

Chairman's Report IFRS Advisory Council April 2022

1. The Advisory Council met on 5-6 April 2022. Approximately half of its members attended in person and half attended by videoconference. In addition to the Advisory Council members, the meeting was attended by Mr. Erkki Liikanen (Chair of the IFRS Foundation Trustees), Mr. Andreas Barckow (Chair of the International Accounting Standard Board – IASB), several IASB members, Mr. Emmanuel Faber (Chair of the International Sustainability Standards Board – ISSB), Ms. Sue Lloyd (Vice Chair of the ISSB) and IFRS Foundation staff.
2. The agenda and papers for the meeting and the meeting recording are available at: www.ifrs.org/groups/ifrs-advisory-council/#meetings
3. The Advisory Council Chair, Mr. Bill Coen, welcomed everyone to the meeting and expressed his gratitude for the engagement of all members. Mr. Coen provided an outline of the topics that will be addressed over the two days.

Update on Trustee Activities:

4. Mr. Liikanen provided an update on Trustee activities since he last met with the Advisory Council in November.
5. He summarised recent activities as follows:
 - The IFRS Foundation Trustees:
 - The Trustees met in Frankfurt in early March – their first face-to-face meeting in over two years. This allowed direct engagement between the Trustees and the Chairs of the IASB and ISSB and other representatives of the Foundation which was highly valuable.
 - The Trustees also held an in-person meeting with the Monitoring Board, which also provided the opportunity for Trustees and the IFRS Foundation leadership to engage with key local stakeholders, both bilaterally, and at a dinner event held on the Tuesday evening.
 - The IASB:
 - The European Union endorsed IFRS 17 – an important standard globally for the insurance industry.
 - The IASB moved swiftly with its narrow scope amendment to IFRS 17 dealing with comparatives – it was time sensitive and the IASB delivered.
 - Significant progress was achieved towards the finalisation of the IASB agenda consultation.
 - The ISSB:
 - There has been great progress and momentum since the announcement at COP26 to establish the ISSB.
 - The board leadership has been announced, with the appointment of Mr. Faber as ISSB Chair and Ms. Lloyd as ISSB Vice-Chair. Ms. Janine

Guillot, CEO of the Value Reporting Foundation (VRF), has also been announced as special advisor to Mr. Faber.

- There has been good progress, under the leadership of Mr. Michel Madelain, Nominating Committee Chair, to appoint candidates for the outstanding ISSB board member positions.
 - Two Exposure Drafts (EDs), *Climate-related Disclosures* and *General Sustainability-related Disclosures*, were published on 31 March 2022 for a consultation period of 120 days. All Advisory Council members are encouraged to engage with the EDs.
 - When the Trustees were in Frankfurt, Memoranda of Understanding (MoUs) were signed with both the public and private sector members of the German consortium to support the ISSB and facilitate the establishment of the Frankfurt office.
 - At the time of the Advisory Council meeting, Mr. Liikanen was in Canada engaging with the public and private sectors to advance the establishment of the Montreal office and support the ISSB.
 - The Trustees approved the extension of the current Asia Oceania office in Tokyo for at least another five years. The office will continue to support the IASB, as well as commencing ISSB activities. Work is ongoing to establish an additional Asian location for the ISSB.
 - Consolidation with the Climate Disclosure Standards Board (CDSB) was completed on 1 February 2022 and progress is being made to complete the consolidation process with the Value Reporting Foundation (VRF) at the end of June 2022.
6. The ensuing discussion among Advisory Council members focused on several issues, including:
- **The multi-location model** – It was noted that the offices located in Frankfurt and Montreal will not just support outreach but will also host standard-setting and Board functions. The Frankfurt office will be the seat of the ISSB Chair.
 - **The ISSB’s due process approach:**
 - The approach will build on the existing Due Process Handbook. Many were supportive of the ISSB being established under the IFRS Foundation’s governance because of its existing robust approach to due process.
 - One exception was written into the Constitution which allowed the ISSB Chair and Vice-Chair, under the oversight of the Due Process Oversight Committee, to publish the Climate and General Requirements EDs without a quorate board. It was suggested that the close engagement of and oversight role played by the IFRS Foundation Trustees in the decision to publish the EDs were important factors and should be emphasised in communications.
 - In a couple of years’ time, when there are more data points, due process for both the IASB and ISSB will be reviewed.
 - **Asserting compliance with IFRS accounting standards and IFRS sustainability-related disclosure standards** – It was noted that ideally all companies and jurisdictions would assert compliance with both sets of standards. However, in reality, some companies and jurisdictions will only apply one set of the standards and thus only be able to assert compliance with one or the other.

Consideration is being given to how the standards may need to be amended to address this (eg being clear when IFRS Standards are referred to whether IFRS Accounting Standards, IFRS Sustainability Disclosure Standards or both are meant) and there will be work with jurisdictions on whether there are consequences of this change that need to be considered (eg if adoption references are to 'IFRS Standards').

- **Engagement being undertaken with governments, regulators, and jurisdictions on the EDs, and to achieve a global baseline:**
 - Very close connectivity between the IFRS Foundation and International Organization of Securities Commissions (IOSCO), as the ISSB works towards securing an IOSCO endorsement. IOSCO now has three streams of activity (climate, general requirements, digital taxonomy) that relate to the work of the ISSB.
 - Actively working with colleagues in the US and Europe, taking advantage of the concurrent consultations by the IFRS Foundation, US Securities Exchange Commission (SEC) and European Financial Reporting Advisory Group (EFRAG), to identify how the proposals can be brought closer together to create the global baseline.
 - Establishing a Jurisdictional Steering Group, with representatives from several jurisdictions, to facilitate further discussions around how to align proposals.
 - Aiming to achieve a globally consistent and comparable sustainability reporting baseline that also provides flexibility for additional jurisdictional and multi-stakeholder reporting requirements to be built upon it.
 - The IFRS Foundation's organisational risk register acknowledges the volume of work that needs to be undertaken to establish the ISSB and to work with jurisdictions to use the IFRS Sustainability Disclosure Standards.

Update on the IASB's Activities:

7. Mr. Andreas Barckow provided an update of the IASB's activities since the Advisory Council's November 2021 meeting (Agenda Paper 2). In his presentation, Mr. Barckow highlighted:
 - His perspective on connectivity between the IASB and the ISSB and the related challenges
 - An overview of significant developments since the November 2021 Advisory Council meeting, in particular:
 - Publication of an amendment to IFRS 17 *Initial Application of IFRS 17 and IFRS 9—Comparative Information*
 - The end of the consultation periods for the Exposure Draft *Management Commentary* and the Request for Information *Post-implementation Review IFRS 9—Classification and Measurement*
 - Strategic developments regarding the Third Agenda Consultation, Post-implementation reviews and changes to the work plan

- Forthcoming documents and the upcoming deliberations, noting that the IASB is shifting from a period of multiple consultation documents out for comment to a period of significant deliberation of feedback.
8. The ensuing discussion among Advisory Council members focused on a number of issues, including:
- **Connectivity between the IASB and the ISSB:**
 - How the IASB and the ISSB can facilitate connected and consistent reporting by entities in the capital markets. This could include:
 - connected literature, which is to help ensure the literature in both IFRS Accounting and Sustainability Disclosure Standards is consistent and compatible where possible, to facilitate connected and coherent reporting; and
 - connected activities, the importance of communication, and potential joint activities between the IASB and the ISSB and respective staff.
 - The challenges related to the interaction between the information required by the Sustainability Disclosure Standards and information in financial statements required by the Accounting Standards. This could involve circumstances beyond the remit of the IASB—for example, if an entity applied the accounting standards set by the US Financial Accounting Standards Board and the sustainability disclosure standards set by the ISSB.
 - **Potential for IASB-ISSB joint stakeholder engagement:** Whether there is potential for the two boards to leverage potential joint stakeholder engagements in the future. For example, conducting future agenda consultations in tandem or stakeholder engagements on specific projects such as Management Commentary.
 - **The IASB’s future workplan:** It was noted that Pension accounting and topics specific to some economies such as those experiencing higher inflation (other than hyperinflation) have not been prioritised for the purpose of the IASB’s future work plan. However, there has been a high consensus coming out of agenda consultation about projects that will be added to such a workplan.
 - **New projects to be added to the workplan:** The IASB was expected to make a final decision at its April meeting¹. Preliminary discussions at the March meeting highlighted the following:
 - **Intangible assets:** It is highly likely that a project on intangibles be added to the workplan. Given the breadth of the topic, a careful consideration is warranted, including consideration on the potential scope and project phases in order to deliver the outcome in a meaningful way. Further, such

¹ NB: In April, the IASB decided to add to its work plan a maintenance and consistent application project on climate-related risks; to add to the research pipeline projects on intangible assets and the statement of cash flows and related matters; and to create a reserve list of projects that could be added to the work plan only if additional capacity becomes available, consisting of projects on operating segments and pollutant-pricing mechanisms.

- a project will be a likely candidate for working with the ISSB, at least in part.
- **Climate-related risks:** The expectation is that the majority of the work undertaken for these projects would fall under the remit of the work plan of the ISSB. However, the IASB will monitor the developments in these areas and, when appropriate, deal with emerging issues, subject to the interaction with the ISSB.
 - **Primary Financial Statements:** It was noted that this project has made good progress on the main proposals. The IASB is currently focusing on the redeliberation of the proposals relating to disclosure of operating expenses by nature in the notes to the financial statements.
 - **Goodwill and Impairment:** The emphasis will be on the disclosures rather than the subsequent accounting of goodwill to give a better view on goodwill and to provide useful information to users of financial statements about the subsequent performance of the business combination. A joint FASB-IASB educational meeting will be held on 30 September 2022 and this project will be discussed at that meeting.
 - **Endorsement of IFRS 17:** There is no expectation on further postponement of the effective date of 1 January 2023. Different jurisdictions are in different stages of their endorsement processes.
 - **Covid-related reliefs:** Entities took advantage of the covid-related reliefs issued by the IASB such as rent concession.
 - **Changes to the IASB:** It was noted that from 1 April 2022, four of the 14 IASB member positions are vacant. This impacts the voting procedures. However, this is expected to be a temporary situation because the Trustees are in the process of recruiting for the vacant seats including a few incoming IASB members expected to start their tenure in the third quarter of 2022.

Update on the ISSB's Exposure Drafts:

9. Ms. Lloyd provided an overview summarising the content and technical work of the ISSB Exposure Drafts “[draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information” (“General Requirements”) and “[draft] IFRS S2 Climate-related Disclosures” (“Climate”) which were published at the end of Q1, 2022 for 120 days public consultation (Agenda Item 3). Ms. Lloyd explained that the focus of the newly established ISSB will be to develop standards for a global baseline of sustainability-related financial disclosure and to create a digital taxonomy to enable the electronic tagging of such. With a focus on meeting the informational needs of investors, this aligns with the wider mission of the IFRS Foundation. If successful, this will enable companies to provide comprehensive sustainability information for the global capital markets – working in conjunction with a ‘building blocks’ approach.
10. Ms. Lloyd acknowledged the tremendous efforts by staff and ISSB Chair Emmanuel Faber to develop the Exposure Drafts and their supplementary papers. Ms. Lloyd

noted the new branding for IFRS Foundation, in which the word “sustainability” has been added to the IFRS emblem for documents published by the ISSB. ISSB publications will feature a light blue front cover, and IASB publications will now feature dark blue.

11. Ms. Lloyd highlighted that the IFRS Sustainability Disclosure Standards have adopted the architecture from the Taskforce for Climate-related Financial Disclosures (TCFD), using their four core elements as a lens to analyse all sustainability-related risks and opportunities. Ms. Lloyd explained that the ISSB has delivered the proposed baseline for sustainability reporting, and that climate requirements (and other thematic topics) can be built out to supplement the IFRS S1 General Requirements over time.

IFRS S1 General Requirements Exposure Draft

12. Ms. Lloyd summarised that the General Requirements proposes a requirement that companies provide material information on all significant sustainability-related risks and opportunities necessary to assess enterprise value. The focus of the proposed disclosures is consistent with the TCFD Recommendations (Governance, Strategy, Risk Management, and Metrics & Targets), and the Exposure Draft sets out what to do in the absence of specific disclosure requirements by the ISSB. Ms. Lloyd explained that is different from the prototype documents in that it specifically signposts the CDSB Framework and its Application Guidance as well as the SASB industry-based Standards (amongst other materials) when (i) identifying *what* to report on; and (ii) developing appropriate *disclosures*.
13. Ms. Lloyd reviewed the following key features of the General Requirements Exposure Draft, which:
 - Envisages that sustainability-related financial disclosures will be used in conjunction with financial statements, requiring linkages in information, use of consistent assumptions, times of publication, etc.
 - Does not specify the location of sustainability-related information within the general purpose financial report to prevent conflict with jurisdictional requirements. The Exposure Draft also allows for additional information to be provided within the disclosures to meet jurisdictional and/or regulatory requirements, but this must be done in a way that does not obscure material information from investors.
 - Focuses on *significant* sustainability-related risks and opportunities. This is to address the market concern regarding the “endless hunt” for sustainability-related risks and opportunities that may not be significant enough to have a meaningful effect on the entity’s enterprise value.
 - Asks for information on the impacts on people, the economy, the planet etc when it affects an assessment of enterprise value. The General Requirements Exposure Draft uses the word “material” in the same way as the IASB – to assess the importance of the information provided (eg could it be reasonably expected to influence investors decisions).

IFRS S2 Climate Exposure Draft

14. Ms. Lloyd summarised the following key features of the Climate Exposure Draft, which:
- Incorporates TCFD Recommendations, SASB climate-related industry-based requirements, information on risks (physical and transitional) and opportunities. Appendix B is derived from the SASB Standards.
 - Proposed changes to internationalise metrics (away from US-centric). About 11% of metrics in Appendix B have been updated to make them more internationally applicable. The Climate Exposure Draft also took the opportunity to propose updates to metrics in four industries within the finance sector to incorporate information about financed and facilitated emissions—building upon the work of the Partnership for Carbon Accounting Financials (PCAF).
 - Requires Scope 1-3 emissions to be disclosed (subject to materiality) – consistent with the US SEC’s March 2022 proposal. The Climate Exposure Draft proposed that emissions are determined following the Greenhouse Gas (GHG) Protocol.
 - Expands upon transition planning – how companies expect to meet proposed emission reduction targets. This has recently become a particular area of interest amongst investors. The Exposure Draft also proposes disclosures about a company’s climate resilience considering *multiple* scenarios (not just 2°C).

Additional materials

15. Consultation package and communication materials include:
- General Requirements: Draft Standard, Basis for Conclusions, Illustrative Guidance
 - Climate: Draft Standard, Basis for Conclusions

Both the General Requirements and the Climate Exposure Drafts include the Draft Standard, Basis for Conclusions, and Illustrative Guidance. Other materials include a press release, a snapshot (high-level summary), promotional video, comparison of the Climate Exposure Draft and the TCFD Recommendations, and a comparison of the Technical Readiness Working Group (TRWG) prototypes and the Exposure Drafts.

16. Ms. Lloyd explained that public comments and feedback can be submitted via response to a survey or comment letter and the comment period is open for 120 days (ie it closes 29 July 2022) – which mirrors the normal comment period for Exposure Drafts and enables the maximum input on proposals. Responses will be reviewed during the second half of the year.
17. Ms. Lloyd signposted other technical priorities, including (but not limited to): IFRS Digital Sustainability Taxonomy, internationalisation of the SASB Standards, and public consultation on future ISSB agenda and delivery plan.

18. Ms. Lloyd highlighted the following calls to action:
- Continue applying existing standards and frameworks;
 - Respond to the ISSB’s consultation and build capacity to engage in the ISSB’s development of standards on an ongoing basis; and
 - Engage with relevant jurisdictions’ consultations.
19. In the discussion that followed, the following questions were raised:
- One member asked for further clarification of “industry-specific requirements”, and whether disclosure requirements could become overwhelming for conglomerates, raising the issue of compliance requirements for multi-industry companies. Ms. Lloyd highlighted that the SASB Standards have sought to identify key sustainability-related risks and opportunities by industry, including specific factors that drive enterprise value, which has been proven to be helpful for preparers. For conglomerates, materiality is relevant – consideration would need to be given to all relevant industries and activities but ultimately only that which is material would need to be provided.
 - One member asked about the difference between SASB Standards and the CDSB Framework in terms of their relationship with the ISSB, and whether management commentary would be voluntary or required. Ms. Lloyd explained that the CDSB Framework and guidance and the SASB industry-based standards other than climate are included as non-mandatory guidance through the General Requirements Exposure Draft, whereas the Climate Standard includes the climate-related industry-based SASB Standards as part of the mandatory requirements. The CDSB Framework has largely been built-in via the TCFD recommendations, as it shares many foundational principles. One member stipulated that, due to their challenging open-ended, forward-looking, long horizon nature, sustainability-related risks and opportunities are innately far more difficult than any accounting standard. This member asked whether the ISSB had enough resources to ensure its successful delivery, whether they had access to relevant advice, and what challenges the standard may have. Ms. Lloyd explained that materiality judgements will need to be made, and that potential future effects of sustainability-related risks and opportunities can be relevant to current assessments of enterprise value. Ms. Lloyd signposted the appendix to the General Requirements Exposure Draft that includes guidance on how to make materiality assessments as a means to help combat this challenge. Ms. Lloyd also highlighted that to ensure the ISSB can address the challenges of identifying emerging sustainability-related risks and opportunities relevant to enterprise value, it is in the process of establishing a Sustainability Consultative Committee (SCC) that will bring in the perspective of multi-lateral organisations.
 - With respect to the global baseline and building block approach, one member asked how deviations from the ISSB Standards would be addressed. Ms. Lloyd explained that it was similar to the considerations for the IASB – criteria were developed that form the basis for assessing jurisdictional adoption of IFRS Accounting Standards – and a similar assessment exercise will probably need to

be adopted for sustainability-related disclosures: additions are generally acceptable, and exclusions are generally not, in order to be considered to be applying IFRS Standards today.

Feedback from previous Advisory Council meetings:

20. Ms. Nili Shah, Executive Technical Director, updated the Advisory Council on how strategic advice provided by members at previous meetings has been considered and applied to the work of the IASB, the ISSB and the IFRS Foundation (Agenda Paper 4).
21. In the update, Ms. Shah highlighted the following points:
- **Sustainability reporting** – This is now classified as green and will be removed from future reports. This reflects the fact that most strategic conversations to date have focused on the formation of the ISSB. These have included the Trustees’ consultation initiated in September 2020 and the updates required to the IFRS Foundation Constitution to permit the ISSB’s creation. With the inception of the ISSB, this workstream is concluded and further discussion at the Advisory Council will focus on discrete areas of the ISSB’s work.
 - **IASB’s third agenda consultation** – The Advisory Council held a dedicated meeting on the agenda consultation in January 2022 and the advice received from Advisory Council members was fed back to the IASB. For the most part, the IASB has been concluding consistently with this advice. The last decision will be in April 2022, after which a feedback statement will be prepared, and this item will be classified as green and removed from the report.
 - **Stakeholder engagement**- Over the past few years there have been a number of discussions about stakeholder engagement. For example, how to improve engagement with academics, how to engage at conferences and how to improve outreach through comment letters, surveys and other digital means. A significant amount of work has been implemented and these areas have been classified as green and will be removed from the report. However, further discussions will be held at future meetings, particularly around engagement post-covid, in a hybrid environment, as well as implications of the ISSB on stakeholder engagement.

Introduction of the Chair of the ISSB and an update on the ISSB’s activities:

22. Mr. Coen welcomed Mr. Faber and congratulated him on his recent appointment as well as the publication of the ISSB’s first EDs.
23. In addressing outstanding questions from the previous day’s IFRS Advisory Council session on the ISSB exposure drafts, Ms. Lloyd, updated members on the following issues:
- Translations of the exposure drafts will be published to encourage participation.
 - On the topic of assurance, the ISSB will be working with the International Auditing and Assurance Standards Board (IAASB) and audit firms to determine if additional work needs to be undertaken, with an aspiration for information

arising from application of the Sustainability Disclosure Standards to be as robust as possible.

24. Mr. Faber explained that the ISSB is continuing to build upon three major components from the COP26 announcement, which includes:
- The appointments of Ms. Lloyd as Vice-Chair, and Ms. Guillot as Special Advisor to the ISSB Chair.
 - Active engagement in recruiting the first six to eight ISSB members – prioritising high quality and availability. The aim is to have these appointments in place by the end of Q2 / beginning of Q3, 2022, in time for the end of the public consultation period for the exposure drafts in order to enable finalisation of the drafts into standards. The remaining ISSB members will hopefully be appointed by the end of 2022. On this, Mr. Faber spoke on the importance of representation from the global south (Asia, South America, Africa, etc.), as well as the strategic importance of small/medium-sized enterprises within those economies.
 - The consolidation of the CDSB and the VRF. Mr. Faber summarised that CDSB merged 1 February 2022, and their staff have made great contributions so far, whilst ISSB is actively working with the VRF – eyeing consolidation by 1 July 2022. On this, there was a specific press release and communications on the IFRS Foundation’s and the ISSB’s full commitment to continue the legacy of the SASB Standards. Additionally, there has been a collaboration agreement with the Global Reporting Initiative (GRI), which is an opportunity to clarify the ISSB’s remit, and GRI’s remit of double materiality. In doing so, 10,000 GRI users will become part of the ISSB ecosystem.
25. Mr. Faber also explained that, in addition to Frankfurt, Germany and Montreal, Canada, the ISSB will begin to explore operations in Asia from Q3 2022 onwards.
26. In the discussion that followed, the following questions were raised by Advisory Council members:
- One member asked when the ISSB expected to have the full Board appointed, and how Mr. Faber envisaged the workplan co-ordinating with the IASB workplan (2022-2026) and alignment going forward. Additionally, the same member asked for an update regarding outreach, and whether joint meetings and consultations were being considered with other standard setters (such as EFRAG and the US SEC). Mr. Faber explained that, subject to the finalisation of contracts, gardening leave, etc., the aspiration was to have 14 members appointed to the Board by the end of 2022. Furthermore, with the appointment of Ms. Lloyd as ISSB Vice-Chair, co-ordination with the IASB workplan will be fundamental, and may include joint agendas (if necessary). Mr. Faber explained that the ISSB will undertake a “climate-first” approach, however, will not be limited to climate as a topic area. There will be public consultations by the end of 2022 as to what is next and will only be able to gauge the time horizons once that has been completed. Mr. Faber added that the topics of dynamic materiality, sustainability, etc. is a quickly-evolving area – much faster

in its development than accounting. With respect to outreach, Mr. Faber explained that once the Board has been appointed, there will be a Sustainability Standards Advisory Forum representing 15-16 jurisdictions.

- One member asked what Mr. Faber envisaged to be the largest challenges, in terms of arriving at the standard, as well as the uptake of the standards. In response, Mr. Faber said the biggest current challenge is how to ensure the consultations of EFRAG and the US SEC are actively commented upon by jurisdictions. He noted the comments on these consultations are going to support the connectivity and interoperability between jurisdictions to develop the baseline.
- One member asked, regarding the multi-location approach, whether it was too early to state which functions and roles are to be assigned to each location. Mr. Faber confirmed that it was indeed too early to comment at this stage.
- One member said that early feedback from the exposure drafts raised the question as to whether IFRS Sustainability Disclosure Standards would enable compliance with the US SEC's proposed rule. Mr. Faber explained areas of commonality including Scope 3 GHG emissions, etc. One member requested consideration for an African regional hub, whilst the ISSB is still in the process of establishing operations worldwide, due to the unique challenges the continent faces – particularly in the context of climate-related risks. The member also asked where the ISSB stood with assurance. Mr. Faber was clear that the ISSB will have a global remit and noted that the organisation needed to find ways to be more granular with regional engagement – particularly in sub-Saharan Africa. Mr. Faber stressed the importance of just transition in the context of combatting climate change, and consideration of the social impacts of these are paramount, despite needing more development as a reporting topic. On the topic of assurance, Mr. Faber deferred to Mr. Lee White, IFRS Foundation Executive Director, and Ms. Lloyd. It was noted that the Foundation is working with the IAASB and others to support the assurance of the sustainability standards. Mr. White explained that IOSCO recently held a roundtable discussion on sustainability assurance, an initiative to bring together standard setters and assurance practitioners – and the resolution of assurance will be important to the ultimate success of the ISSB.
- Based on Mr. Faber's previous experiences overseeing significant acquisitions of other companies, one member asked what challenges and opportunities Mr. Faber envisaged in establishing a new culture of merged entities. Mr. Faber emphasised the opportunities arising from the common passions in purpose and alignments in mission, whilst the challenges presented arise from the different approaches. For example, the VRF focus is on industry, whilst the IFRS Foundation traditionally focuses more on topics. Mr. Faber explained that this can be viewed as a conflict, or it can be viewed as complementary. Mr. Faber reminded the Advisory Council that half of the Fortune 500 companies already use the SASB's standards, and there was great opportunity in the pre-existing market adoption.

- One member raised concerns regarding evolving relations between standard setters. Mr. Faber explained that with regard to the contentious issues of enterprise value and materiality, an amendment to (European) Directive 21 will have to take the work of the ISSB into account – helping fortify a global baseline. Mr. Faber explained that co-ordinating with Europe in this area is a top priority.
- Finally, one member observed that emerging markets are highly sensitive to climate change and asked whether this had been considered by the ISSB for future projects and guidelines. Another member asked how the ISSB plans to handle potential conflicts between reducing carbon emissions versus poverty relief and energy security in such emerging markets, and would the ISSB’s Standards specifically include guidance on how to address these conflicts. Mr. Faber answered these together, expressing a personal view that these issues are deeply connected to solving climate-related risks through solving social issues and doing so with a just transition. Mr. Faber explained that sustainability-related issues pertaining to biodiversity and water are going to be critical in addressing the just transition as fundamental enablers for economic actors. Additionally, as per the 2015 Paris Agreement laying the groundwork via nationally determined contributions (NDCs), the heavy lifting will be done by corporates, and more needs to be done to provide investors with additional indicators. Mr. Faber concluded by noting the concept of dynamic materiality is a topic that the organisation needs to be prepared to listen to as it synthesises its position in this area.

Organisational culture:

27. Mr. Tom Lea-Wilson, Head of Human Resources, presented Agenda Paper 5, which outlined the context for the discussion on organisational culture.
28. Council members were invited to share their insights and experience in effectively bringing together people and organisational cultures by addressing two questions:
 - When working in a global multilocation setting with multiple organisational consolidations occurring, and in a context of hybrid working during a continuing pandemic, what advice and learning can you offer from your experience of bringing organisational cultures together that could be helpful and relevant for us in what will still be a relatively small organisation?
 - How can the IFRS Foundation best build on strengths in the values and cultures of the legacy organisations and achieve a unified culture?
29. The Council members met in small groups and the chairs of each small group reviewed the discussions and conclusions in a plenary session. A number of important themes emerged including:
30. ***Key factors that influence or have an impact on the two questions:***
 - Different organisations
 - Different geographies

- Different backgrounds
- Pace of change but also the time required to establish a common culture
- Developing a single, powerful mission
- Strong communication about the organisational change and the mission

31. Defining culture:

- Important questions for the Foundation to answer:
 - What is the desired culture for the consolidated organisation?
 - Has the Foundation understood what the existing culture is, before they decide what the culture could become? It was noted that what is documented as an organisation's culture and values is not always the culture that exists in reality.
 - Is the intention to integrate all cultures of the existing organisations into one, or is it to build a new common culture?
- External consultants can be very helpful for assessment of culture, particularly given the diversity of backgrounds across the consolidating organisations. However, the consultants' experience must be relevant to this particular type of consolidation and have a proven track record in delivering what the Foundation is trying to achieve.
- Don't try to force/change the culture. Each organisation and its staff should assess its own strengths, but also the strengths of the other organisations, so the culture is built together, and everyone feels part of the process.
- It is important to identify commonality across organisations and locations and then communicate it.
- Behaviour demonstrating the culture is just as important as language defining the culture.
- There should be common structural systems across the organisation to contribute to a common culture e.g., consistent HR frameworks, pay structures, parity of benefits.

32. Challenging existing cultures:

- This is an opportunity for organisations to evolve and learn from each other. Having staff with a wider range of professional backgrounds is positive and presents opportunities for all sides to learn.
- The Foundation should be mindful of the tendency for/risk of the largest (acquiring) organisation's culture becoming the de-facto culture.
- The Foundation must be willing to change, and it should demonstrate leadership in change e.g., embracing and incorporating systems from other organisations that represent improvements on what currently exists.
- It is important to acknowledge that the IASB and ISSB are at different stages of development and therefore may require different leadership styles. The IASB should be open to challenge itself and care must be taken to ensure the IASB is not seen to be forcing its culture and tools onto the ISSB.
- Although there are often concerns about a new organisational culture, it is a new opportunity. Consolidations arise because transformation is necessary. Post-

consolidation there is a new culture, and this should be seen as positive because it is a consequence of this necessary transformation.

33. *The importance of a common goal and mission:*

- A single, uniform culture is not necessarily needed. Having different cultures is not necessarily a drawback as long as there is agreement on the mission and what is to be achieved. Different teams can work together to realise that mission even if they have different cultures.
- Agreeing a powerful common mission will energise people and bring them together on the path forward. It should be simple and requires strong leadership to take it forward.
- The mission should apply to the Foundation as a whole, not the ISSB or IASB in isolation.
- An emphasis on serving the public interest is a mission that binds all parts of the Foundation.
- Values and principles must be integrated in everything, and it must be lived throughout the organisation e.g., in branding, internal communications, the appraisal process, screen savers.
- Challenges could arise if there is significant work to develop a common culture and mission before the majority of ISSB members have been appointed.

34. *Collaborating across locations to achieve common culture and mission:*

- An important factor affecting the development of unified culture and common mission is determining whether each location will work on its own projects or will collaborate across locations. Collaboration across locations is preferable to create one organisation but it might also lead to inefficiencies in delivery.
- The work already done in producing the ISSB's first EDs is a demonstration of what can be achieved when different teams in different locations work together to achieve shared objectives.
- Enabling mobility between different locations will promote cooperation, learning and development, as well as increase the sense of a common culture and enable new relationships to develop. Could short-time rotations of staff be beneficial in order to ensure a common culture develops, rather than a silo location culture?
- IASB staff are primarily based in London. Could IASB staff also be located in the other countries, to create something that is common?
- Different challenges for the new locations e.g., Frankfurt versus established locations like San Francisco. In Frankfurt, capacity will be built from scratch. A constant interchange of staff and performing common work will help build a common sense of mission and culture.
- Collaborating across multiple locations is complicated by time zones. Factors to consider include:
 - Staggering/alternating meeting times. Meetings should not always be held to the time advantage of one location.
 - Difficult meeting schedules may be easier to accept if everyone knows there is a common goal to achieve.
 - Knowing colleagues on a personal level may help identify meeting times/schedules that are fair for everyone.

35. Leadership versus bottom-up approach to developing common culture and mission:

- The extent to which leadership should play an important role in communicating a clear vision of how the organisation delivers value versus the extent to which it should not be imposed from the top, because achieving the organisation's culture and mission involves all levels of an organisation.
- The need to be aware of the confusion and inefficiencies that could result if there are multiple leaders who have different leadership styles.
- Integration of cultures in multiple locations requires investment of time and resources by leadership to travel to all locations and be present on the ground.
- Attendance of IASB board members at ISSB meetings and vice versa would help facilitate integration of the different parts of the organisation and establish an experience exchange.

36. Communication for change management:

- Clear, honest communication to all parties is essential to ensure there is no fear of the change and everyone should feel they have the opportunity to contribute their views. It is important to explain, for example, the allocation of resources across locations, how the new organisation will be built up, what new opportunities will exist, what is likely to change.
- The Foundation is now a family with two sister boards on equal footing. How is this communicated and embedded in the organisation?
- There are some features that could be fixed by bringing people together. There will be some tensions so honest communication is the best option.

37. Communication to build relationships across multiple locations:

- Clear communication that includes everyone is vital in multilocation organisations.
- Everyone has their own identity. Time must be invested to enable staff to get to know each other and understand each other.
- It is important to develop a clear structure for communication, considering, for example:
 - Format - what replaces the 'water cooler'? Cross-location coffee chats, small group chat rooms, different themes for each session?
 - Frequency – biweekly, every Wednesday?
 - Time of day - need to recognise time zones but also some people, whatever location, have preferences for early morning or late evening.
- It is very important to meet people in person. Colleagues working on the same projects in different countries need to know each other. Everyone should have the opportunity to meet in person once a year.

Meeting close

38. Mr. Coen thanked the Advisory Council members for their valuable feedback on the topics discussed and emphasised its importance for the staff, the IASB, the ISSB and the Trustees. He noted that the next scheduled meeting is in October 2022 and will

MEETING REPORT

IFRS® Advisory Council meeting

likely be in person, but a virtual meeting may be scheduled in the interim, if the need arises. Mr. Coen thanked the Foundation and its staff for the organisation of the meeting.