
IFRS Foundation Trustees Meeting – Due Process Oversight Committee

Date **June 2024**
Topic **Due Process Handbook Proposed Revisions**
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This document is prepared for discussion of a public meeting of the IFRS Foundation Trustees' Due Process Oversight Committee (DPOC). The Trustees are responsible for governance of the IFRS Foundation, oversight of the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB), and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*.

Purpose of discussion

1. Agenda Paper 1G(i) provides background to the Due Process Oversight Committee's (DPOC) project to update the IFRS Foundation *Due Process Handbook*. This paper sets out proposed updates to the *Handbook* to reflect the IASB's and IFRS Interpretations Committee's recent experiences with some processes, although the proposed updates would ultimately apply to both boards. Specifically, the proposed updates cover:
 - (a) the [Interpretations Committee](#) (see description in Appendix A¹);
 - (b) the [IFRS Taxonomies](#) (see description in Appendix B); and
 - (c) [post-implementation reviews](#) (see description in Appendix C²).
2. Drafting improvements in each of these topics are not included in this paper but will be reflected in the working draft of the *Handbook* expected to be shared with DPOC members in September.
3. **The DPOC is asked for its views on the proposals in the paper.**

Process to identify possible proposals

4. In developing the proposals, the staff:
 - (a) collected feedback since the last update to the *Handbook* from:
 - (i) [comment letters](#) on the IASB's Third Agenda Consultation;
 - (ii) informal stakeholder engagement;
 - (iii) board members and technical staff; and
 - (iv) discussions with Trustees, including DPOC discussions.

¹ An Interpretations Committee to maintain and support the consistent application of IFRS Sustainability Disclosure Standards has not yet been established. Therefore, Appendix A describes the work of the Interpretations Committee in maintaining and supporting the consistent application of IFRS Accounting Standards.

² Appendix C is an excerpt from papers presented to the DPOC in 2022, at which time the post-implementation review process was not relevant to the ISSB. Therefore, Appendix C describes post-implementation reviews in the context of IFRS Accounting Standards.

- (b) debated possible proposals:
 - (i) with IASB members, including the Chair and the Vice-Chair of the IASB, the ISSB Vice-Chair and relevant technical staff.
 - (ii) for possible proposals related to the Interpretations Committee, in a private administrative session with the Interpretations Committee members.
 - (iii) for possible proposals related to the IFRS Taxonomies, with the IASB and ISSB co-Chairs of the IFRS Taxonomy Consultative Group and IASB and ISSB members.

Possible proposals

5. The table below sets out the proposals considered and the staff's recommendation.

Possible update	Description	Recommendation
<i>IFRS Interpretations Committee</i>		
<p>The <i>Handbook</i> was last updated in August 2020. In that update, one of the most substantial revisions related to improving the description and enhancing the due process for agenda decisions published by the Interpretations Committee. These changes have generally been well-received. We have nonetheless continued to monitor stakeholder feedback on the process. This section describes feedback received since the last <i>Handbook</i> update. For the most part, feedback had been considered in the last <i>Handbook</i> update and no new evidence indicates that the balance of considerations from that time has changed.</p>		
<p>An Interpretations Committee to maintain and support the consistent application of IFRS Sustainability Disclosure Standards has not yet been established. Therefore, this section focuses on IFRS Accounting Standards.</p>		
<p>Clarify the meaning of 'widespread effect' in the criteria a matter must meet for the Interpretations Committee to recommend that the IASB develop a narrow-scope amendment to IFRS Accounting Standards (the Standards) or to develop an IFRIC Interpretation.</p>	<p>The Interpretations Committee considers whether a submitted matter meets four criteria set out in paragraph 5.16 of the <i>Handbook</i> in deciding whether to recommend that the IASB develop a narrow-scope amendment to the Standards or to develop an IFRIC Interpretation.</p> <p>Paragraph 5.16(a) of the <i>Handbook</i> sets out the first criterion, which is that 'the matter has widespread effect and has, or is expected to have, a material effect on those affected'.</p> <p>Some stakeholders say that the term 'widespread effect' is not clear, causing confusion as to why and how the Interpretations Committee takes action on matters submitted to it.</p>	<p>Revise paragraph 5.16(a) of the <i>Handbook</i> to clarify that 'the matter has widespread effect' means that the matter is prevalent and there is evidence of widespread diversity in application of the Standards. The requirement that the matter 'has, or is expected to have, a material effect on those affected' would remain unchanged.</p> <p>This recommended revision would better set expectations for stakeholders that submit application questions and would provide additional transparency about the Interpretations Committee's process. The recommended revision reflects the approach the Interpretations Committee has been using to evaluate matters submitted to it.</p>

Possible update	Description	Recommendation
<p>Clarify whether the Interpretations Committee, when evaluating whether the principles and requirements in the Standards provide an adequate basis for an entity to determine the required accounting, assesses whether applying the requirements in the Standards result in useful information, or the benefits of the resulting information outweigh the costs.</p>	<p>The Interpretations Committee considers whether a submitted matter meets four criteria set out in paragraph 5.16 of the <i>Handbook</i> in deciding whether to recommend that the IASB develop a narrow-scope amendment to the Standards or to develop an IFRIC Interpretation.</p> <p>Paragraph 5.16(b) of the <i>Handbook</i> sets out the second criterion, which is that ‘it is necessary to add or change requirements in the 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’.</p> <p>Some stakeholders suggest revising paragraph 5.16(b) to state that the Interpretations Committee should assess whether applying the requirements in the Standards results in useful information, or the benefits of the resulting information outweigh the costs.</p>	<p>No action.</p> <p>The IASB assesses the likely effects, including potential costs and benefits, of new or amended requirements throughout their development, as set out in paragraphs 3.76–3.81 of the <i>Handbook</i>. The IASB further considers usefulness, benefits and costs of information resulting from the Standards in its post-implementation review process, as set out in paragraphs 6.48–6.59 of the <i>Handbook</i>.</p> <p>The Interpretations Committee can, and does, provide feedback to the IASB on the usefulness of information resulting from the Standards, either as part of its recommendation for the IASB to undertake standard-setting, or when asking the IASB whether it ‘objects’ to the finalisation of an agenda decision. As an enhancement to the process, the staff will formally ask the Interpretations Committee whether it has any additional observations for the IASB in the context of the matters considered.</p>
<p>Clarify when and how to use IFRIC Interpretations as a standard-setting tool.</p>	<p>When the Interpretations Committee concludes that a submitted matter meets the four criteria set out in paragraph 5.16 of the <i>Handbook</i> for standard-setting, it can either recommend that the IASB develop a narrow-scope amendment to the Standards, or it can decide to develop an IFRIC Interpretation. Paragraphs 7.1–7.27 of the <i>Handbook</i> set out the process for the</p>	<p>No action at present.</p> <p>There are various reasons for the Interpretations Committee to recommend use of one standard-setting tool over another, including the nature of the matter being considered and related efficiencies.</p> <p>We see no reason to re-evaluate the description and role of IFRIC Interpretations at this stage.</p>

Possible update	Description	Recommendation
	<p>Interpretations Committee to develop an IFRIC Interpretation.</p> <p>Some stakeholders say it is unclear as to when and how the Interpretations Committee decides which course of action to follow, and this lack of clarity might have contributed to the Interpretations Committee's lack of use of IFRIC Interpretations as a standard-setting tool in recent years.</p>	<p>Any such re-evaluation, if needed, would be better considered when the ISSB has had an opportunity to consider the establishment of its processes to support consistent application of IFRS Sustainability Disclosure Standards.</p>
<p>Rename 'agenda decision' to a more descriptive term.</p>	<p>Paragraph 8.3 of the <i>Handbook</i> states that an agenda decision explains why a standard-setting project has not been added to the work plan and, in many cases, includes explanatory material. Paragraph 8.4 of the <i>Handbook</i> states that explanatory material explains how the applicable principles and requirements in the Standards apply to the transaction or fact pattern described in the agenda decision.</p> <p>Some stakeholders recommend changing the term 'agenda decision' to a term more descriptive of its purpose. Other stakeholders have said the term is well-understood in practice.</p>	<p>No action at present.</p> <p>The staff observes that revisions made by the DPOC through the amendments to the <i>Handbook</i> in 2020 have been helpful in explaining the role of agenda decisions.</p> <p>We see no reason to re-evaluate the naming of 'agenda decision' at this stage. Any such re-evaluation, if needed, would be better considered when the ISSB has had an opportunity to consider the establishment of its processes to support consistent application of IFRS Sustainability Disclosure Standards.</p>
<p>Expand due process requirements for agenda decisions by:</p> <p>(a) aligning those requirements with the due process required for the issuance or amendment of an IFRIC Interpretation or an IFRS Accounting Standard; and</p>	<p>Paragraphs 5.16–5.19 of the <i>Handbook</i> set out the steps the Interpretations Committee follows to decide whether to recommend that the IASB develop a narrow-scope amendment to the Standards or to develop an IFRIC Interpretation. If the Interpretations Committee decides not to</p>	<p>No action.</p> <p>Enhanced due process relating to agenda decisions was previously considered by the DPOC. Through the amendments to the <i>Handbook</i> in 2020, the DPOC enhanced the due process for publishing an agenda decision by formally involving the IASB in the process of</p>

Possible update	Description	Recommendation
<p>(b) requiring a supermajority of the Interpretations Committee and the IASB in favour before finalisation.</p>	<p>recommend a standard-setting project, it explains why in an agenda decision.</p> <p>Paragraph 8.2 of the <i>Handbook</i> sets out the required comment period for a tentative agenda decision and the Interpretations Committee's steps to confirm an agenda decision. Paragraph 8.7 of the <i>Handbook</i> states that, before an agenda decision is published, the IASB is asked—at its first public meeting at which it is practicable to present the agenda decision—whether it objects to the agenda decision. If four or more IASB members object, the agenda decision is not published and the IASB decides how to proceed.</p> <p>A few stakeholders say the due process for agenda decisions is limited and is problematic in cases in which the explanatory material, in their view, is not apparent from the cited standards or the effects are broader than expected.</p>	<p>finalising an agenda decision (as summarised on page 10 of the August 2020 Project Summary and Feedback Statement on Amendments to the Due Process Handbook).</p> <p>The staff thinks those amendments have struck an appropriate balance between requiring additional review by the IASB and enabling a timely response to application questions, and there is no new evidence for change.</p>
<p>Provide an effective date for agenda decisions.</p>	<p>Paragraph 8.6 of the <i>Handbook</i> states that an entity might determine that it needs to change an accounting policy as a result of an agenda decision, and it is expected that an entity would be entitled to sufficient time to make that determination and implement any necessary accounting policy change. The <i>Handbook</i> states that 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</p>	<p>No action.</p> <p>The staff observes that the DPOC addressed the matter of 'sufficient time' through the amendments to the <i>Handbook</i> in 2020 (as summarised on page 9 of the August 2020 Project Summary and Feedback Statement on Amendments to the Due Process Handbook).</p> <p>The staff observes that those amendments to the <i>Handbook</i> in 2020, as well as the educational material about 'sufficient time' published on the</p>

Possible update	Description	Recommendation
	<p>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 Accounting Standards.</p> <p>A few stakeholders say agenda decisions must be implemented by preparers in a very limited timeframe even in cases in which the accounting consequences might be material.</p>	<p>Foundation's website, have been helpful to stakeholders in making judgements and implementing any necessary accounting policy changes as a result of agenda decisions. The staff thinks providing an effective date for agenda decisions would be contradictory to the description of agenda decisions as deriving their authority from IFRS Accounting Standards themselves, which have their own effective dates, and could create confusion.</p> <p>There is no new evidence to change the previous decision.</p>

Possible update	Description	Recommendation
IFRS Taxonomies		
<p>Eliminate balloting and consultation of proposed and final taxonomy updates for straightforward amendments to the IFRS Taxonomies.</p>	<p>The Annex to the <i>Handbook</i> requires the boards to ballot and consult on proposed and final taxonomy updates for all amendments to IFRS Standards. However, in some cases, the taxonomy updates are straightforward, made consistently with past practice and do not require judgment. Such updates also tend to receive little stakeholder feedback.</p> <p>Elimination of balloting and consultation of such taxonomy updates could reduce work for stakeholders and the relevant board and improve timeliness in updating the IFRS Taxonomies. However, such an approach would eliminate key opportunities for board quality control and stakeholder feedback.</p>	<p>No action at present.</p> <p>The staff recommends that it first document its approach to modelling straightforward taxonomy updates to ensure consistency over time. Such documentation may also help establish which updates are considered 'straightforward' and, therefore, the scope of any such accelerated process to updating the taxonomy.</p> <p>The staff also recommends allowing time to learn from the ISSB's experience with taxonomy updates to ensure that any accelerated process would be appropriate for them.</p>
<p>Require balloting of proposed and final taxonomy updates for common practice elements.</p>	<p>The IFRS Taxonomies can be periodically updated to reflect disclosures that are commonly reported by entities in practice but are not explicitly referred to in IFRS Standards and accompanying materials (common practice). The Annex to the <i>Handbook</i> requires review by the IFRS Taxonomy Review Panel, which is comprised of a group of three to five members from the relevant board and a senior member of the relevant technical staff.</p> <p>Updates for common practice can involve some judgement, so balloting could ensure quality.</p>	<p>No action at present.</p> <p>The staff notes that it may—and has in the past—sought additional review by board members.</p> <p>The staff also recommends allowing time to learn from the ISSB's experience with common practice elements to ensure that any process changes would be appropriate for them.</p>

Possible update	Description	Recommendation
	<p>However, such an approach would increase work for the relevant board and could delay updates.</p>	
<p>Allow publication of proposed taxonomy updates prior to finalisation of related amendments to IFRS Standards.</p>	<p>The Annex to the <i>Handbook</i> requires that a proposed taxonomy update only be prepared for final, rather than proposed, amendments to IFRS Standards. However, as discussed in Agenda Paper 1D, there may be situations in which that timing could delay the availability of taxonomy updates to stakeholders, reducing the quality of digital reports.</p> <p>Allowing publication of proposed taxonomy updates prior to finalisation of related amendments to IFRS Standards would accelerate the availability of the taxonomy updates and increase engagement with taxonomy as it would be developed at the same time as underlying requirements. However, such an approach could cause delays if there are changes to the proposed amendments that then require changes—and possibly re-exposure—to the proposed taxonomy updates.</p>	<p>No action.</p> <p>The staff thinks this situation arises in limited circumstances, typically when urgent amendments are being developed that will be made effective immediately.</p>

Possible update	Description	Recommendation
<i>Post-implementation reviews (PIRs)</i>		
Clarify objective, process and possible outcomes of a PIR	<p>Since the last update to the <i>Handbook</i>, the IASB has completed two PIRs and has two underway. Based on these experiences, the staff observed some confusion in practice about the objective, process and possible outcomes of a PIR. Consequently, the staff presented to the DPOC a clarified description of the objective and possible outcomes of a PIR at its June 2022 meeting.</p>	<p>Update the <i>Handbook</i> to reflect the clarified language about the objective, process and possible outcomes discussed in June 2022.</p> <p>These clarifications were discussed in the context of the IASB's work. However, the staff thinks that they are sufficiently principles-based that they can apply to both boards and potentially unique circumstances encountered by each board.</p> <p>As part of these clarifications, the start date for a PIR will be expressed as a principle rather than the current brightline, reflecting both the IASB's experience and the nascency of sustainability disclosure reporting.</p> <p>(Note that the paper in June 2022 also discusses a prioritisation framework for PIRs. The staff does not recommend incorporating the PIR prioritisation framework into the <i>Handbook</i> because the framework is intended to operationalise the prioritisation principles already set out in the <i>Handbook</i>.)</p>



APPENDIX A – Background on the Interpretations Committee

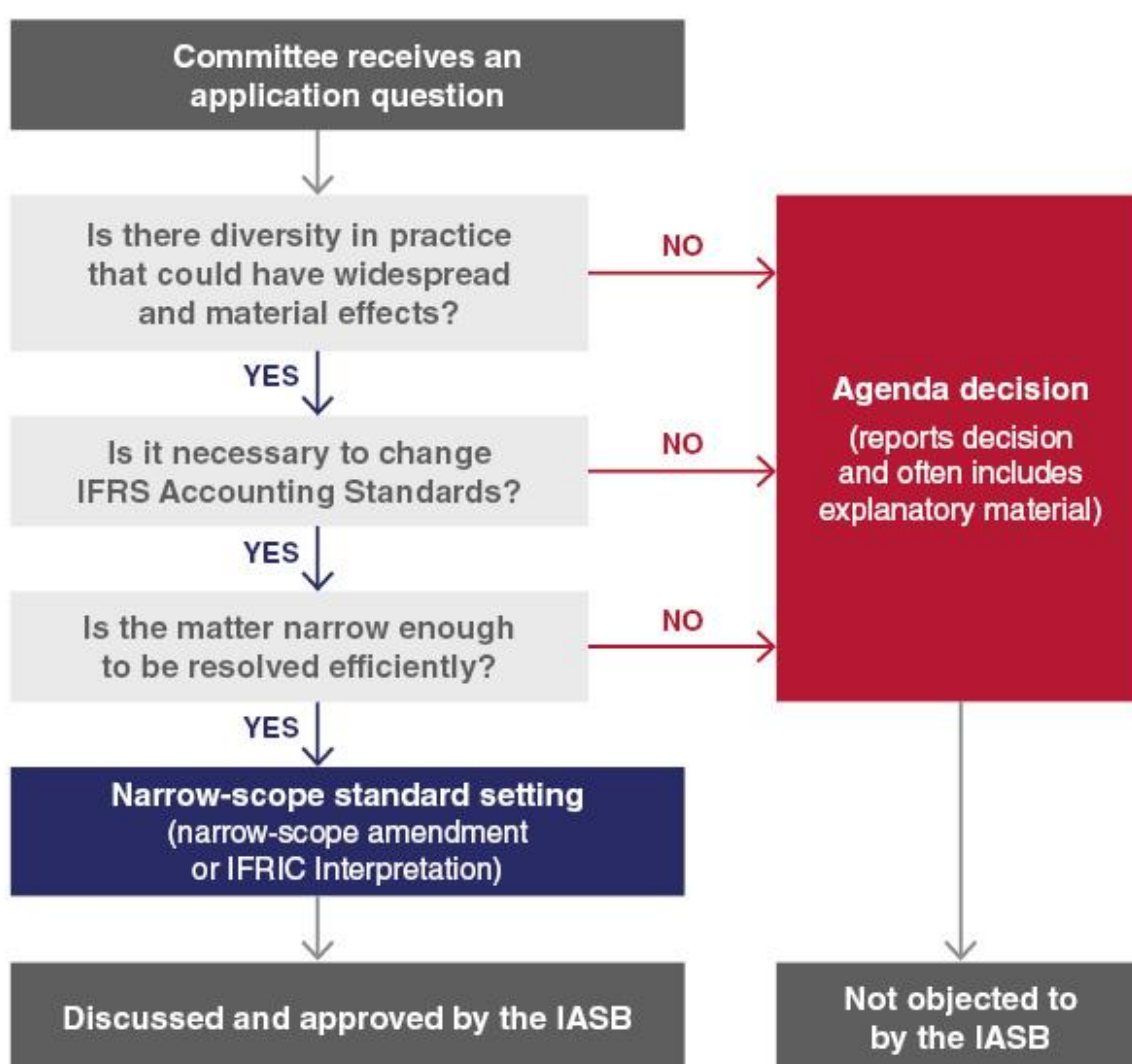
About the IFRS Interpretations Committee

1. The Interpretations Committee works with the IASB in maintaining and supporting the consistent application of IFRS Accounting Standards. The IASB and the Interpretations Committee seek to achieve a balance between maintaining the principles-based nature of the Accounting Standards and adding or changing requirements in response to emerging application questions.
2. The Interpretations Committee responds to questions about the application of the Accounting Standards and does other work at the request of the IASB.
3. The Interpretations Committee comprises 14 voting members, appointed by the Trustees of the IFRS Foundation. The members provide the best available technical expertise and diversity of international business and market experience relating to the application of IFRS Accounting Standards. The members are appointed in their personal capacity and are expected to be independent.
4. Interpretations Committee meetings take place in public; they are webcast and recorded. Staff papers and meeting recordings are available on the IFRS Foundation website.

Interpretations Committee process

5. All Interpretations Committee projects begin as a question regarding the application of an Accounting Standard. The process is designed to:
 - (a) allow any stakeholder to submit a question about the application of the Accounting Standards; and
 - (b) be open and transparent—application questions are considered at a public meeting.
6. The Interpretations Committee then decides whether to recommend standard-setting to address the question, either through a narrow-scope project or by developing an IFRIC Interpretation (see further details below).
7. The Interpretations Committee will decide not to recommend standard-setting if it concludes that standard-setting is:
 - (a) unnecessary—typically because, in the Committee’s view, the principles and requirements in the Accounting Standards provide an adequate basis for a company to determine the required accounting or because there is no diversity in practice that could have widespread and material effects;
 - (b) unhelpful—for example, introducing new or amended requirements might assist one company with a particular type of transaction, while raising questions for other companies with slightly different types of transactions; or
 - (c) not narrow enough to be resolved efficiently—the question could be resolved only as part of a larger IASB project (not a narrow-scope project).

8. To explain why it did not recommend standard-setting, the Interpretations Committee publishes an agenda decision. Agenda decisions are subject to due process. Agenda decisions derive their authority from the Accounting Standards and cannot change or add requirements. They are first published as tentative agenda decisions which are open for comment generally for 60 days. The Interpretations Committee considers feedback from stakeholders in finalising the agenda decision. Once finalised, the IASB is asked whether it objects to the agenda decision. If four or more of the 14 IASB members object to publication, the agenda decision is not published and the IASB decides how to proceed.
9. The following diagram summarises the criteria the Interpretations Committee considers when deciding whether to recommend adding a standard-setting project to the IASB's work plan:



Explanatory material in an agenda decision

10. An agenda decision typically includes explanatory material when the principles and requirements in the Accounting Standards provide an adequate basis for a company to

determine the required accounting. The objective of including such explanatory material is to improve the consistency of application of the Accounting Standards.

11. Explanatory material included as part of a tentative agenda decision is open for public comment.
12. Agenda decisions (including any explanatory material contained within them) do not have effective dates because they cannot add or change requirements in the Accounting Standards. Instead, explanatory material explains how the applicable principles and requirements in the Accounting Standards apply to the transaction or fact pattern described in the agenda decision.
13. Explanatory material derives its authority from the Accounting Standards themselves. Accordingly, a company is required to apply the applicable Accounting Standard(s), reflecting the explanatory material in an agenda decision. An entity is expected to have sufficient time to implement that accounting.

Narrow-scope standard-setting

14. Some questions result in narrow-scope standard-setting. The Interpretations Committee may decide:
 - (a) to develop an IFRIC Interpretation, which does not change or conflict with any requirements in the Accounting Standards; or
 - (b) to recommend that the IASB develop a narrow-scope amendment to an Accounting Standard.
15. Narrow-scope standard-setting projects recommended by the Interpretations Committee and approved by the IASB are added to the work plan as maintenance projects.

APPENDIX B – Background on the IFRS Taxonomies

1. Digital financial reporting allows investors and other users of financial reports to efficiently search, extract and compare companies' accounting and sustainability-related financial disclosures.
2. A digital financial report is a financial report in a computer-readable, structured data format (such as XBRL).
3. The IFRS Taxonomies facilitate the reporting of information prepared in accordance with IFRS Standards in a computer-readable, structured data format.
4. The IFRS Taxonomies provides a list of defined elements (or tags) derived from IFRS Standards. When assigned to information in financial reports prepared in accordance with IFRS Standards, the IFRS Taxonomies provide the structure and classification necessary for that information to be computer-readable.

APPENDIX C – Background to PIRs

Objective of post-implementation reviews

1. When the IASB issues a new requirement, it includes an effects analysis of the likely benefits and costs arising from the new requirement. Costs comprise initial and ongoing financial and other costs.
2. The objective of a PIR is to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those new requirements.
3. A PIR includes consideration of how contentious matters that the IASB considered during development of the new requirements and how market developments since those new requirements were issued are being addressed in practice.
4. A PIR concludes with a determination of whether:
 - (a) overall, the new requirements are working as intended. Fundamental questions (ie ‘fatal flaws’) about the clarity and suitability of the core objectives or principles in the new requirements would indicate that they are not working as intended; and
 - (b) there are specific questions about application of the new requirements. If there are specific application questions, the IASB may still conclude that the new requirements are working as intended. However, those specific application questions would be addressed if they meet the criteria for whether the IASB would take further action.
5. A PIR is not a standard-setting project and does not automatically lead to standard-setting. It is also not intended to lead to the resolution of every application question.
6. However, PIRs can identify improvements that can be made to a new requirement, to the standard-setting process or the structure of Accounting Standards.

Process for post-implementation reviews

Starting a PIR

7. The earliest a PIR would start is after the new requirements have been implemented for at least 24 months. However, financial statements that reflect 24 months of implementation are generally available in practice only about 30–36 months after the effective date of the new requirements.
8. The start date depends on the availability of information, such as:
 - (a) trend data from financial statements applying the new requirements;
 - (b) academic research; and
 - (c) the level of experience in practice (while balancing the risk that practice may become so embedded that resistance to improvements may develop), which may depend on the level of change arising from the new requirements.

Research

9. The PIR process consists of two phases. During both phases, the IASB reviews relevant academic research and other reports.
 - (a) Phase 1—the IASB identifies matters to be examined, drawing on discussions with the Interpretations Committee, the IASB’s advisory groups and other interested parties. The IASB consults publicly on the matters identified in the first phase of the PIR.
 - (b) Phase 2—the IASB considers the comments from the public consultation along with the information it has gathered from any additional analysis and other consultative activities.

Matters identified and their prioritisation

10. As part of phase 2, the IASB considers whether to take any action on matters identified in PIRs and the prioritisation of those matters.

Outcomes

11. Actions arising from phase 2 of the PIR may involve continued monitoring of a matter or some level of research by the IASB or the Interpretations Committee that may lead to:
 - (a) a standard-setting project;
 - (b) an agenda decision; or
 - (c) educational materials.
12. The IASB may also conclude that no further action is needed.

Reporting

13. At the end of the PIR, the IASB publishes a Report and Feedback Statement summarising the matters identified and any actions it plans to take as a result of the PIR.