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IFRS® Foundation

International Accounting Standards Board
and IFRS Interpretations Committee

Due Process Handbook



IFRS Foundation

Due Process Handbook

This Handbook sets out the due process principles that apply to the International Accounting Standards Board and the IFRS Interpretations Committee. The Trustees of the IFRS Foundation have a Due Process Oversight Committee that is responsible for monitoring compliance with due process.

IFRS Foundation *Due Process Handbook (Handbook)* is published by the IFRS Foundation (Foundation) and has not been approved by the International Accounting Standards Board (Board).

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1. Introduction

- 1.1 The foremost objective of the IFRS Foundation is to develop, in the public interest, a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards based on clearly articulated principles. The IFRS Foundation Trustees (Trustees) believe that, in carrying out the IFRS Foundation's mission as its standard-setting body, the International Accounting Standards Board (Board) should develop financial reporting standards that result in an entity providing useful information about its financial position and performance in its financial statements. Those standards should serve investors and other primary users of financial statements¹ in making informed resource allocation and other economic decisions. The confidence of all users of financial statements in the transparency and integrity of those statements is critically important for the effective functioning of capital markets, efficient capital allocation, global financial stability and sound economic growth.
- 1.2 The IFRS Foundation *Constitution (Constitution)* gives the Board full discretion in developing and pursuing its technical programme and in organising the conduct of its work. The Trustees and the Board have established consultative procedures with the objective of ensuring that, in exercising its independent decision-making, the Board conducts its standard-setting in a transparent manner, considering a wide range of views from interested parties throughout all stages of the development of International Financial Reporting Standards (*IFRS Standards*). (Note that when this document refers to the development of an IFRS Standard or an amendment to an IFRS Standard, the same process also applies to the development of an *IFRS for SMEs* Standard or an amendment to the *IFRS for SMEs* Standard.) The Board uses these procedures to gain a better understanding of different accounting alternatives and the potential effect of the proposals on affected parties. A comprehensive and effective due process is essential to developing high-quality IFRS Standards that serve investors and other primary users of financial statements.
- 1.3 The IFRS Interpretations Committee (Interpretations Committee) assists the Board in improving financial reporting through timely assessment, discussion and resolution of financial reporting issues identified to it within the IFRS framework.
- 1.4 The Board, the Interpretations Committee and the Trustees are assisted by the staff of the IFRS Foundation. References to 'IFRS Foundation staff' in this document cover all staff. The staff who assist the work of the Board and the Interpretations Committee are referred to in this document as the 'technical staff'. The staff who assist the work of the Trustees are referred to as the 'Trustee staff'.

1 The terms 'primary users' and 'users' refer to those existing and potential investors, lenders and other creditors who must rely on general purpose financial statements for much of the financial information they need.

DUE PROCESS HANDBOOK

- 1.5 The *Due Process Handbook (Handbook)* describes the due process requirements of the Board and the Interpretations Committee relating to their standard-setting activities, the development of materials to support the consistent application of IFRS Standards, and the *IFRS Taxonomy*. The requirements reflect and further the due process that is laid out in the *Constitution*.
- 1.6 The due process requirements are built on the principles of transparency, full and fair consultation—considering the perspectives of those affected by IFRS Standards globally—and accountability. The Board and the Interpretations Committee will often perform steps and procedures over and above those described here because they are continually striving to improve how they consult and operate. From time to time the Board and the Trustees’ Due Process Oversight Committee (DPOC) (see section 2) review how the Board and the Interpretations Committee are operating to determine whether some of these new and additional steps should be embedded into their due process. Similarly, such reviews could remove or amend due process steps that impede, rather than enhance, the efficient and effective development of the Standards and material to support the consistent application of the Standards. The DPOC seeks to ensure that the *Handbook* achieves a balance between timely development of high-quality Standards and a thorough due process.
- 1.7 The formal due process for the Board and the Interpretations Committee:
- (a) specifies the minimum steps to be taken to ensure that their activities have benefited from a thorough and effective consultation process;
 - (b) identifies the non-mandatory steps to be considered, the ‘comply or explain’ approach, meaning that the non-mandatory steps in the process were still recommended, so non-compliance with them would require an explanation; and
 - (c) identifies other, optional, steps available to them to help improve the quality of IFRS Standards and related documents.
- 1.8 The formal due process relating to the IFRS Taxonomy is described in the Annex to this *Handbook*. References to the IFRS Taxonomy also appear in the main body of this *Handbook* when applicable.

2. Oversight

Mission

- 2.1 The Trustees oversee the operations of the Board and the Interpretations Committee.
- 2.2 The Trustees have a committee—the DPOC—that is responsible for overseeing the due process of the Board and the Interpretations Committee. The DPOC operates in a manner that is timely and enhances rather than hinders the efficient operation of the Board and the Interpretations Committee, and the timely development of IFRS Standards and material to support the consistent application of IFRS Standards.

- 2.3 The DPOC is accountable to the Trustees and is responsible for ensuring that the Board and the Interpretations Committee follow due process procedures that reflect the requirements set out in this *Handbook*. Improvements to due process, including those to reflect good practice, are made on a timely basis when the DPOC considers it to be necessary.
- 2.4 The DPOC provides ongoing oversight over the due process of the Board and the Interpretations Committee throughout the development of an IFRS Standard, the IFRS Taxonomy or an *IFRIC Interpretation*, including agenda-setting and *post-implementation reviews*.
- 2.5 The DPOC achieves oversight through the defined and transparent steps it follows in its ongoing and regular activities, as well as by responding to matters raised by stakeholders about the standard-setting process.
- 2.6 Activities of the DPOC are limited to matters of due process. The DPOC does not review or consider technical financial reporting matters that have been decided on by the Board or the Interpretations Committee. As the *Constitution* makes clear, these decisions are solely the responsibility of the Board.
- 2.7 The DPOC is supported by a member of the Trustee staff who is responsible for managing Trustee activities and who is independent of the technical staff.

Areas of responsibility

- 2.8 The DPOC is responsible for:
- (a) reviewing regularly, and in a timely manner, together with the Board and the IFRS Foundation staff, the due process activities of the Board and the Interpretations Committee, including standard-setting, the development of materials to support the consistent application of IFRS Standards, and the IFRS Taxonomy;
 - (b) reviewing, and proposing updates to, the procedures in the *Handbook* so as to ensure that they reflect good practice;
 - (c) reviewing the composition of *consultative groups* to ensure an appropriate balance of perspectives and overseeing the monitoring by the Board and the technical staff of the effectiveness of those groups;
 - (d) responding to correspondence from third parties about due process matters, in collaboration with the Trustee staff and the technical staff; and
 - (e) making recommendations to the Trustees about constitutional changes related to the composition of committees that are integral to due process, as appropriate.

Process

- 2.9 The DPOC operates throughout the development of an IFRS Standard, the IFRS Taxonomy or an IFRIC Interpretation, including agenda-setting and post-implementation reviews. This is achieved through periodic reporting by, and dialogue with, representatives of the Board, the Interpretations Committee and IFRS Foundation staff.
- 2.10 For each technical project, the Board assesses whether it has complied with its due process requirements, on the basis of a technical staff report that:
- (a) includes a summary of any matters raised about due process, the extent of stakeholder engagement and the areas in a proposed IFRS Standard or IFRIC Interpretation that are likely to be controversial;
 - (b) provides evidence and evaluation of the process that was undertaken;
 - (c) outlines the reasons why the Board decided not to undertake a non-mandatory 'comply or explain' step for a given project (see paragraphs 3.45–3.46); and
 - (d) concludes whether, in the technical staff's opinion, applicable due process steps have been complied with.
- Any such reports are communicated to the DPOC, giving it sufficient time to review them and to react in a timely manner.
- 2.11 These reports are posted on the IFRS Foundation website.
- 2.12 The DPOC reviews and evaluates the evidence provided by the Board and IFRS Foundation staff of compliance with the established due process. The conclusions of that review and evaluation, including whether due process concerns are identified or not, are included in the reports referred to in paragraph 2.15(d). Before any new or amended IFRS Standard is finalised, the DPOC will confirm that it has completed its review of the due process. In reaching its decisions, the DPOC operates on a simple majority basis.
- 2.13 The DPOC, through its contact with stakeholders, responds when appropriate to matters raised about the due process of the Board or the Interpretation Committee and ensures that such matters are addressed satisfactorily (see section 9).
- 2.14 Although the DPOC is assisted in its activities by Trustee staff, there is currently no intention to verify the information provided by the Board, because of the transparent manner in which the Board and the DPOC operate. However, the DPOC can request a review by Trustee staff of any of the information provided to it.

Communication

- 2.15 The DPOC operates transparently and with fair consideration of the matters raised by stakeholders. The DPOC:
- (a) meets in public, ensuring that meeting papers and recordings of the meeting are made available on the IFRS Foundation website.

- (b) updates the Trustees on its activities at regularly scheduled Trustee meetings and on an ad-hoc basis as required.
- (c) on behalf of the Trustees, provides updates to the Monitoring Board at regularly scheduled joint sessions with the Trustees and on an ad-hoc basis as required.
- (d) provides reports of its conclusions and discussions on the IFRS Foundation website. The reports include details of all the matters discussed, including compliance with due process on each of the technical activities. Such reports should be provided promptly after the DPOC meetings.
- (e) prepares an annual report of its activities for the Trustees.
- (f) ensures that its operating protocol, together with this document and any other DPOC governance documents, are available on the IFRS Foundation website.

3. Principles

- 3.1 The due process requirements are built on the following principles:
- (a) transparency – the Board and the Interpretations Committee conduct their activities in a transparent manner;
 - (b) full and fair consultation – considering the perspectives of stakeholders globally; and
 - (c) accountability – the Board analyses the potential effects of its proposals on affected parties and explains the rationale for the decisions it reached in developing or amending an IFRS Standard.

Transparency

Public meetings, voting and balloting

Public meetings

- 3.2 Meetings of the Board and the Interpretations Committee are open to the public who may attend meetings as observers. Meetings are recorded and, when possible, webcast live. Recordings of meetings are made available on the IFRS Foundation website. The Board and the Interpretations Committee can meet privately to discuss administrative and other non-technical matters. Acknowledging that the boundary between technical and non-technical matters is sometimes difficult to define, the Board and the Interpretations Committee use their best endeavours not to undermine the principle that full and open consideration of technical matters needs to take place during public meetings.
- 3.3 A summary of the decisions reached in each Board meeting is published in a meeting summary called *IASB Update* and decisions of the Interpretations Committee are published in a meeting summary called *IFRIC Update*. These summaries are also made available on the IFRS Foundation website.

- 3.4 The regular meetings of the Board and the Interpretations Committee are planned as far in advance as is practicable to help the technical staff, Board and Interpretations Committee members, and stakeholders prepare for those meetings.
- 3.5 The meetings schedule is published on the IFRS Foundation website. Occasionally, the Board will need to hold a meeting at short notice. The Chair of the Board can convene such meetings at any time. The Board will make its best efforts to announce forthcoming meetings, usually via the IFRS Foundation website, giving a minimum of 24 hours' notice in all but exceptional circumstances.

Papers and observer access

- 3.6 The technical staff is responsible for developing technical staff papers with recommendations and supporting analysis for consideration by the Board or the Interpretations Committee in their public meetings.
- 3.7 The objective of staff papers is to provide sufficient information for Board or Interpretations Committee members to make informed decisions on technical matters. In developing papers, the technical staff is expected to conduct research, including seeking advice from Board members. However, recommendations ultimately reflect technical staff's views, after consideration of the information obtained.
- 3.8 Technical staff papers are normally distributed 10–14 days before they are scheduled for discussion to allow Board and Interpretations Committee members sufficient time to consider and assess the recommendations.
- 3.9 Sometimes it is necessary to distribute technical staff papers much closer to the meeting date, sometimes even on the day of the meeting. Board or Interpretations Committee members may, for example, ask for additional analysis during a meeting, which the technical staff prepares and distributes at a later session of that meeting.
- 3.10 It is the responsibility of Board and Interpretations Committee members to assess whether they have sufficient information and sufficient time to be able to make decisions on the technical staff recommendations.
- 3.11 All material discussed by Board or Interpretations Committee members in their public meetings, including papers that are prepared by technical staff, is usually made available to observers via the IFRS Foundation website. The Chair or Vice-Chair of the Board or the Executive Director of Technical Activities have the discretion to withhold papers, or parts of papers, from observers if they determine that making the material publicly available would be harmful to individual parties, for example, if releasing that information could breach securities disclosure laws. The DPOC expects that withholding material in such circumstances would be rare and that most papers of the Board and the Interpretations Committee will be publicly available in their entirety.

- 3.12 The technical staff is required to report to the Board and the DPOC at least annually on the extent to which material discussed by the Board or the Interpretations Committee has not been made available to observers and the main reasons for doing so. In addition, the technical staff is required to include in that report the number of meeting papers that have been distributed less than five working days in advance and the main reasons for doing so.
- 3.13 Notwithstanding the importance of technical staff papers, the technical staff may supplement the papers orally at a Board or Interpretations Committee meeting, drawing from research, consultations with consultative groups and other interested parties, and comments and information gained from *public hearings*, *fieldwork*, education sessions and *comment letters*.

Publications, meetings and the ballot process

- 3.14 There are minimum voting requirements for all important Board decisions:

Publications	
Request for information (paragraph 4.16)	Simple majority in a public meeting attended by at least 60% of the Board members.
Research paper (paragraph 4.16)	
Discussion paper (paragraph 4.16)	Simple majority, by way of ballot.
Exposure draft (paragraph 6.9)	Supermajority, by way of ballot.
Proposed <i>IFRS for SMEs</i> Standard (paragraph 6.9)	
IFRS Standard (paragraph 6.23)	
<i>IFRS for SMEs</i> Standard (paragraph 6.23)	
Practice guidance (paragraph 6.39)	Supermajority, by way of ballot.
<i>Conceptual Framework for Financial Reporting</i> (paragraph 4.21)	Supermajority, by way of ballot.
Draft IFRIC Interpretation (paragraph 7.8)	No more than four members of the Interpretations Committee object, by way of ballot.

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Publications	
IFRIC Interpretation (paragraphs 7.18 and 7.23)	No more than four members of the Interpretations Committee object, by way of ballot. Ratification by the Board requires a supermajority, in a public meeting.
Proposed IFRS Taxonomy update (paragraph A16) IFRS Taxonomy update (paragraph A16)	Supermajority, by way of ballot.

- 3.15 A *supermajority* of the Board requires that eight members ballot in favour of the publication of a document if the Board has 13, or fewer, appointed members, and nine members in favour if the Board has 14 appointed members. Abstaining is equivalent to voting against a proposal.
- 3.16 In addition to the publications noted in paragraph 3.14, adding a standard-setting project to the Board's work plan and decisions about consultative groups, fieldwork and other due process matters such as not to establish a consultative group, require the support of a *simple majority* of the Board in a public meeting attended by at least 60% of the Board members in person or by telecommunications.

Meetings

- 3.17 Board members are expected to attend meetings in person. However, meetings may be held using teleconference, videoconference or any other similar communication facilities. A Board quorum is 60% of the appointed members. Proxy voting by members of the Board is not permitted.
- 3.18 The Interpretations Committee also meets in public and follows procedures similar to the Board's general policy for its Board meetings. A minimum of 10 voting members present in person or by telecommunications constitutes a quorum of the Interpretations Committee. Each voting member of the Interpretations Committee has one vote. Members vote in accordance with their own independent views, not as representatives of any firm, organisation or constituency with which they may be associated. Proxy voting is not permitted by members of the Interpretations Committee.
- 3.19 The Chairs of the Board and the Interpretations Committee may invite others to attend meetings as advisors when specialised input is required. A member of the Interpretations Committee, or an appointed observer, may also, with the prior consent of the Chair, bring to a meeting an advisor who has specialised knowledge of a topic that is being discussed. Such invited advisors have the right to speak.

- 3.20 During the development stage of technical documents such as *discussion papers*, *exposure drafts* and IFRS Standards, the Board discusses technical matters in public meetings. During such meetings Board members are often asked to indicate to the staff which technical alternative they support. These tentative votes on particular technical matters provide the technical staff with direction from the Board to develop the relevant due process document, but are not part of the formal approval process. Individual Board members may prefer an alternative financial reporting treatment to that supported by a majority of the Board, but nevertheless consider that the project proposals as a whole would improve financial reporting.
- 3.21 A simple majority in favour of a technical alternative is generally sufficient to guide the technical staff in developing the project. In the event of a tied vote on a decision to be made by a simple majority of the members present at a meeting in person or by telecommunications, the Chair has an additional casting vote. The technical staff will need to determine whether any Board members who disagree with a tentative decision might dissent from the whole proposal because of that decision.

Balloting

- 3.22 Balloting is the formal process by which Board members assent to the publication of a document, as listed in the table at paragraph 3.14, or Interpretations Committee members assent to the publication of a draft IFRIC Interpretation or the finalisation of an IFRIC Interpretation, before it is sent to the Board for ratification. Balloting takes place outside of meetings.
- 3.23 In its public meetings, the Board or the Interpretations Committee makes technical decisions that relate to recognition, measurement and disclosure matters. The technical staff is responsible for ensuring that the final publication reflects those decisions.
- 3.24 When a document is in the process of being balloted, Board or Interpretations Committee members review it to confirm that the drafting is consistent with their technical decisions. Any dissenting opinions are incorporated into the pre-ballot and ballot drafts for other Board members to see before balloting is completed.
- 3.25 Before the formal ballot procedure begins, the technical staff usually prepares one or more pre-ballot drafts, in response to which Board or Interpretations Committee members provide drafting comments.
- 3.26 Sometimes the drafting process reveals an uncertainty about a technical matter because the decision reached is not as clear as first thought. In other cases, the drafting process may highlight inconsistencies between sections of an IFRS Standard or other matters that were not discussed at a Board or Interpretations Committee meeting. Such technical matters are usually resolved by having the technical staff prepare a technical staff paper and taking it to a public meeting of the Board or the Interpretations Committee as a *sweep issue*, where the matter can be resolved by a simple majority of the Board or the Interpretations Committee. Taking a sweep issue to the Board or

the Interpretations Committee does not cause the balloting process to start again.

- 3.27 To support the consistent application of IFRS Standards internationally, the Board aims to develop Standards that are clear, understandable and enforceable. In addition, it provides the necessary implementation guidance and illustrative examples to accompany the Standards, consistent with a principle-based approach.
- 3.28 In drafting new IFRS Standards, the Board is conscious that many of those applying or using the Standards work with translated versions of the English Standards. As part of the balloting process the technical staff liaises with the IFRS Foundation Translations and IFRS Taxonomy staff to ensure that the proposed document can be translated into other languages and incorporated easily into the IFRS Taxonomy. All documents undergo editorial review.
- 3.29 Once the technical staff has assessed that the document is ready for formal voting, it circulates a ballot draft. Board or Interpretations Committee members vote on this document. The Board or the Interpretations Committee can determine how voting should be carried out, but may use paper or electronic means.
- 3.30 Even after balloting it is not uncommon for the technical staff to make drafting changes to improve the clarity of the document. Such changes are permitted as long as the technical decisions are unaffected. The technical staff reports to the Board or the Interpretations Committee after the ballot or prepares and circulates to the Board or the Interpretations Committee a post-ballot draft showing the final changes.

Drafts for editorial review

- 3.31 The Board normally seeks input on the drafting of IFRS Standards, IFRIC Interpretations as well as major exposure drafts and discussion papers from people outside of the IFRS Foundation. For convenience, a draft of such documents is referred to as a *draft for editorial review*. A draft for editorial review might be distributed to a selected group of reviewers, such as members of a consultative group, the Interpretations Committee, other standard-setters or parties that have provided feedback on the project. It may also be made available on the IFRS Foundation website while it is with the selected group of reviewers.
- 3.32 A draft for editorial review has a limited purpose. It does not constitute, nor is it a substitute for, a formal step in the due process. Rather, it is an editorial review in which reviewers are asked for feedback on whether the document contains any internal inconsistencies or inconsistencies with other IFRS Standards, and whether it clearly describes:
- (a) the requirements for an IFRS Standard or IFRIC Interpretation;
 - (b) the proposed requirements for an exposure draft; and
 - (c) the matters considered by the Board and the Board's preliminary views for a discussion paper.

Because reviewers are conveying their personal views rather than those of their organisations, their comments are not usually made public.

- 3.33 It is not a mandatory step to use reviewers from outside of the IFRS Foundation.

Information on the IFRS Foundation website

- 3.34 The IFRS Foundation website is the platform that communicates the activities and due process of the Board and the Interpretation Committee.

- 3.35 All public materials, including those related to due process, are freely available on the IFRS Foundation website. These materials include: the Board and the Interpretations Committee work plan, meeting schedules and agendas; public papers; summaries and recordings of meetings; consultation documents; comment letters; and material that supports the consistent application of IFRS Standards. The work plan is updated periodically to reflect estimated project time lines based on recent Board and Interpretations Committee decisions. The IFRS Foundation website also includes materials relating to consultative group meetings.

- 3.36 Each project has its own project page to communicate progress on that project.

- 3.37 Information related to the DPOC's work is freely available on the IFRS Foundation website.

Education sessions, small group meetings and assigned Board members

- 3.38 In addition to public decision-making meetings, the Board sometimes holds education sessions and small group meetings.

Education sessions

- 3.39 Education sessions are sometimes held before Board meetings to give Board members a chance to seek clarification about points in the papers and discuss details of approaches or disagreements with the technical staff in advance of the decision-making meeting. Education sessions are open to the public and follow the same principles of transparency that apply to a normal Board meeting.

Private and small group meetings

- 3.40 Board members may meet privately to discuss technical matters, sometimes at the request of the technical staff. Small group meetings cannot undermine the principle that full and open consideration of technical matters take place during public meetings. The number of Board members attending a small group meeting is restricted to ensure that the Board members attending could not form a potential blocking minority for balloting (see paragraph 3.14).

Board advisors

- 3.41 All Board and Interpretations Committee members are responsible for the decisions they make in developing and issuing IFRS Standards and IFRIC Interpretations. For major projects, specific Board members are typically assigned to the project as Board advisors. Board advisors provide strategic and technical advice on the project to the technical staff. However, the recommendations made in staff papers do not necessarily reflect the views of the Board advisors and the technical staff has ultimate responsibility for the staff papers and their recommendations. The number of Board advisors is restricted to ensure that the Board members so assigned could not form a potential blocking minority for balloting (see paragraph 3.14).

Full and fair consultation

- 3.42 The Board and the Interpretations Committee operate on the principle that wide consultation with their stakeholders enhances the quality of IFRS Standards. This consultation can be carried out through various means including, but not limited to, invitations to comment, individual meetings or fieldwork. Some consultation procedures are mandatory. Other procedures are not mandatory but are considered by the Board and, if it is decided that the process is not necessary, the Board gives the DPOC its reasons for not taking that step.

Minimum safeguards

- 3.43 The Board and the Interpretations Committee are required to follow some steps before they can issue an IFRS Standard or an IFRIC Interpretation. These steps are designed to be the minimum safeguards to ensure the integrity of the standard-setting.

- 3.44 The due process steps that are mandatory include:
- (a) debating any proposals in one or more public meetings;
 - (b) exposing for public comment a draft of any proposed new IFRS Standard, proposed amendment to a Standard or proposed IFRIC Interpretation – with minimum comment periods;
 - (c) considering in a timely manner comment letters received on the proposals;
 - (d) considering whether the proposals should be exposed again;
 - (e) consulting the Accounting Standards Advisory Forum (ASAF) and the *IFRS Advisory Council* (Advisory Council) on the work plan, major projects, project proposals and work priorities; and
 - (f) deciding in a public Board meeting whether to ratify an Interpretation.

‘Comply or explain’ steps

- 3.45 Other steps specified in the *Constitution* are not mandatory. They include:
- (a) publishing a discussion document for major projects (for example, a discussion paper) before an exposure draft is developed;

- (b) establishing consultative groups or other types of specialist advisory groups for major projects;
 - (c) holding public hearings; and
 - (d) undertaking fieldwork.
- 3.46 If the Board decides not to undertake those non-mandatory steps, it informs the DPOC of its decision and reasons for not undertaking the steps.

Investors

- 3.47 The Board is responsible for developing IFRS Standards that serve investors and other primary users of financial statements in making informed resource allocation and other economic decisions.
- 3.48 Investors, and investment intermediaries such as analysts, tend to be under-represented as submitters of comment letters and, therefore, the Board takes additional steps to consult investors throughout standard-setting. These additional steps could include surveys, private meetings, webcasts and meetings with representative groups, such as the Capital Markets Advisory Committee. Feedback from this consultation with investors is summarised in a staff paper and is considered and assessed along with comment letters. The reporting of this feedback is as transparent as possible, while respecting requests for confidentiality.
- 3.49 As a project progresses, the Board reports on how it has consulted with investors, and their intermediaries, in staff papers, the project pages on the IFRS Foundation website and in reports to the DPOC. The DPOC receives this information in the periodic technical update report and the review of due process at the end of a project (see paragraph 2.12). The Board needs to be satisfied that it has gathered sufficient information from investors to make informed decisions about the proposed new requirements.

A national and regional network

- 3.50 The Board is supported by a network of national accounting standard-setting bodies and regional bodies. In addition to performing functions within their mandates, such bodies can undertake research, provide guidance on the Board's priorities, facilitate or co-operate on outreach, encourage stakeholder input from their own jurisdictions into the Board's due process and identify emerging issues.
- 3.51 The Board shares information with and consults ASAF. In addition, it shares information with and consults international and regional bodies such as the International Forum of Accounting Standard Setters, the Asian-Oceanian Standard-Setters Group, the Group of Latin American Standard Setters, the European Financial Reporting Advisory Group and the Pan African Federation of Accountants as well as jurisdictional (national) standard-setters. Board members meet with representatives of these regional and national bodies. Close co-ordination between the Board's due process and the due process of other accounting standard-setters is important to achieving the Board's objectives.

- 3.52 Consultation activities extend beyond interaction with accounting standard-setters. The Board interacts with a wide range of interested parties throughout a project, which can include practical business analysis by way of fieldwork. The Board also liaises with the International Auditing and Assurance Standards Board, which comments on matters relating to the auditability of proposed new IFRS Standards and amendments to Standards. Board members and technical staff also regularly hold educational sessions, attend meetings and conferences of interested parties, invite interested organisations to voice their views, and announce major events of the IFRS Foundation on the IFRS Foundation website.
- 3.53 The Board consults throughout standard-setting, to promote cooperation and communication between the Board and parties interested in standard-setting.

IFRS Advisory Council

- 3.54 The Advisory Council provides broad strategic advice to the Board and the Trustees on the Board's work plan, project priorities and strategic matters related to the consistent application of IFRS Standards. The Advisory Council also serves as a sounding board for the Board and can be used to gather views that supplement the normal consultative process. When the Board is considering adding a major project to the work plan not contemplated in the previous consultation on the work plan, it consults the Advisory Council (see paragraph 4.6). The Board also presents updates to the Advisory Council on the work plan periodically.

Securities and other regulators

- 3.55 The Board is responsible for developing high-quality, understandable and enforceable IFRS Standards that improve the transparency and integrity of financial statements. The Board is also responsible for an IFRS Taxonomy that can support securities regulators in facilitating digital access to general purpose financial reports.
- 3.56 To achieve this the Board maintains a dialogue with securities regulators, usually by establishing regular meetings. In addition, members of regulatory bodies are invited to act as observers to Interpretations Committee meetings.
- 3.57 Financial information prepared in accordance with IFRS Standards is used by other regulators, including prudential supervisors.
- 3.58 In that context the Board maintains an enhanced dialogue with such authorities, particularly through the Financial Stability Board and the Bank for International Settlements.

Consultative groups

- 3.59 The IFRS Foundation usually establishes a consultative group for each of the Board's major projects, such as a specialist or expert advisory group. Consultative groups give the Board access to additional practical experience and expertise.

- 3.60 Once a major project is added to the Board's standard-setting programme the Board considers whether a consultative group should be established for that project. It is not mandatory to have such a group, but if the Board decides not to do so, it explains that decision on the project page and informs the DPOC. The composition of a consultative group reflects the purpose for which the group is being formed, bearing in mind the need to ensure that it draws on a diverse and geographically balanced membership. The composition of a consultative group may change over time, reflecting the need for different types of expertise at different stages of a project.
- 3.61 The IFRS Foundation may also establish or host specialist advisory groups whose membership reflects a particular sector, such as investors or preparers, that meet regularly to provide advice on a wide range of topics rather than on a specific project.
- 3.62 The IFRS Foundation normally advertises for nominations and applications to its consultative groups (whether a project-specific consultative group or a specialist advisory group) via its website, but it may also approach parties directly. The DPOC reviews the proposed composition of each group to ensure an appropriate balance of perspectives, including geographical balance.
- 3.63 Each consultative group has terms of reference, setting out the objectives of the group, the Board's expectations of the members and the responsibilities of the Board to that group. The Board could have more than one consultative group on a project, for example, to provide advice on a particular aspect of a proposed IFRS Standard or post-implementation review.
- 3.64 Once work on a project starts, the consultative group for that project is consulted when doing so would benefit the project. The technical staff provides group members with regular updates on the progress of the project and provides the Board with feedback on the group's work.
- 3.65 Meetings of consultative groups are normally open to the public and chaired by a Board member or by a member of the technical staff, however consultative groups may meet in private. Papers discussed by the consultative group are made publicly available. Meetings are recorded and, when possible, webcast live. Recordings of meetings are made available on the IFRS Foundation website. If the Board were to decide that a particular meeting of a consultative group should be private, a summary of each such meeting would usually be posted on the relevant project page.
- 3.66 All consultative groups are reviewed by the IFRS Foundation staff each year to assess whether each group is continuing to serve the function for which it was established and whether the membership should remain the same. The outcome of the review is presented to the Board and the DPOC.

Comment letters

- 3.67 Comment letters play a pivotal role in Board and Interpretations Committee deliberations because the letters provide considered and public responses to a formal consultation.

3.68 All comment letters received by the Board and the Interpretations Committee are available on the IFRS Foundation website. Portions of a comment letter may be withheld from the public if publication would be harmful to the submitting party, for example, if the letter potentially breached securities disclosure laws.

3.69 When considering comment letters, the Board and the Interpretations Committee assesses the matters raised and the related explanations and evidence provided by respondents. It is the strength of the analysis provided in comment letters, and the evidence supporting the analysis, that is important. An analysis of the type of respondent and their geographical origin can help the Board assess whether there are any areas or types of respondent for which additional outreach might be appropriate. For some technical matters it can be helpful if the technical staff provides the Board with an analysis of the extent to which the views of particular sectors are shared or divided—for example, the extent to which investors have a common view or whether views differ between the types of respondent or regions.

Fieldwork

3.70 The Board and the technical staff sometimes use fieldwork to gain a better understanding of how a proposal is likely to affect those who use and apply IFRS Standards.

3.71 Fieldwork can be undertaken in different ways, including one-to-one visits or interviews with preparers, auditors, regulators or users of financial statements who are likely to be affected by the proposals. It can also include workshops in which several such parties are brought together or experiments are undertaken to assess how the proposals might be interpreted or applied.

3.72 Fieldwork may include:

- (a) asking participants to assess how the proposals would apply to actual transactions or contracts;
- (b) asking preparers or users to complete case studies;
- (c) assessing how users process information; or
- (d) assessing how systems are likely to be affected.

Fieldwork may also include gathering examples to help the Board gain a better understanding of industry practices and how proposed IFRS Standards could affect them. It is likely that some fieldwork will be undertaken on each standard-setting project, except for minor or narrow-scope amendments. The Board and the technical staff will need to assess which, if any, activities are appropriate and proportionate for a project, weighing the costs of the activity and what the Board is likely to learn from the fieldwork.

3.73 Undertaking fieldwork is not mandatory but, if the Board decides not to do so, it explains why to the DPOC and on the project page on the IFRS Foundation website.

- 3.74 Feedback from any fieldwork, public hearings or other outreach is summarised in a technical staff paper and assessed by the Board along with the comment letters.

Public hearings

- 3.75 In addition to inviting comment letters to seek views and suggestions, the Board may hold public hearings with interested organisations to listen to, and exchange views on, specific topics. Public hearings include round-table meetings and discussion forums. Round-table meetings are primarily consultative, providing participants with the opportunity to present and discuss their analysis of Board proposals. Discussion forums tend to have more of an educational focus, with Board members or technical staff explaining the Board's proposals before discussing them with the participants.

Accountability

Effect analysis

- 3.76 The Board is committed to assessing and explaining its views about the likely costs of implementing proposed new requirements and the likely ongoing associated costs and benefits of each new IFRS Standard—the costs and benefits are collectively referred to as *effects*. The Board gains insight on the likely effects of the proposals for new or amended Standards through its formal exposure of proposals and through its fieldwork, analysis and consultations with relevant parties. The likely effects are assessed:
- (a) in the light of the Board's objective of financial reporting transparency; and
 - (b) in comparison to the existing financial reporting requirements.
- 3.77 The process of assessing the likely effects is intrinsic to the development of financial reporting requirements. Therefore, the Board assesses the likely effects throughout the development of a new or amended IFRS Standard, tailoring its assessment to the stage of development of the new or amended Standard. For example, at the research phase, the Board focuses on assessing the nature of the financial reporting deficiency being addressed, seeks to define the problem and proposes possible solutions, focusing particularly on the likely benefits of developing new financial reporting requirements. At the standard-setting phase, the Board is developing a specific proposal for a new or amended Standard. Accordingly, the Board focuses on assessing the potential costs and benefits of implementing that proposal, and on assessing any alternatives. The Board tailors the level of analysis to the nature of the proposed change to financial reporting. The format of the analysis is also tailored to the type of due process document being published.
- 3.78 When the Board undertakes a post-implementation review it has an opportunity to understand the effects of the change in financial reporting by comparison to those identified by the Board when it issued the new requirements.

- 3.79 In assessing the likely effects, the Board focuses on assessing how financial statements are likely to change because of the new financial reporting requirements, whether those changes will improve the quality of financial statements and whether those changes are justifiable. The Board considers matters such as:
- (a) how the proposed changes are likely to affect the reporting of activities in the financial statements of those applying IFRS Standards.
 - (b) how those proposed changes are likely to affect the comparability of financial information between different reporting periods for an individual entity and between different entities in a particular reporting period.
 - (c) how the proposed changes are likely to affect the ability of a user of financial statements to assess the future cash flows of an entity.
 - (d) how the proposed changes to financial reporting are likely to affect economic decision-making.
 - (e) the likely effect on compliance costs for preparers, both on initial application and on an ongoing basis.
 - (f) the likely effects on the costs of analysis for users of financial statements (including any costs of extracting data, identifying how the data has been measured and adjusting data for the purposes of including them in, for example, a valuation model). The Board also considers the costs incurred by users of financial statements when information is not available and the comparative advantage that preparers have in developing information, when compared with the costs that users would incur to develop surrogate information.
- 3.80 IFRS Standards specify requirements for entities to provide high-quality, transparent and comparable financial information that can enhance financial stability in the global economy. The Board has regard to the effects on financial stability when assessing the effects of new financial reporting requirements to the extent appropriate and when relevant. For example, in explaining to a broad stakeholder audience the expected benefits of a new Standard, the Board may consider it useful to explain the link between increased transparency in financial reporting and a potential positive effect on financial stability. The introduction by an IFRS Standard of a current value measurement basis could, for instance, be a circumstance in which the Board concludes such explanation is appropriate and relevant. In addition, while it is generally impossible to quantitatively assess the possible broader economic consequences of new financial reporting requirements, the Board may assess specific economic effects when relevant. The Board is not required to make a formal quantitative assessment of the overall effect of a new or amended IFRS Standard. Initial and ongoing costs and benefits are likely to affect different parties in different ways.

Reporting the effects

- 3.81 The Board explains its views on the likely effects at each stage of the development of a new or amended IFRS Standard. The level and format of the analysis is tailored to and reflects the nature of the change to financial reporting and the stage of development of the new or amended Standard. For instance, in the research phase, an analysis of the perceived financial reporting shortcoming being addressed and the possible solutions are an integral part of the discussion paper. In the standard-setting phase, the Board explains why it is proposing a particular change to financial reporting requirements, including referring to the evidence it has collected and any outreach it has undertaken, in the basis for conclusions accompanying the exposure draft. When a major Standard is issued, the Board publishes a separate effect analysis report that summarises the likely effects and how the Board made its assessments. This report is included as part of the documents accompanying the Standard balloted by the Board. For other new requirements, the Board presents its views as part of the basis for conclusions accompanying the new requirements.

Basis for conclusions and dissenting opinions

- 3.82 In the basis for conclusions the Board explains the rationale behind the decisions it reached in developing or amending an IFRS Standard. The basis for conclusions also includes the Board's responses to comments received when the proposals were exposed.
- 3.83 The Board does not operate as a consensus body. A decision to publish an exposure draft or issue an IFRS Standard requires a supermajority (see paragraph 3.14). Board members who disagree with the proposals or the final Standard are required to explain why they have a dissenting opinion. Such dissenting opinions are published with the basis for conclusions.
- 3.84 When a Board member dissents, they are voting against the exposure draft or IFRS Standard as a whole. A Board member cannot dissent from one part of a document but still vote to issue that document.
- 3.85 Throughout the development of an IFRS Standard there may be decisions with which individual Board members disagree. However, disagreeing on a matter does not mean the Board member will dissent from the whole document. The test for Board members is whether they think that the new requirements will improve financial reporting, taking into account the likely effects of those requirements. The hurdle to dissenting is deliberately high.
- 3.86 The dissent itself should address only those matters that caused the Board member to vote against the document as a whole. Board members should avoid using the dissent to express dissatisfaction with other parts of the document that, taken on their own, would not have caused the Board member to vote against issuing the document.

4. Technical work plan

- 4.1 The technical work plan is the group of projects the Board and the Interpretations Committee manage. The technical work plan focuses on projects and activities that are steps toward possible publications by the Board and the Interpretations Committee, including *research papers*, discussion papers, *requests for information*, exposure drafts, an IFRS Standard, a draft IFRIC Interpretation, an IFRIC Interpretation, an agenda decision and a report for a post-implementation review. The technical work plan is updated regularly and is available on the IFRS Foundation website, which also includes estimates of project time lines reflecting recent Board decisions.
- 4.2 Board technical activities incorporate a wide range of activities, and may also include financial reporting research, updates and revisions to the *Conceptual Framework for Financial Reporting (Conceptual Framework)*, the maintenance and consistent application of IFRS Standards, post-implementation reviews, and the IFRS Taxonomy.

Five-yearly consultation on the Board's work plan (technical agenda)

- 4.3 The Board undertakes a public consultation on the work plan every five years by way of a public request for information. The Board normally allows a minimum of 120 days for comment on a work plan (agenda) consultation request for information. The primary objective of the review is to seek formal public input on the strategic direction and balance of the Board's work plan, including the criteria for assessing projects that may be added to the Board's work plan. The review could also seek views on financial reporting matters that respondents think should be given priority by the Board, together with any proposals to withdraw from the Board's work plan any projects that have not proceeded as planned or for which the prospects for progress are limited. The Board's discussion of potential projects to be added to or withdrawn from the work plan takes place in public Board meetings.
- 4.4 As part of this public consultation, the Board consults the Advisory Council.
- 4.5 In line with paragraphs 36(d) and 15(d) of the *Constitution*, the Board consults with the Trustees regarding the work plan and, through the DPOC, keeps the Trustees informed of its process in respect of its five-yearly consultation, including how it expects to respond to the input it has received. The next consultation should commence at the latest five years after the current consultation has been completed.
- 4.6 While the five-yearly consultations are the principal means of determining the Board's work plan, the Board can add projects to the work plan or change its priorities between consultations in response to changing circumstances. However, before adding a major project to the work plan that was not contemplated in the previous consultation, the Board consults the Advisory Council and ASAF on the potential project. The Board's discussion of potential projects to be added to the work plan takes place in public Board meetings.

- 4.7 For minor or narrow-scope amendments to IFRS Standards, including *annual improvements*, the Board is not required to consult the Advisory Council or ASAF before adding a project to the work plan because such amendments are part of the maintenance and consistent application of the Standards.

Research programme

- 4.8 New financial reporting requirements developed by the Board should address problems identified with the existing requirements. Sometimes a problem identified with current financial reporting can be remedied with a relatively minor amendment to an IFRS Standard. In other cases, the problem might require a more significant change to financial reporting requirements, such as a major change to a Standard or the development of a new Standard. Consequently, the first step in developing a new financial reporting requirement is to assess and define the problem within the existing reporting practice. For how the Board assesses the likely effects at this stage of a project see paragraph 3.77.
- 4.9 The purpose of the Board's research programme is to analyse possible financial reporting problems by collecting evidence on the nature and extent of the perceived shortcoming and assessing potential ways to improve financial reporting or to remedy a deficiency. This analysis will help the Board decide whether it should undertake a standard-setting project to develop a proposal for a new IFRS Standard or to amend or replace a Standard. The research programme might also include the consideration of broader financial reporting matters, such as how financial reporting is evolving, to encourage international debate on financial reporting matters.
- 4.10 To help the Board in developing the work plan, the technical staff is asked to identify, review and raise matters that might warrant the Board's attention. New matters may arise from the five-yearly consultation on the technical work plan or a change to the Board's *Conceptual Framework*. In addition, the Board raises and discusses potential topics in the light of comments from the Advisory Council, ASAF, other standard-setters and other interested parties, and the Interpretations Committee, as well as technical staff research and other recommendations.
- 4.11 The Board and the technical staff are not expected to undertake all of the activities on its research programme. The Board may ask others, such as national accounting standard-setting bodies and regional bodies associated with accounting standard-setting or regional financial reporting bodies, academics and other interested parties, to participate in these activities. The Board will, however, need to provide clear direction on the matters on which to focus and on its expectations of the parties with whom it consults.

Research papers, discussion papers and requests for information

- 4.12 The main output of the research programme is expected to be discussion papers and research papers. Discussion papers and research papers are designed to elicit comments from interested parties that can help the Board decide whether to add a standard-setting project to the work plan. Discussion papers and research papers typically include a comprehensive overview of the

issues, possible approaches to addressing the issues, the preliminary views of the Board and an *invitation to comment*.

- 4.13 Discussion papers are issued by the Board and present the analysis and collective views of the Board on a particular topic, although the discussion will reflect and convey any significant differences in Board members' views. The matters presented will have been discussed in public meetings of the Board.
- 4.14 Research papers are also issued by the Board but are prepared by the technical staff. Research papers may also be prepared by other accounting standard-setters or bodies, normally at the request of the Board. A research paper published by the Board includes a clear statement of the extent of the Board's involvement in the development or endorsement of that paper. In some cases, the Board will not have discussed the paper in a public meeting and will not, therefore, have developed any views on the matters set out in the paper.
- 4.15 Requests for information are formal requests by the Board for information or feedback on a matter related to technical projects or broader consultations. Examples of appropriate topics for a request for information include seeking comment on the Board's work plan every five years, post-implementation reviews, or help in assessing the practical implications of a potential financial reporting requirement.

Publication of discussion papers, requests for information and research papers

- 4.16 The Board ballots discussion papers. Before the Board asks the technical staff to prepare a discussion paper for ballot, the Board confirms that it has completed all of the steps necessary to ensure that the discussion paper is likely to meet its purpose. Research papers and requests for information require the support of a simple majority of the Board, with approval given in a public meeting.
- 4.17 The Board normally allows at least 120 days for comment on a discussion paper, a research paper, and requests for information on the work plan (see paragraph 4.3) or a post-implementation review (see paragraph 6.54). For other requests for information, the Board normally allows a minimum of 60 days for comment. If the information request is narrow in scope and urgent the Board may set a shorter period and need not consult the DPOC before doing so.
- 4.18 Discussion papers, requests for information and research papers are posted on the IFRS Foundation website.
- 4.19 Once the comment period for a discussion paper ends the technical staff analyses and summarises the comment letters and provides that analysis and summary to the Board.

Conceptual Framework for Financial Reporting

- 4.20 The Board maintains the *Conceptual Framework*. The *Conceptual Framework* describes the objective of and concepts for general purpose financial reporting. It is a practical tool that helps the Board to develop requirements in IFRS Standards based on consistent concepts.
- 4.21 Proposals to change the *Conceptual Framework* are developed and exposed by the Board in the same way that it exposes proposed changes to IFRS Standards, with similar comment periods.
- 4.22 The Board might decide to publish a discussion paper as a first step to revising part of the *Conceptual Framework*, although this is not a requirement.
- 4.23 The Board might need to consider whether any IFRS Standards should be amended to reflect revisions to the *Conceptual Framework*. However, amending a Standard is not an automatic consequence of such revisions. Changes to Standards address deficiencies in financial reporting. Any changes to the *Conceptual Framework* that highlight inconsistencies in the Standards are considered by the Board in the light of other priorities when developing or modifying the work plan.

5. Standard-setting projects

- 5.1 In considering whether to add a standard-setting project to the work plan, the Board or the Interpretations Committee requires the development of a specific project proposal and an assessment against the project criteria outlined in paragraph 5.4. That consideration will include whether the proposal is for a comprehensive project to develop a new IFRS Standard or major amendment to a Standard (see paragraphs 5.4–5.12), or a narrow-scope project for the purposes of maintenance and consistent application (see paragraphs 5.13–5.19).
- 5.2 The primary objective of a project proposal is to help the Board to manage its resources effectively and to prioritise its standard-setting work. The Board distinguishes between major and narrow-scope projects in its planning to help reduce the risk of committing resources to a project when other projects should have a higher priority.
- 5.3 A proposed new IFRS Standard, an amendment to a Standard, or an IFRIC Interpretation are exposed for public comment. Accordingly, if stakeholders believe that the Board has failed to establish the need for improvements to an area of financial reporting, they will have the opportunity to express their views during the consultation process.

Criteria for new IFRS Standards or major amendments

- 5.4 The Board evaluates the merits of adding a potential project to the work plan primarily on the basis of the needs of users of financial reports, while also taking into account the costs of preparing the information in financial reports. When deciding whether a proposed agenda item will address users' needs, the Board considers:

- (a) whether there is a deficiency in the way particular types of transactions or activities are reported in financial reports;
 - (b) the importance of the matter to those who use financial reports;
 - (c) the types of entities likely to be affected by any proposals, including whether the matter is more prevalent in some jurisdictions than others; and
 - (d) how pervasive or acute a particular financial reporting issue is likely to be for entities.
- 5.5 The Board considers adding a standard-setting project to the work plan after considering any research it has undertaken on the topic. The Board would normally propose to develop a new IFRS Standard or to make major amendments to a Standard only after it has published a discussion paper and considered the comments it receives from that consultation. Publishing a discussion paper before adding a major standard-setting project to the work plan is not a requirement. However, to proceed without a discussion paper, the Board needs to be satisfied that it has sufficient information and understands the problem and the potential solutions well enough. The Board might conclude that a discussion paper is not necessary because it has sufficient input from a research paper, request for information or other research to proceed directly to an exposure draft. The reasons for not publishing a discussion paper need to be set out by the Board and reported to the DPOC.
- 5.6 The Board's discussion of potential projects and its decisions to adopt new projects take place in public Board meetings. The Board's decision to add standard-setting projects to the work plan, as well as its decisions on their priority, is by a simple majority vote at a Board meeting.
- 5.7 The Board adds a project to the work plan only if it concludes that the benefits of the improvements to financial reporting will outweigh the costs.

Matters referred by the Monitoring Board

- 5.8 The Monitoring Board may refer technical financial reporting matters to the Trustees and the Chair of the Board. The Monitoring Board's consensus-based decision-making limits such actions to extremely rare and urgent cases in which all Monitoring Board members agree that a technical financial reporting matter warrants referral.
- 5.9 The Trustees and the Chair of the Board are required to ensure that any such referral is addressed in a timely manner. Such referrals do not need to follow the formal consultation process set out in paragraph 4.6 and paragraphs 5.1–5.7.
- 5.10 The Board, together with the Trustees, reports to the Monitoring Board, usually within 30 days but sooner if the matter is more urgent, those steps it is taking to consider the referral.

- 5.11 If the Board decides not to take up the referred matter, the Board explains to the Trustees and the Monitoring Board why addressing the matter by amending an IFRS Standard would be inconsistent with the standard-setting responsibilities established in the *Constitution*.
- 5.12 In all cases, it is understood that the Monitoring Board will neither influence the decision-making nor challenge the decisions made by the Board with regard to its standard-setting.

Maintenance and consistent application

Identification of matters

- 5.13 The Board and the Interpretations Committee work together in supporting the consistent application of IFRS Standards. They do so by, among other things, issuing narrow-scope amendments to the Standards, issuing IFRIC Interpretations and publishing agenda decisions to address application questions. The Board and Interpretations Committee seek to achieve a balance between maintaining the principle-based nature of the Standards and adding or changing requirements in response to emerging application questions.
- 5.14 Some Board members attend each Interpretations Committee meeting and a report of each Interpretations Committee meeting is presented to the Board at a public meeting.
- 5.15 Stakeholders are encouraged to submit application questions to the Interpretations Committee when they view it as important that the Board or the Interpretations Committee address the matter. Such matters could include cases of doubt about the required accounting for a particular circumstance or transaction, or concerns expressed by investors about the application of specified disclosure requirements. The Interpretations Committee often consults on questions submitted to it with national accounting standard-setting bodies and regional bodies involved with accounting standard-setting.
- 5.16 The Interpretations Committee decides a standard-setting project should be added to the work plan, either by recommending that the Board develop a narrow-scope amendment or by deciding to develop an IFRIC Interpretation, when all of the following criteria are met:
- (a) the matter has widespread effect and has, or is expected to have, a material effect on those affected;
 - (b) it is necessary to add or change requirements in IFRS Standards to improve financial reporting—that is, the principles and requirements in the Standards do not provide an adequate basis for an entity to determine the required accounting;
 - (c) the matter can be resolved efficiently within the confines of the existing Standards and the *Conceptual Framework*; and

- (d) the matter is sufficiently narrow in scope that the Board or the Interpretations Committee can address it in an efficient manner, but not so narrow that it is not cost-effective for the Board or the Interpretations Committee and stakeholders to undertake the due process required to change a Standard.
- 5.17 A simple majority of Interpretations Committee members present decides, after a debate in a public meeting, whether a standard-setting project should be added to the work plan.
- 5.18 If the Interpretations Committee recommends that the Board should develop a narrow-scope amendment, it refers the matter to the Board. If the Interpretations Committee decides to develop an IFRIC Interpretation, it follows the process described in section 7. The Board can also decide to make narrow-scope amendments (which include annual improvements) to the Standards, following the process described in paragraphs 6.4–6.15. The Board may seek the assistance of the Interpretations Committee in developing such narrow-scope amendments, drawing on the Interpretations Committee’s experience of the application of IFRS Standards.
- 5.19 If the Interpretations Committee decides that a standard-setting project should not be added to the work plan to address a question submitted, it explains why in an agenda decision (see paragraphs 8.2–8.7).

6. New or amended IFRS Standards

Exposure drafts

- 6.1 Publication of an exposure draft is a mandatory step in the due process before a new IFRS Standard can be issued or an existing Standard can be amended.
- 6.2 An exposure draft sets out a specific proposal in the form of a proposed IFRS Standard (or amendment to a Standard) and is therefore generally set out in the same way as, and has all of the components of, a Standard. The main differences are that:
- (a) the basis for conclusions is written to explain the Board’s rationale for the proposal, and is not a draft of the rationale for the final IFRS Standard or final amendments to the Standard; and
 - (b) the consequential amendments need not be set out in as much detail as they would be in a final IFRS Standard, particularly where such amendments are changes to cross-references or terminology and other matters that are more editorial.
- 6.3 An exposure draft is the Board’s main vehicle for consulting the public and therefore includes an invitation to comment, setting out the issues that the Board has identified as being of particular interest. Although it is normally included with the ballot draft, it is not necessary for the Board to ballot the invitation to comment.

Developing an exposure draft

- 6.4 The development of an exposure draft takes place in public meetings. The technical staff prepares papers for the Board to consider on the matters to be addressed.
- 6.5 Development of an exposure draft normally begins with the Board considering the issues on the basis of technical staff research and recommendations. The Board also considers the comments received on any discussion paper, research paper or request for information, suggestions made by consultative groups and accounting standard-setters, and suggestions arising from consultation with other stakeholders.
- 6.6 When the Board has reached general agreement on the technical matters in the project and has considered the likely effects of the proposals (see paragraphs 3.76–3.81), the technical staff presents a paper to the Board:
- (a) summarising the steps that the Board has taken in developing the proposals, including a summary of when the Board discussed the project in public meetings, public hearings held, outreach activities and meetings of consultative groups;
 - (b) if applicable, reaffirming why the Board has decided that it was not necessary to have a consultative group or to have conducted fieldwork; and
 - (c) recommending a comment period for the exposure draft.
- 6.7 The Board normally allows a minimum period of 120 days for comment on an exposure draft. If the matter is narrow in scope and urgent the Board may set a comment period of less than 120 days but no less than 30 days after consulting and obtaining approval from the DPOC.
- 6.8 In exceptional circumstances, and only after requesting and receiving approval from 75% of the Trustees, the Board may reduce the period for public comment on an exposure draft to below 30 days but may not dispense with a comment period.
- 6.9 If the Board is satisfied that it has addressed all of these matters it votes to have the technical staff prepare the exposure draft for balloting. Board members who intend to dissent from the proposals in the exposure draft make their intentions known at this time.

Exposing annual improvements

- 6.10 Some proposed amendments to IFRS Standards that are sufficiently minor or narrow in scope can be packaged together and exposed in one document even though the amendments are unrelated. Such amendments are called ‘annual improvements’. Annual improvements follow the same due process as other amendments to the Standards, except that annual improvements consist of unrelated amendments that are exposed together, rather than separately.

- 6.11 The justification for exposing unrelated improvements in one package is that such amendments are limited to changes that either clarify the wording in an IFRS Standard or correct relatively minor unintended consequences, oversights or conflicts between existing requirements of the Standards. Because of their nature, it is not necessary to undertake consultation or outreach for annual improvements beyond the comment letter process. The Board needs to be cautious and avoid including in the annual improvements package an amendment that merits separate consultation and outreach.
- 6.12 Clarifying an IFRS Standard involves either replacing unclear wording in existing Standards or providing requirements where an absence of requirements is causing concern. Such an amendment maintains consistency with the existing principles within the applicable Standard and does not propose a new principle or change an existing principle.
- 6.13 Resolving a conflict between existing requirements of IFRS Standards includes addressing oversights or relatively minor unintended consequences that have arisen as a result of the existing requirements of the Standards. Such amendments do not propose a new principle or change an existing principle.
- 6.14 Proposed annual improvements should be well defined and narrow in scope. The Board assesses proposed annual improvements against the criteria set out in paragraphs 6.10–6.13 before they are published in an exposure draft. As a guide, if the Board takes several meetings to reach a conclusion it is an indication that the cause of the issue is more fundamental than can be resolved within the annual improvements process.
- 6.15 The Board normally allows a minimum period of 90 days for comment on annual improvements.

Publication

- 6.16 The publication of an exposure draft is accompanied by a news release.
- 6.17 Depending on the nature of the exposure draft, the Board and the technical staff might also develop, and make available, a project *snapshot*, podcast, webcast, question and answer pack or presentation (speech) pack. The more significant the exposure draft the more comprehensive the related communications package is likely to be.
- 6.18 All exposure drafts and related publications are freely available on the IFRS Foundation website.

Consideration of comments received and consultations

- 6.19 After the comment period ends, the Board reviews the comment letters and the results of the other consultations, such as the investor consultation. The technical staff provides a summary of the comment letters, giving a general overview of the comments received and the major points raised in the letters. The analysis helps the Board to identify the main topics for consideration during the deliberations—or whether the Board should even proceed with the project.

- 6.20 The development of an IFRS Standard is carried out during Board meetings.
- 6.21 As a means of exploring the issues further, and seeking further comments and suggestions, the Board may conduct fieldwork, or arrange public hearings and round-table meetings. The Board also maintains contact with its consultative groups.

Completion of the deliberations

- 6.22 When the Board has reached general agreement on the technical matters in the project and has considered the likely effects of the new IFRS Standard (see paragraphs 3.76–3.81), the technical staff presents a paper to the Board:
- (a) summarising the steps that the Board has taken in developing the Standard, including a summary of when the Board discussed this project in public meetings, public hearings held, outreach activities and meetings of consultative groups;
 - (b) if applicable, reaffirming why the Board has decided that it was not necessary to have a consultative group or to have conducted fieldwork; and
 - (c) assessing whether the proposals can be finalised or whether they should be re-exposed.
- 6.23 If the Board is satisfied that it has addressed all of these matters it votes to have the technical staff prepare the IFRS Standard for balloting. Board members who intend to dissent from the proposals of the Standard make their intentions known at this time.
- 6.24 The Board informs the DPOC of its decision to proceed to the ballot stage for an IFRS Standard, explaining why it is satisfied that *re-exposure* is not necessary, before the Standard or major amendment is issued.

Re-exposure criteria

- 6.25 In considering whether there is a need for re-exposure, the Board:
- (a) identifies substantial issues that emerged during the comment period on the exposure draft and that it had not previously considered;
 - (b) assesses the evidence that it has considered;
 - (c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and
 - (d) considers whether the various viewpoints were appropriately aired in the exposure draft and adequately discussed and reviewed in the basis for conclusions.
- 6.26 It is inevitable that the final proposals will include changes from those originally proposed. The fact that there are changes does not compel the Board to re-expose the proposals. The Board needs to consider whether the revised proposals include any fundamental changes on which respondents have not had the opportunity to comment because they were not

contemplated or discussed in the basis for conclusions accompanying the exposure draft. The Board also needs to consider whether it will learn anything new by re-exposing the proposals. If the Board is satisfied that the revised proposals respond to the feedback received and that it is unlikely that re-exposure will reveal any new concerns, it should proceed to finalise the proposed requirements.

- 6.27 The more extensive and fundamental the changes from the exposure draft and current practice the more likely the proposals should be re-exposed. However, the Board needs to weigh the cost of delaying improvements to financial reporting against the relative urgency for the need to change and what additional steps it has taken to consult since the exposure draft was published. The use of consultative groups or targeted consultation can give the Board information to support a decision to finalise a proposal without the need for re-exposure.
- 6.28 The Board should give more weight to changes in recognition and measurement than disclosure when considering whether re-exposure is necessary.
- 6.29 The Board's decision on whether to publish its revised proposals for another round of comment is made in a Board meeting. If the Board decides that re-exposure is necessary, the due process to be followed is the same as for the first exposure draft. However, because it is not the first exposure of the proposed IFRS Standard, it may be appropriate to have a shortened comment period, particularly if the Board is seeking comments on only specific aspects of the revised exposure draft, while recognising that respondents may not limit their comments to these aspects. The public comment period for such documents will normally be at least 90 days.

Finalising an IFRS Standard

- 6.30 The mandatory parts of an IFRS Standard are:
- (a) the principles and the related application guidance;
 - (b) the defined terms; and
 - (c) the effective date and transition paragraphs.
- 6.31 When a new IFRS Standard, or amendment to a Standard, is issued, it is also accompanied by amendments to other Standards that are a consequence of the new requirements – these are called 'consequential amendments'.
- 6.32 Each IFRS Standard usually has accompanying material that is not an integral part of the Standard:
- (a) a table of contents;
 - (b) an introduction;
 - (c) illustrative examples;
 - (d) the basis for conclusions (including the Board's analysis of the likely effects if not presented as a separate report);

- (e) an effect analysis report (for a major Standard); and
- (f) dissenting opinions.

6.33 Sometimes the accompanying material will include a table that shows the relationship between paragraphs in the old and the new requirements and a brief history of the IFRS Standard. In all cases the documents will state clearly whether the material is an integral part of the Standard or whether it accompanies it but is not integral. Material that is integral to a Standard is provided to governments, or the relevant authorities, that have adopted the Standards and have an agreement with the IFRS Foundation to receive such material.

6.34 As a principle, IFRS Standards should be able to be applied without the accompanying material.

Effective date and transition

6.35 An IFRS Standard, or an amendment to a Standard, has an effective date and transition requirements. The mandatory effective date is set so that jurisdictions have sufficient time to incorporate the new requirements into their legal systems and those applying the Standards have sufficient time to prepare for the new requirements.

6.36 The Board also considers how first-time adopters of IFRS Standards should apply the Standard, or an amendment to a Standard, and whether any amendments are needed to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Publication

6.37 The publication of a new IFRS Standard, or an amendment to a Standard, is accompanied by a news release.

6.38 The publication of a new IFRS Standard or a major amendment to a Standard, is also accompanied by a project summary and *feedback statement*. Depending on the nature of the new requirements, the Board and the IFRS Foundation staff might also develop, and make available, a podcast, webcast, question and answer pack or presentation (speech) pack. The more significant the changes to the Standards, the more comprehensive the related communications package is likely to be.

Practice guidance

6.39 The Board may produce non-mandatory *practice guidance*, normally on a topic not addressed by an IFRS Standard (such as the Practice Statement on management commentary), if it considers that doing so would improve financial reporting. The Board follows the same procedures used for the development of a Standard, including the balloting of documents.

Post-publication procedures and maintenance

- 6.40 After an IFRS Standard is issued, the IFRS Foundation undertakes various activities to support its implementation and consistent application. These might include publishing educational materials, such as articles and webcasts (see paragraphs 8.8–8.10). Board members and technical staff may also hold meetings with interested parties, including other standard-setting bodies, to help understand unexpected matters that have arisen from the implementation of the Standard and the potential effect of its requirements.
- 6.41 Technical staff may make editorial corrections to technical documents to remedy drafting errors that are made when writing or typesetting the document, provided that the corrections do not alter the technical meaning of the text. Editorial corrections normally fix spelling errors, grammatical mistakes or incorrectly marked consequential amendments.

Translation

- 6.42 Translations of IFRS Standards are initiated by the IFRS Foundation staff as a response to requests from jurisdictions adopting or developing an interest in the Standards.
- 6.43 The translations policy allows for only one translation per language, to ensure that all users of a particular language use the same translation. The two-stage translation procedure, consisting of the initial translation followed by a review by a committee of accounting experts, is designed to produce a high-quality translation that accurately renders the meaning of IFRS Standards in English into another language.
- 6.44 Review committee members are native speakers of the language and experts in the field of financial reporting. Review committees typically comprise representatives from major accounting firms, national accounting bodies, academics, appropriate government bodies and specialist industries, such as banking and insurance.
- 6.45 The review committee has one person designated as the co-ordinator. In addition to managing the review process, the co-ordinator has the final responsibility for the content of the translation, and has a casting vote if consensus in the committee cannot be reached.
- 6.46 When a language is spoken and used in more than one country, participation in the review committee is encouraged from all countries using that language to ensure that the resulting translation aids the consistent application of IFRS Standards.

IFRS Taxonomy (see the Annex)

- 6.47 The implications for the IFRS Taxonomy are considered during the development and drafting of new or amended IFRS Standards. The publication of the *proposed IFRS Taxonomy update* normally happens at the same time as, or shortly after, the final Standard or amendment to a Standard is published.

Post-implementation review

- 6.48 The Board is required to conduct a post-implementation review of each new IFRS Standard or major amendment. A post-implementation review normally begins after the new requirements have been applied internationally for two years, which is generally about 30–36 months after the effective date.
- 6.49 In addition to post-implementation reviews that respond to a new IFRS Standard or major amendment to a Standard, the Board may decide to conduct a post-implementation review in response to changes in the financial reporting environment and regulatory requirements, or in response to concerns about the quality of a Standard that have been expressed by the Advisory Council, the Interpretations Committee, standard-setters or interested parties.
- 6.50 Each review has two phases. The first involves an initial identification and assessment of the matters to be examined, which are then the subject of a public consultation by the Board in the form of a request for information. In the second phase, the Board considers the comments it has received from the request for information along with the information it has gathered through other consultative activities. On the basis of that information, the Board presents its findings and sets out the steps it plans to take, if any, as a result of the review.

Initial assessment and public consultation

- 6.51 The goal of improving financial reporting underlies any new IFRS Standard. A post-implementation review is an opportunity to assess the effect of the new requirements on investors, preparers and auditors following the issuance and application of a Standard. The review considers the issues that were important or contentious during the development of the publication (which should be identifiable from the basis for conclusions, project summary, feedback statement and effect analysis of the relevant Standard), as well as issues that have come to the attention of the Board after the document was published. The Board and the technical staff also consult stakeholders to help the Board identify areas where possible unexpected costs or implementation problems were encountered.
- 6.52 This initial assessment should draw on the broad network of IFRS Standards-related bodies and interested parties, such as the Interpretations Committee, the Board's consultative groups, securities regulators, national accounting standard-setting bodies, regional bodies involved with accounting standard-setting, preparers, auditors and investors. The purpose of these consultations is to inform the Board so that it can establish an appropriate scope for the review. How extensive the consultations need to be in this phase will depend on the Standard being reviewed and on what the Board already knows about the implementation of that Standard. The Board needs to be satisfied that it has sufficient information to establish the scope of the review.

- 6.53 The Board publishes a request for information, setting out the matters for which it is seeking feedback by means of a formal public consultation. In the request for information, the Board explains why it is seeking feedback on the matters specified and includes any initial assessment by the Board of the IFRS Standard or major amendment that is being reviewed. The request for information will also set out the process that the Board followed in establishing the scope of the review.
- 6.54 The Board normally allows a minimum of 120 days for comment on a request for information that is part of a post-implementation review. The Board will only set a period of less than 120 days after consulting and obtaining approval from the DPOC.
- 6.55 The Board may decide, on the basis of its initial assessment, that it would be premature to undertake a post-implementation review at that time. The Board informs the DPOC of its intention to defer a post-implementation review, explaining why it has reached this conclusion and indicating when it expects to resume the review.

Consideration of evidence and presentation of findings

- 6.56 The Board considers whether it is necessary to supplement the responses to the request for information with other information or evidence, such as by undertaking:
- (a) an analysis of financial statements or of other financial information;
 - (b) a review of academic and other research related to the implementation of the IFRS Standard being reviewed; and
 - (c) surveys, interviews and other consultations.
- 6.57 The extent to which further information is gathered will depend on the IFRS Standard being reviewed and the feedback from the request for information.
- 6.58 The Board considers the comments that it has received from the request for information along with the evidence and information that it has obtained from any additional analysis. When the Board has completed its deliberations, it presents its findings in a public report. The Board may consider making minor amendments to the IFRS Standard or preparing an agenda proposal for a broader revision of the Standard. There is no presumption that a post-implementation review will lead to any changes to a Standard. The Board may recommend to the DPOC that the Board should make changes to its procedures, such as how effects of a Standard are assessed or additional steps that should be taken during the development of a Standard.
- 6.59 The Board reports regularly to the DPOC during the period of a post-implementation review and informs the DPOC when it has completed its review and provides the DPOC with a draft of the report. When the DPOC is satisfied that the Board has completed the review satisfactorily, the report can be finalised.

7. IFRIC Interpretations

- 7.1 IFRIC Interpretations are developed by the Interpretations Committee but, because they are part of IFRS Standards, they are ratified by the Board.

Draft IFRIC Interpretation

- 7.2 Publication of a draft IFRIC Interpretation is a mandatory step in the due process before an IFRIC Interpretation can be issued.

- 7.3 A draft IFRIC Interpretation sets out a specific proposal in the form of a proposed Interpretation and is therefore generally set out in the same way as, and has all of the components of, an Interpretation. The main difference is that the basis for conclusions is written to explain the Interpretations Committee's rationale for the proposal, rather than a draft of the rationale for the final IFRIC Interpretation.

- 7.4 A draft IFRIC Interpretation is the Interpretations Committee's main vehicle for consulting the public and therefore includes an invitation to comment, setting out the matters that have been identified as being of particular significance. Although it is normally included with the ballot draft, it is not necessary for the Interpretations Committee to ballot the invitation to comment.

Developing a draft IFRIC Interpretation

- 7.5 The development of a draft IFRIC Interpretation takes place in public meetings. The technical staff prepares papers about the matters being addressed for the Interpretations Committee to consider.

- 7.6 The Interpretations Committee applies a principle-based approach founded on the *Conceptual Framework*. It considers the principles established in the relevant IFRS Standards to develop an interpretation and to determine that the interpretation does not change or conflict with the Standards. If the Interpretations Committee concludes that the requirements of a Standard differ from the *Conceptual Framework*, it obtains direction from the Board. In developing IFRIC Interpretations, the Interpretations Committee is not seeking to create an extensive rule-oriented environment, nor does it act as an urgent issues group.

- 7.7 The solution developed by the Interpretations Committee should be effective for a reasonable period of time. Accordingly, the Interpretations Committee would not normally develop an IFRIC Interpretation if the topic is being addressed in a forthcoming IFRS Standard. However, this does not prevent the Interpretations Committee from acting on a particular matter if the short-term improvements can be justified.

- 7.8 If the Interpretations Committee is satisfied that it has addressed all of the technical matters it votes to see whether there is general agreement that the technical staff should prepare the draft IFRIC Interpretation for balloting. General agreement is reached when no more than four members have voted against the proposal. Because Interpretations are developed on the basis of the Interpretations Committee reaching general agreement on the particular

matter, a draft Interpretation does not include any dissenting opinions. However, the invitation to comment and the basis for conclusions identifies whether any members do not agree with the draft Interpretation.

- 7.9 When Interpretations Committee members generally agree on the technical matters, the technical staff presents a paper to the Board summarising the steps that have been taken in developing the proposals and recommending a comment period for the draft IFRIC Interpretation.
- 7.10 Board members receive ballot drafts of the draft IFRIC Interpretation. If four or more Board members object to the release of the draft Interpretation during the balloting process, the draft Interpretation is not released. If a draft Interpretation is not released because of Board members' objections, the Board decides whether the draft Interpretation should be published with amendments, whether the matter should be referred back to the Interpretations Committee or considered further by the Board, or if there should be no further action.
- 7.11 The Board and the Interpretations Committee normally allow a minimum period of 90 days for comment on a draft IFRIC Interpretation. If the matter is narrow in scope and urgent the Board may set a comment period of less than 90 days but no less than 30 days after consulting and obtaining approval from the DPOC.

Publication

- 7.12 All draft IFRIC Interpretations are accompanied by a news release.
- 7.13 All draft IFRIC Interpretations are freely available on the IFRS Foundation website.

Consideration of comments received

- 7.14 After the comment period ends, the Interpretations Committee reviews the comment letters received.
- 7.15 The development of an IFRIC Interpretation is carried out during Interpretations Committee meetings, when Interpretations Committee members consider the comments received on the draft Interpretation and decide whether to proceed with the project.
- 7.16 When the Interpretations Committee decides that it has reached general agreement on the technical matters in the IFRIC Interpretation, the technical staff presents a paper to the Interpretations Committee summarising the steps that have been taken in developing the Interpretation and assessing whether the proposals can be finalised or if they should be re-exposed.
- 7.17 In considering whether there is a need for re-exposure, the Interpretations Committee applies the same criteria as set out for the Board in paragraphs 6.25–6.28. If the Interpretations Committee decides that re-exposure is necessary, the due process to be followed is the same as for the first draft IFRIC Interpretation, with a minimum comment period determined in accordance with paragraph 7.11.

Finalising an IFRIC Interpretation

- 7.18 If the Interpretations Committee is satisfied that it has addressed all of the technical matters it votes to see whether there is general agreement that the technical staff should prepare the IFRIC Interpretation for balloting. General agreement is reached when no more than four members have voted against the Interpretation.
- 7.19 An IFRIC Interpretation includes:
- (a) requirements specifying the accounting for the transactions or other events within its scope;
 - (b) references to relevant IFRS Standards and parts of the *Conceptual Framework* that have been drawn upon in the IFRIC Interpretation; and
 - (c) the effective date and transition paragraphs.
- 7.20 The basis for conclusions states the reasons for the IFRIC Interpretation. An IFRIC Interpretation does not include any dissenting opinions of Interpretations Committee members. However, when the IFRIC Interpretation is submitted to the Board for ratification, the technical staff paper accompanying the request for ratification identifies how many Interpretations Committee members objected to the IFRIC Interpretation and their reasons for doing so.

Effective date and transition

- 7.21 As with any change to IFRS Standards, an IFRIC Interpretation includes effective date and transition paragraphs. The mandatory effective date is set so that jurisdictions have sufficient time to incorporate the new requirements into their legal systems and those applying the Standards have sufficient time to prepare for the new requirements. Interpretations generally address matters of a narrower scope than a major amendment to a Standard so the time necessary to prepare for the new requirements is also likely to be shorter.
- 7.22 The Interpretations Committee also considers how first-time adopters of IFRS Standards should apply the IFRIC Interpretation, and whether to recommend that the Board amend IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

Agreement and ratification by the Board

- 7.23 When the Interpretations Committee has balloted the IFRIC Interpretation, it is submitted to the Board for ratification together with a staff paper summarising the steps that have been taken in developing the IFRIC Interpretation. The Board votes to ratify an IFRIC Interpretation in a public meeting. Ratification requires a supermajority, the same level of support by Board members as is required for a new or amended IFRS Standard.
- 7.24 Board members may dissent from the ratification of an IFRIC Interpretation. The fact that one or more Board members dissented is stated in the approvals section of the IFRIC Interpretation along with their reasons for doing so.

7.25 The Board votes on the IFRIC Interpretation as submitted by the Interpretations Committee. If an Interpretation is not ratified by the Board, the Board provides the Interpretations Committee with reasons for the objection. On the basis of these reasons, the Board will decide whether to refer the matter back to the Interpretations Committee, whether to consider it further or whether to take no further action. The Board may make editorial changes to the IFRIC Interpretation or change the effective date, and it informs the Interpretations Committee of any changes it makes.

7.26 Ratified IFRIC Interpretations are issued by the Board.

Publication

7.27 All IFRIC Interpretations are accompanied by a news release.

8. Supporting consistent application

8.1 The objective of the material described in this section is to improve consistency of application of IFRS Standards.

Agenda decisions

Interpretations Committee agenda decisions

8.2 If the Interpretations Committee decides that a standard-setting project should not be added to the work plan to address a question submitted (see paragraphs 5.13–5.19), it explains why in a tentative agenda decision in IFRIC Update and on the IFRS Foundation website. The Interpretations Committee requests comments on tentative agenda decisions, the comment period for which is normally 60 days. After considering those comments, the Interpretations Committee will:

- (a) confirm its decision and publish an agenda decision (subject to the Board not objecting—see paragraph 8.7);
- (b) revise its decision and re-expose for comment a revised tentative agenda decision (when the Interpretations Committee decides that re-exposure is necessary, after applying the re-exposure criteria in paragraphs 6.25–6.28);
- (c) decide that a standard-setting project should be added to the work plan; or
- (d) refer the matter to the Board.

8.3 An agenda decision explains why a standard-setting project has not been added to the work plan and, in many cases, includes explanatory material. The objective of including such explanatory material is to improve the consistency of application of IFRS Standards. An agenda decision typically includes explanatory material when the reason for not adding a standard-setting project to the work plan is the Interpretations Committee's conclusion that the principles and requirements in the Standards provide an adequate basis

for an entity to determine the required accounting. Explanatory material included as part of a tentative agenda decision is subject to comment.

- 8.4 Agenda decisions (including any explanatory material contained within them) cannot add or change requirements in IFRS Standards. Instead, explanatory material explains how the applicable principles and requirements in IFRS Standards apply to the transaction or fact pattern described in the agenda decision.
- 8.5 Explanatory material derives its authority from the Standards themselves. Accordingly, an entity is required to apply the applicable IFRS Standard(s), reflecting the explanatory material in an agenda decision (subject to it having sufficient time to implement that accounting – see paragraph 8.6).
- 8.6 Explanatory material may provide additional insights that might change an entity's understanding of the principles and requirements in IFRS Standards. Because of this, an entity might determine that it needs to change an accounting policy² as a result of an agenda decision. It is expected that an entity would be entitled to sufficient time to make that determination and implement any necessary accounting policy change (for example, an entity may need to obtain new information or adapt its systems to implement a change). Determining how much time is sufficient to make an accounting policy change is a matter of judgement that depends on an entity's particular facts and circumstances. Nonetheless an entity would be expected to implement any change on a timely basis and, if material, consider whether disclosure related to the change is required by IFRS Standards.
- 8.7 Before an agenda decision is published, the Board is asked – at its first public meeting at which it is practicable to present the agenda decision – whether it objects to the agenda decision. Specifically, Board members are asked whether they object to (a) the Interpretations Committee's decision that a standard-setting project should not be added to the work plan, and (b) the Interpretations Committee's conclusion that the agenda decision does not add or change requirements in IFRS Standards. If four or more Board members object, the agenda decision is not published and the Board decides how to proceed.

Educational material

- 8.8 The IFRS Foundation sometimes publishes educational material related to IFRS Standards on its website, including webcasts, articles, presentations for conferences and *IFRS for SMEs* training material. Educational material is not part of the Standards and cannot add or change requirements in the Standards.
- 8.9 The development of educational material does not take place in public meetings and is not subjected to the public scrutiny that is given to the development of IFRS Standards. Nonetheless, educational material is subject to quality assurance processes reflecting the nature and complexity of the

² IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* addresses accounting policies, accounting estimates and prior period errors.

material, and to ensure that the material does not add or change requirements in the Standards and is clearly distinguished from the Standards.

- 8.10 In order to meet the assurances in paragraph 8.9, educational material is subjected to at least the following level of review:
- (a) high-level summaries of the requirements in an IFRS Standard, such as introductory webcasts on a new Standard, are reviewed by a Board member;
 - (b) more detailed materials explaining the requirements in a Standard, such as a webcast on specific aspects of a Standard, are reviewed by two Board members; and
 - (c) material explaining or illustrating how the requirements in a Standard might be applied to particular transactions or other circumstances, such as a new example demonstrating how the requirements might be applied to a particular fact pattern, are reviewed by three Board members.
- 8.11 The DPOC receives periodic reports on educational material published by the IFRS Foundation. The reports identify the nature of the material and the level of review undertaken, and state the IFRS Foundation staff's conclusion as to whether the required level of review has been undertaken.

9. Protocol for Trustee action for perceived breaches of due process

- 9.1 Any alleged breaches of due process will be considered within the context of the DPOC's ongoing oversight of the Board's and the Interpretations Committee's due process. Alleged breaches could be raised by external parties (including media reports), internal parties, the DPOC or other Trustees. All parties are encouraged to raise any concerns as soon as they perceive that an alleged breach of due process has occurred.
- 9.2 The DPOC will consider the alleged breach and the evidence provided by the complainant, IFRS Foundation staff, the Board and the Interpretations Committee. The alleged breach will also be assessed in the light of the reporting measures set out in this *Handbook*.
- 9.3 Complaints to the DPOC are made by using the procedures set out on the IFRS Foundation website. Each complaint, together with the name and contact details of the complainant, is posted on the IFRS Foundation website.
- 9.4 The Trustee staff member responsible for managing Trustee activities is responsible for ensuring that the DPOC receives a report from the appropriate technical staff in response to the complaint. This report is posted on the IFRS Foundation website and is then considered by the DPOC at one of its meetings at which the Chair and/or the Vice-Chair of the Board are present. The DPOC may request additional information from the Trustee staff member before finalising a response. The response of the DPOC, usually in the form of a letter to the complainant, is also posted on the IFRS Foundation website.

- 9.5 Although the Board and the Interpretations Committee are required to adhere to these policies and to inform the DPOC of their actions, a limited failure does not render a pronouncement invalid. Retrospective steps can be taken to remedy such a situation if it arises and the DPOC may decide that no additional action is required if it concludes that no harm has been done as a result of the breach. In this circumstance the DPOC will make public its conclusions and discussions in line with the reporting requirements set out in paragraph 2.15.
- 9.6 If the majority of the DPOC concludes that the Board or the Interpretations Committee has breached due process, the DPOC will request that the Board or the Interpretations Committee take action to remedy the breach either within the current phase of the project to which the breach relates, or by taking some additional steps in a future phase of that project.
- 9.7 If the DPOC and the Board or the Interpretations Committee cannot resolve differences of opinion as to whether due process has been breached, or cannot agree on the action to remedy a breach as identified in paragraph 9.6, the matter will be brought to the attention of the Trustees, who will then resolve it (see paragraph 9.9). The Trustees may need to convene a meeting to consider the matter. Such a meeting may be held by telephone or video conference if a prompt response is required.
- 9.8 If a due process complaint relates to a project for which the Board has yet to issue a new IFRS Standard, an amendment to an IFRS Standard or an IFRIC Interpretation, the Board or the Interpretations Committee will not be permitted to complete that particular phase of the project until the due process complaint has been addressed by the DPOC or the Trustees. As stated in paragraph 9.5, a breach of due process does not invalidate a pronouncement issued by the Board. Accordingly, if the matter relates to a Standard, an amendment to a Standard or an IFRIC Interpretation that has been issued by the Board, that pronouncement shall remain valid in all respects until the due process complaint has been addressed by the DPOC or the Trustees. In such cases the DPOC or the Trustees should address the complaint as expeditiously as possible, taking into consideration the effective date of the pronouncement.
- 9.9 If differences of opinion between the DPOC and the Board or the Interpretations Committee cannot be resolved, or they cannot agree on the action to remedy a breach (see paragraph 9.7), the Trustee staff member responsible for managing Trustee activities, in consultation with the DPOC Chair, will prepare a full brief for consideration by the Trustees. If the majority of Trustees attending the meeting conclude that the Board or the Interpretations Committee is in breach of its due process, the Board or the Interpretations Committee follows whatever the Trustees decide is necessary to be satisfied that due process is remedied.
- 9.10 The DPOC and the Trustees cannot raise technical accounting considerations as evidence of a breach of due process.

Annex

The IFRS Taxonomy due process

The IFRS Taxonomy and its objectives

- A1 The IFRS Taxonomy is a structured classification system. It encompasses the elements (including their descriptions, properties, relationships and the data model) that can be used to tag quantitative and qualitative information presented and disclosed in financial reports that are prepared in accordance with IFRS Standards (including the *IFRS for SMEs* Standard).
- A2 The main purpose of the IFRS Taxonomy is to support the consistent tagging of information prepared applying IFRS Standards. In doing so, the IFRS Foundation is assisting those preparers and users of financial statements that are required to or prefer to report and receive information in a structured electronic format.
- A3 The IFRS Taxonomy represents the presentation and disclosure requirements in IFRS Standards. However, it is not an integral part of the Standards. Development and publication of the IFRS Taxonomy by the Board and the IFRS Foundation helps to ensure that the IFRS Taxonomy is consistent with, and does not interpret, the requirements in the Standards.

The components of the IFRS Taxonomy

- A4 The IFRS Taxonomy can be described as having two components:
- (a) the IFRS Taxonomy **content**: this is the set of elements (including associated descriptions, properties, relationships and the data model) that is used to reflect:
 - (i) IFRS Standards, specifically disclosures and presentation requirements that are explicitly referred to in the Standards (including IFRIC Interpretations) and the accompanying materials to the Standards (implementation guidance, illustrative examples);
 - (ii) IFRS reporting practice (common practice);
 - (iii) general improvements; and
 - (iv) other taxonomy content not referred to explicitly in IFRS Standards or their accompanying materials to Standards.
 - (b) the IFRS Taxonomy **technology**: refers to taxonomy features including, but not limited to, the syntax employed to publish and express the content of the IFRS Taxonomy and the taxonomy architecture used. The architecture relates to taxonomy characteristics such as, for example, how the IFRS Taxonomy content is organised into files and naming protocols. The IFRS Taxonomy technology does not include the internal systems used by the IFRS Foundation to manage and generate the *IFRS Taxonomy files* and documents.

The objectives of the IFRS Taxonomy due process

- A5 The content and technology are both important features of a taxonomy that supports high-quality and consistent application of IFRS Standards and are interrelated. The IFRS Taxonomy due process is designed to protect the integrity of both its content and technology, in particular to ensure that:
- (a) the IFRS Taxonomy content:
 - (i) does not conflict with, and does not represent an interpretation of or additional application guidance on, IFRS Standards or the *Conceptual Framework*; and
 - (ii) assists with the effective and efficient communication, dissemination and analysis of IFRS disclosures.
 - (b) the IFRS Taxonomy technology:
 - (i) adheres to the specifications of the technical syntax used to deliver and express the IFRS Taxonomy content; and
 - (ii) reflects best practices in order to facilitate adoption by current and future users of the IFRS Taxonomy and to remain relevant and up to date.

The IFRS Taxonomy due process publications

- A6 The two IFRS Taxonomy due process publications are the *IFRS Taxonomy update* and the IFRS Taxonomy files.

IFRS Taxonomy updates

- A7 A proposed IFRS Taxonomy update is used to describe and consult on proposed updates to the content or technology of the IFRS Taxonomy. An IFRS Taxonomy update is published for the final changes to the IFRS Taxonomy.
- A8 The IFRS Taxonomy update contains information in a human-readable form, including:
- (a) the questions on which feedback is sought (this applies only to a proposed IFRS Taxonomy update);
 - (b) the proposed (or final) amendments being made; for example, the elements being added or removed from the IFRS Taxonomy; and
 - (c) the reasons behind these changes and, when alternative options exist, the reasoning as to why a specific option is preferred.

IFRS Taxonomy files

- A9 These are the files used to express and deliver the IFRS Taxonomy content employing a taxonomy delivery mechanism, such as the eXtensible Business Reporting Language (XBRL) syntax. These files allow computers to process the IFRS Taxonomy and to render its content using various software applications.
- A10 The *proposed IFRS Taxonomy files* expose the proposed updates to the IFRS Taxonomy whereas the IFRS Taxonomy files represent the final updates.

- A11 The IFRS Foundation may also publish IFRS Taxonomy supporting and educational materials, such as files that provide the IFRS Taxonomy content in human-readable form. These materials do not constitute a formal due process publication.

The IFRS Taxonomy Review Panel

- A12 A designated group, the IFRS Taxonomy Review Panel, exists to provide oversight over IFRS Taxonomy content not referred to explicitly by IFRS Standards reflecting new or amended IFRS Standards (including the accompanying materials to the Standards). The IFRS Taxonomy Review Panel consists of at least three, but not more than five, Board members. At least one senior member of the technical staff is also a member of this panel.

The IFRS Taxonomy Consultative Group

- A13 The Board has a consultative group for its taxonomy related activities, called the IFRS Taxonomy Consultative Group (ITCG).
- A14 The ITCG operates under the general principles set out for consultative groups as described in paragraphs 3.59–3.66 of this *Handbook*. The ITCG also has terms of reference that set out its objectives and its workings.
- A15 The technical staff consults the ITCG during the development of IFRS Taxonomy changes.

Review and approval of the IFRS Taxonomy

Reviews and approval by the Board

- A16 Approval of the proposed IFRS Taxonomy updates and the IFRS Taxonomy updates for IFRS Taxonomy content reflecting new or amended IFRS Standards (including the accompanying materials to the Standards) requires the support of a supermajority of the Board, by means of a ballot.
- A17 General improvements and changes to IFRS Taxonomy common practice and any other content not referred to explicitly in IFRS Standards reflecting new or amended IFRS Standards (including the accompanying materials to the Standards) are subject to review—but not approval—by the IFRS Taxonomy Review Panel. These changes are normally not discussed or reviewed by the Board. However, if considered appropriate, any member of the IFRS Taxonomy Review Panel may decide to raise a specific issue for general discussion and review at a public Board meeting.
- A18 The IFRS Taxonomy Review Panel also reviews technical staff proposals for the initiation of a new IFRS Taxonomy common practice or general improvements projects or any other projects that affect the content of the IFRS Taxonomy but that do not directly result from the release of a new or amended IFRS Standard. This includes any content amendments that have been triggered as a result of a change to the technology of the IFRS Taxonomy.

A19 Changes affecting solely the technology of the IFRS Taxonomy are not approved or reviewed by either the Board or the IFRS Taxonomy Review Panel, but are assessed by the ITCG (see paragraphs A38–A40).

Reviews by the ITCG

A20 The Board does not review or approve the proposed IFRS Taxonomy files or the IFRS Taxonomy files. However, the ITCG reviews the proposed IFRS Taxonomy files and the IFRS Taxonomy files to help ensure the technical integrity of the IFRS Taxonomy. The ITCG also reviews the proposed IFRS Taxonomy updates and the IFRS Taxonomy updates and may also be asked to review IFRS Taxonomy educational and supporting materials.

A21 For new or amended IFRS Standards, the ITCG review period is normally aligned with the editorial review period of the related Standard (the process for editorial reviews of the Standards is described in paragraphs 3.31–3.33 of this *Handbook*). For other reviews, and in cases in which no editorial review of the related Standard takes place, the ITCG normally has a 14-day period in which to conduct its reviews. If the matter is considered narrow in scope or urgent, the period may be reduced, but may not be less than seven days.

A22 Because reviewers convey their personal views, rather than those of their organisations, their comments are not made public, unless specifically agreed with the ITCG member providing the comment. The technical staff normally summarises the ITCG comments received at a public meeting of the ITCG.

Review processes for proposed IFRS Taxonomy updates and IFRS Taxonomy updates

A23 The tables below tabulate the review and approval for proposed IFRS Taxonomy updates and IFRS Taxonomy updates:

	Proposed IFRS Taxonomy update		IFRS Taxonomy update	
	Board approval	ITCG	Board approval	ITCG
New or amended IFRS Standards	Required paragraph A16	Optional paragraph A31	Required paragraph A16	Optional paragraph A51

	Proposed IFRS Taxonomy update		IFRS Taxonomy update	
	IFRS Taxonomy Review Panel	ITCG	IFRS Taxonomy Review Panel	ITCG
Common practice	Required paragraphs A17 and A35	Optional paragraph A37	Required paragraph A17	Optional paragraph A51
General improvements	Required paragraphs A17 and A35	Optional paragraph A37	Required paragraph A17	Optional paragraph A51
Technology	Not required paragraph A19	Required paragraph A40	Not required paragraph A19	Optional paragraph A51

DPOC oversight of IFRS Taxonomy due process

- A24 At each of its meetings, the DPOC is informed about IFRS Taxonomy due process publications in the period and, when applicable, the date that publication was approved by the Board. The DPOC also receives the report of the IFRS Foundation staff's review of the ITCG annually (see paragraph 3.66).

Initiating a proposal to update the IFRS Taxonomy

- A25 Updates may relate to a change to the content or technology of the IFRS Taxonomy. In some circumstances, an update may affect both the content and the technology of the IFRS Taxonomy. The IFRS Taxonomy due process that is applied then combines the process followed for the content and the technology, respectively, of the IFRS Taxonomy.

Content changes reflecting new or amended IFRS Standards

- A26 The IFRS Taxonomy content should reflect new or amended IFRS Standards in a timely manner. This ensures that the IFRS Taxonomy is an accurate reflection of the Standards at any moment in time.
- A27 IFRS Standards must be articulated clearly and consistently enough to enable appropriate representation through the IFRS Taxonomy. Consequently, the implications of the Standards on the IFRS Taxonomy are considered during the development of a new or amended Standard. The technical staff prepares papers for the Board to consider at public meetings. These papers may incorporate IFRS Taxonomy content-related matters if review or approval by the Board on a specific topic is required.
- A28 The IFRS Foundation may also make available, on its website, IFRS Taxonomy materials depicting the presentation and disclosure requirements of an exposure draft or a draft IFRIC Interpretation. These materials do not constitute a proposed IFRS Taxonomy update and therefore do not need to be approved by the Board. Their aim is to facilitate the understanding of the proposed presentation and disclosure requirements. A proposed IFRS Taxonomy update is developed for the final IFRS Standard only.
- A29 The Board approval of the proposed IFRS Taxonomy update normally takes place concurrently with the approval of the ballot of the related final IFRS Standard. The Board may decide that the approval of the proposed IFRS Taxonomy update should take place at a later time if:
- (a) its concurrent publication with the related Standard risks delaying the publication of the Standard; or
 - (b) the proposed amendments to the IFRS Taxonomy are sufficiently narrow in scope and consequently can be combined with future proposed amendments into one proposed IFRS Taxonomy update.
- A30 Proposed IFRS Taxonomy files for content amendments reflecting a new or amended IFRS Standard are prepared if considered appropriate. In assessing whether such files should be prepared, the technical staff reviews the scope of the proposed changes and the likely impact of these changes on users of the IFRS Taxonomy.

- A31 The technical staff normally provides a draft outline of the proposed IFRS Taxonomy update and, if they have been prepared, the proposed IFRS Taxonomy files, for review by members of the ITCG. Members of the ITCG are asked to review whether the proposed changes to the content of the IFRS Taxonomy reflect the amendments to the IFRS Standard accurately and in the most appropriate way.

General improvements, new common practice and other content changes

- A32 General improvements may include, for instance, changes to data models to better support consistent tagging or new elements to better reflect presentation and disclosure requirements in IFRS Standards. *IFRS Taxonomy common practice content* relates to disclosures that are commonly reported by entities in practice when applying IFRS Standards but are not explicitly referred to in the Standards (including the accompanying materials to the Standards) reflecting new or amended Standards. Other content changes may include for example IFRS Taxonomy element definitions or IFRS Taxonomy implementation guidance.
- A33 The technical staff and the IFRS Taxonomy Review Panel consider adding topics to the IFRS Taxonomy work plan based, primarily, on the needs of the users of the IFRS Taxonomy.³ For example, a new common practice project may arise from a post-implementation review of an IFRS Standard or feedback from regulators and other users of the IFRS Taxonomy.
- A34 The process followed to develop the proposed content changes to the IFRS Taxonomy that do not respond to a new or amended IFRS Standard depends on the type and the purpose of the content change. For example, for a common practice project, the technical staff may perform an empirical analysis of financial statements and may set specific benchmark criteria to identify and select proposed new taxonomy elements. The IFRS Foundation makes publicly available materials that document the specific development process being followed.
- A35 Review of the proposed content changes by the IFRS Taxonomy Review Panel is a required step. Provided the IFRS Taxonomy Review Panel has not highlighted any issues that require further investigation, the technical staff proceeds with the drafting of the proposed IFRS Taxonomy update.
- A36 The proposed IFRS Taxonomy files are prepared if considered appropriate. In assessing whether such files should be prepared, the technical staff reviews the scope of the proposed changes and the likely impact of these changes on users of the IFRS Taxonomy.
- A37 The technical staff normally provides a draft outline of the proposed IFRS Taxonomy update and, if they have been prepared, the proposed IFRS Taxonomy files, for review by members of the ITCG.

³ This only relates to the work plan for IFRS Taxonomy content not referred to explicitly by IFRS Standards. The work plan for IFRS Taxonomy content reflecting a new or amended Standard is determined by the standard-setting work plan of the Board.

Technology changes

- A38 IFRS Taxonomy technology changes may affect the way in which the IFRS Taxonomy has been implemented by its users. The technical staff assesses the necessity of any planned changes and develop any such required changes in consultation with the ITCG while also conducting targeted outreach, for example with regulators and software vendors. When the changes are expected to be substantial or alternative options exist, it may be appropriate to issue a request for information before finalising a proposal to change the IFRS Taxonomy.
- A39 A proposed IFRS Taxonomy update describing the technology changes and the proposed IFRS Taxonomy files are prepared and exposed for public comment.
- A40 The technical staff provides the ITCG with a draft outline of the proposed IFRS Taxonomy update, a draft of the proposed IFRS Taxonomy files and, when published, any draft of the request for information for their review prior to publication and consultation.

Publication and consultation

- A41 Proposed IFRS Taxonomy updates and, when prepared, proposed IFRS Taxonomy files are the subject of public consultation. The comment period will normally be at least 60 days. The comment period can be reduced, but not to less than 30 days, if the matter is urgent or narrow in scope:
- (a) for a proposed change that is narrow in scope, a reduced comment period does not need approval from the DPOC. For proposed content changes the Board or when appropriate the IFRS Taxonomy Review Panel can consider a comment period of no less than 30 days. For proposed technology changes, the technical staff can consider a comment period of no less than 30 days after consulting the ITCG.
 - (b) for a proposed change that is not narrow in scope but urgent, a reduced comment period needs approval from the DPOC.
- A42 In the case of a taxonomy update reflecting a new or amended IFRS Standard, the proposed IFRS Taxonomy update is released at the same time or shortly after the final Standard is published, except as described in paragraph A29.
- A43 Paragraphs A30 and A36 state that the preparation of the proposed IFRS Taxonomy files that reflect proposed content updates is an optional step. No public consultation on these files is required for content updates, because the updated files merely capture the proposed content changes set out in the proposed IFRS Taxonomy update. If these files are prepared, they are published at the same time or shortly after the publication of the related proposed IFRS Taxonomy update.
- A44 An IFRS Taxonomy release may include multiple and unrelated updates to the IFRS Taxonomy, for example an update resulting from the publication of a new IFRS Standard and an update resulting from a change to the IFRS Taxonomy technology or a common practice addition. However, the IFRS

Foundation will normally only publish one set of proposed IFRS Taxonomy files, including all proposed updates.

- A45 When developing a proposed IFRS Taxonomy update, the Board and the technical staff will consider whether they need to take additional steps to consult stakeholders on the proposed changes. These additional steps could include, for example, private meetings with regulators and other IFRS Taxonomy users, field testing of proposed technology changes by software vendors or the setting up of a taskforce to test tag proposed content changes. Feedback from this additional consultation is considered and assessed along with public comment letters.

Finalising updates to the IFRS Taxonomy

Consideration of comments received and consultations

- A46 All public comment letters received on the proposed IFRS Taxonomy updates and, when published, the proposed IFRS Taxonomy files are posted on the IFRS Foundation website. The technical staff analyses the comments received and evaluates whether to recommend changes to the original proposals and whether any revised proposals should be re-exposed.
- A47 The technical staff discusses the comments received and the changes to the original proposals, including any proposal to re-expose, with:
- (a) the Board at a public meeting (for new or amended IFRS Standards);
 - (b) the IFRS Taxonomy Review Panel, with a public summary of these discussions being prepared by the staff when relevant (for general improvements, common practice and other taxonomy content reflecting new or amended Standards not referred to explicitly by Standards); and
 - (c) the ITCG at a public meeting (for changes to the technology of the IFRS Taxonomy).
- A48 The DPOC is informed about the due process steps that have been undertaken prior to the finalisation of substantive changes to the IFRS Taxonomy technology.

Drafting, review and publication

- A49 After comments have been considered and discussed, the technical staff proceeds with the drafting, Board approval (for content amendments reflecting new or amended IFRS Standards) and the publication of the IFRS Taxonomy update.
- A50 The preparation and publication of the IFRS Taxonomy files is a mandatory step for final updates to both the content and the technology of the IFRS Taxonomy.

- A51 A review by the ITCG of the IFRS Taxonomy files and the IFRS Taxonomy updates is optional. When assessing whether such a review would be useful, the technical staff considers the substance of any changes made to the final IFRS Taxonomy as a result of comments received during public consultation.

IFRS Taxonomy compilations, translations and editorial corrections

- A52 The IFRS Foundation makes available a compiled IFRS Taxonomy using content and technology that has previously been subjected to full due process. Consequently, no public consultation is required prior to the release of a compiled IFRS Taxonomy. A compiled IFRS Taxonomy should be made available at least annually.
- A53 Translations of the IFRS Taxonomy content are initiated in response to requests from jurisdictions that have adopted or are developing an interest in, the IFRS Taxonomy. The same procedures followed for translations of IFRS Standards apply to translations of the IFRS Taxonomy.
- A54 The technical staff may make editorial corrections to the IFRS Taxonomy after publication, to remedy any errors that have been made. Editorial corrections do not alter the intended accounting meaning of IFRS Taxonomy elements or change the technology of the IFRS Taxonomy. For example, editorial corrections may fix specific XBRL attributes such as debit or credit or element label spelling errors. The technical staff may also make maintenance-type changes to the IFRS Taxonomy, such as, for example, an update to the effective and expiry dates of the IFRS Taxonomy elements to reflect the passage of time. Editorial corrections and maintenance-type amendments are considered post-publication procedures, and do not need to be approved, reviewed or exposed for public consultation.

Glossary of terms

Annual improvements: narrow-scope or minor amendments to IFRS Standards that are packaged together and exposed in one document even though the amendments are unrelated.

Comment letter: a letter or a formal submission received by the Board in response to a consultation document. All comment letters are made public and can be viewed on the IFRS Foundation website.

Consultative group: a group which the Board or the Interpretations Committee consults. Such groups provide the Board with feedback based on research, experience or background, for example, in order to offer different perspectives on a given topic. Consultative groups have their membership reviewed and endorsed by the DPOC. For each of its major projects, the Board considers whether it should establish a consultative group. If the Board decides not to establish a consultative group it explains its reasons in a public meeting.

Discussion paper: a paper issued by the Board that presents the analysis and collective views of the Board on a particular topic. The matters presented will have been discussed in public meetings of the Board. Discussion papers are issued for public comment, the feedback from which informs the Board and helps it to assess whether and how to develop a new or amended IFRS Standard.

Draft for editorial review: a draft of a due process document that the Board and the technical staff use to gather drafting feedback. A draft for editorial review might be distributed to selected groups or be made available more generally on the IFRS Foundation website, or both. Reviewers are asked whether the draft document is clear and contains any inconsistencies. A draft for editorial review does not include an invitation to comment because the purpose of such a review is not to question the technical decisions. A draft for editorial review is not a mandatory step.

Effect analysis: a process for assessing the likely effects of a proposed IFRS Standard, which is undertaken as the new requirements are developed, culminating in an analysis presented as part of, or with, the basis for conclusions published with a new IFRS Standard that summarises the Board's assessment of the likely effects of the new requirements.

Exposure draft: a draft of a proposed IFRS Standard, amendment to a Standard or IFRIC Interpretation. An exposure draft sets out a specific proposal and includes a basis for conclusions and, if relevant, alternative views. An exposure draft is a mandatory due process step.

Feedback statement: a document that gives direct feedback to the comments that were submitted on the exposure draft. It identifies the most significant matters raised in the comment process and explains how the Board responded to those matters.

Fieldwork: work conducted with stakeholders to help the Board assess the likely effects of a proposed IFRS Standard. Fieldwork might include experimentally applying new proposals to individual transactions or contracts as if the proposed Standard was already in effect, asking for feedback on the proposed wording of a particular proposal or assessing the extent of system changes that would be required if a proposed Standard was implemented. Fieldwork also includes gathering examples from practice to help the

Board gain a better understanding of industry practices and how proposed Standards could affect them.

IASB Update: a summary of decisions made at a public meeting of the Board.

IFRIC Update: a summary of decisions made at a public meeting of the Interpretations Committee.

IFRIC Interpretations: Interpretations are developed by the Interpretations Committee before being ratified and issued by the Board. IFRIC Interpretations are part of IFRS Standards.

IFRS Advisory Council: an advisory body that provides a formal vehicle through which organisations and individuals with an interest in international financial reporting can participate. The participants have diverse geographical and functional backgrounds. The Advisory Council's objective is to provide broad strategic advice to the Trustees and the Board. The members of the Advisory Council are appointed by the Trustees.

IFRS Standards: Standards and Interpretations issued by the Board. They comprise International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations.

Invitation to comment: a document that accompanies a discussion paper or exposure draft and sets out the matters on which the Board is seeking feedback.

Post-implementation review: a review of an IFRS Standard or major amendment to a Standard. It is undertaken by the Board.

Practice guidance: non-mandatory guidance developed by the Board, normally on a topic not addressed by an IFRS Standard—such as guidance on management commentary.

Public hearing: a meeting with interested organisations to listen to, and exchange views on, specific topics. Public hearings include round-table meetings and discussion forums.

Re-exposure: a formal request for comments on a revised version of an exposure draft.

Request for information: a formal consultation step that the Board undertakes to receive feedback and information on a specific aspect of one of its projects. A request for information normally helps the Board to prepare an exposure draft or finalise an IFRS Standard. A request for information is not a mandatory due process step.

Research paper: a paper issued by the Board that was not developed in public meetings, thereby distinguishing it from a discussion paper. Research papers may be prepared by the technical staff. Research papers may also be prepared by other standard-setters or bodies, normally at the request of the Board. A research paper is not a mandatory due process step.

Simple majority: for the Board, a simple majority is achieved when more than half of the Board members vote in favour of a decision in a public meeting attended by at least 60% of the Board members or when more than half of the Board members vote in favour of issuing a document by way of ballot. Abstaining is equivalent to voting against a proposal.

Snapshot: a high-level and simplified summary of the main aspects of a discussion paper or exposure draft.

Supermajority: for the Board, a supermajority is achieved when eight members ballot in favour of the publication of a document if the Board has 13, or fewer, appointed members, and nine in favour if the Board has 14 appointed members. Abstaining is equivalent to voting against a proposal.

Sweep issue: a technical matter identified during the balloting of a document that needs to be resolved by a discussion by the Board or the Interpretations Committee in a public meeting.

IFRS Taxonomy terms

IFRS Taxonomy: a structured classification system of IFRS disclosures. It encompasses the elements (including their descriptions, properties, relationships and the data model) that can be used to tag quantitative and qualitative information presented and disclosed in financial reports that are prepared in accordance with IFRS Standards (including *IFRS for SMEs Standard*).

IFRS Taxonomy common practice content: these are IFRS Taxonomy elements (including their descriptions, properties, relationships and data model) to reflect IFRS disclosures that are commonly disclosed in practice by entities when applying IFRS Standards. They are not referred to explicitly in the Standards or the accompanying materials to the Standards.

IFRS Taxonomy files: these are the files used to express and deliver the IFRS Taxonomy content employing a taxonomy delivery mechanism, such as the eXtensible Business Reporting Language (XBRL) syntax. They allow computers to automatically process the IFRS Taxonomy and to render its content using various software applications.

IFRS Taxonomy update: a document that describes in human-readable form the changes that are being made to the IFRS Taxonomy, why these changes are made and, when alternative options exist, the reasoning as to why a particular option is preferred.

Proposed IFRS Taxonomy files: these are the files that are used to express and deliver proposed updates to both the content and the technology of the IFRS Taxonomy employing a taxonomy delivery mechanism, such as the eXtensible Business Reporting Language (XBRL) syntax. They allow computers to automatically process the IFRS Taxonomy and to render its content using various software applications.

Proposed IFRS Taxonomy update: a document that exposes the changes to the technology or content of the IFRS Taxonomy for public comment. It describes in human-readable form the proposed changes, why these changes are made and, when alternative options exist, the reasoning as to why a particular option is preferred. It also includes the questions on which feedback is sought.

Appendix—History and approval

This appendix summarises the development of the IFRS Foundation *Due Process Handbook*. Although the appendix accompanies the *Handbook*, it is not an integral part of the *Handbook* and may be updated from time to time.

In establishing its consultative arrangements, the Board originally drew upon, and expanded the practices of, national standard-setters and other regulatory bodies. The Board sought to enhance its procedures in 2004 and proposed a series of steps to improve transparency. Those steps, after public consultation, were incorporated into practice.

In **March 2006** the Trustees published the *Due Process Handbook* for the first time.

In **October 2008** the Trustees added Appendix IV (Trustees' oversight role).

In **July 2009** the following major changes were made to the IFRS Foundation *Due Process Handbook*:

- the group tasked with regularly reviewing Board procedures changed from the Trustees' Procedures Committee to the Trustees' Due Process Oversight Committee;
- the sections describing project summaries and feedback statements were added;
- the cost/benefit analysis section was renamed 'Impact analysis'; and
- a section describing post-implementation reviews was added and combined with segments of the previous section that referenced the initiation of studies post-publication.

In **December 2010**, as a consequence of the Trustees' second five-yearly review of the *Constitution*, the *Handbook* was amended to:

- reflect the change of the name of the IASC Foundation to the IFRS Foundation.
- reflect the change of the name of the International Financial Reporting Interpretations Committee (IFRIC) to the IFRS Interpretations Committee (Interpretations Committee).
- reflect the change of the name of the Standards Advisory Council (SAC) to the IFRS Advisory Council.
- include the objective of the IFRS Foundation. These changes were approved in December 2010.

In **February 2011** the Trustees:

- introduced a three-yearly public review of the Board's technical work programme, in response to comments received during the second Constitution Review of the IFRS Foundation; and
- added enhanced criteria for deciding whether a matter could be exposed as part of the annual improvements process.

In May 2012 the DPOC oversaw a major re-write of the due process handbooks of the Board and Interpretations Committee to:

- combine the separate Board and Interpretations Committee handbooks into one document. This reflected the recommendation by the Trustees, after their review of the Interpretations Committee, that the Board and its Interpretations Committee should work more closely together. In addition, the new *Handbook* incorporated the due process protocol developed by the DPOC. The DPOC also took the opportunity to redraft existing requirements in a more principled way and using plain English.
- describe the three-yearly public review of the Board work programme. The *Handbook* clarified that the focus of the review was strategic and was not designed to add individual projects to the Board's work programme. Instead, the focus was on seeking formal, public input on the strategic direction and balance of the Board's work programme.
- reflect the enhancements of the DPOC's role. The DPOC's responsibilities in overseeing the due process of the Board and the Interpretations Committee were outlined. This section also described the protocols for the action that the Trustees could take in the event of a perceived breach of due process.
- no longer refer to the liaison roles that the Board had with individual standard-setters when the Board was first set up. The section became broader and anticipated the likely steps that the Board would take to develop a more formal network of standard-setters and others.
- include a more extensive discussion of the process of assessing the likely effects of a Standard. More importantly, the *Handbook* reflected the fact that the Board had begun the process of embedding this assessment throughout the development of a Standard rather than simply having an assessment document at the end of the process.

The other more substantive changes were:

- the description of a research programme, which would become the development base from which potential standards-level projects would be identified. The use of a discussion paper as the first external due process document was moved into this research programme and would precede a proposal to add a major standards-level project to the Board work programme. Previously, a discussion paper was required as a step after a project had been added to the standards-level programme.
- the addition of a new section that described the oversight of the *Conceptual Framework* as a standing activity of the Board.
- the addition of a new section on maintenance, which formalised the practice that the Board and Interpretations Committee had been following for addressing matters that were narrow in scope. It clarified that the more formal project proposal processes, such as prior consultation with the Advisory Council, were always intended to apply to new Standards and major amendments. The Board was given the discretion to initiate changes that were narrow in scope as part of the general maintenance of Standards. The new section also explained how the activities of the Board and its Interpretations Committee were closely related.

- the expansion of the sections that explained post-implementation reviews—these described in more detail how the Board expected to develop each review. This section included an explanation of the related public consultation.
- the increase in the minimum comment period for exposing the draft of a rejection of a request for an Interpretation from 30 days to 60 days. This change responded to concerns that the Interpretations Committee was not receiving sufficient feedback on draft rejection notices.
- the reduction in comment period for documents that the Board planned to re-expose. Some re-exposure documents were intended to focus on a narrow aspect of an exposure draft, rather than being a fundamentally different document. A minimum 120-day comment period may not have been necessary in some cases and may have led to an undue delay in the publication of a final Standard. A minimum comment period of 60 days would be permitted.

The redrafted *Handbook* was also updated to reflect actual practice and includes expanded discussions of some matters that seem not to be well understood:

- references to observer notes were replaced by a simple principle that all Board papers were made available for observers. A clearer basis for withholding material and an example of such an instance was provided.
- the Board used a request for information document to seek feedback on many topics, for example, the three-yearly agenda consultation and a targeted request for input on the practical implications and approach to impairment. The *Handbook* explained the purpose of this type of consultation and the process for issuing such a request.
- the process for correcting typographical and other editorial errors was explained.
- the nature of technical votes in meetings was explained, as well as how they related to the ballot process. The balloting process was also set out, including the role of review drafts in this process. This section replaced references to fatal flaw reviews, and provided an explanation of the scope of such reviews.
- the nature and purpose of education sessions and small group sessions was explained, along with a description of the role of assigned Board members.
- the purpose of staff papers was explained, including the relative responsibilities of Board members and staff.
- the different types of consultative groups that the Board used, such as working groups and expert advisory panels, were explained. This section also clarified which types of meeting had to be held in public and which groups had their membership ratified by the DPOC.
- the manner in which the Board uses fieldwork to support the development of Standards (which the current *Handbook* refers to as ‘field testing’ and ‘field visits’) was explained. Fieldwork can include components of field tests and field visits, but may also include other methods of collecting information to assess the feasibility and cost of a potential Standard.
- the fact that Board members could dissent from the ratification of an Interpretation. The dissent of a Board member, along with their reasons, is published in the approvals section of the Interpretation.

- the purpose of the annual improvements criteria was clarified as helping the Board to decide whether it would be appropriate to expose several unrelated proposals to amend Standards in a single document rather than separately.

The draft *Due Process Handbook* was issued for public comment for 120 days. A summary of the comments received, and how the IFRS Foundation responded to them in finalising the 2013 edition of the *Due Process Handbook*, was set out in a feedback statement which could be accessed on the DPOC section of the IFRS Foundation website.

In **October 2015**, the DPOC considered and approved the issue of an invitation to comment on the IFRS Taxonomy due process (published in November 2015), which proposed an enhanced due process for the development and maintenance of the IFRS Taxonomy. The proposed changes entailed giving the Board a role in reviewing and approving the content of the IFRS Taxonomy.

In **May 2016**, the DPOC considered the feedback to the November 2015 invitation to comment and considered and approved the staff proposals for the final version of the IFRS Taxonomy due process as an annex to the *Due Process Handbook*. As a consequence, the former XBRL Handbook was withdrawn. The DPOC also approved a number of consequential amendments to the main text of the *Due Process Handbook*. A summary of the comments received, and how the IFRS Foundation responded to them in finalising the 2016 edition of the *Due Process Handbook*, was set out in a feedback statement which could be accessed on the DPOC section of the IFRS Foundation website.

The DPOC also approved a further consequential amendment to the *Due Process Handbook* to extend the interval between agenda consultations by the Board from three years to five years. This change had been proposed by the Board in Request for Views: *2015 Agenda Consultation*, issued for comment in August 2015.

In **November 2017** the DPOC commenced a review of the *Handbook*. The objectives of the review were to update the *Handbook* in line with the Board's and the Interpretations Committee's developing due process conventions. The main changes were to:

- reflect developments in the Board's effects analysis process;
- clarify the role of agenda decisions;
- enhance the due process associated with Interpretation Committee agenda decisions by giving the Board a role in their finalisation;
- refine the consultation required before the Board adds major projects to its work plan;
- update the level of review required for educational material published by the IFRS Foundation;
- clarify the DPOC's oversight of the due process associated with IFRS Taxonomy content; and
- clarify the remit of the Advisory Council reflecting that it now advises the Board (and Trustees) on strategic matters.

The DPOC published an exposure draft of proposed amendments to the *Handbook* in April 2019.

DUE PROCESS HANDBOOK

In **June 2020** the DPOC approved the publication of the updated *Handbook* reflecting the amendments. A summary of the comments received on the exposure draft, and how the DPOC responded to them, is set out in a feedback statement which can be accessed on the DPOC section of the IFRS Foundation website.



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