agree that it is not working as intended, then the issue is not contentious, and would not be scoped into the PIR. However, we believe that the purpose of a PIR is to always deal with important issues, regardless of whether they are contentious or not, and vice versa. It would be preferable, therefore, to retain the wording ‘important or contentious’, as we believe that issues that are either one or the other should fall within the remit of a PIR.

We agree that not all application issues should be addressed during the PIR of an IFRS Standard to ensure its effectiveness. However, we recommend implementing a procedure for managing issues outside the PIR’s remit, similar to that used by the IFRS Interpretations Committee. Such issues could, for example, be referred to the IFRS Interpretations Committee (for IFRS Accounting Standards, or a corresponding body for IFRS Sustainability Disclosure Standards) or considered in a subsequent batch of minor amendments to IFRS Standards. This approach acknowledges application issues and manages stakeholders’ expectations, ensuring transparency and a definitive resolution path, avoiding the need for resubmission.

- When a PIR begins (paragraph 6.55):
  - The proposed amendments remove the suggested timeframe, i.e., ‘after the new requirements have been applied internationally for two years, which is generally about 30–36 months after the effective date’, that was previously used as a benchmark for when a PIR should begin, and replaced with ‘after the new requirements have been applied for some time to ensure information is available to assess the requirements’ effects in their entirety.’

We read this proposed wording as leaving it to a board’s discretion as to when a PIR should begin, with no timeframe specified. We recommend that the current timeframe wording is retained, with an added provision that a board could decide to wait for a specified additional amount of time (like a year), before beginning the

PIR, if a board thinks that two years/36 months post-effective date would be too soon to be 'satisfied that it has enough information to decide the scope of the review' (para 6.57). If the wording is not to be retained, we recommend that the boards should be given clear criteria to assess the readiness of a Standard to undergo a PIR, and that the boards take the time to consider the feedback received from stakeholders as to when a review is needed.

#### Minor improvements to IFRS Standards

- Paragraph 6.12 refers to both 'minor or narrow-scope changes to a Standard or the accompanying material' and to 'update a requirement or accompanying material'. The difference between a change to a Standard and an update to a Standard or accompanying material is not clear. The wording in paragraph 6.15 could be built upon to help explain the difference between a change and an update.
- In paragraph 6.13, the first two sentences refer to both a principle and a requirement: 'An amendment in a package of minor improvements cannot propose a new principle or change an existing principle. By definition, any amendment to material accompanying a Standard cannot create a new requirement or change an existing requirement in a Standard'. This is confusing, as principles and requirements are different concepts.
- The second half of paragraph 6.13 seems to refer to due process considerations, whereas the first half refers to the scope of the package of minor improvements. We suggest that these two concepts are dealt with in separate paragraphs.

#### 2.2 Interpretations Committee

- Whether a matter has widespread effect is a key filter as to whether it is considered by the Interpretations Committee (paragraph 5.17(a)). It would, therefore, be helpful to understand how the Interpretations Committee assesses whether a matter is widespread. We understand that outreach to stakeholders is done in this regard, but we query whether there is a mechanism to assess whether the outreach done is sufficiently robust and representative to justify a decision whether or not to take the matter onto the agenda. For example, if a stakeholder such as the European Securities and Markets Authority (ESMA) responds to the outreach request confirming that an issue is widespread, is that outreach response sufficiently 'weighted' to recognise that ESMA supervises a number of countries in Europe? Further, it would be helpful to understand whether points raised in comment letters on a tentative agenda decision published by the Interpretations Committee provide further input into the widespread effect assessment; that is, whether the assessment is revisited if the comment letters reflect that the issue is more pervasive than the original outreach indicated.
- As a broader point, we note that there has not been an IFRIC Interpretation issued for some time and we query whether the four criteria (paragraphs 5.17(a)-(d)) are working effectively. There seems to be a very high hurdle for an issue to be taken onto the agenda, and an IFRIC Interpretation developed. We note that, despite the Interpretations Committee stating that a Standard was clear, some agenda decisions that were issued in more recent years provided explanatory guidance in cases of issues having widespread implications combined with mixed practices. It is not clear,

therefore, how to distinguish matters that should be subject to an Interpretation and those that are subject to an agenda decision. We recommend that the Trustees take this into consideration as part of the current review of the Handbook.

- We note that it has been helpful in the past when the Interpretations Committee has provided guidance in the form of agenda decisions in advance of a new Standard becoming effective (e.g., as was done for IFRS 15 *Revenue from Contracts with Customers* and IFRS 17 *Insurance Contracts*). However, this practice is not clearly articulated in the due process steps in the Handbook, and we would recommend that it is.
- Sometimes an issue is not taken onto the agenda of the Interpretations Committee, because it will be covered by a future PIR of the particular Standard, or considered for a future board agenda project, for example. If the PIR or the agenda project is deferred, the issue will remain unresolved for some time. We, therefore, recommend that the Trustees consider whether there should be due process procedures in place for the Interpretations Committee to periodically revisit its past agenda decisions in these cases, and identify if such issues need to be reassessed.
- When a Standard is proposed to be amended or replaced, and that Standard has been the subject of agenda decisions in the past (e.g., IAS 1 *Presentation of Financial Statements* replaced by IFRS 18 *Presentation and Disclosure in Financial Statements*), we believe that there should be specific due process around the maintenance of those past agenda decisions. The risk is that a past agenda decision may be removed without checking whether the guidance provided by that agenda decision has been considered in the new or revised Standard.
- There appears to be a continued lack of clarity about the Interpretations Committee's role when it believes that a Standard is clear, but the result of following the Standard does not provide useful information. In these circumstances, does the Interpretations Committee have to issue an agenda decision explaining the existing requirements of the Standards, thereby potentially entrenching a reading of the standards that is not useful, or are there other courses of action available, such as to first ask the Board to consider standard setting before issuing an agenda decision? It would be helpful to stakeholders if the amendments to the Handbook addressed and clarified the Committee's role in these circumstances.
- Paragraph 5.18 states that the Interpretations Committee members decide 'whether to develop an Interpretation or to recommend that the IASB adds a narrow-scope standard-setting project to the work plan'. It is unclear from the Handbook how the Interpretations Committee decides between the two options, which are very different standard setting tools. It would be helpful if some due process steps were added to the Handbook to formalise how this assessment is made.

### 2.3 Material to support application of IFRS Standards

- We note that three broad categories of materials are recognised in the proposed revisions to the Handbook; that is, materials that are:
  - (a) Developed by the Foundation (paragraphs 8.8 – 8.12),
  - (b) Developed by the Foundation with third parties (paragraph 8.13), and

- (c) Developed by third parties and made available on the Foundation's website (paragraph 8.15).

However, we do not think that it is clear enough to stakeholders that there is a difference in the due process for each type of material. We recommend that subheadings are included in the Handbook for each type of material, with the relevant due process guidance included under each heading.

- Paragraph 8.5 describes the level of authority of 'explanatory material' included in IFRIC agenda decisions: 'accordingly, an entity is required to apply the applicable IFRS Accounting Standards, reflecting the explanatory material in agenda decisions [...]'. It may not be clear to stakeholders how the authority of this explanatory material differs from the authority of 'material to support the application IFRS Standards', and thus whether the application of the materials should differ. Both types of materials aim to support the consistent application of the Standards. It is recommended that wording be added to the Handbook to delineate the difference between the two and an explanation of how they should be applied.
- We also recommend that the wording in paragraph 8.15 is expanded to explain why the Foundation has decided to make third party materials available on its website, and how they could be used by stakeholders, given that they are so different in nature to the materials developed by the Foundation. Further, it is not clear from the current wording in the Handbook whether such third party materials go through a review process by staff/board members, to detect if the materials conflict with the requirements of the Standards. We would expect that there is such a process, to avoid confusing stakeholders. If so, we think it would be helpful for the Handbook to include some wording explaining this process.
- Difficulties may arise in practice if the materials issued after the application date of a Standard indicate that the Standard should be applied differently to how practice has developed. This happens if materials are more interpretative than educational in nature and contain what stakeholders may consider as defined views (e.g., Voluntarily applying ISSB Standards – A guide for preparers). It is unclear what stakeholders should do in such cases, given that the materials developed by the Foundation to support application are not authoritative. We recommend that the Trustees consider including specific review procedures in the Handbook, to prevent this from happening in the future.

#### 2.4 Other targeted amendments

- Work plan consultation
  - We support the proposed amendment to paragraph 4.3 that each board should consult on its work plan at least every five years. We suggest additionally, however, that there is a process in place for a board to regularly assess the current projects on its agenda, in between work plan consultation events, taking account of the feedback from stakeholders about whether the board should continue to work on a project. In addition, the boards should periodically evaluate the work plan in light of the changing geopolitical environment, to confirm whether the projects are still

relevant and/or whether there are other more pressing projects which would need to be considered.

- We note that there is a significant difference in the due process steps involved in adding a project to a board's agenda, compared to removing a project from the board's agenda. We suggest that the due process around removing a project should be more robust than is currently stated in paragraph 4.12.