IFASS Meeting Report

International Forum of Accounting Standard Setters

12 - 14 March 2025

Naples, Italy

(Final) REPORT ON THE INTERNATIONAL FORUM OF ACCOUNTING STANDARD SETTERS (IFASS)

12-14 March 2025

Physical Meeting in Naples, Italy with remote participation

IFASS is an informal network of regional and national standard setters (NSS) from around the world, plus other organisations that have close involvement in corporate reporting issues. It is a forum at which interested stakeholders can discuss matters of common interest. The group was chaired by Chiara Del Prete from EFRAG for the March 2022-2025 period.

OVERVIEW

This report relates to the IFASS meeting held on 12-14 March 2025 at the University of Campania "Luigi Vanvitelli", Italy with both in-person and remote participation. The meeting was co-sponsored by OIC-Italy and EFRAG with support from Societa Italiana dei Docenti di Regioneira e di Economia Aziendale (SIDREA) and KPMG, Italy.

The meeting attendees included representatives (100+ in-person and 80+ virtual) of standard setters from 32 jurisdictions (i.e., Argentina, Australia, Austria, Belarus, Brazil, Canada, China, Chinese Taipei, Denmark, France, Germany, India, Indonesia, Italy, Japan, Korea, Lebanon, Malaysia, Mexico, Nepal, Netherlands, New Zealand, Norway, Romania, Singapore, Spain, Sudan, Sweden, Switzerland, United Kingdom, USA and Zimbabwe).

The attendees also included representatives of four multi-country jurisdictions (i.e., the Asian-Oceanian Standard-Setters Group (AOSSG), the Group of Latin American Accounting Standard Setters (GLASS), The International Arab Society of Certified Accountants (IASCA) and the Pan African Federation of Accountants (PAFA).

In addition, there were representatives of the Chartered Institute of Public Finance and Accountancy (CIPFA), the International Accounting Standards Board (IASB), the International Sustainability Standards Board (ISSB), Global Reporting Initiative (GRI), the Organisation for Economic Co-operation and Development (OECD) and the World Intellectual Capital/Assets Initiative (WICI).

As outlined in the Table of Contents, the rest of the report is structured as follows:

- Meeting running order;
- Action List; and
- Appendix: List of IFASS participants.

TABLE OF CONTENTS

MEETING RUNNING ORDER

Day 1 - 12 March 2025

Day 1 plenary session: Item 1. Opening remarks

IFASS Chair, Chiara Del Prete welcomed the attending IFASS participants and noted that, as she ends her mandate, this meeting presented an opportunity for them to experience an Italian city with a rich historical heritage. She thanked the University of Campania "Luigi Vanvitelli" for providing the facilities to host the meeting, the OIC-Italy for co-sponsoring the event with EFRAG, and Societa Italiana dei Docenti di Regioneira e di Economia Aziendale (SIDREA) and KPMG Italy for supporting the event.

Michele Pizzo (OIC President) thanked all who had been involved in arranging the event. He noted the significant financial and sustainability pressures occurring in tandem with changes in globalisation. As a result, local political needs are playing more of a role in the accounting field. Nevertheless, he said it was vital to maintain rules and procedures, and through international accounting standards, professionals in the field developed knowledge, improved expertise and shared a common language. Thus, events such as the IFASS meeting would become more and more important going forward.

Claudio Teodori (SIDREA) similarly expressed his gratitude for the invitation to the conference. He noted that SIDREA was dedicated to advancing research and education in the accounting disciplines. He observed that the increasing complexity of the global business environment required the provision of information that was both meaningful and pertinent to a diverse array of decision makers. And there remained a need for a universal language on finance and sustainability that accommodates local specificities, and the conference represented an important opportunity for debate on these matters.

Chiara Del Prete gave an overview of the day's and the rest of the meeting's planned agenda.

Day 1 plenary session: Item 2. Macro trends in ESG and sustainability reporting

Chiara Del Prete (EFRAG) moderated this session. It consisted of presentations by Tim Mohin (Boston Consulting Group- BCG), Sue Lloyd (ISSB) and Carol Adams (GRI- Global Sustainability Standards Board-GSSB) followed by a panel discussion between Patrick de Cambourg (EFRAG), Sue Lloyd, Carol Adams, and Yasunobu Kawanishi (SSBJ). Responses to polling questions during the session can be seen here.

BCG presentation

Tim Mohin observed that it had become clear through monitoring the 2024 elections that, from a climate and sustainability standpoint, many countries were becoming more progressive, and sustainability had largely survived the election super cycle. However, the US election outcome sparked a backlash, and it marked a turning point. He envisioned that deregulatory action would continue for some time. He pointed out that, while deregulation is gaining traction, sustainability policy will be centred around three main business areas: *disclosure, procurement, and trade and tariffs*.

On disclosures, notwithstanding the EU weakening its requirements and the US Securities and Exchange Commission (SEC) policy on climate disclosure being withdrawn, it was expected that the Californian laws on reporting of GHG emissions and climate-related financial risk would go ahead. Five other US states may follow suit. BCG analysis showed that after the withdrawal of the SEC proposed climate rule, countries representing around 60% of global GDP mandate or have planned mandates for climate disclosure within the next three years.

On trade, Tim Mohin observed that carbon border adjustment mechanisms (CBAMs) were insufficiently discussed. 66% of global trade would be through countries imposing or considering a CBAM.

He suggested there was more to do in terms of the standards and basic accounting of GHG emissions and other relevant factors. To be fit for purpose, the maturity of sustainability reporting must increase including through greater assurance. He observed that ESG as a term had been 'weaponised', and therefore companies were wary about being caught in a controversy. Companies were being asked to disclose more than ever and would face increased scrutiny. In Tim Mohin's view, in this ever-changing environment, there must primarily be a focus on corporate and business value statements.

ISSB update

Sue Lloyd presented the key findings of the third survey by the IFRS Foundation on the global landscape of the adoption or other use of the ISSB Standards that had input from national standard setters and jurisdictional regulators. She characterised the survey as a 'temperature check'. Despite an unstable geopolitical environment, there continued to be interest in sustainability reporting and an ongoing movement towards the adoption of ISSB Standards.

Survey findings

All 49 jurisdictions that responded to the survey have introduced sustainability-related disclosure requirements in their regulatory frameworks or plan to do so.

- *ISSB Standards adoption*: 47 of 49 jurisdictions already have or plan to adopt or otherwise use ISSB Standards. 32 of these are either finalising or in the process of finalising their regulatory process. 23 of these 47 directly use the ISSB Standards. Other jurisdictions have developed local standards, some of which are closely aligned to the ISSB Standards. The EU was considered to have introduced requirements designed to deliver functionally aligned outcomes to those resulting from the application of ISSB, through its own distinct ESRS drafting process.
- *Jurisdictional approach*: 76% of jurisdictions have set a target to fully adopt the ISSB Standards, 9% aim to adopt the climate requirements in ISSB Standards, and 10% aim to permit the use of ISSB Standards. The ISSB Standards enable a building block approach, as long as the information that is material for investors and required by ISSB Standards is readily identifiable and not obscured by additional disclosures. Some jurisdictions indicated they plan to introduce additional requirements due to local legislation. This

includes the EU with its additional requirements for stakeholders interested in impacts that do not create risks or opportunities for an entity's prospects.

- *Adoption timeline*: 30 of 49 jurisdictions noted their approach for adopting or otherwise using ISSB Standards will become effective by the end of 2029. A subset of 20 jurisdictions across regions had requested that reporting start between 2024 and 2026.
- *Phase-in requirements*: 70% of jurisdictions intend to use phase-in requirements starting only with publicly accountable entities or a subset thereof.
- *Assurance*: 39% of jurisdictions plan to require assurance of sustainability-related financial disclosures, while 77% of these jurisdictions plan to mandate a limited assurance scope.

Jurisdictional profiles: Sue Lloyd noted that work on jurisdictional profiles had begun, with the first profiles expected to be ready by mid-2025. Jurisdictional snapshots will complement the first set of profiles and would provide a higher-level summary of the state of play, to give the market some colour on the rate of progress on adoption.

GRI GSSB update

Carol Adams gave an overview of the global coverage of GRI Standards (i.e. 128 countries where companies apply GRI Standards) and the key features of these Standards. She noted there were several jurisdictions where reporting was explicitly mandated and another set where GRI Standards could be used for compliance. In some cases, mandatory sustainability reporting standards were aligned with GRI Standards. The alignment to global accords and the multi-stakeholder approach to developing the GRI Standards added to their credibility.

She also highlighted the architecture of the GRI Standards with its three types of standards: universal, sector and topical standards. The concepts covered by universal standards were akin to those of financial accounting standards but they included general disclosures about the organisation to provide context. Topical standards covered a broad range of social, environmental and economic indicators. She presented the currently available sector standards and mentioned that the GRI was consulting on its sector standards for capital markets, banking and insurance.

Carol Adams noted that the GRI GSSB was in the process of developing guidance on how to move from identifying impacts to identifying risks and interdependencies. She gave an overview of the GRI GSSB's workplan drawing attention to the new climate change standards that were expected to be approved. These would incorporate a broad range of impacts, as well as transition and adaptation planning.

Panel discussion- Macro trends in sustainability reporting

Chiara Del Prete asked the panellists about the state of play in their jurisdictions and how they envision sustainability reporting ambitions may change in the next three to five years.

State of play in Japan: Yasunobu Kawanishi explained that the SSBJ had recently issued its first set of three sustainability disclosure standards. IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* had been split into two standards, with one focused on core content, and required that all three standards be applied at the same time. They had not made a word-for-word translation of ISSB Standards but rather had reorganised and rewritten IFRS S1 and IFRS S2 *Climate-related Disclosures* in line with Japanese legal precedents, producing the same results. They had also incorporated jurisdiction-specific options to consider local law and regulation. It was for the regulator to decide who would apply the standards and from when. The regulator proposed a phased approach. The first wave of application would cover slightly more than half of the market, in effect from March 2027 with reporting in June 2027.

Yasunobu Kawanishi characterised the situation in Japan as one of ‘wait and see’. Many Japanese companies, particularly those part of the first wave, already voluntarily adopted existing frameworks and were subject to CSRD and ESRS. It was more a case of smaller companies becoming subject to such regulation. The regulator’s decision was awaited.

State of play in the EU: Patrick de Cambourg highlighted that the Corporate Sustainability Reporting Directive (CSRD) was being implemented by the first wave of companies, which included those within EU member states where it had not been transposed. He also referred to the Omnibus proposals to reduce the reporting burden. These proposals would affect the CSRD, EU taxonomy, and Corporate Sustainability Due Diligence Directive (CSDDD) and other related regulatory requirements. An important amendment to the CSRD was the creation of a mid-cap category, which was necessary because ESRS requirements were initially based on best practice by multinationals, and this made it a challenge for smaller companies to apply ESRS. Another proposal was the significant reduction of companies required to apply ESRS. 80% of the companies previously covered were no longer in scope (albeit these represent about 20% of market capitalisation). The Omnibus also deleted the requirement to adopt ESRS sector standards as delegated acts.

Outlook on sustainability reporting: Patrick de Cambourg, Carol Adams, and Sue Lloyd affirmed the importance of sustainability reporting for investors and asset managers. Sue Lloyd noted that the US was not entirely stepping back from sustainability reporting. Companies knew that they must understand risks and opportunities to attract investment. She remained confident that the trend towards such reporting would continue. With the increasingly sensitive environment, standard setters have to clearly demonstrate the business relevance of such disclosures. The cost-benefit equation remained a challenge.

Carol Adams noted that long-term investors were interested in an entity's disclosures of its most significant impacts. They did not necessarily trust organisations to identify all risks and report them without a formalised process. She noted that identifying impacts was a prerequisite to identifying financially material items.

Audience interaction

IFASS participants asked a) how financial reporting, ISSB and GRI standards could be integrated to reduce the burden and help all these standards gain more acceptance; and b) why sustainability disclosures could not be integrated into financial reporting standards.

In response to the first question, Carol Adams mentioned that developing GRI standards required a multi-stakeholder approach to address a broad audience. It would therefore be challenging to integrate the requirements of standard setters with differing objectives. She considered the GRI and ISSB standards complementary and not mutually exclusive.

In response to the second question on whether sustainability disclosures could be integrated into financial accounting standards, Patrick de Cambourg observed that financial reporting was mature, it had a conceptual framework that reflected decades of reporting wisdom, and it should not be destabilised. Moreover, sustainability reporting complements financial reporting, and it begins where financial reporting has stopped. Notably, it was unclear how intangibles, such as supply chain relationships, could be covered by financial reporting where the entity's control is needed for asset recognition in the financial statements. He emphasised the need for a separate conceptual framework for sustainability reporting.

Day 1- FR Parallel Session

On behalf of Chiara Del Prete, Armand Capisciolto chaired the FR parallel session.

Day 1 FR parallel session – FR- Item 3. Cash-flow reporting

This session consisted of presentations by Nicola Moscariello (Italian Observatory on Financial Statements) and Pauline Wallace (UKEB). The objective of the session was to present the research findings on cash flow reporting.

Presentation - Italian Observatory on Financial Statements and OIC joint research on cash flow reporting

Nicola Moscariello presented the key findings of the Italian Observatory on Financial Statements and OIC joint research on cash flow reporting (i.e. cash flow disclosures and statement of cash flows). His presentation consisted of three parts: the role of cash flow disclosures in an accrual setting, the application of the statement of cash flows by Italian GAAP adopters (i.e., companies applying OIC 10 *Cash Flow Statement*), and research conclusions and implications for standard setters.

Cash flow disclosures in an accrual setting

Nicola Moscariello stated that an objective of general purpose financial reporting is to provide useful information to assess the timing, amount, and uncertainty of future cash flows. However, relative to information that is solely about cash collections and payments, accruals and earnings provided a better indicator of future cash flows. Thus, the trigger research question for the study is related to the role of cash-flow disclosures in an accrual setting.

In this regard, Nicola Moscariello highlighted that a systematic literature review of 160 papers had been carried out, with three distinctive clusters of papers observed as summarised below.

- The first cluster of papers convey that accruals are considered high quality if they accurately map future cash flows. Correspondingly, cash flow statements could play a fundamental role in helping investors assess the quality of earnings and accrual components.
- The second cluster of papers convey that the accrual components of earnings are less persistent and less reliable than the cash flow components of earnings. Thus, accruals are considered less predictive of future cash flows because the accrual components are less persistent than the cash flow components of earnings. This means cash flow disclosures could help in understanding the uncertainty associated with accruals.
- The third cluster of papers convey that cash-based profitability (within a certain time horizon) better explains expected returns than operating profitability. A corollary of this finding is that, due to the limitations of accrual components of earnings in explaining future cash flows/expected returns, viewing the income statement and balance sheet in tandem with the statement of cash flows can help investors better predict the timing, amount and uncertainty of future cash flows.

The second, complementary research question was whether the format of the cash flow statement mattered. He observed that EFRAG's related discussion paper had summarised the pros and cons of both the direct and indirect methods. Although preparers strongly preferred the indirect method, the scientific accounting literature almost unanimously found the direct method better predicted future performance, had a strong association with share prices and incurred a lower equity cost.

*Application of t*he statement of cash flows by OIC Adopters

Based on the above, the third research question was why statements of cash flows prepared using the indirect method appeared less informative than those prepared with the direct method. As a result, an analysis of OIC 10 and the financial statements of Italian companies adopting Italian GAAP had been carried out with a focus on how they presented operating cash flows using either the direct or indirect method. Nearly all companies reviewed (93%) had used the indirect method. Only a small number of companies had provided supplementary disclosure. Quantitative and qualitative analysis of a subset of 380 companies had been undertaken to understand the nature of non-articulation.

In 87% of cases, there was no articulation between operating cash flow adjustments and the corresponding items in the income statement and the statement of financial position. The non-articulation was particularly evident for non-monetary adjustments, and in terms of the materiality of non-monetary changes in net working capital. However, no correlation was found between non-articulation and either the profitability or solvency ratios.

Research conclusions and implications for standard setters

Nicola Moscariello highlighted that the research findings confirm that a) cash flow disclosure and reporting are useful for decision making by capital providers; and b) the usefulness of the statement of cash flows depends on the format adopted. While the direct method is costly to prepare, it is intuitive and easy to understand (i.e. there is low complexity of interpretation). On the other hand, the indirect method is less costly to prepare but is also not as easy to understand as the direct cash flow method (i.e., there is a high complexity of interpretation).

Finally, to enhance the usefulness of the indirect method, Nicola Moscariello made the following suggestions for standard setters:

(a) More detailed cash flow disclosures could be required after considering the cost-benefit balance of such disclosures.

(b) Reduce complexity and enhance transparency without a significant impact on costs by:

  (i) Reducing unnecessary adjustments, anchoring the reconciliation to an operating profit subtotal;

  (ii) Reducing aggregation and requiring a line-by-line alignment for the reversing accruals;

  (iii) Requiring reconciliation tables for residual items (e.g., changes in other assets and liabilities);

  (iv) Providing illustrative examples to support preparers when using the indirect method.

Presentation of UKEB's research findings

Pauline Wallace presented the preliminary results of UKEB's research focused on assessing how investors, creditors, and preparers perceive the usefulness of cash flow statements and what improvements could be made. The research involved a review of FRC reports, an analysis of financial statements from 30 FTSE and AIM-listed companies, and ongoing interviews with investors and preparers.

Encouraged Disclosures

Pauline Wallace noted that very few UK-listed companies provided the following 'encouraged disclosures' from IAS 7 *Statement of Cash Flows*:

- *Operating cash flows using the direct method*: UK companies predominantly used the indirect method. Interestingly, UK investors also showed a preference for the indirect method, as it allows them to reconcile non-cash items, and due to its alignment with operating profit.
- *Segmental information related to the amount of cash flows arising from operating, investing and financing activities*: Although investors emphasised the importance of such

disclosures, preparers noted challenges in the complexity and cost of providing such information.

- *Disaggregated capital expenditure between growth and maintenance*: Preparers noted that it is challenging to provide this information and to distinguish between maintenance versus growth Capex. They also question the usefulness of such disclosures.

Net debt reconciliation

Pauline Wallace highlighted the prevalent use of net debt reconciliations by companies reporting under IFRS in the UK. While this reconciliation is not required by IAS 7, it was a general practice for companies to produce it under the UK GAAP (prior to the adoption of IFRS), and companies have retained this practice as it does form a way of dealing with the requirement in the paragraph 44A-E of IAS 7, which requires the disclosure of changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.

Pauline Wallace highlighted that UK investors were enthusiastic about the reconciliation and would like to see it made mandatory. One challenge was that net debt was not defined, leading to different starting points. She suggested that it would be helpful to define it to avoid confusion and allow comparability between entities.

Free cash flow

Pauline Wallace reported that nearly all companies in the sample presented free cash flow either in the statement of cash flows itself or within the management report. There was no consistency between the adjustments made in the free cash flow calculation, however, the most common adjustments were capital expenditure and the capital element of lease payments. She further noted that investors did not feel a standardised definition of free cash flow was necessary. Some had suggested that this might be approached in the same way as management-defined performance measures (MPMs) in IFRS 18, with a starting point and adjustments made from there, but few users had been particularly excited about this as they were already getting the information they needed.

Other voluntary cash flow disclosures

Pauline Wallace pointed out that there had been a range of other voluntary cash-flow disclosures noted, none consistently or widely applied, including working capital movements and tax payments reconciliations. Most significant for investors were the aggregate cash impact of M&A transactions and the cash impact of exceptional or other adjusting items. The FRC had been particularly focused on the latter.

Cohesiveness of primary financial statements

Pauline highlighted that an important issue was the lack of cohesiveness between the cash flow statement and the rest of the primary financial statements, with limited cross-referencing in the notes, making it difficult for users to trace cash and non-cash items. There were also concerns about the different definitions of the operating, financing and investing categories in the statement of profit or loss under IFRS 18 and the statement of cash flows under IAS 7.

Other key messages from investors and preparers

Pauline Wallace shared additional feedback received from investors and creditors. A key message had been that primary financial statements included useful information, but limited reference to the relevant cash flows. Investors suggested an account balance roll forward, but this might be challenging for preparers, particularly as FX was often difficult to reconcile. Investors also requested more analysis of cash and non-cash items, which were often blended together in the notes. Another investor view had been that IFRS standards frequently included explicit income statement or balance sheet-related disclosure requirements, but rarely cash flow-related disclosures. Several IFRS standards had been identified that could benefit from requiring further cash flow information.

She concluded by underscoring that investors and creditors consider the statement of cash flows to be important, and they had a clear preference for the indirect method. Lack of cohesive financial statements had been a theme, with a desire for better integration of cash-flow statements into financial statements, alongside improved integration of net debt, better cross-referencing and better disclosure where relevant and material. Preparers noted the need for better guidance on cash and cash equivalents and encouraged field-testing of any proposals brought forward from the IASB.

Audience interaction

An IFASS participant noted the contradicting results from the two studies regarding the usefulness of the direct method. Pauline Wallace said that she had also been surprised. It was unclear what was driving UK users' preference for the indirect method, notwithstanding the academic evidence, and she suggested this could be explored further in future. It was possible that the previous UK GAAP requirement for a statement of sources and applications of funds had fostered this culture. It was also true that investors became accustomed to established reporting practices. They did, however, want more information and felt the process could be done better. She agreed with the recommendations for standard setters made by the earlier presented joint study.

Day 1- SR Parallel Session

On behalf of Chiara Del Prete, Eric Duvaud (ANC) chaired the SR parallel session.

Day 1 SR parallel session item 4. Biodiversity, ecosystems and ecosystem services

Eric Duvaud (ANC) moderated this session. It consisted of presentations by Bryan Esterly (ISSB) and Jack Bisset (NZ XRB) followed by a panel discussion between Bastian Buck (GRI), Ny Yoon (KSSB) and Sarah-Jayne Dominic (UK FRC). Responses to polling questions during the session can be seen here.

ISSB presentation

Bryan Esterly highlighted that new ISSB research projects would focus on human capital and biodiversity, ecosystems and ecosystem services (BEES).

The BEES project would focus on researching related risks and opportunities. The remit of the project was intentionally broad and exploratory in nature, including water management, resource depletion and more. The project would focus on two primary areas: the nature and extent of the market need for more useful disclosure related to BEES and potential ways to address such a need.

Four 'anchoring principles' guide the project:

- a focus on useful information for investors;
- consideration of established literature and practice in the market, with a focus on interoperability;
- building on what had gone before, primarily IFRS S1;
- staying focused on core activities of interoperability, connectivity and proportionality.

The project's design had two different phases. First was building the foundation, or 'collecting the dots', with a focus on four research areas: evidence of investor interest, evidence of effects on an entity's prospects, existing standards and frameworks and the current state of disclosure and practice. The second phase of the project's design would be analysing the implications or 'connecting the dots'.

Bryan Esterly noted that the first phase was nearing completion. There had been significant consultation efforts undertaken across all different investor types, strategies and time horizons. Investors were generally at an early stage of integrating biodiversity information into their decision-making. Many have spoken about the complexity of biodiversity in the context of climate and the challenge of obtaining clear metrics. Investors also placed importance on disaggregation, as risks and opportunities often manifested at the local level. They had been vocal about variation across industries and sectors.

While there was a substantial body of evidence and research on the topic, there were mixed signals. Some areas, like water management, were more mature. There was significantly more evidence and clarity on the financial connections and implications of biodiversity transition risks, rather than physical risks. Industry variation had also been clear from the research.

Existing disclosure requirements and guidance had many similarities with IFRS S1. There were also some differences. Some standards had a deeper focus on biodiversity. Reliance on international agreements and specificity within disclosure requirements around location and nature-related transition plans had been another area of difference. Stakeholder engagement was vital to preparers' risk management and mitigation processes, and there could be more specificity in this area.

ISSB technical staff would shortly commence the next phase, analysing the implications of findings thus far and considering the best path forward. This could include the development of new standards, amending existing standards, developing new guidance and educational materials or a combination of approaches.

Eric Duvaud asked about the time horizon for this work. Bryan Esterly expected the board to decide in the second half of this year.

NZ XRB presentation

Jack Bisset posited that nature may be presenting an exciting new relationship for standard setters. He emphasised that it was not his intention to downplay the importance of nature, but rather to also focus on climate. New Zealand had led globally on mandatory climate reporting, but less so on broader sustainability reporting. There was a tension between the processes underpinning climate reporting and the extent to which nature was already part of such processes or being overlooked.

A company tends to consider climate through the lens of hazards and exposure. One example was sea level rises and how this hazard might impact operational resilience. It was a 'hazard first, exposure second' worldview, which was repeated for transitional risk. Missing from this approach was the third step: a consideration of vulnerability and sensitivity. Non-climate stressors or drivers of change were often missed in the broader picture, particularly in terms of the social and community dimensions of sustainability impact.

New Zealand was in its second year of mandatory climate reporting. It could be argued that some disclosures were nature-related. The example of a honey producer was noted, wherein climate hazards interacted with nature, in turn impacting the business. The more sophisticated and mature a company was in terms of climate-related disclosures, the more it would think about related nature and social issues. There must therefore be a consideration of whether it was most beneficial to enhance the existing climate reporting standard or create a new, standalone nature standard.

Companies tended to consider nature also through the lens of hazards that might interact with the business through exposure. A focus solely on climate risks misses the bigger picture and the interlinking crises that may eventuate. Separate scenario analysis on climate and nature may lead to blind spots. There must be a more integrated view of risk while acknowledging that it is an area of continuous development and knowledge building.

30 years of policy aimed at preventing nature loss had been unsuccessful. Significant global species extinction continued, and it was almost becoming a self-perpetuating cycle. Bringing climate and nature closer together created an opportunity to overcome this challenging 'tipping point'. Jack Bisset summarised that mandatory climate disclosures had led to some partial nature disclosures. Standard setters must consider how to add consideration of nature in the context of climate-related reporting, ensuring that processes like scenario analysis and transition planning are able to be implemented as efficiently as possible.

Panel discussion

*B*iodiversity standard

Eric Duvaud asked if the panellists considered a biodiversity standard was necessary.

Sarah-Jayne Dominic noted that the UK Sustainability Disclosure Technical Advisory Committee had discussed whether BEES topics ought to be considered in isolation, but concluded they must be considered as a system. There was a nexus between climate and nature, and a demand to find nature-based solutions to climate risks. Any company embarking upon this must do so holistically, across the value chain. There was no specific, detailed nature-related reporting requirement in the UK. However, water was often picked up by mandatory TCFD reporting. There had also been an uptick of references to biodiversity in annual reporting.

Bastian Buck noted that the GRI had identified the need for a comprehensive, generic, sector-agnostic standard covering impact disclosure. The systemic nature of biodiversity must be acknowledged. Most vital industries' business models were at risk from the trends presented by Jack Bisset. This was absent from the dialogue. More information was required.

Bastian Buck added that there was a market demand from investors for impact disclosure. The GRI focused specifically on impacts and the link to risks and opportunities at both systemic and entity levels, where the need existed. A normative framework for nature was emerging, though it was not yet as strong as the framework for climate. Standard setters must not ignore the normative standards being developed.

The industry was only recently starting to see the disaggregation and localisation of data necessary for society-wide dialogue. The GRI's intention was to put out a full set of disclosures and work through the journey. Everything that was part of the GRI Standards on climate 10 years previously was now part of the global standards.

Economic value case for sustainability reporting

Eric Duvaud asked if panellists' organisations and countries were working on the economic value case for sustainability reporting.

Bastian Buck suggested that moving to monetisation first required a deeper understanding of the impact and the ownership of the ecosystem. Most businesses have yet to understand their impact on biodiversity. Monetisation would be a helpful tool in management decision making, and the GRI was generally supportive. However, it was too early in the process to implement such monetisation.

Sarah-Jayne Dominic's personal view was that monetisation might lead to companies 'buying their way out'. There might be softer and more useful monetary interventions. For example, since 2024 in the UK, property developers had been given biodiversity net gain targets.

Bastian Buck noted the GRI's biodiversity standard pilot programme. Companies had come to the table with interest in the link between their business model, nature and biodiversity. Some jurisdictions and industries invested heavily in monetisation and understood their exposure. Others returned to the question of how products and services contributed on a systemic level.

Ny Yoon noted that companies sought standards that aligned with financial reporting requirements. In South Korea, only the financial sector had started to report on climate issues. There was a modular approach, contrary to the systemic approach other panellists had referenced. South Korean standard setters sought to align with international efforts, such as those of ESRS and the GRI.

Day 2- 13 March 2025

Day 2 plenary sessions: item 5. Introduction and Memorial of the late Alberto Guissani

In opening the day's session, Chiara Del Prete outlined the agenda of Day 2- 13 March 2025.

During the day, mid-morning, there was also a session in memory of the late Alberto Guissani (former President of OIC-Italy) with tributes offered by Chiara Del Prete, Simone Scettri (OIC-Italy), Sue Lloyd (ISSB), and Yasunobu Kawanishi (ASBJ and SSBJ).

Day 2 plenary session- item 6. IASB update

Linda Mezon-Hutter presented an update on the IASB workplan. She noted that the IASB had in 2024 completed eight projects and 13 consultations. In 2024, seven projects had commenced. 17 projects remained in process. It was expected that five projects would be completed in 2025, which included the publication of the management commentary practice statement and a rate-regulated activities Standard. In total, between 2024 and 2025, 11 projects would have been completed.

She presented an update on individual projects with the following highlights:

(a) the dynamic risk management (DRM) Exposure Draft (ED) would only be published in Q4 2025 due to staffing issues.

(b) amendments (i.e., Contracts Referencing Nature-dependent Electricity- amendments to IFRS 9 and IFRS 7) had been issued in December 2024. The IASB is aware that investors looked forward to understanding the disclosures they would receive under these amendments.

(c) there has been a review of the IFRS for SMEs Accounting Standard. One of the biggest elements of the update had been moving revenue from a risk and reward to a control-based model and changes had also been made to business combinations and financial instruments.

(d) the IASB expects to publish the revised Management Commentary practice statement in Q2 2025. Initial feedback to the 2021 ED had been considered but the language had been updated to be as consistent as possible with the ISSB Standards and integrated reporting framework. The practice statement was particularly important for regulators.

(e) regarding the climate-related and other uncertainties in the financial statements ED, the IASB would spend time reviewing the two ED examples (Examples 1 and 2 on qualitative materiality assessment based on IAS 1.31, paragraph 20 of IFRS 18) considered contentious based on stakeholders' feedback.

(f) the IASB expects to determine the direction of the intangible assets project within Q2 2025. Early feedback from stakeholders indicated an equal preference for a phased approach and everything being done at once.

(g) the statement of cash flows and related matters project had been initiated. The question of the usefulness of the statement of cash flows for financial services entities, such as insurers and banks, continued to arise.

(h) from its horizon-scanning activities, the IASB had been unable to prove that accounting for pollutant pricing mechanisms (PPMs) was a significant and widespread concern. It had been decided that the topic would be included in the fourth agenda consultation to seek further constituent feedback.

(i) the IASB's fourth agenda consultation was to be discussed at the IASB's April 2025 meeting. It was likely that the IASB would seek stakeholder feedback on the need for a joint project with the ISSB on connectivity and the boundaries of different general purpose financial reports.

(j) there was also a new webpage devoted to the work done on connectivity by the IASB and ISSB.

Audience interaction

IFASS participants had several questions including the timing of the DRM ED, the rationale for the IASB's decision to not start a project on PPMs, whether amortisation of goodwill could be a decision made in the intangibles project, and whether IFRS S1 and IFRS S2 requirements could be incorporated within IFRS accounting requirements.

In response to these questions, Linda Mezon-Hutter confirmed that the DRM ED would likely be published in Q4 2025 and everything in terms of updating websites and materials would flow from that. She noted it had become clear after feedback from stakeholders that the issues around PPMs were not sufficiently widespread to meet IASB's criteria for an active standard setting project and further information on this project could be obtained through the feedback elicited during the fourth agenda consultation. She also noted that the amortisation of goodwill would not be added to the intangibles project as the matter had been dealt with under the business combinations, goodwill and disclosures project, and the stakeholders were equally divided for and against amortisation and their views were entrenched.

On connectivity and the interaction between the climate-related and other uncertainties in the financial statements ED and IFRS S1 and IFRS S2 requirements, she noted that the IASB focused on current financial statements while the ISSB Standards focused on disclosures of sustainability-related financial risks and opportunities, which had a forward-looking orientation. The assumptions used for financial statements and forward-looking disclosures should nevertheless be the same. The ISSB's Sue Lloyd remarked that the ISSB Standards also require disclosures of current financial effects. Linda Mezon-Hutter emphasised that, for any shift from the IASB's current priorities, stakeholders needed to convey the relative priority they accorded to the IASB and ISSB working together on a joint project.

Day 2 plenary session item 7. ESRS update and Non-EU standard

Patrick de Cambourg's update highlighted the experiences with the first wave of ESRS reporting, EFRAG's implementation support, an overview of the Omnibus proposals, an update on the Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME), and the non-EU ESRS standard.

Experience with the first wave of ESRS reporting: Patrick de Cambourg noted that the publication of the first wave of ESRS sustainability statements (a significant milestone) showed that reporting under ESRS had led to a clear structure of SR information, improved comparability due to common language and definitions, and the coverage of material topics. He expected that the quality of reporting would improve over time.

EFRAG's ESRS implementation support: Patrick de Cambourg highlighted that EFRAG had published three ESRS implementation guidance (IG) documents related to materiality assessments (IG 1), the implications of value chain reporting (IG 2) and ESRS data points (IG 3). IG 3, though, had been somewhat misinterpreted because it provided the upper bound of possible data points subject to the materiality assessment. Hence, some stakeholders wrongly construed roughly 800 data points as a requirement, whereas the intention had simply been to convey that narrative information must be reasonably granular.

EFRAG also developed a draft climate transition plan implementation guidance. The document educates on the main requirements of ESRS E1 *Climate Change*. Patrick de Cambourg also noted that almost 70% of relevant questions in the Q&A platform had been addressed.

Omnibus main proposals: Patrick de Cambourg highlighted that the first main proposal[1] was to modify/postpone the implementation deadline (also referred to as 'stop the clock') for the second wave of adopting companies by two years. ESRS, as adopted in July 2023 (and effective from January 2024) by the first wave of companies, would still be applicable in 2025 and likely 2026, because the Commission would likely be unable to adopt a delegated act before mid-2026. The second main proposal was to limit the application of the ESRS requirements to companies with more than 1,000 employees. This significantly reduces the number of eligible companies. The remaining companies would be encouraged to adopt voluntary reporting on the basis of a simpler standard, taking its inspiration from the EFRAG VSME.

Patrick de Cambourg noted the Commission's commitment to a simplification and streamlining exercise without undermining its public policy (EU Green Deal) objectives. A substantial reduction in ESRS data points was therefore anticipated.

Other aspects of the Omnibus: There would be no ESRS sector-specific standards. If guidance was required, SASB Standards, GRI Standards and other material could be issued as a source of entity-specific disclosures. The value chain cap would be extended. The objective of moving to reasonable assurance was no longer mentioned.

[1] 'Stop the clock' has since been enacted after the approval of the European Parliament and Council of Ministers, meaning the adoption date is postponed by two years for wave 2 companies.

Update on VSME: EFRAG delivered the VSME to the Commission in late 2024. Large companies in the value chain, SMEs, and financial institutions had been consulted on the best way to prevent duplication. These stakeholders had reached a reasonable level of consensus and the VSME remained popular. It was fit for purpose for smaller companies, but it remained unclear if it could be voluntarily used for companies excluded from the scope of ESRS.

Non-EU Standard: Patrick de Cambourg noted the Omnibus 'stop the clock' proposal applies to non-EU companies not listed on an EU-regulated market with net turnover generated in the EU over €450 million. This is a significant increase from the previous eligibility threshold of €150 million. He highlighted some of the key differences between ESRS and ESRS for non-EU companies. Notably, for non-EU companies, only impact materiality would be considered, and EU taxonomy-related disclosures were not required.

Day 2 plenary session: Item 8. Consistent application including the Role of IFRS IC

Katharine Christopoulos (AcSB) moderated this session, and Jenifer Minke-Girard (IASB) and Hernán Pablo Casinelli (GLASS) provided their views about what consistent application means and the role of the IFRS Interpretations Committee ('IC'). Responses to polling questions during the session can be seen here.

What is meant by 'consistent application'

Hernán Pablo Casinelli noted that in GLASS' view, considering the unique circumstances of preparers of financial statements in their region, consistent application meant incorporating principles that facilitate the daily application of standards. He noted that challenges arose at two levels:

- Understanding the underlying principles in the standards; and
- Applying requirements developed in a language that is different from the region's local languages.

He further explained that there could be cases where the translation of IFRS Accounting Standards (from English into other languages) gives rise to differences in the interpretation of the requirements. In jurisdictions lacking specific guidance to address such discrepancies, this would introduce application challenges.

Jenifer Minke-Girard highlighted that consistent application is very important as it directly affects the quality of information provided to users. In her view, consistent application is applying principles consistently to similar facts and circumstances. She clarified the distinction between 'differences in accounting' and 'inconsistent application', noting that these terms are often used interchangeably which may cause confusion:

- Differences in accounting may arise due to differences in transactions, facts and circumstances or application of professional judgement.
- Inconsistent application can occur when the requirements are interpreted differently, or when aspects of the standards are overlooked.

In Katharine Christopoulos' view, consistent application meant a principles-based interpretation that was acceptable given the facts and circumstances. She noted that consistent application did not mean uniformity. The latter relates to rules rather than principles and it does not allow for flexibility for professional judgement.

Obstacles faced in ensuring consistent application

Katharine Christopoulos explained that there are different actors working together (standard setters, regulators and auditors) that may interpret the requirements differently. Another challenge is when there is diversity in practice specific to one jurisdiction that may not exist in other jurisdictions.

Hernán Pablo Casinelli noted that a key barrier to consistent application was that, in Latin America, local GAAP is based on continental European accounting principles, while IFRS Accounting Standards are based on Anglo-Saxon accounting principles. As a result, many accountants in the region struggle to understand the Anglo-Saxon approach. Moreover, each country in Latin America has its own levels of interpretation and established patterns related to accounting matters, further complicating consistent application.

Supporting consistent application

Hernán Pablo Casinelli explained that GLASS focuses on training accountants to understand the principles included in the standards, as many issues stem from a lack of education. For this purpose, they promote the use of educational materials developed by the IASB.

Katharine Christopoulos shared that in Canada, issues specific to their jurisdiction were discussed publicly through the IFRS Accounting Discussion Group (Advisory Body to AcSB), which brought together preparers and users. The group decides whether an issue should be raised to the AcSB, the IASB, or whether they need to monitor it further. She also noted that in Canada, they set up transition support groups similar to those of the IASB, to discuss issues during the implementation phase.

Jenifer Minke-Girard explained that the IASB often publishes supporting materials on the same day that a Standard is issued. These materials may include the Bases for Conclusions, illustrative examples, effects analyses, feedback statements, project summaries, educational articles, and videos. However, she emphasised that not every project includes all types of supporting material. A good example of comprehensive supporting material can be found on the IFRS 18 project page on the IASB's website. Additionally, some materials are developed later in response to questions. These include IFRS Interpretations Committee agenda decisions and post-implementation review project summaries and feedback statements. The IASB also maintains a dedicated section on its website aimed at supporting consistent application.

Audience interaction

IFASS participants asked whether future interpretations may not be needed since the most recent IFRS IC interpretation was issued in 2017 and whether agenda decisions were monitored and treated as mandatory in jurisdictions. Jenifer Minke Girard indicated that the IFRS IC, in evaluating matters submitted to it, considers whether there are issues that require standard setting, either by the IASB or through an Interpretation. Both Hernán Pablo Casinelli and Katharine

Christopoulos responded that in their jurisdictions, agenda decisions are mandatory for all companies applying IFRS Accounting Standards.

Another IFASS participant raised concerns about the ongoing challenges surrounding the interpretation of 'prevalence' across different jurisdictions. Linda Mezon-Hutter provided an example of an IFRS IC Interpretation that was developed because the issue was deemed to be prevalent, even though the specific matter arose from a narrow set of jurisdictions, and the Interpretation caused disruption in other jurisdictions. The notion of assessing prevalence is ultimately a matter of judgment.

Day 2 plenary session item 9. AI and digital technologies in standard setting – From promise to reality

Charis Halliday (AASB) moderated the session consisting of presentations by herself, Phil Fitz-Gerald (FRC-UK) and Madhu Mathew (IFRS Foundation). The session showcased actual use cases of AI and digital technologies building on a session at the 2024 IFASS meeting in Seoul that mainly conveyed the broad possibilities of AI for standard setting. Responses to the polling question during this session can be seen here.

FRC-UK presentation- leveraging structured data

Phil Fitz-Gerald gave an overview of the FRC's work in developing and leveraging digitalised data. Further to its past contributions[2] to digitising reporting information, via its CODEx (Company and Organisational Data Explorer) project, the FRC has in the last 18 months developed tools to facilitate the access and analysis of a rich repository of structured data of UK companies (i.e. there are over 3 million UK companies with annual reports filed in structured data file format (iXBRL)). The CODEx project aims to foster the FRC's policy/standard setting and regulatory supervision activities as well as enable free public access to the UK companies' digitally reported data (i.e., it maximises the value of structured companies' data by making it accessible and usable).

In this regard, the CODEx elements are the public element, iXBRL viewer (a tool to display an individual or small number of iXBRL files), and the regulatory toolkit[3]. The latter allows bulk

[2] FRC enabled digital reporting in the UK by developing and maintaining UK XBRL taxonomies that cover UK GAAP (FRS 101 and FRS 102), IFRS taxonomy and sustainability and narrative disclosures (e.g. carbon and energy reporting, gender pay gap). It also supports the FCA in its use of the IFRS taxonomy for UK listed companies akin to ESMA's European Single Electronic Format (ESEF).

[3] The CODEx toolkit is underpinned by an SQL database fed by various databases including the FCA national storage and companies house iXBRL files and reference data. This database interfaces with analytical tools (PowerBI, Excel and the iXBRL viewer).

analysis of companies including their use of specific accounting standards and concepts, and it allows the detection of outliers when undertaking regulatory surveillance.

Phil Fitz-Gerald gave a demo showing that, by navigating through the relevant disclosures of different companies, this toolkit, for example, could be used to search and identify disclosures on supplier payments or reverse factoring. He also referred to the enhanced analytical opportunities that would arise from layering AI on structured data.

AASB presentation- Generative AI evaluation of stakeholder feedback

Charis Halliday outlined the AASB's use of generative AI (done in partnership with the Commonwealth Scientific and Industrial Research Organisation- CSIRO) to assess feedback (117 comment letters and 289 survey responses) to its Exposure Draft SR 1 *Australian Sustainability Reporting Standards- Disclosure of Climate-related Financial Information*. This involved converting the comment letter and survey pdf submissions into machine-readable formats and using AI (GPT4) for synthesis and interpretation, and thereafter comparing AI outputs with human-coded assessments of stakeholder information along with the themes and sentiments related to the specific questions. An AI tool (Claude 3) was used to adjudicate the differences between the AI outputs and human assessments.

Key findings and suggested way forward: Charis Halliday observed that AI performed as well as human analysis with structured survey data but was less effective with unstructured comment letters that had nuanced feedback (e.g. where there was an explicit agreement followed by extensive points showing disagreement). She suggested possible refinements could be implementing structured submission templates, including examples in the prompt to reduce AI inaccuracies, and using retrieval augmented generation (RAG) to allow the AI to reference relevant external information. Generative AI could assist in assessing reliability and flag inconsistencies in human assessments.

IFRS Foundation presentation- Disclosure analysis

Madhu Mathew highlighted the IFRS Foundation's use of generative AI for large-scale disclosure analysis for the ISSB's research projects on human capital and biodiversity. It involved the analysis of unstructured data related to the risks and opportunities disclosures across multiple types of reports (i.e. 2,000+ companies and 23,000+ reports).

The disclosure analysis was done in three stages: a) getting the generative AI models providing unbiased summaries in order to identify baseline information; b) using the unbiased summary to develop prompts; and c) granular analysis and extracting the various metrics. Human involvement had been critical across these stages. The process enabled consideration of the topics that were being discussed, broken down by region or sector.

Key lessons: Madhu Mathew emphasised the importance of starting with unbiased information, instructing the model to avoid hallucination, and investing in strong prompt engineering. He also emphasised the need for human oversight throughout. For future enhancements, the team is exploring multi-modal processing to analyse both text and images, as well as prompt caching to improve efficiency and reduce the costs of AI processing.

Audience interaction

Questions were raised on the database underpinning FRC's CODEx and how XBRL extensions were resolved to ensure comparability. In response, Phil Fitz-Gerald clarified that extensions are not permitted for private companies but are permitted for listed companies reporting to the securities regulator.

IFASS participants questioned the consistency of the generative AI tools for comment letter analysis and whether structured data was required for AI analysis.

Charis Halliday remarked that consistency was also a challenge with human analysis. Madhu Mathew agreed that models tended to provide variable answers to the same question. Grounding the model by prompting AI to say if it did not know, and emphasising what it had to look at for the basis of its answers, improved the consistency of results albeit not perfectly. Phil Fitz-Gerald stated that structured data was still required to optimise AI. He gave the example of how debt is referred to in different ways in the Annual Report and generative AI models could not currently cope well with unstructured data. Chiara Del Prete shared EFRAG's experience of training a model to analyse the universe of the first wave of ESRS reports. On the digitalisation of reporting, she noted there had been pushback on the XBRL taxonomy for sustainable data in the EU particularly towards narrative data due to it being too costly. However, evidence showing that an entire report could be tagged in six hours had debunked these cost concerns.

Day 2- FR Parallel Sessions

On behalf of Chiara Del Prete, Armand Capisciolto chaired the FR parallel sessions.

<u>Day 2 FR parallel session- item 10: FR Jurisdictional Updates</u>

This session consisted of updates by accounting standard setter representatives from Korea, the UK, Italy, Zimbabwe, and GLASS. They highlighted developments related to a broad range of technical topics.

<u>Korean Accounting Institute (KAI) update</u>

Jae-Ho Kim gave an update about the KASB's endorsement of IFRS 18 and other key standard setting developments in Korea. As a precursor, he gave an overview of the KAI's organisational structure including the KASB, KSSB, and Korea Accounting Research Institute (KARI), and outlined the role of the Technical Inquiry Committee. He highlighted the reporting requirements for listed companies (K-IFRS) and unlisted companies (local GAAP or SME standards depending on whether subject to external audits).

IFRS 18 endorsement: Jae-Ho Kim highlighted several points of discussion/actions taken by KASB in its steps to endorse and adopt IFRS 18:

- There was extensive[4] use of the K-IFRS operating profit or loss (OPL). Hence, many stakeholders wanted to continue to use it. However, it could not[5] always easily fit the structure of the IFRS 18 income statement. The KASB was exploring ways to maintain the information on recurring OPL.
- Financial holding companies tended to exclude gains and losses of equity method accounted investees from their OPL, but many non-financial holding companies did not. There were also challenges for entities exposed to massive transactions in foreign currencies. IFRS 18 allowed for an exception where categorisation involved undue costs or efforts, but preparers were unclear about how to determine whether that applied to them and wanted to have more guidance.
- Some stakeholders would like to retain the concept of recurring OPL, and they have suggested defining normalised OPL, which would be calculated as a result of deducting non-recurring items from IFRS 18 OPL. It was suggested that the presentation of the normalised OPL could be in the income statement. However, the IASB had already decided against pursuing a distinction between usual and unusual items. Jae-Ho Kim outlined several alternatives being considered by KASB including disclosures of K-IFRS OPL and the use of management-defined performance measures (MPMs).
- There was also an issue related to MPMs. Notwithstanding the IASB's detailed disclosure guidance on MPMs, in Korea, the K-IFRS OPL was well-established and preparers had little reason to use non-GAAP measures. With IFRS 18, stakeholders might have to contend with the novel MPM rules.

The KASB aims to complete its deliberations in the second half of 2025 and should finalise the IFRS 18 endorsement process by the end of 2025.

IFRS 19 endorsement:

Jae-Ho Kim also updated on the IFRS 19 endorsement. He highlighted that a second public consultation was planned for later in 2025 to integrate the disclosure part of K-IFRS 1118 into K-IFRS 1119 and to allow careful assessment of the K-IFRS 1119 endorsement through a cost/benefit analysis. The regulator had been taking a very prudent stance due to a concern around comparability being impaired between those entities electing to use IFRS 19 and those that are not. Most eligible subsidiaries could already apply the full IFRS. Users used to the granularity of the full information might be uncomfortable with less information under IFRS 19.

Audience interaction:

An IFASS participant asked about the accounting for dividend income from investments at cost, and whether that had been similar to the equity method issue Jae-Ho Kim had highlighted. Jae-Ho Kim confirmed that it had also been raised during the consultation period. Holding companies had such issues. For separate financial statements, the current practice was that holding companies included dividend income from their subsidiaries in the operating profit or loss. It could be excused by indicating that the main business activity of holding companies was investing in subsidiaries.

---

[4] Because IAS 1 did not have a definition for operating profit or loss (OPL) and had no requirement for the disclosure of OPL, KASB had set out a definition of OPL and had added a requirement to present OPL in the income statement. The definition was direct and narrow. An exception was permitted for gains and losses from equity method investments if the company could demonstrate its main business activity was investing in associates and joint ventures that included equity method gains and losses in OPL. The new IFRS 18 concept of OPL was very inclusive.

[5] For example, some companies included interest expenses on defined benefit liabilities in OPL, but IFRS 18 required them to be categorised under financing.

FRC-UK update

Jenny Carter and Stephen Maloney provided an update highlighting a) preparers' feedback on FRS 101 (Reduced Disclosure Framework), a list of the disclosures that were not required; and b) other projects in FRC's workplan.

Preparers' feedback on FRS 101: Stephen Maloney noted that parents as well as subsidiaries could use certain disclosure exemptions under FRS 101. He shared key findings from the 180 preparer responses[6] conveying that 77% were applying FRS 101 somewhere in their group, and 38% were applying it to all qualifying entities in their group.

For the FTSE 100, 81% of respondents applied FRS 101 for the parent's accounts and 88% applied it for one or more subsidiaries. Overall, there was positivity about the disclosure exemptions being useful. Stephen Maloney explained that financial institutions were restricted in terms of which disclosure exemptions they could use. However, they had been particularly positive about FRS 101. Groups were highly likely to continue applying FRS 101 once they had started. The only reason given for stopping use had been that when IFRS 17 had been introduced insurance companies had to be prevented from continuing to use FRS 101. 91% had agreed with the FRC's assumptions that there were few users of qualifying entity financial statements, particularly external to their groups. Tax authorities and lenders were considered to be the top users of FRS 101 financial statements. 100% had confirmed that users had not requested additional information.

There were three principles on which exemptions to provide: relevance, a cost constraint and avoiding gold-plating[7]. A large majority of respondents agreed with those underlying principles. Respondents had been using the disclosure exemptions and found them useful. There were no prevalent recommendations about anything to add or remove. FRS 101 did not require statements of cash flows, so that was the most widely used of the exemptions. 95% of respondents agreed that FRS 101 had made a positive contribution to the financial reporting framework.

Other FRC workplan projects: Jenny Carter reported that the FRC would soon be issuing some narrow-scope amendments to reflect changes in company size thresholds. With regard to IFRS 18, reductions in disclosures have been proposed for FRS 101. It had also been proposed that entities could not use IFRS 19 and FRS 101 together. There were several Statements of Recommended Practice (SORPs) in the UK issued by other bodies under FRC supervision, and the FRC had been overseeing updates to those SORPs. The FRC was considering narrow-scope amendments to FRS 102 in relation to IFRS 18. Some listed companies applied FRS 102 without preparing group accounts, so the MPM disclosures were being thought about. There was consideration about guidance on what an IFRS presentation should contain given the changes to IFRS. There were also plans for a third periodic review.

Audience interaction: Armand Capisciolto asked whether there had been pushback from the prudential regulator on financial institutions using FRS 101. Stephen Maloney replied that there had not been. For listed groups, the group financial statements had to be under IFRS, but all other entities effectively had a free choice to apply FRS. The qualifying conditions to be eligible for FRS 101 were being a member of a group and being consolidated into that group. There was no differentiation based on the notion of public accountability. Jenny Carter added that, where there were groups of entities in terms of the nature of their activities that had particular characteristics, there was consideration of the information needs, and not all exemptions could be used. If there were any users of the subsidiary accounts of financial institutions, they were probably interested

[6] 84% had indicated that they were from UK-listed groups, and 36% had come from the FTSE 100.
[7] Going beyond the requirements

in what was happening with financial instruments, so disclosure exemptions were not permitted on those topics.

OIC- Italy update

After providing an overview of the OIC mandate, governance structure and reporting requirements eligibility, Leonardo Piombino and Silvia Persichetti presented the new OIC Standard on Revenues (OIC 34 *Revenues)* and several projects on the OIC workplan.

OIC 34 Revenues

Leonardo Piombino compared OIC 34 (effective from 2024) with IFRS 15 *Revenue from Contracts with Customers*. Though largely aligned, he highlighted several key differences between the two Standards as outlined below.

- *Scope:* Unlike IFRS 15, construction contracts are addressed in a separate standard under Italian GAAP.
- *Identify the contract (step 1 under IFRS 15):* Unlike IFRS 15, OIC 34 does not provide guidance on this step because contracts are identified by Italian law.
- *Identify the performance obligation (step 2 under IFRS 15)*: Unlike IFRS 15, under OIC 34, some promised goods are not considered as a performance obligation.
- *Determine the transaction price (step 3 under IFRS 15):* Unlike IFRS 15, where an entity considers the terms of the contract and its customary business practices to determine the transaction price, under OIC 34, only the terms of the contract are considered for this step. There are also differences in the treatment of variable consideration (with a recognition threshold of reasonably certain under OIC 34 versus highly certain under IFRS 15). Under OIC 34, small entities do not consider whether a contract contains a significant financing component. Sales with a right of return are also treated differently under the two standards.
- *Satisfy the performance obligation (step 5 under IFRS 15)*: Unlike IFRS 15, where revenue is recognised after the transfer of control, under OIC 34, revenues arise when significant risks and rewards are transferred to the customer. Moreover, under OIC 34, an entity recognises revenues over time only when the entity has an enforceable right to payment for performance completed to date while under IFRS 15, this occurs when one of the criteria of IFRS 15.35 is met (i.e., there is a tighter criteria for recognising revenue over time under OIC 34).

- *Disclosures:* OIC 34 requires reduced disclosures compared to IFRS 15, as it is aimed at unlisted entities.
- *Repurchase agreements*: Under OIC 34, if an entity has a right to repurchase the asset, it recognises revenue only if it is reasonably certain that it will not exercise that right. Under IFRS 15, the right to repurchase the asset is accounted for as either a lease or a financing arrangement.

OIC Workplan update

Accounting Standard for Small and Micro Enterprises: Leonardo Piombino provided an update on the OIC project on Accounting Standard for Small and Micro Enterprises. It is a recent project, started in May 2024 and whose objective is to simplify the national accounting standards for small and micro entities. During the OIC outreach activities, stakeholders supported a single accounting standard for small and micro entities. Leonardo Piombino specified that there are already simplifications included in Italian GAAP for small entities, such as simplified statements and reduced disclosures, the statement of cash flows is not required, amortised cost is not required (i.e., there is an option to record a line item's nominal value or net realisable value), and there is a simplified impairment test for intangible and tangible assets. The OIC is seeking further simplifications.

ED on OIC 5 *Liquidation Financial Statements:* Silvia Persichetti highlighted that the ED on OIC 5 was issued in April 2024. A new Standard is expected to be published by the end of 2025. She noted that the objective of liquidation Financial Statements is to inform users (i.e. existing creditors and shareholders concerned about recovering their investments) about the progress of the liquidation procedure. The new Standard addresses situations where an entity is in its liquidation phase but may still be running its business (or parts of its business) with the purpose of selling it in the future. She noted the following ED proposals:

- Disclosure requirements: Entities will be required to provide specific information on the expected outcome of the liquidation, and the timing and dynamics of collections and payments.
- Statement of financial position: The distinction between current and non-current assets has been eliminated.
- Statement of Profit or Loss (P&L): Specific line items have been added to the P&L for the gains and losses arising from the liquidation procedure. This can be from the sale/collection of assets and the extinction of liabilities.
- Measurement criteria: Assets shall be measured at the lower of the carrying amount (at the start of liquidation) and net realisable value (through sale to third parties or collection). Liabilities shall be measured at the value expected to be paid, which may be higher or lower than the nominal value (due to penalties or concessions granted by the creditors).

Zimbabwe Public Accountants and Auditors Board (PAAB) update

Lewis Hussein presented the experience of applying IFRS Accounting Standards in Zimbabwe, focusing on IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 29 *Financial Reporting in Hyperinflationary Economies* and IFRS 13 *Fair Value Measurement*. On the interplay between IAS 21 and IAS 29, he explained that Zimbabwe had been hyperinflationary for several years and local companies applied IAS 29. As many businesses opted to use USD as a stable currency, the information from applying IAS 29 differed from what management used, given the restriction in IAS 21 to use another functional currency in hyperinflationary economies just to avoid the application of IAS 29. Alternatively, Lewis Hussein underlined that if the USD was used as a stable functional currency, thereby leading to the treatment of the hyperinflationary currency as a foreign currency, all transactions would have a known spot rate.

Moreover, with respect to IFRS 13, Lewis Hussein acknowledged the concern related to legal restrictions on the currency that could be used for valuations. Valuation reports could not be translated into local currency at official rates as this led to understated values, whereas the use of another rate was not compliant with local legislation.

On the possible ways forward, Lewis Hussein highlighted that the restriction towards selecting another functional currency to avoid the application of IAS 29 should be removed. On the other hand, the qualitative indicators for assessing whether an economy is hyperinflationary should be retained as they were useful.

GLASS update

Hernán Pablo Casinelli provided a jurisdictional update on high-inflation accounting, agriculture, income taxes, intangible assets and SMEs and micro-entities. As regards hyperinflation, he noted concerns around the quality of financial reporting in hyperinflationary economies, identifying issues related to the interaction of IAS 29 and other IFRS Accounting Standards and the usefulness of financial statements information in ‘high inflation’ but not hyperinflationary economies.

Moreover, Hernán Pablo Casinelli questioned whether the primary measures of performance in agricultural and agro-industrial entities were communicated well under the current IAS 41 *Agriculture* requirements and noted that there were other biological factors of production presenting more similarities with property, plant and equipment than biological assets.

Regarding income taxes, Hernán Pablo Casinelli referred to jurisdictional differences between IAS 12 *Income Taxes* and local GAAP, mainly related to the treatment of deferred tax liabilities related to non-depreciable long-term assets whose sale was not expected in the foreseeable future.

With respect to intangible assets, Hernán Pablo Casinelli stated that some jurisdictions had issued guidance on the accounting for cryptocurrencies different from the related IFRS Interpretations Committee decision. He referred to possible deficiencies in the reporting of intangible assets in the financial statements. In addition, on SME and micro-entity accounting, he noted the concern around differences when applying local GAAP and IFRS for SMEs, including in areas such as R&D expenditures.

Audience interaction

IFASS participants asked questions on the option to use another functional currency to avoid reporting under IAS 29 and provided their own jurisdictional perspectives (Lebanon) on reporting in a hyperinflationary economy.

Day 2 FR parallel session: item 11. Provisions – Targeted Improvements

Katharine Christopoulos (AcSB) moderated this panel discussion involving Pierre Martin (ANC), Sébastien Harushimana (EFRAG) and Seema Jamil-O'Neill (UKEB). The focus of the panel discussion was on the proposals of Exposure Draft ('ED') *Provisions—Targeted Improvements (Proposed amendments to IAS 37).* Responses to polling questions during the session can be seen here.

Whether the ED proposals achieved the overall objectives and views on the accounting for levies

There were mixed views on whether the ED proposals achieved the overall objectives set out in the ED as follows.

Aspects agreed with

In general, panellists agreed that IAS 37 was an outdated standard that needed revision.

Pierre Martin noted that the proposal to separate the present obligation criterion into obligation, transfer, and past event was seen as a step forward. Stakeholders felt that the changes would enhance reporting accuracy, aided by clear illustrative examples. One ambitious element was incorporating levies into the general model, especially for obligations based on actions or thresholds and these were viewed as manageable if the identified issues were tackled.

Sébastien Harushimana agreed with the proposals on discount rates and both Seema Jamil-O'Neill and Sébastien Harushimana indicated that the measurement proposals were beneficial.

Katharine Christopoulos noted that the AcSB was broadly supportive of the proposals and also preparers did not want to make changes to IFRIC 21 *Levies* as practice had settled. The proposals seemed to be heading in the right direction by aligning the recognition criteria with the conceptual framework, and the establishment of the three criteria was positive.

Concerns raised

Pierre Martin stated that the ANC raised four issues where they applied the ED proposals to a French levy: defining qualifying levy features as actions, determining if levy features are separate, the impact of action sequence over time, and distinguishing scope from true thresholds in the ED.

Sébastien Harushimana emphasised that the proposals risk creating confusion by suggesting that the obligation is assessed from the point an entity obtains a benefit or takes an action. Another issue was that the consequences of failing to fulfil the obligation were often not more severe than the cost of meeting the obligation, for example, in many jurisdictions, laws were silent on penalties for not cleaning up pollution, and in others, penalties were small compared to the costs of cleanup.

This raised the concern that the proposals made it seem as though the entity must consider whether the penalties would be worse than the costs, which was not the IASB's intention.

Regarding the recognition criteria, Seema Jamil-O'Neill stated that some proposals were more complex than anticipated and could lead to increased diversity in practice. The lack of clarity arose from the attempt to blend the general requirements with those specific to levies, raising concerns around each condition: obligation, transfer, and past event. On the transfer condition, there were repeated questions about whether an exchange or a transfer should be distinguished. The past event condition led to questions about whether these requirements were necessary for non-levy obligations. The action and timing of actions were key factors in determining whether a levy would be accrued in a specific period or over a longer time. One example of this was the banking levy in the UK, where different interpretations led to different accounting outcomes, especially when it came to the definition of an action.

Katharine Christopoulos highlighted that more clarity was needed on how to apply the proposals, especially when multiple actions lead to a provision. Another area needing clarification was the accounting for provisions related to threshold-triggered costs, particularly those based on external metrics. Users expressed concerns about management estimates and the subjectivity involved in predicting future events.

Whether there is a risk of a levy being accrued for several periods or indefinitely

Pierre Martin stated that while the ANC had not identified a fact pattern that would unambiguously evidence a risk that the proposals would allow levies to be accrued over multiple periods, the recurring concern indicated a lack of clarity in the ED. Field tests for the revised model were recommended.

Sébastien Harushimana raised concerns about unintended consequences arising due to property levies. For example, if a tax is due at the end of the year for holding property, there is no issue. However, before holding the property, the entity must assess whether it can avoid payment by not holding the property at year-end. If avoidance was not practical, the entity would need to make a provision for the entire period, which was not the proposal's intent.

Recognition versus measurement of a levy

Katharine Christopoulos asked for views on whether the proposals confused the recognition and measurement of a levy, particularly in relation to allocating expenses to the period from which the figures used to calculate the levy were based.

Both Sébastien Harushimana and Seema Jamil-O'Neill indicated that further clarity was needed on the recognition versus measurement of a levy. For example, when a levy would depend on multiple factors or is based on an average level of certain assets or liabilities.

Assessing the ED proposal's costs and benefits

Seema Jamil-O'Neill noted that users found discount rate disclosures useful and requested more detailed information and sensitive analyses, especially regarding changes in discount rates and the uncertainty of measurement in provisions. However, preparers were concerned that the proposals could raise more questions than they would resolve issues.

Sébastien Harushimana emphasised EFRAG's view that for recognition, the proposal's cost-benefit balance was not met. Still, EFRAG supported the risk-free rate approach and recommended that the IASB use the Basis for Conclusions to clarify how to incorporate liquidity risk without significantly increasing preparers' burden.

Pierre Martin found the measurement proposals stronger than those on recognition, noting that the latter were complex and potentially costly, requiring more implementation guidance. Pierre Martin added that the proposals focused narrowly on entity-specific actions, overlooking sector-wide mechanisms.

Other significant issues

Discount rate: Katharine Christopoulos noted that applying a risk-free rate is a significant concern for Canada for the following reasons. The rate might not always promote consistency and could not be used in all cases, such as pensions under IAS 19. She also highlighted discrepancies between US GAAP and IFRS (i.e., the IFRS proposals introduce tighter requirements for the discount rate used to measure provisions, requiring that the discount rate is a risk-free rate which does not reflect non-performance risk). Further, under US GAAP, environmental obligations are generally not discounted unless there is explicit authoritative guidance that requires it, which may disadvantage IFRS reporters, especially in Canada, where many competitors follow US GAAP.

Other issues: Katharine Christopoulos and Sébastien Harushimana called for further clarification on the treatment of internal legal costs and overheads in provision estimates. Katharine Christopoulos also raised a concern about the scope of proposals related to onerous contracts. Lastly, Seema Jamil O'Neill flagged concerns with how the proposals interact with IFRS 3[8]. This change could lead to an unintended 'Day-2 loss' being recognised. The UKEB had recommended an exception to IAS 37 to address potential day-two losses arising from discount rate inconsistencies and fair value considerations.

Audience interaction

IFASS participants noted that the proposals could cause confusion and they expressed concern about the uncertain timing for property taxes, especially in North America.

Day 2 FR parallel session item 12. IFRS for SMEs

Tinyiko Denhere and Helen Lloyd (IASB) provided an overview of the third edition of the *IFRS for SMEs* Accounting Standard including implementation support. Yoke Pin Foo (MASB) presented the results of a related AOSSG survey, and Jenny Carter (UK FRC) highlighted how the updated standard had informed UK GAAP including supporting implementation.

IASB presentation

Background to the IFRS for SMEs Accounting Standard – The IASB Staff stated that the *IFRS for SMEs* Accounting Standard is based on full IFRS Accounting Standards with simplifications to reflect the information needs of users of SMEs' financial statements and the resources available to SMEs. The

[8] For each business combination, a provision is initially measured at the acquisition-date fair value, using a discount rate that includes non-performance risk. However, under the proposed amendments, the discount rate applied after the acquisition would exclude non-performance risk.

Standard was adapted for entities without public accountability that prepare general purpose financial statements.

Second comprehensive review – This review resulted in the third edition of the *IFRS for SMEs* Accounting Standard being published in February 2025. The IASB Staff indicated that the full IFRS Accounting Standards along with other topics brought to the IASB's attention were used to update the *IFRS for SMEs* Accounting Standard (the alignment approach). The alignment principles applied were relevance to SMEs, simplicity and faithful representation.

Main changes to the *IFRS for SMEs* Accounting Standard:

- Section 2 Concepts and Pervasive Principles – This was revised to base it on the 2018 *Conceptual Framework*.
- Section 9 Consolidated and Separate Financial Statements – This section was updated to base the requirements on IFRS 10 *Consolidated Financial Statements*, e.g., aligning the definition of control with IFRS 10.
- Section 11 Financial Instruments – Previous sections, Section 11 *Basic Financial Instruments* and Section 12 *Other Financial Instrument Issues* were combined into Section 11.
- Section 12 Fair Value Measurement – Fair value measurement requirements in other previous sections were combined in this new section and some aspects of IFRS 13 were updated.
- Section 19 Business Combinations and Goodwill – This section was revised to align with some aspects of IFRS 3 *Business Combinations* (2008), such as the definition of a business, identifying the acquirer, recognising and measuring assets acquired and liabilities assumed, and recognising and measuring goodwill and business combinations achieved in stages.
- Section 23 Revenue from Contracts with Customers – This section was revised to align it with IFRS 15.

Supporting implementation – The IASB Staff highlighted that implementation support for the third edition of the *IFRS for SMEs* Accounting Standard included educational modules, which include illustrative examples and case studies, and webcasts and podcasts. These materials began to be made available from Q1 2025 on the IFRS Foundation's website.

MASB presentation

Yoke Pin Foo provided an overview of the status of the adoption of the *IFRS for SMEs* Accounting Standard by AOSSG member jurisdictions as of October 2024. 53% did not use the *IFRS for SMEs* Accounting Standard while 29% had an option in local GAAP to permit its application. 11% of the jurisdictions applied either it or the IFRS Accounting Standard and 7% applied it with

modifications. These percentages remained relatively stable relative to previous years, i.e., 2017, 2020 and 2022.

In October 2024, a survey was conducted to update the status of adoption of the third Edition of the *IFRS for SMEs* Accounting Standard. 60% of the member jurisdictions applied local GAAP and since it was working as intended, they did not have plans to adopt the third Edition of the *IFRS for SMEs* Accounting Standard. On the other hand, 40% have adopted the *IFRS for SMEs* Standard (or equivalent) and plan to adopt the Third Edition of the *IFRS for SMEs* Accounting Standard.

For those intending to adopt the third Edition of the *IFRS for SMEs* Accounting Standard, they suggested that some implementation support would be useful, e.g., for the IASB to organise webinars and outreaches discussing the key features. In addition, the jurisdictions could identify specific implementation challenges when implementing the third Edition of the *IFRS for SMEs* Accounting Standard.

UK FRC presentation

Jenny Carter provided an overview of how the *IFRS for SMEs* Accounting Standard has informed UK GAAP. She stated that FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* was based on the *IFRS for SMEs* Accounting Standard but certain aspects were modified. For example, a section had been added to set out information to be presented and disclosed in the financial statements of a small entity, based on the legal framework for small companies. FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime* is based on FRS 102 but was modified for compliance with the micro-entities regime in law. Every five years, there is maintenance of FRS 102 and 105 and developments in the *IFRS for SMEs* Accounting Standard are considered in these periodic reviews.

Periodic review 2024 amendments and the IFRS for SMEs Accounting Standard and supporting implementation – The periodic review started in 2021 and resulted in final amendments that were published in March 2024. In essence, there were new sections added and alignment towards IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*. The effective date of the amendments would be 1 January 2026.

The UK FRC was also involved with implementation support, including publications and outreach activities to raise awareness and respond to questions. Other stakeholders such as practitioners and professional bodies also had a role to play in supporting implementation. Jenny Carter indicated that, to date, limited feedback had been received.

Day 2 - SR Parallel Sessions

Chiara Del Prete chaired the SR parallel sessions.

Day 2- SR parallel session item 13. Sector Classification/ SASB Standards update, GHG protocol, ARDF

This session (item 13) had three parts: sector classification/SASB Standards update; GHG protocol presentation; and Accounting and Research Development Foundation (ARDF) jurisdictional perspective presentation.

Item 13- Part 1 Sector classification/ SASB Standards update

Kristian Koktvedgaard (Danish Sustainability Standards Committee-DSSC) moderated the first part of this session (item 13). It consisted of presentations by Bryan Esterly (ISSB) updating on SASB Standards and himself on the ESRS perspective. This was followed by a panel discussion involving Istini Siddharta (IAI Indonesia), Jack Bisset (NZ XRB), and Sung Ho Joo (KSSB). Responses to polling questions during the session can be seen here.

ISSB presentation on SASB Standards update

Setting the scene, Bryan Esterly gave an overview of the SASB Standards consisting of 77 industry-specific standards across 11 sectors. He indicated the ISSB was working on enhancing the SASB's sustainability industry classification system (SICS), which is a principles-based system to help entities identify risks and opportunities based on their respective business models without having to misclassify any entity into a particular industry.

Interaction with IFRS S1 and IFRS S2: Bryan Esterly conveyed that both IFRS S1 and IFRS S2 required an entity to disclose industry-specific information to meet investors' information needs. In doing so, IFRS S1 asks entities to consider the SASB Standards and IFRS S2 includes industry-based application guidance.

SASB Standards enhancement project: Bryan Esterly noted that, in June 2024, the ISSB had agreed on its workplan and included a project to enhance the SASB Standards. This project supports the implementation of IFRS S1 and IFRS S2 and also takes account of the findings of the ISSB research projects on human capital and biodiversity.

The initial phase of the project focuses on the guidance for 12 industries[9] and targeted amendments to other SASB Standards (i.e. besides the guidance for the 12 industries) and interoperability is an important consideration.

Timeline-wise, the first set of proposed enhancements in the form of a set of exposure drafts may be published in the middle part of 2025 (i.e. for nine out of the 12 industries to start with and would extend to the remaining three industries). What will be addressed in the second phase, including the prioritisation of industries, is still under consideration and stakeholder input is sought in this regard.

Bryan Esterly noted there were concerns around fragmentation within the disclosure landscape and there was a call to ensure interoperability with existing standards. There was support from investors and preparers for a simple and targeted design of the SASB Standards with a limited number of disclosures and metrics. He also highlighted the feedback received for some of the sectors/industries (food and beverage sector, electronics industry).

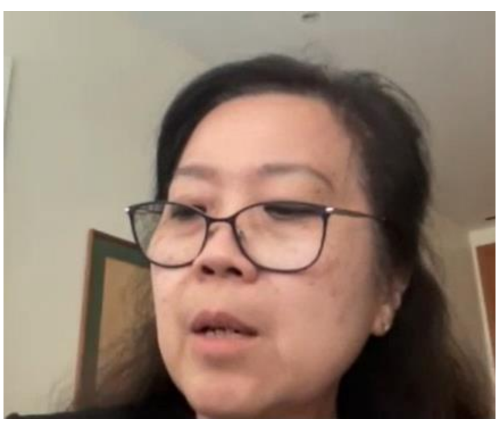
ESRS architecture presentation

Kristian Koktvedgaard highlighted that ESRS was built on two major layers (i.e. agnostic content combined with topical content) and is comprised of two cross-topical standards and 10 topical standards including five environmental, four social and one governance. Under the Omnibus proposals, sector standards could be eliminated. This will mean that ESRS applicants will have to refer to GRI, SASB, and other sectoral guidance as a source of entity-specific disclosure.

On the lessons learnt in the standard setting of ESRS, Kristian Koktvedgaard highlighted that the size of an entity was an important dimension that impacted its applicable sectors, and it was important to differentiate between business segments and sectors. Sector standards were perceived[10] to be generally more agnostic than sector-specific.

Finally, Kristian Koktvedgaard flagged considerations around the sector classification system and the business models within the sectors. He pointed out that the specific assigned codes as well as the narrative around ESRS sector classification were crucial.

Panel discussion- sector classification



Kristian Koktvedgaard asked the panellists for their assessment of whether comparability was of key importance and what sector dimensions should be looked at from a jurisdictional perspective.

Istini Siddharata pointed to other categorisation factors besides sector/industry that are indicative of risks and opportunities faced by entities. These include the size, geographical location, and environmental geography. Location shaped both the risks and opportunities and the cultural context in which the entity operated. Countries were comparable in some but not all cases. It was crucial to distinguish between the economic development levels of the company's operating country and its end-users' market (e.g., for the producers of basic materials including those in the extractive industry). Efforts to define sector definitions needed to

[9] These include all of the industries throughout the extractives and mineral processing sector, the electric utilities industry and some industries within the food and beverage sector.

[10] In the ESRS development, approximately 50% of the SASB industry material has been considered "sector agnostic", i.e. applicable to more than a single industry, therefore incorporated in the topical layer.

strike a balance, as the ultimate goal was to enhance meaningful reporting while considering practicality.

New Zealand perspective: Jack Bisset stated that given New Zealand's context of a climate-first mandate, SASB metrics were less commonly used. Organisations reporting on climate risk had been encouraged to collaborate at a sector level to determine what would be meaningful in the sector. The specific geographies and value chains within the different sectors needed to be considered. Sector specificity was important for investors' analysis but not necessarily sector standards.

Korean perspective: Sung Ho Joo highlighted that it was expected that Korean companies applied SASB standards when disclosing sustainability topics and Korea had a keen interest in the SASB standards enhancement project. Some issues have been identified in applying SASB in the Korean context. These were around:

- Sector/industry classification: Many companies in Korea had multiple operations, so selecting one category presented challenges and this lessened the feasibility of the SASB standards. Research demonstrated that the classification system needed to be reviewed for enhanced applicability in the Korean context.
- Metrics: These also presented difficulties because their terminology is sometimes unclear, and their scopes are also sometimes ambiguous.

Indonesian perspective: Istini Siddharata indicated that, in the Indonesian context, there was a concern around the inconsistency of the taxonomies as well as the level of granularity of the metrics in the SASB Standards when applied across heterogeneous geographical contexts.

In reaction, Kristian Koktvedgaard observed there was a challenge in striking the balance between the need for high comparability and embracing the compass of the company and the culture of the jurisdictions.

Kristian Koktvedgaard asked the panellists what were the type of disclosures that industries needed to focus on.

Jack Bisset stated that there was a lot of convergence around GHG metrics globally. However, there was less convergence on all other global metrics on sustainability matters. For the latter, there was a trade-off between top-down comparable metrics and local-specific metrics that were useful for management's decision-making. Through initiatives like the TNFD, converged global metrics are getting closer. In his view, the guidance in the SASB Standards was weighted more heavily towards the top-down perspective. If the metric was not being used to inform decision-making in a company in New Zealand, then it was difficult to justify such a metric remaining in place.

Istini Siddharta raised the importance of the local design of metrics against perceived importance on a global scale.

Kristian Koktvedgaard asked the panellists for their opinions on which sectors companies should use the SASB Standards, and operating in the context of multiple sectors and standards.

Sung Ho Joo remarked that reporting practice was not yet mature in Korea, and there had been many cases of superficial disclosures that did not fully include assumptions. As sustainability reporting evolved, issues relating to metrics in the SASB Standards would likely be addressed.

Bryan Esterly affirmed that the jurisdictional context was very important, and it had been factored into the structure of the SASB standards. There was variation in the metrics, and in some cases, there could be missed opportunities for tailored metrics within jurisdictional contexts. Thus, he considered it important to collaborate with national standard setters on this matter.

Item 13- Part 2- GHG protocol presentation

In the second part of this session (item 13), Alexander Bassen (Chair of the GHG protocol) presented about the role of the GHG protocol in sustainability reporting and the ongoing updates of the protocol's guidance. The GHG protocol enables companies to measure and report their direct and indirect emissions (i.e. scope 1 and scope 2 emissions), as well as both their upstream and downstream scope 3 emissions. Relatedly, it enables companies to track their progress towards their emissions targets.

Alexander Bassen highlighted that four GHG protocol corporate standards[11] were being updated including a new standard that was being developed for the actions and market instruments. This new standard is linked to the Scope 2 Guidance and Scope 3 Standard. The role of project-based accounting methodologies was being considered for Scope 2 Guidance while materiality was the focus for the Scope 3 Standard update.

He also detailed the consultative steps, decision-making process, and project timeline of these updates. On the timeline, he noted that consultations for Scope 2 Guidance and the actions and market instruments standard would occur in Q4 of 2025, and the consultation for Scope 3 and corporate standards would occur in Q2 of 2026. The final publication of the updated standards was expected in 2027. He also outlined the changes in the governance structure of the GHG protocol.

Item 13- Part 3 ARDF presentation- update on adoption of ISSB Standards

In the third and final part of this session (item 13), Doris Yi Hsin Wang and Albert Chou presented their jurisdictional experience in relation to a) sustainability development and capacity-building; and b) digital reporting on ISSB Standards and taxonomy.

The presentation on sustainability development and capacity-building covered the steps to the implementation of IFRS S1 and IFRS S2 set for 2027. Doris Yi Hsin Wang highlighted that the journey to the forthcoming adoption began in 2023, and, in 2025, there is an ongoing amendment of relevant regulations in preparation. A staggered adoption of IFRS S1 and IFRS S2 is expected from 2026 to 2029 (i.e. starting from the largest listed companies in 2026 and all companies, i.e., listed and unlisted companies, will have adopted these Standards by 2029). On the ongoing capacity building, Doris Yi Hsin Wang commented about their focus on developing IFRS S2 Disclosure Practice Guidance and IFRS S2 Disclosure Examples (where 11 industry-specific disclosures will be developed). She showed some of the illustrative examples that are being developed and detailed the task forces and working groups supporting the adoption and implementation of the ISSB Standards. She also touched on aspects that affect reporting quality including the internal control enhancement and assurance requirements.

[11] The four Standards are a) A Corporate Accounting and Reporting Standard; b) Scope 2 Guidance; c) Corporate Value Chain (Scope 3) Accounting and Reporting Standard; and d) Actions and Markets Instruments.

On digital reporting, Albert Chou explained the contextual aspects and challenges in the digitalisation of sustainability reporting information based on ISSB Standards. He touched on the enabling tools (XBRL conversion tools) and underscored the importance of the taxonomy in this regard.

Day 2 – SR parallel session Item 14. Jurisdictional updates on sustainability developments

This session consisted of two presentations by Ana Tércia Lopes Rodrigues – Conselho Federal de Contabilidad (CFC, Brazil) and Reto Zemp and Sabir Sheikh – Swiss GAAP FER and SIX Stock Exchange (Switzerland). The two presentations respectively highlighted sustainability reporting adoption initiatives in Brazil and Switzerland.

CFC presentation

Ana Tercia Lopes Rodrigues noted that, unlike for financial statements, Brazil lacked federal legislation mandating the disclosure of sustainability reporting. Consequently, the Brazilian Sustainability Standards Board was created as a result of the CFC regulation. Thereafter, the Brazilian translated versions of IFRS S1 and IFRS S2 (Comitê Brasileiro de Pronunciamentos de Sustentabilidade (CBPS) 1 and CBPS 2) were approved in 2024 and they are part of the technical Brazilian accounting standards.

Adoption pathway: Ana Tercia Lopes Rodrigues noted that voluntary adoption of sustainability reporting with limited assurance was expected in 2024. Mandatory adoption of CBPS 1 and CBPS 2 with reasonable assurance will occur in 2026. She noted that reporting entities would be required to provide information about governance, strategy, risk management, metrics and targets adhering to the qualitative characteristics of useful sustainability-related financial information (relevance and faithful representation).

She noted that most organisations were in the stage of understanding the standards, and nearly 60% had not yet defined the roles and responsibilities for preparing their sustainability-related disclosures. Only two companies in Brazil had announced early adoption for 2024.

Capacity-building initiatives and Implementation challenges: Ana Tercia Lopes Rodrigues highlighted a range of capacity-building initiatives including upskilling/education of stakeholders. She also highlighted the challenges with implementing sustainability disclosures that broadly stem from the need for integration among different areas of the organisation, the need to connect these disclosures to the financial statements, and a need for simultaneous disclosure with accounting information. Other implementation challenges in Brazil arise from the lack of federal law mandating the disclosure of sustainability information, the need to raise awareness of stakeholders on the importance of sustainability reporting, and the lack of commitment of various economic sectors to the climate agenda.

SIX stock exchange and Swiss GAAP FER presentation

As a backdrop to the update on sustainability reporting existing and forthcoming requirements, Sabir Sheikh gave an overview of the structure and activities of Swiss GAAP FER (the standard setter) and SIX stock exchange that have standard setting and regulation responsibilities in Switzerland. He conveyed that Switzerland had a self-regulated/private-sector regime of regulation. Reto Zemp outlined the legal and stock exchange sustainability reporting requirements as follows.

Legal sustainability reporting requirements: The current reporting of sustainability reporting is done under legislation that mirrors the EU NFRD. This legislation came into force in 2023, and its scope of eligible companies and topics addressed (environmental, social, human rights, corruption) are similar to the NFRD. In 2024, there was additional guidance (effectively TCFD recommendations) for environmental matters but there was no additional guidance for the rest of the topics.

Thereafter, the Federal administration came up with draft legislation proposing for sustainability reporting in Switzerland to be based on a double materiality perspective with reporting according to ESRS or another equivalent reporting standard (*to be designated* by the Swiss Federal Council). The supplementary report to the draft legislation mentioned ISSB Standards in combination with GRI Standards as an example of other possibly suitable guidance. The draft legislation is largely consistent with CSRD, with limited exceptions such as the possibility to use reporting standards other than ESRS.

A public consultation was held from July to October 2024 and the Federal administration is still processing the feedback received and it is also paying attention to and awaiting the outcome of the EU omnibus simplification package, which could impact the final proposal made to parliament. It was noted that a contentious aspect was the proposed eligibility expansion. Given the EU situation, there is likely to be lessened urgency for the finalisation and promulgation of the updated legal requirements. Meanwhile, before the finalisation of the draft legislation, the NFRD-equivalent requirements remain applicable.

Voluntary stock-exchange sustainability reporting guidance. The SIX Exchange has guidance that allow issuers—especially foreign filers that are outside the scope of the legal requirements—to ‘opt in’ and apply an internationally recognised sustainability reporting framework. The ‘opt-in’ initiative aims to ensure comparability and level the playing field between local and foreign filers. It is also intended to avoid regulatory arbitrage by the latter.

Audience interaction

IFASS participants posed questions on whether electronic sustainability reporting had been considered and the criteria for other standards (besides ESRS) that may be permitted.

Reto Zemp responded that digital reporting had been considered within the draft regulation and supplementary report. On criteria of permissible other standards (besides ESRS), he responded that the internationally recognised standards for ‘opt-in’ had been used, and these had been decided by Swiss GAAP FER based on the reliance on and confidence in other standard setters. The test that would be done by the government to determine whether anything other than ESRS would be permitted was not yet finalised.

Chiara Del Prete asked whether VSME was being considered and the ISSB's Sue Lloyd asked whether the work on SME-focused sustainability reporting would be aligned with the metrics and disclosures for the larger companies, as both sets of data would form part of the value chain. To the first question, Reto Zemp stated that it was difficult to indicate how far the voluntary SME reporting initiative would go. On the latter question, he noted that the guidance was in its early stages of development, and it had not yet developed metrics. In its current stage, the guidance was more of a framework for the companies to think holistically about sustainability and their exposures and risks.

Day 2 parallel session Item 15. OECD SME Initiative and VSME

The session consisted of presentations by Miriam Koreen (OECD), Paolo Marullo Reedtz (OIC) and Chiara Del Prete (EFRAG).

OECD-SME Initiative presentation

Miriam Koreen explained that the importance of SME sustainability reporting arises from the trickle-down effect on SMEs (i.e. trickling down of financial institutions' and large enterprises' own reporting requirements/needs onto SME clients). Thus, the OECD has developed guidance to foster convergence across reporting frameworks for SMEs that would allow them to reply to most requests from larger entities and financial institutions.

Miriam Koreen gave an overview of existing SME and broader reporting frameworks. She highlighted the proposed indicators and metrics in the OECD guide for SME sustainability reporting relating to environment (scopes 1 and 2 emissions, energy and water consumption, waste management, and climate-related targets), social (workforce headcount and health and safety), and governance (business compliance and management of sustainability matters).

She highlighted that, at the end of 2024, the OECD initiated dialogue with different stakeholders on sustainability reporting for SME. This dialogue will continue during H1 2025 with the aim of releasing the finalised OECD guidance around mid-2025.

OIC presentation- Applying VSME

Paolo Marullo Reedtz stated that the EFRAG Voluntary Sustainability Reporting Standard for SMEs (VSME) will be implemented by a vast majority of European undertakings due to the change in scope of the CSRD and that the value chain cap will limit the trickle-down effect. The broad scope of VSME's application increases the importance of the reliability and comparability of the information provided under its guidance. He acknowledged that reliability and comparability both require proportionality of sustainability reporting information relative to the resources and capacity of reporting entities. It also required support services, technologies, tools and guidance to be made available.

Paolo Marullo Reedtz considered the OECD initiative to have the merit of identifying commonly used indicators and facilitating the sustainability reporting process for SMEs, and it goes hand in hand with EFRAG's work programme on the VSME ecosystem. Finally, he noted that the SME forum should include relevant stakeholders, outreaches and training, as well as supporting guidance and suggest possible synergies. He suggested interactions between the two initiatives (OECD SME guidance and VSME) should be explored to reduce fragmentation in standards.

EFRAG presentation- VSME

Chiara Del Prete explained that the VSME has been tested and written for undertakings with up to 250 employees. In essence, the VSME had not been developed to have fair presentation, entity-specific disclosures or materiality principles being applied by the reporting undertakings. From the field tests and public consultation, an approach that would have required these principles would not be suitable for undertakings with less than 250 employees. She stated that proportionality is an essential element of the standards.

On the other hand, Chiara Del Prete stated that while the VSME can be meaningful for the undertakings it was developed for, it can be misunderstood by undertakings with different levels of complexity, especially as the current omnibus proposal suggests use by undertakings with 250-1,000 employees. If such undertakings are in value chains, they may consider the VSME on a voluntary basis. However, if the data request and need from their business counterpart is more complex, there will be an information gap (i.e. a gap between business counterpart information need and the undertaking's reported information), and this creates a risk that these undertakings will face burdensome, uncoordinated questionnaires.

Modular approach to VSME

Chiara Del Prete noted that EFRAG introduced a modular approach for VSME to make these requirements relevant for the different undertakings with up to 250 employees that were in scope. She explained that this allows undertakings to gradually build up their reporting capabilities. That is, these undertakings can start with the basic module and they can pick the indicators that they are ready to report from the comprehensive module. The standard, specifically the comprehensive module, is expected to be used to satisfy data requests between business counterparts, allowing them to provide data freely and choose what to share in public. Chiara Del Prete explained that EFRAG is also working on the finalisation of a digital template in Excel and a simple code that can allow SMEs to embed the template in their platform and then convert it to an XBRL report to be circulated.

Day 3- 14 March 2025

Day 3 plenary session Item 16. Introduction

Before the sessions commenced, Chiara Del Prete outlined the Day 3 agenda and, as it was the meeting's final day, she expressed particular thanks to the IFASS Secretariat from EFRAG, OIC-Italy staff members, and the University of Campania "Luigi Vanvitelli" staff member who had planned for and supported the running of the meeting.

Day 3 plenary session- item 17. Connectivity of financial statements and sustainability reporting – practical implications

Seema Jamil-O'Neill (UKEB) moderated this session, and it consisted of three presentations from herself, Simone Scettri (OIC), and Amelia Sharman (NZ XRB) followed by a breakout discussion amongst IFASS participants. Responses to polling questions during the session can be seen here.

OIC presentation- an Italian perspective

Simone Scettri gave an overview of the connectivity-related initiatives by the IFRS Foundation, ESMA, EFRAG, and other jurisdictional standard setters (i.e. AcSB, AASB, UKEB) and outlined the recurrent topics where connectivity questions arise in the financial statements (significant judgments, impairment testing, discount rates, depreciation, the useful economic lives of assets, and carbon emission rights).

At an EU level, he commented on the EFRAG connectivity research project's initial paper[12]noting that it was a useful practical guide that will need to be updated after the sustainability reporting standards become effective, and it will be important for EFRAG to engage in discussions with other national standard setters to better understand the implications of the respective sustainability-related and accounting standards. He also noted that, in its recent common enforcement priorities, ESMA had identified connectivity as a clear issue and called for

[12] EFRAG connectivity research project's initial Paper 'Connectivity considerations and boundaries of different Annual Report sections' that was published in June 2024

consistency in the information provided across the various sections of annual financial reports particularly in the reporting of climate matters.

In sharing about the OIC's connectivity-related initiatives, Simone Scettri referred to an OIC-EY hosted event involving a panel of multi-stakeholder experts (preparers, auditors, and academics) and presentations from the IASB and EFRAG on the IASB ED *Climate-related and Other Uncertainties in the Financial Statements* and EFRAG's connectivity project initial paper. Key messages at the event were around the challenges that preparers and users faced dealing with two versions of the annual report, which necessitated integrated thinking. Specifically raised were the challenges preparers faced in assessing double materiality and quantifying anticipated financial effects. He further highlighted the assurance challenges that were raised around auditors' responsibility and managing audit opinion.

Simone Scettri noted that the OIC's outreach to preparers had identified areas where challenges in connecting information were in play. For instance, due to inconsistencies across different sections of the annual report in the reporting of a) investments in sustainability-related tangible assets, and b) employee data.

<u>NZ XRB presentation- Is Connectivity similar to a quest for love?</u>

Amelia Sharman analogised the aspiration of connectivity to a 'quest for true love', whereby initial hopes may not be met and 'hearts may be broken'. She considered that the situation in New Zealand, a pioneer in mandatory climate reporting and where over 200 climate statements have been published across a wide spectrum of entities, provided a rich ground for examining how well connectivity is being achieved in practice.

She presented an illustrative example of a fuel retailer, whereby, in its climate statement, the company discloses that climate change was disruptive to the entity's business model and strategy under every scenario and that it is undergoing a strategic shift – from fossil fuels to renewable electricity provision – and highlights energy transition as one of the top material issues. It discloses that it has a huge exposure to the New Zealand Emissions Trading Scheme.

However, in its financial statements,

- no impairment of intangible assets (goodwill) was recognised despite climate disruption being evident in all scenarios modelled by the company. Although that made sense given the timeframes for the financial statements versus scenario analysis, it was also stated in the climate statement that climate and transition-related impacts could result in impairments. Moreover, the testing of goodwill for impairment had been a key audit matter.
- no mention of climate-related risk was in the financial risk management section despite the large list of transition and physical risks identified in the climate statement.

In effect, although each piece of information had been correctly provided in the context of each report's objective, there was potentially contradictory information across the annual report.

Amelia Sharman emphasised that this example is meant to highlight the broad systemic issue emanating from two different reporting streams. That is, even when both are "correct", they can paint an incoherent overall picture for the investor. This stems from differences in purpose, time horizons (financial statements horizon is typically up to 10 years, while sustainability reporting considers impacts over a longer horizon), and the lenses through which financial and sustainability reporting are constructed.

In Amelia Sharman's view, as financial statements are intended to inform investors' buy/sell/hold decisions, their value basis was inherently biased toward short-term financial performance. In contrast, sustainability reporting was, by its nature, longer-term oriented and aimed at a wider range of decisions by a wider range of parties, including but not limited to investor buy/sell/hold decisions. Thus, sustainability reporting was inherently biased towards giving preference and value to information that highlighted long-term uncertainties. Amelia Sharman stated that there was work in New Zealand to deal with the latter, particularly in the context of intergenerational impact reporting.

In conclusion, she posed the question of whether the foundational objectives of financial statements and sustainability reporting were working well together, and if not, what should be done in response.

<u>UKEB presentation- practical applications of connectivity in the UK</u>

Seema Jamil-O'Neill shared the results of UKEB's research into how UK companies were embedding connectivity into their reporting practices, and outreach done to gather feedback on experiences and expectations of UK preparers and investors on the connectivity of reporting. As a precursor, she recapped the institutional settings including the related sustainability reporting requirements in the UK.

Illustrations of connectivity: Seema Jamil-O'Neill presented two connectivity-related illustrative examples.

- The first example came from an aviation company. In its strategic report, it discusses sustainable aviation fuels and the impact of extreme weather on logistics. In the financial statements, these considerations are reflected in detailed disclosures about assumptions made in long-term transition planning, asset impairment assessments, and cost implications. This example showed how long-term sustainability risks, such as net zero targets by 2030, can influence short- to medium-term financial metrics.

- The second example involved a public utility, where climate impacts such as water shortages and infrastructure vulnerability were key themes in the sustainability report. While no material financial effects were recognised in the line items of the financial statements, the company provided specific disclosures in the notes to the financial statements on impairments due to regulatory changes, assessments of asset viability, and scenario-based strategic responses (e.g., flood defences).

Outreach findings

UK preparers' and users' expectations and experiences: Seema Jamil-O'Neill conveyed that UK preparers' biggest challenge was bringing everything together as they had to change the organisational structure, culture and responsibilities including having to integrate sustainability into the finance and group reporting functions. Materiality was another area where there had been a steep learning curve. Coherence across general purpose financial reports has also been challenging. Seema Jamil-O'Neill analogised the early days of IFRS 9, where collaboration between finance and risk teams was initially difficult but eventually became standard practice. She suggested that financial and sustainability teams must begin speaking the same language.

Investor expectations and experiences: Seema Jamil-O'Neill noted that UK investors have become less tolerant of vague disclosures. There is an expectation for companies to show credible climate actions and disclose relevant financial implications. Investors were particularly interested in Capex information as they found it to be a useful indicator of how mature transition plans were. They were primarily interested in disclosures related to financial effects. Investors are also directly using tools like TCFD in valuation models, reinforcing the importance of connectivity from a capital markets perspective. She observed that engagement between companies and investors has become more common, for instance, through dedicated investor days on GHG emissions.

Other feedback: The issue of the boundary of financial statements was also raised, particularly in cases involving pollutant pricing mechanisms (PPMs), where clarity in disclosure remains inconsistent.

Breakout session

Following the presentations, participants engaged in a breakout session to reflect on: (1) the extent to which the experiences and insights from the presentations resonated with their experiences and those of their stakeholders, (2) how connectivity could be further embedded across IFRS Accounting Standards and IFRS Sustainability Disclosure Standards, and (3) the role the national standard setters should have in supporting preparers and users to connect this information.

IFASS participants noted that although connectivity was improving, there was still some way to go. Inconsistencies are to be expected owing to the different objectives of the different reports (i.e. sustainability disclosures and financial statements). The importance of clarifying the distinct purposes of the various financial statements' recognition and measurement requirements was emphasised. In particular, in relation to the disconnect with financial statements highlighted in the NZ XRB presentation (i.e., no impairment), it was noted that impairment tests are not intended to convey market value or business prospects but rather to assess the recoverability of an asset's carrying amounts. It was noted that while sustainability disclosures offer valuable forward-looking information, current accounting standards are sometimes stretched beyond the intentions of their original design.

Suggestions to enhance connectivity: IFASS participants made several suggestions including the development of a "connectivity column" or reference tool within reports, clearly showing how information links across disclosures and highlighting where consistency or divergence occurs. It was also suggested that national standard setters could produce illustrative model connectivity statements (e.g., 5–10 reporting framework-agnostic examples) to help standardise practice and support implementation. And that achieving meaningful connectivity would require behavioural change at the management level, especially in how long-term sustainability assumptions could begin to inform short-term financial assumptions.

In concluding the discussion, Amelia Sharman underlined the importance of active collaboration between financial and sustainability reporting teams, as well as coordination among standard setters across jurisdictions, in addressing the complexity of integration of information. Seema Jamil-O'Neill highlighted the value of cross-referencing within corporate reports and similarly acknowledged that connectivity entails a fundamental management shift, standard setters had a role in providing the language for different teams to communicate and work together, and that the next step in the connectivity journey ought to involve bringing all relevant stakeholders into closer dialogue to support more aligned and decision-useful reporting.

Day 3 FR Parallel session

On behalf of Chiara Del Prete, Armand Capisciolto chaired the FR parallel session.

Day 3 FR parallel session item 18. Equity Method – is a fundamental review needed?

Sebastien Harushimana (EFRAG) moderated a panel discussion on the equity method of accounting involving Bjorn Einar Strandberg (NASB), Subin Kim (KAI), Tommaso Fabi (OIC-Italy), and Yoke Pin Foo (MASB). The panel discussed the IASB ED proposals for amendments to IAS 28 *Investments in Associates and Joint Ventures* and the way forward including whether a fundamental review of the equity method is needed. Results of a polling question during the session can be seen here.

Overview

In setting the scene, Sebastien Harushimana gave an overview of the IASB project and IASB ED[13] including why the IASB focused on developing answers to application questions to reduce diversity in preparers' reporting practices rather than a fundamental review of the equity method. Sebastien Harushimana noted that, before the ED, several years ago, both KASB and EFRAG had published research papers addressing the nature and purpose of the equity method. The feedback to EFRAG's research showed stakeholders could not agree on whether the equity method was a one-line consolidation or measurement method. And one could conclude that it is a hybrid method.

Sebastien Harushimana noted that EFRAG agreed with several of the proposals of the IASB ED including the measurement of cost of an associate or joint venture, and the recognition of full gains or losses for transactions with associates and joint ventures. But there were also several concerns and EFRAG had called for further simplification of the proposals for step acquisitions of ownership interests in an investee, and the development of a holistic, principle-based solution for non-exchange changes in ownership interests. He noted several EFRAG stakeholders had also called for a more fundamental review of the equity method of accounting including assessing if it is still useful and its nature and purpose, and EFRAG recommended the IASB seek views on this matter in its forthcoming fourth agenda consultation.

Overall objectives of the IASB ED

[13] The ED was published in September 2024 and was open for comments until January 2025.

Sebastien Harushimana asked the panellists whether the objectives of the ED were attained and which of the ED's proposals they supported.

Yoke Pin Foo and Subin Kim were generally supportive of the objectives of the ED to address practical challenges. Nonetheless, Subin Kim noted that some of the proposals were a departure from an implicit assumption about the purpose of the equity method. Bjorn Einar Strandberg was supportive of IASB's initiative through the ED to improve the application of the equity method of accounting albeit he also considered the time was right for a fundamental review of the equity method. In contrast, Tommaso Fabi fully supported the IASB's approach and decision to focus solely on addressing practical challenges with no consideration of a fundamental review of the equity method. He noted there had been an unresolvable long-running debate that pre-dated the ED on whether the equity method is a one-line consolidation or measurement method.

Concerns about the IASB ED Proposals

Sebastien Harushimana asked the panellists what, if any, were their areas of concern with the ED proposals and how they suggested the IASB addresses these concerns. The following issues were raised.

Complexity and usefulness of information under the proposed version of the layered approach: The panellists expressed concerns about the proposals for step acquisitions with the requirement for a full-fledged purchase price allocation (PPA) for each additional ownership interest acquired (the so-called layered approach). Among several factors, they pointed to the difficulties in accessing information, for instance, due to equal access to information/investor-protection prohibitions that may be in place for listed companies in certain jurisdictions.

Yoke Pin Foo questioned the cost-benefits of requiring PPA for small acquisitions. Bjorn Einar Strandberg opined that, for an investor in an associate or joint venture, for valuation purposes, using the underlying and unadjusted profit of the investee is a better proxy for predicting future dividends than relying on the investee's adjusted profit derived from the equity method. This is especially so as there are several fair value adjustments under the equity method (during the PPA performed at acquisition) that have no bearing on the cash flow and dividend capacity of the investee.

Inconsistencies in units of account: Subin Kim pointed to the inconsistency in units of account applied across the proposals.

Nature of the equity method: She considered the proposals for transactions with associates or joint ventures to be a big change from an implicit assumption about the purpose of the equity method as a one-line consolidation. She noted this change has been made without sufficient justification.

Unaddressed issues for separate financial statements: While welcoming the IASB's focus on a single equity method for separate and consolidated financial statements, Tommaso Fabi pointed to the lack of clarity on whether these rules apply to investments measured at cost in separate financial statements. In his view, this omission undermines the effectiveness of the ED's proposals, as most entities in Italy use cost measurement for subsidiaries in separate financial statements, not the equity method.

Other concerns: Yoke Pin Foo highlighted deferred tax computation concerns that would arise at the initial measurement of the equity investment. Bjorn Einar Strandberg had concerns about the transition proposals that would necessitate impairment on Day 2.

Way forward

Sebastien Harushimana asked the panellists what they suggested as the way forward including whether a fundamental review of the equity method project was needed.

Yoke Pin Foo and Tommaso Fabi reiterated their comfort with the IASB approach to focus on addressing practical challenges and not undertake a fundamental review of the equity method. Tommaso Fabi suggested it suffices if the IASB was explicit in the Basis for Conclusions on the assumptions underpinning the different ED proposals (i.e., for each proposal, the IASB should indicate whether the equity method is assumed to be a one-line consolidation, a measurement method, both, or neither).

Notwithstanding her reservations about the inconsistencies in units of account, Subin Kim supported the finalisation of the ED proposals and the issuance of amendments to IAS 28. Before undertaking any fundamental review, she considered it essential to allow sufficient time for companies to adopt the amendments, let practice settle, and thereafter for the IASB to observe whether new types of diversity in practice will emerge. Bjorn Einar Strandberg suggested the IASB should consider requiring fair value measurement for listed associates but he also noted that though he supported a fundamental review, he was not insisting it be done at this stage.

Audience interaction

In response to an audience question on whether a fundamental review of the equity method akin to the approach suggested by the January 2025 FASB Invitation to Comment (ITC) on its agenda consultation was needed, Bjorn Einar Strandberg noted there were significant differences between the US GAAP and IFRS Accounting requirements.

Reacting to the panel discussion and whether a fundamental review of the equity method akin to the approach suggested by the FASB ITC could be undertaken, Linda Mezon-Hutter noted that the priority of a fundamental review of the equity method relative to other projects had to be considered and it was important to get on with it and finalise the amendments and not get bogged down with conceptual debates.

Day 3- SR Parallel Session

On behalf of Chiara Del Prete, Gemma Sanchez-Danes (EFRAG) chaired the SR parallel session.

Day 3 SR parallel session item 19. The 'S' in ESG – focus on human capital

Gemma Sanchez-Danes moderated this session consisting of presentations by Bryan Esterly (ISSB) and herself followed by a panel discussion involving Bastian Buck (GRI), Jack Bisset (NZ XRB), and Sarah-Jayne Dominic (UK FRC). Responses to polling questions during the session can be seen here.

Presentation- ISSB update on human capital project

Bryan Esterly highlighted that, following the 2023 ISSB agenda consultation, the ISSB has added a research project on human capital to its workplan. The research focuses on risks and opportunities related to human capital (i.e. those risks and opportunities that are reasonably likely to affect cash flows, access to finance and/or cost of capital). It encompasses workers in direct operations (employees and workers in the value chain) and covers matters such as worker wellbeing, pay and benefits, diversity and inclusion, and working conditions in the value chain.

Bryan Esterly referred to the project principles and objectives underpinning the research project. Notably, the project aims to gather evidence on the nature and extent of market need for more useful disclosure and potential ways to meet that need (e.g., developing new Standards or amending existing Standards, developing educational material). Similar to the biodiversity research project, the research is based on four anchoring principles[14].

Bryan Esterly highlighted the two phases of the project: a) building the foundations (collecting the dots) that will be completed in Q2 2025; and b) analysing the implications (connecting the dots) that will commence in Q2 2025. He gave an update on four research areas of the initial phase:

[14] The four anchoring principles guiding the ISSB research are: providing information that was useful to investors; giving due consideration to established literature and practice; building on the foundation established by the IFRS S1; and leveraging the ISSB's core activities and commitment to proportionality.

- *Evidence of investor interest:* The findings show investors are interested in a wide range of human capital metrics, they are looking for a greater level of disaggregation around specific workers, they are interested in industry-specific and industry-agnostic, quantitative and qualitative, and they need to see a link to business strategy. Metrics on workforce retention and engagement and the health and safety of workers are of particular interest.
- *Evidence of an effect on an entity's prospects*: There is a notable correlation between financial outcomes and employee satisfaction and working conditions in the value chain, and the evidence is more robust for own workforce relative to workers in the value chain.
- *Existing standards and frameworks:* It was observed that GRI and ESRS standards are broadly aligned with IFRS S1 albeit they have more specific requirements. Some aspects such as human-capital-related opportunities are not covered in these standards while health, safety and wellbeing; and pay and benefits are commonly addressed by them.
- *Current state of disclosure*: The focus is on what practice looks like and this was done using AI tools. It was found that human capital information is commonly disclosed in financial filings and sustainability reports.

On connectivity, Bryan Esterly noted that IFRS Accounting Standards may, to a limited extent, elicit disclosures on the effects of human capital on the financial statements. Finally, Bryan Esterly noted the next steps will be to initiate the analysis of implications in Q2 2025. The research outcomes could be a new Standard or set of new Standards, amending existing Standards, or developing educational material.

Presentation- Human capital disclosure requirements under ESRS

Providing an ESRS perspective, Gemma Sanchez-Danes noted that, as part of the impact and financial materiality considerations, the CSRD requires entities to describe the due diligence, impacts related to their own operations and value chains, and principal risks related to sustainability matters. She described the overall structure of the ESRS social standards covering four topics (i.e. own workforce- ESRS S1, workers in the value chain- ESRS S2, affected communities- ESRS S3, and consumers/end users- ESRS S4).

Gemma Sanchez-Danes further commented on the 'own workforce' standard (ESRS S1) touching on its metrics requirements, and the overall structure of its disclosure requirements. She conveyed that the standard's requirements were for the disclosure of both quantitative/structured data and qualitative/narrative data and that these requirements were inspired by multiple sources including EU legislative requirements, GRI, and a raft of other international frameworks and accords.

Panel discussion

Setting the scene: Current landscape and drivers for human capital disclosures

Gemma Sanchez-Danes asked Jack Bisset and Sarah-Jayne Dominic to share about the current landscape and drivers of social disclosures including human capital within their jurisdictions. She also asked GRI (Bastian Buck) to share where the needs for GRI's social standards arise from.

Jack Bisset remarked that New Zealand is a leader in climate-related reporting but not in other sustainability matters. That said, he pointed out that New Zealand has a long tradition of tackling a range of social issues. Entities in New Zealand were impacted by the mandatory Australian modern slavery requirements and the country is renowned as the pioneer of women having voting rights. Moreover, it has strong regulation of health and safety standards and examples of companies drawing on indigenous values in voluntary reporting.

Sarah-Jayne Dominic referred to an internal review conducted by the FRC on 2023 annual reports (searched keywords related to human capital). The findings show that, notwithstanding the lack of specific sustainability requirements, there is a wealth of human capital disclosures. For instance, the number of workers, as part of principal risks, measures of retention of workforce, and measures of diversity and inclusion (gender pay gap). For companies with > GBP 36 million turnover, a modern slavery statement is mandatory.

On where the need for GRI social standards arises from, Bastian Buck noted that this was viewed from a multi-stakeholder perspective. He referred to the origin of these disclosures (i.e. they arose from civil society and labour movement pressures which subsequently informed other stakeholder groups). He observed that disclosures on indigenous communities got it all started. From 2008-10, investors came into the space. He also referred to the incentives for employment disclosures, investor perspectives when assessing multinationals, and the applicability of the ILO conventions and definitions.

Content and sources of inspiration for human capital disclosures

Gemma Sanchez-Danes asked Bastian Buck to share the key sources of inspiration for GRI Standards and she also asked Jack Bisset and Sarah-Jayne Dominic about their content expectations and which type of information and groups of affected people.

Bastian Buck referred to the ILO core convention as a source of guidance on labour rights and the UN context as a source of guidance for human rights and due diligence. He remarked that human rights and due diligence guidance were in the early stages of development compared to labour rights.

Sarah-Jayne Dominic reiterated that UK sustainability reporting would be based on the ISSB Standards and human capital disclosures will be seen through the lens of risks and opportunities and from an investor perspective. Hence, it was important to have a structured standard that mimics the pillars of the TCFD recommendations. She observed that the FRC's recent reviews found that the modern slavery statements can be superficial and rife with boilerplate information. More work is needed to enhance the disclosed information. She noted the limitations to disclosure, and the connection between the various aspects of the data that has already been disclosed was important.

Jack Bisset pointed to the extensive engagement with indigenous communities in New Zealand, and the UN Declaration of Indigenous Rights. He observed that the standard setter language of human capital and focus on the investor space does not typically resonate with an indigenous perspective. In New Zealand, indigenous people use language like people, family, and tribes, which resonate a lot more. There was a need to broaden the focus and identify material issues related to people. Gemma Sanchez-Danes underscored that the ESRS focus on impact materiality captures this broader focus that Jack Bisset was referring to. Concurring, Bastian Buck remarked that sustainability reporting encapsulates impacts on people and people should not be contextualised as being only part of an entity's risks and opportunities and their enshrined rights should be considered. Human capital works well in some but not all jurisdictions. Also in agreement, Bryan Esterly underscored the importance of the ISSB's MoU with GRI to ensure the consideration of people dimensions in a broad sense.

Closing remarks

Jack Bisset underscored the need for support and bringing people into the equation in the considerations related to climate risk. Sarah-Jayne Dominic reiterated her call for more structure, more linkage of the Standards and to further consider current and anticipated financial effects albeit these are hard to consider in the context of human capital.

Bryan Esterly remarked that, as the ISSB defines people/human capital disclosures at a global scale, there was a lot it could learn from the GRI and ESRS efforts. Bastian Buck described social disclosures as the new frontier shaped by multiple sources (including jurisdictional laws and regulations as evident in the EU). To address the nexus of social and climate matters, the complementarity of GRI and ISSB Standards was pivotal, and he also indicated that several new GRI Standards will be on the just transition.

Day 3 plenary session: Item 20 Intangible Assets

This session featured two presentations from Hyungjin Cho (Korean Accounting Research Institute- KARI) on internally generated intangible assets and Dr Carolyn Cordery (NZ-XRB) focusing on enhancing future intangible asset standards.

KAI presentation- recognition of internally generated intangible assets

Hyungjin Cho's presentation focused on insights from academic research related to whether to disclose or recognise (expense) the expenditures on internally generated intangible assets. To situate the points of focus of the research, Hyungjin Cho referred to users' call made in their response to the 2024 IASB survey on intangibles for disclosures of expenditure on intangible (i.e., disclosures disaggregating expenses into growth-oriented and maintenance portions of intangible expenditures).

Insights from research on capitalisation of expenditures: Hyungjin Cho referred to KARI's research that replicated US studies using Korean data. This research explored the economic implications of additional recognition of intangible assets in the context of IFRS. The research disaggregated intangible expenditures into maintenance and investment portions. The investment portion was capitalised and later amortised to assess the impact on financial statements. Maintenance expenses were linked to current revenue, while investment expenditures were expected to generate future revenue.

The findings of the research showed that around 60% of R&D and SG&A expenses are correlated with future revenues, raising the possibility that although IFRS permits capitalising development costs, many future benefits were still recorded as expenses. If current revenue-related R&D and SG&A expenses, increasing capitalised amounts could lead to rising earnings over time. However, if the capitalised portion decreased, earnings could decline. While US studies show that additional capitalisation improves earnings quality (higher earnings persistence and lower earnings volatility), Korean results show the opposite (lower earnings persistence and higher earnings volatility after additional capitalisation).

Based on the research, Hyungjin Cho concluded that aggressive capitalisation could significantly alter earnings through reduced expenditures initially and later through increased amortisation. Hence, there was a need for caution towards an approach that would result in excessive recognition of intangible assets. He further mentioned that disclosures provide valuable capital market information.

New Zealand XRB presentation- Enhancing future intangible standards

Dr Carolyn Cordery highlighted that technological disruption has changed how businesses operate. This raised the question of whether accounting standards need to accordingly adapt.

As background, she noted that IAS 38 mainly focuses on the recognition and measurement of externally acquired intangibles, leaving those that are internally generated off the balance sheet. And this often fails to reflect the value creation of fast-evolving technology companies in their financial statements and it widens the gap between financial statements and market values. As companies invest more in intangible assets that are often undisclosed, there is an information asymmetry that impairs market confidence. Thus, there was a growing call from stakeholders for better disclosures on the associated rights and future benefits of intangibles.

Carolyn Cordery suggested four ways to future-proof the reporting of intangibles:

- *Principle-based standards*: Such standards should cater for the economic resources arising from new/emerging business models, technologies, and transactions and be able to incorporate the forward-looking measurements of future benefits.
- *Build-in flexibility mechanisms*: Build standards that scale with the technological maturity of intangibles, considering relationships with other standards. Recognising software development at later stages could improve recognition criteria.
- *Dynamic standard-setting*: Implement agile processes with faster feedback loops, allowing continuous updates based on emerging trends and stakeholder input.
- *Collaborative Development*: Involve cross-disciplinary working groups, including technologists, in developing standards, and creating stakeholder laboratories to test standards with emerging technologies.

Overall, Carolyn Cordery noted that IAS 38 currently provides criteria for recognising intangibles, but its focus on identifiable, separable assets with future benefits does not address the rapidly changing nature of technology. Encouraging preparers to consider risks and opportunities, as done under the ISSB Standards, could help report the impacts of intangibles on value creation and long-term performance.

Discussion:

On a future-proof standard, Hyungjin Cho mentioned that China introduced a standard allowing the recognition of data as an intangible asset. However, many companies have not adopted it due to ambiguities in audit processes and regulatory frameworks.

An IFASS participant stressed the importance of principle-based but flexible standards and suggested the concept of "indefinite useful life" should be revisited, and amortisation principles should apply to all types of intangibles. Another IFASS participant suggested a dynamic approach, particularly in capitalising R&D expenses for assets like software as a service, highlighting that the current principles are difficult to apply to such assets.

Carolyn Cordery agreed with Hyungjin Cho's point about distinguishing between investment and maintenance expenditure, and she emphasised the need for more flexible, modern standards. Hyungjin Cho also considered that the time was ripe to revisit the intangibles standard, given technological developments.

Day 3 plenary session item 21. World Intangible Capital Initiative (WICI) Strategic Intangibles Initiative (SII)

This session provided a holistic review of the initiatives that are enhancing the reporting of intangibles both within and outside the financial statements. Prof. Stefano Zambon (SII) moderated the session and presented the SII objectives and activities. Georg Lanfermann (DRSC) and Hyungjin Cho (Korea Accounting Institute) also presented the perspectives of their organisations/jurisdictions.

SII presentation

Stefano Zambon gave an overview of the SII objectives and activities. SII, which was launched in November 2024, is a WICI-convened, inclusive, and multilateral forum that aims to encourage dialogue and compare diverse approaches to the disclosure and measurement of intangibles.

Why SII? Stefano Zambon noted that over the past two decades, investment in intangible assets has grown three times faster than investments in tangible assets. In many countries, intangible investments in 2023 significantly exceeded 1995 levels. At the microeconomic level, he pointed to IAS 38 and its restrictive recognition criteria, especially for internally generated intangibles, and the persistent gap between book value and market value, indicating the underrepresentation of value-relevant information in financial statements.

In tandem, Stefano Zambon noted there was an increasing demand from regulators and standard setters for better reporting on intangible resources. For instance, Article 19 of the CSRD requires entities to disclose in the management report how key intangible resources underpin business models and drive the entity's value creation. This necessitates a distinction between sustainability-related intangibles and other intangibles. He also referred to the forthcoming IASB revised Management Commentary Practice Statement (MCPS), the requirements of IFRS S1 regarding resources and relationships that are intangible in nature, and the uptake of the Integrated Reporting Framework by over 2,500 companies globally. He also noted that WICI's Intangibles Reporting Framework, published in 2016, complements the

Integrated Reporting Framework and promotes general, sector-agnostic, and industry-specific KPIs to better capture and communicate the role of intangibles in value creation.

He noted that intangibles lie at the intersection of financial and sustainability reporting. Yet some of them, despite their importance, fall outside either reporting pillar.

DRSC presentation: German standard-setting activities on the new CSRD requirements with references to the WICI categorisation of intangibles

Georg Lanfermann provided insights from the German standard setter's work on intangibles, which is done through a dedicated working group that examines intangibles through both financial and sustainability lenses. He advocated for a return to the basics in standard setting, focusing disclosures on the drivers of a company's performance and value creation rather than overly detailed recognition and measurement rules. He acknowledged stakeholder concerns about potential bureaucratic burdens but argued that clearer disclosures could avoid such outcomes. He also identified potential quantitative information in the disclosures as a future challenge potentially requiring standard-setting action.

KAI presentation: Korean Cases of Human Capital Disclosure

Hyungjin Cho presented the Korean perspective on implementing intangible capital reporting. He emphasised the longstanding Korean practice of requiring listed companies to disclose key employee data, including tenure, which is publicly accessible. Discussions with practitioners revealed that many were unaware of the existence of this data. Hyungjin Cho noted that while human capital is central to stakeholder interest, care must be taken to emphasise the most relevant KPIs to avoid information overload that could obscure critical insights. He viewed intangibles and sustainability reporting as complementary tools to communicate value generation more effectively.

Audience interaction

An IFASS participant raised concerns about the volatility of market capitalisation and the limits of accounting standards to reflect real-time value. While supporting improved recognition of internally generated value, he warned against systems that could lead to misuse. Other IFASS participants highlighted a) the broader risk and opportunity dimensions of intangibles, suggesting greater attention should be paid to employee-related information; b) the UK has requirements for companies to report gender-related workforce data but tenure disclosure is less emphasised; and c) the first year of ESRS implementation in Europe would likely yield valuable data on workforce-related intangibles.

An IFASS participant questioned whether the goal was to disclose or recognise intangibles not currently meeting recognition criteria. In response, Stefano Zambon clarified that the ultimate goal was improved corporate reporting and a better understanding of value creation rather than changing the objective of financial reporting. He stressed the need for integration, cooperation among bodies, and openness to new techniques. Georg Lanfermann noted that each improvement in intangibles reporting marks meaningful progress. He emphasised the IASB's vital role in this work. Hyungjin Cho reiterated that reporting on intangibles is key to showing how companies generate value and urged improvements in disclosure practices rather than a complete overhaul of standards.

Day 3 plenary session- item 22. Addressing key accounting challenges

Yoke Pin Foo (MASB) moderated this session consisting of a presentation by Keith Kendall (AASB) followed by a panel discussion with Keith Kendall, Armand Capisciolto (AcSB), and Seema Jamil-O'Neill (UKEB) as panellists.

AASB Presentation

Keith Kendall presented the results of a survey conducted by AASB in partnership with MASB and CPA Australia to gather feedback (from preparers, auditors, advisors, and users) for the IASB's next Agenda Consultation. He highlighted a) the demand for more granular and detailed segment information, including non-financial metrics and cashflow data; b) the call by stakeholders for the IASB to consider connectivity; and c) mixed views expressed about the priority of a project on pollutant pricing mechanisms (PPMs). He noted that some stakeholders suggested that existing Standards may be adequate while others pointed to the inconsistencies in current reporting and the need to develop accounting guidance for both mandatory and voluntary schemes.

He also gave an overview of potential projects to be added to the IASB's work plan including cryptocurrencies, going concern disclosures, discount rates, variable and contingent consideration, and government grants. He pointed to the support for connectivity and for considering issues beyond climate-related risks that pose financial risks (including cybersecurity and artificial intelligence).

Keith Kendall also shared the headline findings of an AASB-MASB joint research project on operating segments based on a review of the top 50 listed entities from both Australia and

Malaysia. The key conclusion from the research was that different approaches were adopted across jurisdictions and industries. There were differences in the line items reported across entities, though the majority reported operating revenue, followed by depreciation and amortisation. The role of chief operating decision maker (CODM) was taken on by different roles, with the CEO being the dominant category in Australia and board members in Malaysia. Various economic indicators were used by CODMs in assessing segment performance, but profit was used by the majority.

Panel discussion

Reaction to the findings of the AASB and MASB survey

Overall findings: Seema Jamil O'Neill pointed to the lack of a clear steer from the findings of the AASB and MASB survey on what projects the IASB should pursue. For instance, there were mixed views on the priority of operating segments and PPMs.

Segment reporting: Armand Capisciolto underscored the importance of segment reporting for Canadian stakeholders and users in particular. He referred to differences in what was in the financial statements and how companies talked about their segments in investor conference calls, with the latter having more granular detail. He suggested that the aggregation guidance in IFRS 8 did not align with the CODM's view for internal decision making. He suggested the IASB could leverage some of the work of the FASB, and to meet users' needs there might be a need to revisit the whole concept of the CODM.

Seema Jamil O'Neill noted UK users had raised the same issues around aggregation and CODM. Preparers often found it difficult to address users' needs. In her view, however, existing issues could probably be resolved using the current standard.

Connectivity: Armand Capisciolto supported a focus on connectivity with the need for consistent and coherent annual reports. In his view, connectivity extended to issues beyond sustainability matters (e.g., it could relate to the risks of tariffs that were covered in the front part of annual reports). In agreement, Seema Jamil O'Neil observed companies had long faced geopolitical risks and these were reflected in both the front part of the annual report and the financial statements.

Going concern: Seema Jamil O'Neill disagreed with the priority accorded to going concern disclosures noting that this matter was in the purview of auditors and regulators. In the UK, company law sets out directors' duties with regard to producing annual reports on a going concern basis.

Lessons learnt from past agenda consultation

Keith Kendall observed that the 2021 IASB agenda consultation put forward many possible agenda topics and this diluted stakeholders' feedback and resulted in limited support for specific projects. He instead suggested having a transparent process that made it clear how the IASB narrowed its suggested list of topics, and the IASB should only offer stakeholders a narrow list of topics to choose from. To address connectivity, he also suggested addressing financial reporting and sustainability reporting as two sides of the same coin rather than as distinctive disciplines.

Seema Jamil O'Neill conveyed that many stakeholders were asking for the IASB to take a broader view, and to think about cross-cutting issues and address those that had a wider impact than could be addressed by each specific IFRS. She also noted the alignment between the UK stakeholder feedback, UKEB priorities and the IASB workplan projects (i.e. intangibles and cash flow statements).

Armand Capisciolto called for collaboration among National Standard Setters in developing research that could inform the IASB's workplan.

Addressing cross-cutting issues across standards

Yoke Pin Foo asked what/if any cross-cutting standard-setting areas needed attention.

Armand Capisciolto pointed to the interaction of other IFRS Accounting Standards with IFRS 3 (i.e., for past business combinations at acquisition) and this matter was related to some of the issues the IASB was addressing under its Business Combinations – Disclosures, Goodwill and Impairment (BCDGI) project. Some of the interactions with IFRS 3 impacted how users could analyse post-acquisition earnings. He noted the disconnect between what users wanted from the balance sheet and what they wanted from the income statement, and that the AcSB was conducting research on this topic.

Topical versus sector-specific standards

Yoke Pin Foo asked when should there be a case for developing topical or sector-specific standards.

In response, Seema Jamil O'Neill observed that IFRS 9 and IFRS 17 were for general application. Any company with a financial instrument had to apply IFRS 9 and any company with an insurance contract had to apply IFRS 17. As such, she considered sector-specific standards as a necessary part of the overall IFRS accounting requirements but that they should only be developed to the extent they are generally applicable. She opined that the issues addressed by the IASB ought to have cross-sector implications. For instance, this was the case for the enhancement of intangibles, cashflow reporting, and through the call by stakeholders for a climate standard in financial reporting.

Areas for enhancement in the standard setting process

Yoke Pin Foo asked whether there was any standard-setting aspect for which the IASB had to reconsider its approach. The following points were raised in response.

PIRs: Keith Kendall suggested that there ought to be further consideration of the purpose and objectives of the PIR. Rather than identifying fatal flaws in a standard, it might be more worthwhile to identify significant application challenges. He pointed to the frustration with the IFRS 15 PIR process. Seema Jamil O'Neill echoed Keith Kendall's point on the dissatisfaction from stakeholders with the outcomes of the PIRs (particularly the IFRS 15 PIR) and she noted some stakeholders were unwilling to participate in the IFRS 16 PIR due to their experience with IFRS 15. Armand Capisciolto agreed that it was essential to look at the PIRs, particularly given some significant PIRs were coming up.

Boundaries of reports: Keith Kendall suggested the IASB and ISSB could consider the boundaries of the reports, which was an issue in particular with intangibles. The overlap between SR and FR might mean there should be joint consultations. Impact assessments could be refined, and the literature review process should be maintained. Armand Capisciolto also underscored the importance of defining the boundary of financial statements. For example, it had been raised on BCDGI, it was being raised on connectivity, and it would be raised for intangible assets. It was not possible to talk about growth versus maintenance expenditures without forward-looking information. He encouraged the IASB to not think about the boundary on a standard-by-standard basis, but rather in terms of the totality, to avoid the issue arising for every project.

Impact assessments: Seema Jamil O'Neill called for a rethink of the approach to impact assessments and the consideration of both direct and indirect impacts. She also commented on how difficult for stakeholders to assess the determination of the prevalence of an issue and there should be more communication to clarify this aspect.

Wrap-up and audience interaction

In summing up the session, Yoke Pin Foo noted that his main takeaways from the panel exchange were that the IASB should rethink the PIR process and the impact assessments by including direct and indirect impacts. Areas the IASB could consider for its fourth agenda consultation included operating segments.

IFASS participants suggested that bargain purchase accounting and disclosure overload should be considered as future agenda topics. On a question of whether an SR conceptual framework would help with the boundary definition, Armand Capisciolto opined that the financial reporting conceptual framework had to better define the boundary, so he would assume the same applied to SR. He disagreed with a view expressed by some stakeholders that there should be no gap and no overlap between financial reporting and sustainability reporting. There were different objectives for FR and SR, and there was likely a gap between those objectives, which should be acknowledged.

The IASB's Vice Chair Linda Mezon-Hutter emphasised the challenge arising from the different priorities and preferences of the broad number of jurisdictions that apply IFRS accounting requirements. She acknowledged the frustrations stemming from the IASB having decided against making certain changes requested during past PIRs, but that had been because, for every jurisdiction that wanted a particular change, many others did not concur. She also emphasised the need for standard setters to provide more feedback from investors when presenting proposals to the IASB.

The need to consider global comparability and think beyond the needs of one's jurisdiction (e.g. on accounting for hyperinflation) was also raised by Armand Capisciolto. Seema Jamil O'Neill also noted it was important for IFASS members who had progressed on implementation earlier to think about how they could support jurisdictions that had not made as much progress.

Day 3 plenary session- Item 23. Way forward and closing

In wrapping up the meeting, Chiara Del Prete presented the October-November 2024 survey results that had feedback on a) the September 2024 meeting; and b) the extent to which IFASS had met its previously articulated purpose. On the latter, 88.5% of the respondents fully agreed that IFASS had met its purpose and no respondent disagreed. The feedback on the September 2024 meeting had been positive overall.

Chiara Del Prete reflected on the key highlights and achievements during her tenure. She emphasised that serving as a chair had been an honour and observed that her term coincided with the progressive adoption of mandatory sustainability reporting globally, and a corresponding widened coverage of the topic at IFASS meetings.

She recalled the in-person meetings she had chaired from September 2022 to March 2025 (i.e. the Spring 2023 meeting hosted by FASB in Norwalk, the Spring 2024 meeting hosted by KAI in Seoul, the Spring 2025 meeting co-hosted by EFRAG and OIC-Italy in Naples; and the three autumn meetings hosted by the IFRS Foundation in London coupled with two dinners hosted by UKEB). She thanked the speakers (i.e., presenters, moderators and panellists), attending IFASS participants, and the University of Campania "Luigi Vanvitelli" for providing the facilities for the meeting.

Finally, she formally handed over the leadership responsibility and symbolic bell to the incoming co-Chairs, Armand Capisciolto and Keith Kendall, who introduced themselves, conveyed their gratitude for being granted the opportunity to lead IFASS, and expressed their enthusiasm for the work ahead. They conveyed that their vision will revolve around fostering thought-provocative research and collaboration between the standard setters. Armand Capisciolto noted that IFASS should continue to provide opportunities to share insights with the IASB and ISSB.

The co-Chairs announced that an IFASS LinkedIn page was immediately accessible and the launch of a dedicated IFASS website would occur this year. The website would act as a portal for IFASS participants to readily access meeting materials and other relevant resources. In closing, Keith Kendall announced that the 2026 IFASS spring meeting would be held in Melbourne, Australia during the second half of April 2026.

Social events throughout the IFASS meeting:

Day 1- Evening Dinner Palazzo Caracciolo

Day 2- Evening Dinner Le Arcate hosted by KPMG Italy

Post-meeting: Pompei tour event

ACTION LIST

IFASS Chair/Secretariat
• The incoming Co-Chairs, Armand Capisciolto (AcSB) and Keith Kendall (AASB), and IFASS Secretariat leaders, Katharine Christopoulos (AcSB) and Charis Halliday (AASB), will henceforth specify the actions for future IFASS meetings.
All IFASS participants
• IFASS participants will be informed about the next IFASS meeting details and related steps by the incoming IFASS co-Chairs and IFASS Secretariat from the AASB and AcSB.

APPENDIX: LIST OF IFASS PARTICIPANTS

IFASS participants that attended in person:

	Name	Organisation
1	Charis Halliday	AASB - Australia
2	Keith Kendall	AASB - Australia
3	Gowri Palaniappan	ACRA - Singapore
4	Rodney Huang	ACRA - Singapore
5	Wee Khim Tan	ACRA - Singapore
6	Yat Hwa Guan	ACRA - Singapore
7	Armand Capisciolto	AcSB - Canada
8	Jamie Goodman	AcSB - Canada
9	Katharine Christopoulos	AcSB - Canada
10	Gerhard Prachner	AFRAC - Austria
11	Eric Duvaud	ANC - France
12	Pierre Martin	ANC - France
13	Doris Yi Hsin Wang	ARDF - Chinese Taipei
14	Margaret Tsui	ARDF - Chinese Taipei
15	Shao-Chun Chang	ARDF - Chinese Taipei
16	Shi-Hao Chou	ARDF - Chinese Taipei
17	Albert Chou	ARDF - Chinese Taipei
18	Chen-Hsuan Yen	ARDF - Chinese Taipei
19	Dila Ram Giri	ASB Nepal
20	Manmohan Raj Kafle	ASB Nepal
21	Sunir Kumar Dhungel	ASB Nepal
22	Yasunobu Kawanishi	ASBJ - Japan
23	Nami Yamaguchi	SSBJ - Japan
24	Georg Lanfermann	ASCG - Germany
25	Ilka Canitz	ASCG - Germany
26	Sven Morich	ASCG - Germany
27	Ana Tércia Rodrigues	CFC - Brazil
28	Elys Tevania	CFC - Brazil
29	Gerard van Santen	DASB - Netherlands
30	Kristian Koktvedgaard	DSSC - Danmark
31	Chiara Del Prete	EFRAG
32	Gemma Sanchez Danes	EFRAG

33	Jamal Boualla	EFRAG
34	Lorena Sorrentino	EFRAG
35	Nicolae Bobocea	EFRAG
36	Ovidiu Spirescu	EFRAG
37	Patrick De Cambourg	EFRAG
38	Sapna Heeralall	EFRAG
39	Sebastien Harushimana	EFRAG
40	Vincent Papa	EFRAG
41	Jenny Carter	FRC - UK
42	Sarah-Jayne Dominic	FRC - UK
43	Stephen Maloney	FRC - UK
44	Philip Fitz-Gerald	FRC - UK
45	Hernan Pablo Casinelli	GLASS
46	Bastian Buck	GRI
47	Carol Adams	GRI
48	Hisham Ali	Hisham for accounting and financial consultancy certified public accountants
49	Mousa Rizk	IASCA
50	Oussama Ali Tabbara	IASCA
51	Carlos Moreno S	ICAC - Spain
52	María Dolores Urrea Sandoval	ICAC - Spain
53	Sanjeev Singhal	ICAI - India
54	Bryan Esterly	IFRS Foundation
55	Elena Kostina	IFRS Foundation
56	Linda Mezon-Hutter	IFRS Foundation
57	Sue Lloyd	IFRS Foundation
58	Nicola Moscariello	Italian Observatory on Financial Statements
59	Eugene Lee	KAI - Korea
60	Han Yi	KAI - Korea
61	Hyungjin Cho	KAI - Korea
62	Ilhong Park	KAI - Korea
63	Jae-Ho Kim	KAI - Korea
64	Nayoung Yoon	KAI - Korea
65	Subin Kim	KAI - Korea
66	Sung-Ho Joo	KAI - Korea
67	Simon Sfeir	LACPA - Lebanon
68	Yoke Pin Foo	MASB - Malaysia

69	Bjorn Einar Strandberg	NASB - Norway
70	Miriam Koreen	OECD
71	Tiziana Francucci	OIC - Italy
72	Tommaso Fabi	OIC - Italy
73	Cristina Stacchini	OIC - Italy
74	Katia Pilli	OIC - Italy
75	Leonardo Piombino	OIC - Italy
76	Massimo Tezzon	OIC - Italy
77	Mery De Falco	OIC - Italy
78	Michele Pizzo	OIC - Italy
79	Nadia De Santis	OIC - Italy
80	Paolo Marullo Reedtz	OIC - Italy
81	Silvia Persichetti	OIC - Italy
82	Simone Scettri	OIC - Italy
83	Donald Mangenje	PAAB - Zimbabwe
84	Abubakr Hummeida	SCCA - Sudan
85	Alessandra Allini	SIDREA - Italy
86	Andrea Venturelli	SIDREA - Italy
87	Claudio Teodori	SIDREA - Italy
88	Cristian Carini	SIDREA - Italy
89	Riccardo Macchioni	SIDREA - Italy
90	Raffaela Casciello	SIDREA - Italy
91	Ludovica Evangelista	SIDREA - Italy
92	Manuel Micolucci	SIDREA - Italy
93	Stefan Pärlhem	Swedish Accounting Standards Board (BFN)
94	Fredrik Walméus	Swedish Corporate Reporting Board (RFR)
95	Reto Zemp	Swiss GAAP FER - Switzerland
96	Sabir Sheikh	Swiss GAAP FER - Switzerland
97	Seema Jamil-O'Neill	UKEB - UK
98	Giorgio Ricciardi	University of Campania L. Vanvitelli
99	Stefano Zambon	WICI
100	Carolyn Cordery	XRB - New Zealand
101	Jack Bisset	XRB - New Zealand
102	Michelle Lombaard	XRB - New Zealand
103	Amelia Sharman	XRB - New Zealand
104	Lewis Hussein	ZAPB - Zimbabwe

The following IFASS participants registered to join the meeting remotely:

	Name	Organisation
1	Yun Leng Chua	ACRA - Singapore
2	Chuan Jian Lo	ACRA - Singapore
3	Poh Chong Kerh	ACRA - Singapore
4	Rana M. Usman Khan	AOSSG
5	Linda Yu	ARDF - Chinese Taipei
6	Hui Chen	ARDF - Chinese Taipei
7	Bidur Luitel	ASB Nepal
8	Yuki Matsuda	ASBJ - Japan
9	Atsushi Itabashi	ASBJ - Japan
10	Hisashi Yuhara	ASBJ - Japan
11	Mari Kimura	ASBJ - Japan
12	Hiroshi Matsushita	ASBJ - Japan
13	Tsuyoshi Ito	ASBJ - Japan
14	Miki Nakanishi	ASBJ - Japan
15	Satoe Yamamoto	ASBJ - Japan
16	Keishi Shirafu	ASBJ - Japan
17	Motoaki Fukue	ASBJ - Japan
18	Yasuyuki Natsume	ASBJ - Japan
19	Kristina Schwedler	ASCG - Germany
20	Minzi Zhang	CASC - China
21	Huaxin Xu	CASC - China
22	Bingnan Yu	CASC - China
23	Yingxiao Guo	CASC - China
24	Xiaohong Dong	CASC - China
25	Xingyue Yang	CASC - China
26	Mirela Paunescu	CECCAR - Romania
27	William Biese	CINIF - Mexico
28	Elsa Beatriz García	CINIF - Mexico
29	María Pineda	CINIF - Mexico
30	Jessica Magaña	CINIF - Mexico
31	Oscar Avila	CINIF - Mexico

32	Patricia Moles	CINIF - Mexico
33	Karen Sanderson	CIPFA
34	Marcio Rost	CPC -Brazil
35	Ana Maria Daqua	FACPCE - Argentina
36	Susan Cosper	FASB - USA
37	Elisa Noble	FRC -UK
38	Irwan Lau	IAI - Indonesia
39	Elisabeth Imelda	IAI - Indonesia
40	Aria Mita	IAI - Indonesia
41	Wiwied Widyastuti	IAI - Indonesia
42	Refin Pratama	IAI - Indonesia
43	Istini Siddharta	IAI - Indonesia
44	Arie Pratama	IAI - Indonesia
45	Ana Belén Muñoz Muñoz	ICAC - Spain
46	Florian U. Esterer	IFRS Foundation
47	Jenifer Minke-Girard	IFRS Foundation
48	Tinyiko Denhere	IFRS Foundation
49	Helen Lloyd	IFRS Foundation
50	Andreas Barckow	IFRS Foundation
51	Nick Anderson	IFRS Foundation
52	Patrina Buchanan	IFRS Foundation
53	Tadeu Cendon	IFRS Foundation
54	Zach Gast	IFRS Foundation
55	Hagit Keren	IFRS Foundation
56	Jianqiao Lu	IFRS Foundation
57	Rika Suzuki	IFRS Foundation
58	Robert Uhl	IFRS Foundation
59	Yulia Feygina	IFRS Foundation
60	Fred Nieto	IFRS Foundation
61	Joan Brown	IFRS Foundation
62	Carlo Pereras	IFRS Foundation
63	Stefano Tampubolon	IFRS Foundation
64	Alice Chiang	IFRS Foundation
65	Sofia Villalobos	IFRS Foundation
66	Nick Barlow	IFRS Foundation
67	Madhu Mathew	IFRS Foundation
68	Hyunseo Lim	KAI - Korea

69	Jinyoung Kim	KASB - Korea
70	Yelim Seo	KASB - Korea
71	Roger Loutfi	LACPA - Lebanon
72	Tatsiana Rybak	Ministry of Finance - Belarus
73	Qun Wei	Ministry of Finance - China
74	Signe Haakanes	NASB - Norway
75	Raymond Chamboko	PAFA
76	Emi Chujo	SSBJ - Japan
77	Mizuho Watanabe	SSBJ - Japan
78	Waka Kirihara	SSBJ - Japan
79	Tomoyuki Ogawa	SSBJ - Japan
80	Naoko Yagishita	SSBJ - Japan
81	Hana Murayama	SSBJ - Japan
82	Aiko Saito	SSBJ - Japan
83	Yusei Sato	SSBJ - Japan
84	Justin Ryan	UKEB - UK
85	Pauline Wallace	UKEB - UK