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Joint Technical Committee

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Berlin, 24 March 2025

Dear Mr Liikanen,

Proposed amendments to the IFRS Foundation Due Process Handbook

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on the IFRS Foundation's Exposure Draft *Proposed amendments to the IFRS Foundation Due Process Handbook*, issued on 19 December 2024 (herein referred to as 'ED'). We appreciate the opportunity to comment on this ED.

In general, we fully support the idea of reflecting the **ISSB and its work on IFRS sustainability standards** in the Due Process Handbook (DPH). In particular, we agree with making the due process for the IASB, which has been successfully established and has been carefully improved whenever experience suggested to do so, equally applicable for the ISSB. In this regard, we generally support the proposals.

We also agree with the proposals in respect of the **interaction of the two boards**, reflecting connectivity. We fully agree with the idea that both boards operate basically independent, however liaising when helpful, while following identical rules and procedures.

Further, we support the proposals for clarifying or amending **other specific aspects of the DPH**, eg. as regards post-implementation reviews, minor amendments and supporting material.

Notwithstanding this general consent, we have some reservations to the DPH requirements in respect of deciding **whether, and why, application questions could or should lead to standard-setting**. In particular, we feel there is some ambiguity as to when and why findings from post-implementation reviews or from IFRS IC discussions do (or do not) warrant, or require, standard-setting activities.

From past experience we perceive that a basic premise is underlying any standard-setting activities and the entire due process, which is that standards should be amended as rarely as possible because changes potentially change current practice and can lead to unintended consequences – all of which should be minimised as far as possible. While a stable set of standards is fundamentally important, and therefore is fully supported, it is inevitable that improvements and changes to standards will become necessary over time. We are fully aware

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that the due process requirements provide different ways and formats of standard-setting and other means. Though, deciding which of these should be initiated, if any, appeared and still appears the most challenging and most disputed aspect of the due process.

With this in mind, we feel that the more precise the due process is described the less room remains for subjective or random decisions about whether clarification is needed and which format, and degree of precision, is appropriate. In other words, any clarification or additional specification in the DPH is desirable and advantageous.

For more details on our findings on the specific proposals in the ED, we refer to our responses to the questions which are laid out in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact Jan-Velten Große (groesse@drsc.de) or one of us.

Yours sincerely,

Georg Lanfermann
President

Sven Morich
Vice President

Appendix – Answers to the questions in the ED

Question 1 – Reflecting the creation of the ISSB in the Handbook

Do you agree with how the DPOC proposes to reflect the creation of, and the due process for, the ISSB in the Handbook?

a) Including the due process for the ISSB

We agree with making the due process for the IASB equally applicable for the ISSB. We acknowledge that the IASB's due process has been successfully established for long and has been carefully improved whenever experience suggested to do so.

Certainly, given the few and still young IFRS Sustainability Standards, there is not much experience about how this due process works for standard-setting by the ISSB. In this respect, the existing DPH rules on the due process can only be assessed to a limited extent.

Nevertheless, the existing due process rules as well as the proposed amendments appear plausible. Hence, we see no better idea than applying this very same due process to both boards.

b) Due process for the SASB Standards and Taxonomy

We agree with making the current due process for SASB Standards as described on the IFRS Foundation's website an integral part of the DPH. We also agree with not amending the current due process for SASB Standards.

c) Reflecting connectivity

We have no objections to the basic idea that the IASB and ISSB act independently, while following the same principles and rules.

Further, we agree that both boards should interact and liaise with each other, whenever technical matters do, or could, affect both boards or both sets of standards. Therefore, we fully agree with the proposals as regards connectivity.



Question 2 – Enhancements and clarifications

Do you agree with the proposed enhancements and clarifications to the Handbook?

d) Post-implementation reviews

We generally support clarifying some aspects of post-implementation reviews (PIRs), and we fully agree with the specific proposals to clarify the objective and process of PIRs. However, we think that clarifying the requirements around PIRs could go further.

In this regard, we refer to one comment in our cover letter, describing our reservations to the DPH requirements in respect of deciding whether, and why, application questions could or should lead to standard-setting. This particularly holds for questions raised and discussed during a PIR. Currently, we feel there is some ambiguity as to when and why findings from a PIR warrant, or require, standard-setting activities. Hence, we deem the decision of whether findings from a PIR lead to follow-up standard-setting should be operationalised more clearly (ie. criteria for that decision should be developed and integrated into the DPH), as this would minimise room for subjective or random decisions.

Furthermore, we suggest decreasing the room for a board's assessment of whether and when a PIR is conducted. In this regard, so far it is only formulated that a board should 'conduct' the PIR, which is appropriate. In addition, it could be explicitly stipulated that eg. Trustees may also trigger, or require, starting a PIR. Also, feedback statements following PIRs should not only be reviewed by the DPOC prior to publication but could be published by the DPOC or even by the Trustees.

Overall, we like to point out that considering whether/why application issues resulting from a PIR lead (or do not lead) to a standard-setting project need to be compatible, or interact, with criteria for prioritising projects after an agenda consultation or when otherwise updating the IASB's work programme (ie. role of the 'Prioritisation Framework').

e) Minor improvements to IFRS Standards

We consider the proposals be appropriate, and we have no additional comments.

f) Interpretations Committee

The proposed clarifications appear appropriate. However, we identified two other aspects that might warrant clarification but are not addressed by the proposals.

Firstly, we like to point to earlier clarifications in the DPH (in 2020), according to which agenda decisions are to be considered as 'additional insights' that might lead to changes in accounting policies (DPH 8.6). From today's perspective, this requirement lacks clarity as regards (i) the



range of 'sufficient time' and (ii) the meaning of the status 'be entitled'. More clarification on this would be desirable.

Secondly, we refer to the IFRS IC meetings in September and November 2024. During those meetings, the IFRS IC decided that agenda decisions relating to IAS 1 would be withdrawn or amended as soon as IFRS 18 is initially applied. So far, the possibility of withdrawing an agenda decision has neither been explicitly mentioned in the DPH nor in the proposed amendments. Though, such a means should be addressed in the DPH. Hence, we suggest considering and addressing this aspect during the current DPH revision.

g) Material to support application of IFRS Standards

We agree with the clarifications in this regard, since reviews of supporting material are fundamentally important. The status of this material as well as a reduced review process, as suggested, appear appropriate.

However, paras. 8.8 and 8.9 do not appear sufficiently clear. According to para. 8.9 of the ED, 'material to support application' is not part of the Standards. This is understandable in itself, but seem to contradict para. 6.32(a) of the ED, according to which 'related application guidance' is a mandatory part of a standard. We suggest resolving this perceived conflict.

Further, we like to touch on material supporting application of IFRS Sustainability Standards. So far, accompanying material for those standards is still rare. Probably, such material will be published gradually in the future. Therefore, it is not yet possible to assess whether the proposals are suitable with regards to that set of Standards. In general, however, it seems preferable to have identical requirements for supporting material in both areas.

(From a European perspective, it should be added that applying Sustainability Standards has been, and still is, essentially characterised by the ESRs. Along with ESRs, the implicit question of whether application issues should be addressed either by adjustments to the ESRs themselves or by a form of 'supporting material' has arisen frequently. As a result, extensive supporting material was developed and published. This said, we suggest that any experience in whether supporting material (instead of subsequent 'standard-setting') for ESRs has proven advantageous be taken into account whenever the ISSB considers developing supporting material or, instead, amending existing Standards.)

h) Other targeted amendments

Beyond our reservation as regards considerations on whether, and why, application questions could or should lead to standard-setting (see Cover Letter and lit. d) above), we have no further comments.