

# IFRS Due Process Handbook Review

## Points proposed for inclusion in the UKEB Comment Letter

The Trustees of the IFRS Foundation published the Exposure Draft: [Proposed Amendments to the IFRS Foundation Due Process Handbook](#), on 19 December 2024.

The UKEB has identified the following issues with the proposed changes to the IFRS Foundation's Due Process Handbook (the Handbook) that are of relevance to its work in carrying out its statutory duties as the UK's National Standard-setter for IFRS Accounting Standards, and its remit to consider the overlap between those standards and the IFRS Sustainability Disclosure Standards.

### Reflecting the ISSB in the Handbook [ED page 5]

#### Annex B – SASB Standards

1. To be considered internationally applicable and adoptable, the SASB Standards should be subject to the usual due process steps applied to all IFRS Standards.
2. This would align with the proposed new requirement, at paragraph 6.6 of the amended Handbook, which specifies that materials from other standard-setting bodies which "*might have been subject to consultative procedures during their development*" still require "*the board to apply the Foundation's due process to any proposed requirements incorporating such material*".
3. It is important that a transparent process is followed for appointing members to committees or groups involved in the development of SASB Standards, and for the membership of those committees and groups to be globally representative. In addition, for the development and ratification of the SASB Standards to meet the criteria of public accountability, the process for technical decisions should be transparent. This includes the Standards being discussed at public meetings and the papers for those meetings being published

### Connectivity [ED page 6]

4. We are broadly supportive of the proposals to formalise connectivity between the boards and their respective sets of standards. However, the objective for the two boards to "*develop complementary sets of IFRS Standards*" (the Constitution, section 2), which is proposed for inclusion at paragraph 1.1, will only achieve standards which do not conflict with each other. To achieve connectivity and an overlap, the objective should be for the boards to "*develop IFRS Standards that connect*".
5. In practice, sustainability disclosures are now being prepared by finance departments, leveraging their experience with control environments, external

reporting and engagement with auditors. To avoid consultation fatigue, or disjointed approaches from the two boards, connectivity and co-ordination between the boards is critical.

6. Paragraph 6.25 proposes that the steps taken to develop Standards, compatible with the other board's Standards, are summarised by the technical staff at the end of a standard-setting project. While this is a helpful addition, we suggest that the relevant board should also be required to consider and discuss potential connectivity matters at the start of the standard setting process and to monitor these periodically during its deliberations.

## Post-implementation Reviews (PIRs) [ED page 7]

7. The current Handbook states that a PIR "is an opportunity to assess the effect of the new requirements". The ED sets an explicit objective for PIRs: "to assess whether the effects of applying the new Standard / major amendments are as intended when developed" [emphasis added]. The basis on which the "intention" can be determined is not clear, given standards have an objective.
8. Currently, PIRs are carried out 2 years after international application (around 30-36 months after the effective date). Paragraph 6.55 of the proposed amended Handbook sets out that a PIR will begin "*after the new requirements have been applied for some time to ensure information is available to assess the requirements' effects in their entirety.*" This could lead to PIRs being delayed or postponed. Boards should consider whether sufficient information is available after two years. If not, the PIR should not be delayed beyond a further 3 years (5 years from the effective date).
9. Another way to address this may be that, for Standards or amendments which lead to a significant change in accounting practice the relevant board should set up a Transitional Implementation Group. The group could monitor international implementation issues and provide a more agile process for addressing them before excessive implementation costs have been absorbed by preparers.
10. [There is currently no provision for the boards to consider the body of their respective standards and carry out PIRs on older standards which may no longer meet stakeholder needs.]
11. If the SASB Standards are to be internationalised and become full IFRS Standards, they should also be within scope of the PIR process.

## Interpretations Committee [ED page 8]

- A1. IIFRIC is required, at paragraph 5.17, to consider four criteria when assessing the need for a standard-setting project. Criterion a) specifies "*the matter has widespread effect*". The ED proposes the following clarification: "*that is, the circumstance or transaction is prevalent and there is diversity in the application of IFRS Accounting Standards*". It would be helpful if "prevalence" was defined (e.g.

by reference to the number and size of entities, relevant sizes of jurisdictional capital markets, etc).

- A2. IFRIC should have the ability to recommend a standard setting project where, after implementation, the accounting required by a new or amended Standard is leading to unintended or poor accounting outcomes (albeit the standard is clear).

## Surveys [ED page 11]

12. Paragraph 3.68 of the proposed amended Handbook adds provision for the boards to offer stakeholders the opportunity to respond to formal consultations by completing a survey. The ability for stakeholders to respond to a formal consultation via a survey should only ever be used as a supplementary option to responding via a Comment Letter.
13. Comment Letters enable stakeholders to provide an explanation of the rationale for their views. This cannot be effectively achieved through a survey. Therefore, the use of surveys may negatively impact the assessment of proposals and how stakeholder views are conveyed e.g. artificially narrowed range of responses, tendency to ask closed questions that lead to binary answers, and could lead to ineffective interpretation of results.
14. The survey format is also problematic for standard setters, as well as membership bodies, as the questions are only visible as a respondent proceeds through the survey (e.g. checking a particular response brings up relevant supplementary questions). This makes it difficult for standard setters, or membership bodies, to consult with their own stakeholders (investors, preparers, accounting firms, auditors etc) on the full range of the consultation, when formulating their own views in the response.

## Re-exposure Criteria [ED page 11]

15. Paragraph 6.28 of the proposed amended Handbook should require the boards to consider stakeholder feedback, specifically from ASAF/SSAF, which provide views at the jurisdictional level, and relevant consultative groups, which may provide personal views, before making a final decision on re-exposure.
16. Paragraph 6.30 sets out that "*the board weighs the cost of delaying improvements to financial reporting against the relative urgency to introduce changes*". The approach of weighing cost against urgency may lead to inappropriate prioritisation decisions.

## Workplan Consultation [ED page 11]

17. Workplan consultations should also reflect the boards formal and public assessment of the connectivity of the projects, proposed to be included on the agenda.

## Additional points proposed for inclusion

### Comment Periods

18. The boards' consultations need to be issued for a sufficient period of time to enable stakeholders to provide considered responses.
19. National standard-setters (NSS) are required to follow their own due process and often hold their meetings at the end of the calendar month. Setting consultation deadlines for the 1<sup>st</sup> of the month following the actual 90- or 120-day deadline would normally allow NSS to get FCLs approved at their own board meetings.
20. The boards should also consider the timing of their consultations. For example, December is a popular year-end for listed companies (around 50% of UK listed entities have a December year-end<sup>1</sup>), and a holiday period for jurisdictions in both hemispheres. While the boards should be able to issue consultations at the end of the year, consideration should be given whether the length of the consultation makes accommodations for this, and the outreach engaged in during this period.

### Impact Assessments

21. Further consideration may need to be given to how the two boards analyse the likely costs and benefits ("effects") of new requirements on affected parties, as well as associated wider economic effects.
22. In describing how the two boards fulfil their Public Accountability duty, the proposed amended Handbook caters for an assessment of costs and benefits associated with new IFRS Standards or amendments (paragraphs 3.77-3.82 - Effects Analysis). Economic effects are considered at all stages of the standard-setting process.
23. The Handbook includes considerations on the assessment of the costs and benefits at the early stages of a project, but these are generic in nature. The economic assessments conducted by the IASB have been fairly limited in scope, especially at the early stages of a project. This results in analysis that is very qualitative in nature and can be based on tentative decisions, with no clarity on the actual requirements in the final standard, which can mean the actual impact of applying the standard is very different to that considered during its development.
24. In addition, paragraphs on the Effects Analysis (3.77-3.82) could be rearranged, be based on objective measures and grounded in economics to ensure that a sound evidence-based assessment is delivered.

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<sup>1</sup> December is also the most common year-end in Canada (54%) and the EU (De, Esp, Ita, Fra) (88.9%)