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IFRS Foundation
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Comments on the Exposure Draft
Proposed Targeted Amendments to the IFRS Foundation Constitution

The Japanese Institute of Certified Public Accountants (hereafter referred to as "JICPA," "we," "our," or "us") commends the IFRS Foundation for its continued efforts and welcomes the opportunity to comment on the Exposure Draft Proposed Targeted Amendments to the IFRS Foundation Constitution (hereafter the "Exposure Draft").

JICPA supports the IFRS Foundation's development of high-quality, globally accepted accounting standards and sustainability disclosure standards. We also recognise that it is critically important to maintain legitimacy as a global standard setter, geographical diversity and balance, transparency of due process and independence of standard-setting, all of which underpin this work.

As a global standard-setting organisation, the IFRS Foundation establishes and operates the institutional arrangements and supporting mechanisms needed to fulfil its clearly articulated mission and commitments, and develops, amends, and maintains standards through the IASB and the ISSB. Board members do not serve as representatives of the interests of particular jurisdictions. Rather, they are expected to deliberate and make decisions independently, fairly, and impartially in the public interest. At the same time, we believe that avoiding regional bias in the composition of the boards and ensuring a diversity of perspectives are also important for understanding the diverse economic circumstances and challenges faced by different jurisdictions and reflecting them appropriately in global standard-setting.

From this perspective, when considering organisational streamlining that involves a reduction in the size of the boards, we believe that the Trustees should demonstrate, on the basis of a thorough analysis and assessment, that such changes would not impair the IFRS Foundation's ability to fulfil its mission and commitments. We also believe that the rationale for the decision and the deliberations leading to it should be explained transparently. In particular, the following matters warrant further clarification.

- What is the basis for concluding that the IFRS Foundation's current governance arrangements, outreach activities, consultative bodies and other supporting mechanisms ensure that the economic circumstances and challenges of deferent jurisdictions are adequately taken into account in the development and amendment of standards? On that basis, why is it considered that these arrangements and supporting mechanisms would continue to operate effectively and efficiently if the boards were reduced in size?
- Although board members do not represent the interests of any particular region or jurisdiction, the participation of members with knowledge of diverse regional economic environments and practical challenges also brings a diversity of perspectives to the boards' deliberations and contributes to the development of high-quality standards that are capable of global application. Such geographical diversity also plays an important role in maintaining the confidence of stakeholders in individual jurisdictions that the boards make decisions independently and impartially, with due consideration of the circumstances and challenges in their jurisdictions. How, therefore, will the IFRS Foundation ensure that, following a reduction in the size of the boards, deliberations and decision-making will continue to be conducted fairly and impartially, with sufficient expertise, diversity, and regional balance?

Furthermore, we believe that securing a stable financial foundation over the long-term is essential for the IFRS Foundation to continue fulfilling its mission. However, it would be counterproductive to treat a reduction in the size of the boards as a prerequisite for achieving this objective. Instead, due consideration should also be given to measures for containing operating costs while maintaining a sufficient number of board members, diverse expertise, and regional diversity, including appropriate adjustments to remuneration levels, greater use of part-time members, and other measures to improve operational efficiency.

If market participants and stakeholders across jurisdictions perceived a reduction in the size of the boards as diminishing the scope of the IFRS Foundation's activities, regional engagement or diversity, this could also undermine support for the Foundation and willingness to provide funding over the medium to long term. We therefore expect any decision to be based on a comprehensive assessment that considers not only financial efficiency but also the effects on the Foundation's legitimacy and credibility as a global standard setter, as well as on its broad base of global support.

Yours faithfully,

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Executive Board Member—Sustainability Disclosure and Assurance

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The Japanese Institute of Certified Public Accountants

Question 1—Board size and geographical allocation of board members
Do you agree with how the Trustees propose to amend the Constitution to implement their decision to reduce the size of the boards by: (a) specifying a range for board membership; and (b) amending the geographical allocation of members to maintain appropriate international diversity and balance? If not, why not, and what would you propose instead and why?

Our Comments

(a) Specifying a range for the number of board members

Size of the boards

We do not agree with the proposal.

For the IFRS Foundation to achieve its objective of developing high-quality, understandable, enforceable, and globally accepted standards for general-purpose financial reporting (collectively, "IFRS Standards"), it is essential to secure IASB and ISSB members with high levels of professional competence and extensive practical experience. Financial resources should be allocated to this priority first and foremost. We also strongly hope that a fairer and more sustainable funding model for contributions to the IFRS Foundation will be established.

We understand that the proposed amendments follow the Foundation's transformation programme discussed by the Trustees in June 2025, including reductions in the operating costs of both boards, and the announced plan to reduce the number of board members of each of the IASB and the ISSB gradually from 14 to 10 by the end of 2028. Even if the boards are reduced in size, however, it is necessary to assess carefully whether the boards will have sufficient capacity to deliver their work plans on a timely basis and develop high-quality standards.

In particular, we believe that the Trustees should demonstrate, based on thorough analysis and assessment, that such changes would not impair the IFRS Foundation's ability to fulfil its mission and commitments. We also believe that the rationale for the decision and the deliberations leading to it should be explained transparently.

The next agenda consultations of both boards are scheduled for 2027. Those consultations will establish priorities and determine the projects to be undertaken over the following few years. At present, it is not clear whether either the number of future projects or the resources required for each project will decrease significantly.

It would also be counterproductive if the boards were unable to respond adequately to projects strongly requested by stakeholders through the agenda consultation merely because the boards had been reduced in size.

If the IASB and the ISSB were to operate with membership close to eight, they might face difficulties in securing diverse expertise and perspectives, engaging sufficiently with

stakeholders in all regions of the world, and maintaining the capacity needed to progress multiple standard-setting projects simultaneously. The ISSB in particular will need to place even greater emphasis on engagement across regions as it seeks to expand the global adoption or use of IFRS Sustainability Disclosure Standards.

For a global standard setter, maintaining and strengthening stakeholders' confidence that it obtains input from a broad range of companies, investors, public authorities, the accounting profession and other stakeholders, and appropriately reflects their views in the standard-setting process, is critical to its legitimacy and to the global acceptance of its standards. An excessive reduction in the size of the boards could not only constrain actual engagement capacity but also undermine that confidence.

In addition, if a reduction in the size of the boards were perceived as diminishing the scope of the IFRS Foundation's activities, regional engagement or diversity, this could also undermine jurisdictions' support for the Foundation and their willingness to provide funding over the medium to long term, raising concerns about a potential downward spiral. The size and composition of the boards should therefore be considered with regard not only to operating costs but also to the effects on the IFRS Foundation's sustainable funding base.

In light of the above, we believe that each board should retain its current membership of 14 or have at least 12 members. Other ways of containing operating costs while retaining a sufficient number of board members, diverse expertise and regional diversity should also be considered, including appropriate adjustments to remuneration arrangements and greater use of part-time members. If the use of part-time members is expanded, appropriate eligibility requirements and safeguards should be established to ensure their independence and enable them to devote sufficient time to the boards' activities.

We strongly hope that this review will not be limited to reducing the size of each board, but will instead provide an opportunity to reconsider how the IFRS Foundation as a whole can improve operational efficiency while securing the expertise, diversity and regional engagement required of a global standard setter, and strengthening connectivity between the two boards.

(b) Geographical distribution of board members

Asia-Oceania seats

We oppose the proposal to reduce the number of Asia-Oceania seats on each board to two. We are concerned that increasing the number of at-large seats could disrupt the optimal balance between regional and at-large seats.

We believe that Asia-Oceania continues to be highly important to the IFRS Foundation's efforts to promote the adoption and consistent application of IFRS Standards for the following reasons:

(a) the region is experiencing significant economic growth and increasing influence on the global economy;
(b) the region has no economic community comparable to the European Union, comprises many countries and peoples with diverse languages, cultures, and practices, and includes many jurisdictions that are still in the process of applying IFRS Standards; and
(c) the region has consistently accounted for approximately 26% of total contributions to the IFRS Foundation.

Accordingly, the proposed reduction in Asia-Oceania seats would have significant implications.

Professional competence and practical experience should remain the primary qualifications for board membership. We believe that, in selecting board members, taking into account the maturity and sophistication of the financial and capital markets in a candidate's home jurisdiction, in addition to individual qualities such as advanced accounting knowledge and analytical ability, the balance between native and non-native English speakers, and gender balance, would contribute to the development of higher-quality international standards.

At-large seats

We oppose the proposed expansion of at-large seats.

We understand that the compositions of the IASB and the ISSB are designed to ensure fairness and objectivity. Expanding the number of at-large seats raises concerns about concentration in particular regions and risks undermining the standing of both boards as global standard setters.

If, nevertheless, the number of at-large seats is increased, we believe that the following two conditions should be considered:

1. A policy should be established for appointing board members to at-large seats.
2. In relation to the proposed wording, "The Trustees shall use their best endeavours to ensure geographical balance in the membership of the ISSB," the Trustees should explain clearly the specific steps taken to use their best endeavours and demonstrate accountability for the use of at-large members on an ongoing basis.

We believe these measures would also be desirable to ensure the transparency and appropriateness of the appointment process.

Appointment of the Chair from an at-large seat

We oppose formalising the practice of appointing the Chair from an at-large seat.

Under the proposal, the number of at-large seats could vary. If there were only one at-large seat, which would occur if the board had eight members in total, the member occupying that seat would necessarily become the Chair, even if a more suitable candidate were available among regionally allocated members. The Chair has an important role and should be the person best qualified for that role. The category from which the Chair may be selected should therefore not be restricted. Accordingly, we support retaining the current wording.

Question 2—Attributes of board members
Do you agree with the Trustees' decision to propose no changes in the Constitution: (a) to the main provisions related to part-time board membership; and (b) to the main qualifications for membership of the boards? If not, why not, and what would you propose instead and why?

Our Comments

(a) Part-time board members

Retention of the provisions

We agree with retaining the arrangements for part-time board members.

However, if the boards are reduced in size, the influence and workload of each member will increase. It will therefore be important to ensure sufficient attendance and engagement.

Appointment of the ISSB Chair

We agree with amending the provision on appointing the ISSB Chair from among part-time board members so that, as with the IASB, the Chair is appointed only from among full-time members.

(b) Qualifications for board membership

We agree with the proposal to retain the current qualification requirements.

If the boards are reduced in size, securing the necessary expertise will become even more important. In addition, in view of the expected expansion of third-party assurance over sustainability-related financial disclosures, we believe it is essential to include members with practical experience in sustainability assurance.

Question 3—Voting arrangements
Do you agree with how the Trustees propose to update the voting requirements in the Constitution to facilitate effective decision-making for the smaller boards? If not, why not, and what would you propose instead and why?

Our Comments

We agree with the proposal.

However, to preserve the legitimacy of standard-setting, we believe the revised requirement of a simple majority plus one vote should be applied carefully so that it does not, in practice, weaken consideration of minority views.

Accordingly, continued emphasis should be placed on explaining the reasons for voting against a proposal, disclosing dissenting opinions, and maintaining a robust re-deliberation process. It would also be desirable to monitor voting outcomes after the change and revisit the requirements as necessary.

Question 4—Other targeted amendments
Do you agree with the other proposed targeted amendments to the Constitution?

Our Comments

(1) Requirement to accompany documents with a Basis for Conclusions

We agree with the proposal.

We strongly support the proposal to state expressly in the Constitution that a Basis for Conclusions must accompany a Standard and an Exposure Draft.

The Basis for Conclusions is an important document that explains, among other matters, why the standard setter reached its technical judgements, the alternatives it considered, and its analysis of feedback received. Enabling stakeholders to understand the background and reasoning underlying standard-setting is critical to enhancing the transparency and acceptability of the Standards and is also essential to accountability for due process. We consider that the proposal would strengthen governance.

(2) Clarification of the role and responsibilities of the Managing Director

We agree with the proposal.

However, we believe the distinctions among the following functions should continue to be made clear:

- the governance function of the Trustees;
- the standard-setting and technical decision-making functions of the IASB and the ISSB; and
- the operational function of management.

Because the independence of standard-setting is fundamental to the credibility of the IFRS Foundation, we expect the provisions to be applied with due care so that the Managing Director's role is not interpreted as influencing technical decision-making.

(3) Removal of the transitional provisions for the ISSB

We agree with the proposal.

The ISSB is already established as a permanent standard-setting body of the IFRS Foundation, and we believe there is less need to retain in the Constitution the transitional provisions that were required when the ISSB was established. The amendment appropriately reflects that the ISSB is now permanently embedded in the IFRS Foundation's governance structure.