

MEMORANDUM OF UNDERSTANDING TO STRENGTHEN THE INSTITUTIONAL
FRAMEWORK OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
FOUNDATION

PREAMBLE

The European Commission, the International Organization of Securities Commissions, the Financial Services Agency of Japan, the United States Securities and Exchange Commission, the Comissão de Valores Mobiliários of Brazil, the Financial Services Commission of Korea and the Ministry of Finance of the People’s Republic of China, Financial Conduct Authority of United Kingdom (collectively referred to as “capital markets authorities” for the purposes of this Memorandum of Understanding), which together represent authorities responsible for setting the form and content of financial reporting in the majority of the world’s capital markets, and the Trustees of the International Financial Reporting Standards Foundation (“IFRSF”):

Considering that capital markets authorities are generally charged with the development and administration of accounting standards and sustainability disclosure standards;

Considering that capital markets authorities historically have looked to private or stand-alone bodies to assist in establishing accounting standards and, more recently, sustainability disclosure standards;

Considering that capital markets authorities generally oversee national accounting standard setters[, and where applicable other standard setters,] to ensure that they are capable of improving the accuracy, transparency, comparability and effectiveness of financial and sustainability reporting and the protection of investor interests;

Considering that accounting standard-setters[, and where applicable other standard setters,] should strive to keep their standards current to reflect changes in the business environment, as well as consider promptly emerging accounting and sustainability issues, changing business practices and changing information needs for investors;

Recognizing that the International Accounting Standards Board (“IASB”) is a stand-alone international accounting standard-setter committed to developing, in the public interest, a single set of high quality, understandable and enforceable global standards, also known as International Financial Reporting Standards (“IFRS”);

Recognizing that the IASB develops accounting standards for use by companies from developed and developing economies;

Recognizing that the International Sustainability Standards Board (“ISSB”) is a stand-alone international sustainability standard-setter committed to developing, in the public interest, a single set of high quality, understandable and enforceable global sustainability disclosure standards, also known as IFRS Sustainability Disclosure Standards or ISSB Standards;

Recognizing that the ISSB develops sustainability disclosure standards intended for use by companies from developed and developing economies;

Recognizing that IFRS are increasingly used around the world and that ISSB Standards also aim for global use;

Recognizing the IFRSF has had a formal relationship to capital market authorities since 2009;

Recognizing that the establishment of a formal relationship between capital markets authorities and the IFRSF facilitates the ability of these authorities to effectively discharge their mandates relating to investor protection, market integrity and capital formation;

Recognizing that the IASB and ISSB are overseen by an independent body, the IFRSF, which is charged with serving the public interest;

Having regard to the IFRSF Governance Review and in pursuit of constituting an effective and sound governance structure around the activities of the IFRSF;

Desiring to further enhance the public accountability of the IFRSF to support the increasing use of IFRS and ISSB standards around the world;

Understanding that the IFRSF constitution recognizes the role of the IFRSF Monitoring Board in reinforcing the public accountability of the IFRSF Trustees;

Affirming and supporting the independence of the IFRSF in setting high-quality accounting standards and sustainability disclosure standards, through the IASB and

ISSB, respectively, ;

Desiring to help strengthen this independence by supporting the establishment of a non-voluntary, transparent and stable funding platform for the IFRSF

Have reached the following understanding:

ARTICLE I: DEFINITIONS

For purposes of this Memorandum of Understanding (“MOU”),

1. “IFRSF Monitoring Board” or “Monitoring Board” means a body established by agreement among its members, the mission and operation of which are described in its charter. Its relationship to the IFRSF is described in this MOU. Its current members are
 - The European Commission;
 - The Emerging Markets Committee and the Board of the International Organization of Securities Commissions (“IOSCO”);
 - The Financial Services Agency of Japan;
 - The US Securities and Exchange Commission
 - The Comissão de Valores Mobiliários (CVM) of Brazil,
 - The Financial Services Commission (FSC) of Korea,
 - The Ministry of Finance of the People’s Republic of China, and
 - Financial Conduct Authority of United Kingdom.

The Basel Committee on Banking Supervision shall participate in the IFRSF Monitoring Board as an observer with voice but no vote.

2. “IFRSF Constitution” means the 2021 Constitution of the IFRSF, as amended from time to time.¹
3. “Trustees” means the Trustees of the IFRSF, whose roles are described in the IFRSF Constitution.

¹ Located at <https://www.ifrs.org/content/dam/ifrs/about-us/legal-and-governance/constitution-docs/ifrs-foundation-constitution-2021.pdf>

ARTICLE II: GENERAL PROVISIONS

4. The IFRSF Monitoring Board and the Trustees agree to collaborate in the manner specified in this MOU.
5. This MOU does not alter the terms of the relationship between and among the Trustees, IASB and ISSB. This MOU also does not alter the Trustees' responsibilities as described in the IFRSF Constitution.

ARTICLE III: PURPOSE AND DUTIES OF THE IFRSF MONITORING BOARD

6. Purpose of the IFRSF Monitoring Board

The primary purpose of the IFRSF Monitoring Board is to serve as a mechanism for formal interaction between capital markets authorities and the IFRSF, thereby facilitating the ability of capital market authorities that allow or require the use of IFRS and/or ISSB Standards in their jurisdictions to effectively discharge their mandates relating to investor protection, market integrity and capital formation. The IFRSF Monitoring Board will help ensure the public accountability of the IFRSF by monitoring and reinforcing the public interest oversight function of the IFRSF, as well as to promote the continued development of IFRS and ISSB Standards as high-quality sets of global accounting standards and global sustainability disclosure standards, respectively.

7. Duties of the IFRSF Monitoring Board

The principal responsibilities of the IFRSF Monitoring Board are to:

- i) Participate in the Trustee nominations process;
- ii) Approve Trustee nominees;
- iii) Provide input on IASB and ISSB Chair selection;
- iv) Review the adequacy and appropriateness of Trustee arrangements for financing the IFRSF, IASB and ISSB and the annual budgets of the IFRSF, IASB and ISSB;
- v) Review the Trustees' oversight of the IASB's and ISSB's standard setting processes, in particular with respect to their due process arrangements, including but not limited to the interactions and interdependencies of their respective agendas;

- vi) Confer with the Trustees regarding their responsibilities, in particular in relation to the regulatory, legal and policy developments that are pertinent to the IFRSF's oversight of the IASB and ISSB; and
- vii) Refer matters of broad public interest related to financial and sustainability reporting for consideration by the IASB and/or ISSB through the IFRSF.

8. Trustee Selection

- A. Criteria for the selection or reappointment of a Trustee are those contained in the IFRSF Constitution.
- B. In accordance with section 8 of the IFRSF Constitution, the Trustees shall establish procedures to invite applications for Trustee positions, including advertising vacant positions. These procedures shall be agreed by the IFRSF Monitoring Board. The Selection process will be administered by the Trustees in a transparent manner.
- C. The Trustees will propose a candidate for each open Trustee position. The Trustees shall provide the reasoning behind their choice of candidate. The IFRSF Monitoring Board may submit names for the Trustees' consideration.
- D. Each Trustee candidate must be approved by the IFRSF Monitoring Board.
- E. The Trustees will appoint a Chair from among the Trustees or appoint an individual who has been recruited externally, subject to the approval of the IFRSF Monitoring Board.

9. IASB and ISSB Chair selection

- A. The IFRSF Trustees have the ultimate responsibility for selecting the IASB and ISSB Chair.
- B. The IFRSF Monitoring Board will agree with the Trustees on a set of criteria for selecting potential candidates, which will be documented and made public.
- C. The IFRSF Monitoring Board will submit to the Trustees its assessment of a short list of candidates against the criteria, for the Trustees' reference and will be invited to provide views regarding the final candidate for IASB and ISSB Chair.

10. IASB Oversight, Due Process and Funding

- A. The IFRSF Monitoring Board will confer with the Trustees regarding their oversight responsibilities in the following principal areas:
 - i. procedures relating to the due process and general oversight of the IASB;

- ii. the IASB's agenda-setting process and work program, including the adequacy of the IASB's resources in the light of its work programs;
- iii. the adequacy of the IASB's procedures to ensure prompt and fair consideration of changes to IFRS accounting principles and standards so as to take into account emerging accounting issues and changing business practices;
- iv. the IASB's due process, including the process for carrying out impact assessments and cost-benefit analyses;

the IASB's efforts to improve the accuracy and effectiveness of financial reporting and to protect investors; and

- v. the adequacy and appropriateness of the sources of funding and any other revenue arrangements of the IFRSF, as well as the annual budget of the IFRSF.
- B. The IFRSF Monitoring Board may refer accounting issues to, and will confer regarding these issues with, the Trustees and the IASB Chair².
- i. The Trustees will work with IASB to ensure these issues are addressed in a timely manner.
 - ii. If the IASB determines that consideration of the issue(s) identified by the IFRSF Monitoring Board is not advisable or that the issue(s) cannot be resolved within the time frame suggested by the Monitoring Board, the Trustees should:
 1. call on the IASB to undertake all reasonable efforts to consider issue(s) in a manner that is consistent with the public interest, taking into account the protection of investors;
 2. call on the IASB to explain its position through the Trustees regarding the IASB's position on the issue(s), including demonstration to the Trustees and the Monitoring Board that adding the matter to the IASB agenda would be inconsistent with the standard-setting responsibilities established in the IFRSF Constitution; and
 3. promptly notify the IFRSF Monitoring Board of the IASB's position.

11. ISSB Oversight, Due Process and Funding

- C. The IFRSF Monitoring Board will confer with the Trustees regarding their oversight responsibilities in the following principal areas:
- i. procedures relating to the due process and general oversight of the ISSB;
 - ii. the ISSB's agenda-setting process and work program, including the

² In all cases, it is understood that the Monitoring Board will neither influence the decision-making process nor challenge the decisions made by the IASB with regard to its standard-setting.

adequacy of the ISSB's resources in the light of its work programs;

- iii. the adequacy of the ISSB's procedures to ensure prompt and fair consideration of changes to ISSB Standards so as to take into account emerging sustainability issues and changing business practices;
- iv. the ISSB's due process, including the process for carrying out impact assessments and cost-benefit analyses;
- v. the ISSB's efforts to improve the accuracy and effectiveness of sustainability reporting and to protect investors, and
- vi. the adequacy and appropriateness of the sources of funding and any other revenue arrangements of the IFRSF, as well as the annual budget of the IFRSF.

- D. The IFRSF Monitoring Board may refer sustainability issues to, and will confer regarding these issues with, the Trustees and the ISSB Chair².
 - i. The Trustees will work with ISSB to ensure these issues are addressed in a timely manner.
 - ii. If the ISSB determines that consideration of the issue(s) identified by the IFRSF Monitoring Board is not advisable or that the issue(s) cannot be resolved within the time frame suggested by the Monitoring Board, the Trustees should:
 - 1. call on the ISSB to undertake all reasonable efforts to consider

² In all cases, it is understood that the Monitoring Board will neither influence the decision-making process nor challenge the decisions made by the ISSB with regard to its standard-setting.

- issue(s) in a manner that is consistent with the public interest, taking into account the protection of investors;
2. call on the ISSB to explain its position through the Trustees regarding the ISSB's position on the issue(s), including demonstration to the Trustees and the Monitoring Board that adding the matter to the ISSB agenda would be inconsistent with the standard-setting responsibilities established in the IFRSF Constitution; and
 3. promptly notify the IFRSF Monitoring Board of the ISSB's position.

ARTICLE IV: COMMUNICATION BETWEEN THE IFRSF MONITORING BOARD AND THE TRUSTEES

12. The Trustees shall communicate with the IFRSF Monitoring Board regarding their work, including in the following ways:

- A. The Trustees shall report on the work of the IFRSF annually in writing;
- B. The Trustees shall meet regularly with the IFRSF Monitoring Board to discuss its work. By common agreement of the two Chairpersons, other organizations with public policy responsibilities related to financial and/or sustainability reporting may be invited to participate in these meetings on an *ad hoc* basis;
- C. Upon request of the IFRSF Monitoring Board, the Trustees, the Chairman of the Trustees, or the Chairpersons of the Trustees, the IASB and the ISSB shall meet with the IFRSF Monitoring Board regarding any area of work of any of the IFRSF, IASB or ISSB. Without limitation, these discussions may cover the status of any matter that the IFRSF Monitoring Board has referred for timely consideration by the IFRSF, IASB and/or ISSB.
- D. The IFRSF Monitoring Board members shall update the IFRSF and/or its staff on significant events in the regulatory environment (including those that relate to audit requirements and practices and/or sustainability reporting requirements and practices), or other areas to assist the IFRSF in carrying out its responsibilities.
- E. From time to time, the IFRSF Monitoring Board and the Trustees shall discuss the functioning of this MOU and discuss whether changes are appropriate. Changes must be approved by a consensus among all signatories to this MOU.
- F. All signatories to this MOU mean the IFRSF Monitoring Board members listed in Appendix C of the "CHARTER OF THE IFRSF MONITORING BOARD" and the IFRSF Trustees.

ARTICLE V: TERMINATION

13. The IFRSF Monitoring Board or the Trustees may terminate this MOU upon 60 days written notice.