Comment Letter

IFRS Foundation

7 Westferry Circus, Canary Wharf

London E14 4HD

United Kingdom

[13 November 2026]

Dear Mr Liikanen,

Re: Exposure Draft Proposed Targeted Amendments to the IFRS Foundation *Constitution*

On behalf of EFRAG, I am writing to comment on the Exposure Draft *Proposed Targeted Amendments to the IFRS Foundation Constitution*, issued by the IFRS Foundation on 18 August 2026 (the 'ED').

This letter is intended to contribute to the IFRS Foundation's due process.

EFRAG supports the IFRS Trustees' goal of ensuring the long-term sustainability of the IASB and ISSB (hereafter referred to as the 'Boards'). However, addressing current funding constraints should be done carefully so as not to undermine the ability of the Boards to effectively fulfil their global standard setting mandates, which could happen if there is insufficient representation of key functional roles and geographical perspectives at the Boards. Therefore, to address the current situation, EFRAG encourages the Trustees to also focus on increasing the sources of stable funding of the IFRS Foundation.

Board size and geographical allocation. Overall, EFRAG is concerned about the proposed reduction in the sizes of the Boards. EFRAG considers that the lower bound of the ED's proposed reduction, i.e., 8 to 12 members, would undermine the proper representation of different stakeholders' perspectives, result in the loss of collective expertise, slow down the completion of projects, and thereafter undermine the acceptability and legitimacy of the standards issued by the Boards. Therefore, EFRAG recommends having 12 members for each Board, and under exceptional and sufficiently articulated circumstances, there could be a minimum of 10 members for each Board. EFRAG also recommends that the Trustees carry out another Constitution review within five years to assess whether the Boards have effectively carried out their mandate based on the proposed reduction of their sizes.

Functional and geographic representation: EFRAG suggests ensuring sufficient representation of key functional areas (users, preparers, auditors) and allocating three seats for Europe on each Board, with a minimum of two seats for the EU. The latter takes into account the high degree of adoption and ongoing use of IFRS Accounting Standards for over 20 years by entities across 27 countries/EU member states and three EEA countries, Europe's leadership in sustainability reporting practice and standard setting, and the EU being an important contributor to the standard-setting activities of the IFRS Foundation.

Part-time members and qualifications of Board members. EFRAG agrees with the proposal to retain the requirements for part-time Board members and those for the qualifications of Board members. EFRAG suggests limiting the number of part-time members for Board sizes to two members if the Board size falls below 12 members, and ensuring there are safeguards against conflicts of interest.

Voting arrangements. EFRAG agrees with the ED's suggested voting arrangements. These are consistent with the current supermajority requirements, and they allow for a dissenting opinion under all circumstances.

Other targeted amendments. EFRAG agrees with the possibility of a shortened workplan and the mandatory basis for conclusions for an Exposure Draft and a Standard. However, EFRAG is concerned by the suggested wording change related to Board members' terms, which may lessen the duration of the term of some Board members to less than five years. EFRAG considers that a Board member's contribution is maximised by having a term of at least five years. EFRAG supports flexibility in a Board member's overall tenure insofar as it is at least five years.

EFRAG's detailed comments and responses to the questions in the ED are set out in the Appendix.

If you would like to discuss our comments further, please do not hesitate to contact Saskia Slomp.

Yours sincerely,



Benoit Jaspar

President of the EFRAG Administrative Board

Appendix – EFRAG's responses to the questions raised in the ED

Board size and geographical allocation of Board members

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:

- specifying a range for Board membership; and
- amending the geographical allocation of members to attain appropriate international diversity and balance?

If not, why not and what would you propose instead and why?

EFRAG's response

1 EFRAG supports the IFRS Trustees' goal of ensuring the long-term sustainability of the Boards. EFRAG understands that the proposed amendments have arisen from difficulties in securing stable and sufficient funding. However, addressing current funding constraints should be done carefully so as not to undermine the ability of the Boards to effectively fulfil their global standard setting mandates, which could happen if there is insufficient representation of key functional roles and geographical perspectives at the Boards. Therefore, to address the current situation, EFRAG encourages the Trustees to also focus on increasing the sources of stable funding of the IFRS Foundation.

2 EFRAG has the following comments on the ED's proposals.

(a) Regarding the Amendments to the Boards' size and geographical allocation:

(i) *Board size reduction.* While a reduction in the Board size from 14 members is understandable for cost-saving purposes, the ED does not sufficiently substantiate how the Trustees have concluded what the optimal Board size ought to be and how this relates to the feedback received following the 2015 *Constitution* amendment, where the Board size was reduced from 16 to 14 to ensure efficiency and effectiveness. The ED does not present any benchmark data from similar organisations, which shows that the proposed reduction would result in more efficient and effective decision-making by the Boards. It is also puzzling how the reduction in the sizes of the IASB and ISSB can be justified before considering the need for standard setting that will be

conveyed through stakeholders' feedback to the forthcoming agenda consultations of the Boards.

(ii) Overall, EFRAG considers that the lower bound of the ED's proposed reduction, i.e., 8 to 12 members, would undermine the proper representation of different stakeholders' perspectives, result in the loss of collective expertise, slow down the completion of projects, and thereafter undermine the acceptability and legitimacy of the standards issued by the Boards. Therefore, EFRAG recommends having 12 members for each Board, and under exceptional and sufficiently articulated circumstances, there could be a minimum of 10 members for each Board.

(iii) EFRAG also recommends that the Trustees carry out another Constitution review within five years to assess whether the Boards have effectively carried out their mandate based on the reductions in their sizes.

(iv) *Envisioned workload of the IASB and ISSB justifies similar minimum sizes:* Regarding the IASB, EFRAG notes that there is an ongoing, unmet demand for high-quality IFRS Accounting Standards. For example, a significant number of accounting issues identified[1] by stakeholders are yet to be addressed by the IASB. EFRAG notes the IASB has not had the capacity to initiate several key projects that would address major gaps in current IFRS Accounting Standards, including in the accounting for carbon credits, segment reporting, and cryptos. Moreover, as experience has shown, both innovations and crises tend to create a demand for accounting standard setting.

(v) Similarly, regarding the ISSB, EFRAG notes that stakeholders expect new Standards for biodiversity and human capital. Furthermore, there is the challenge of rolling out the global baseline set by the current ISSB Standards (IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*) across multiple

[1] The 2021 IASB agenda consultation identified 70 unresolved accounting issues, but the IASB only initiated three projects (intangibles, statement of cash flows, and climate-related reporting), and it has completed only one of these three projects. That is, only the narrow scope amendment with illustrative examples related to climate-related uncertainties has been completed.

jurisdictions[2] and providing ongoing implementation support. Moreover, the CSRD requires the EU to actively influence the development of ISSB Standards to ensure they are interoperable with ESRS and to allow the benchmarking of ESRS requirements against international initiatives to avoid duplication in corporate reporting.

(vi) *Need to ensure sufficient functional and geographical (including EU) representation:* It is important to ensure there are sufficient investors/users, preparers, and auditors at the Board. However, the reduced sizes of the Boards will likely result in underrepresentation, reduced outreach, and insufficient consideration of the perspectives of stakeholders from key geographical regions, major economies, and important functional roles when the Boards are making their decisions. Also, though the Boards have emphasised and increasingly benefited from evidence-based standard setting, the academic slot will be a likely casualty of the proposed reduction in the sizes of the Boards.

(vii) On geographical allocation, EFRAG notes that there are 3800+ listed IFRS Accounting Standards adopters across 27 countries/EU member states and three EEA countries, and the EU has had experience in the application of IFRS Accounting Standards for over 20 years. The EU is also a leader in sustainability reporting practices and standards, and it is a thought leader and key contributor to the IFRS Foundation's standard setting activities. Hence, there is a strong case for allocating Europe at least three seats, with two seats allocated to the EU.

(viii) *At-large appointments.* With the proposed range of Board size, the Trustees will have discretion in how they make the at-large appointments. However, the factors guiding how this discretion will be exercised are not adequately laid out in the ED. With the reduced number of Board seats available, the trade-offs and competition for a Board seat are bound to increase. Hence, the

[2] As of September 2026, 45+ jurisdictions have adopted, or are in the process of adopting, ISSB Standards. (see related IFRS Foundation slides IFRS Sustainability Reference Group – Quarterly Meeting – September 2026). With 45+ adopting jurisdictions, the ISSB Standards have a lower adoption rate than the IFRS Accounting Standards, which are adopted by 149 jurisdictions according to the IFRS Foundation, which monitors the adoption status across 170 jurisdictions.

Trustees should further clarify the envisioned functional and geographical representation under different scenarios of Board sizes. As noted earlier, it is not sufficient to merely state that the at-large appointments will depend on the priorities and workload of the Board. The handling of at-large appointments is critical and should be more transparent because the Chairs will be chosen from this group.

(ix) Paragraph 30 (on the IASB section) and paragraph 49 (on the ISSB section) of the current *Constitution* state that 'the appointment of a Chair and Vice-Chair(s) should be made with regard to maintaining a geographical balance'. Given the ED's proposal to designate one of the at-large members as the Chair, if this also means that a Chair and a Vice-Chair cannot come from the same geographical area, it should be explicitly stated to be the case to avoid ambiguity. It should also be clarified whether the Vice-Chair will be appointed from the at-large members. EFRAG recommends that the Chairs of the Boards should not come from the same country.

(b) *Representation of jurisdictional views.* The ED indicates that the IFRS Foundation will rely on advisory bodies, other technical committees, and technical staff to compensate for the effectively reduced representation of jurisdictional perspectives from Board members. However, the ED does not sufficiently illustrate how these alternative mechanisms will compensate for the reduced number of Board members per jurisdiction and what influence and voting powers/authority these alternative mechanisms will have. There is no substitute for Board members directly engaging with and listening firsthand to stakeholders. EFRAG also cautions about a potential conflict of interest and the undermining of the Trustee's governance responsibilities if they were involved[3] in outreach activities to gather jurisdictional views. The Trustee's sole focus should be on the oversight of the IASB and ISSB.

3 *Jurisdictional participation clarification.* Page 7 states that jurisdictional participation can be considered across the IASB and the ISSB. EFRAG would be concerned by any approach that considers the requirements for the composition of one Board being dependent on the decisions made about the composition of the other Board. If EFRAG has misunderstood the

[3] Pages 7 and 8 of the ED state that, '*In addition, the Trustees themselves can provide strong links with particular jurisdictions (recognising the fundamentally different role of a Trustee and a Board member)*.'

Trustees' intention, the final wording of the Amendments should further clarify what was meant.

4 *Other clarifications.* EFRAG asks the Trustees to clarify (a) whether the Chairs of the Boards will have a casting vote and (b) the approach envisioned for the transition to attaining the reduced Board sizes.

5 *Number of Trustees.* Finally, EFRAG acknowledges that, as part of the recent restructuring of the IFRS Foundation, the Trustees waived their fees, reducing their expenses from GBP 1,1 million in 2024 to GBP 0,3 million in 2025 (a decrease of approximately 70%). EFRAG notes that there are 22[4] Trustees. This, in part, seems to be to ensure sufficient geographical representation in the governance decisions related to the Boards.

6 If the fee waiver done in 2025 was only a one-off measure, EFRAG then suggests the current size of 22 Trustees could also be permanently reduced as an additional way of alleviating the current funding constraints. Such a reduction may also contribute to more efficient decision-making related to the governance of the IFRS Foundation. Overall, EFRAG considers ensuring the sufficiency of geographical representation to be a more critical factor for the Boards than it is for the Trustees.

[4] Trustee composition: 6 from Asia-Oceania; 6 from Europe; 6 from the Americas; 1 from Africa; and 3 at-large (from any region)

Attributes of Board members

Question 2—Attributes of Board members

Do you agree with the Trustees' decision to propose no changes in the *Constitution*:

- to the main provisions related to part-time Board membership; and
- to the main qualifications for membership of the Boards?

If not, why not and what would you propose instead and why?

EFRAG's response

7 EFRAG agrees with the ED's proposals and reasons provided for retaining the provisions related to part-time Board membership and the qualifications for membership of the Boards.

8 EFRAG recommends a limit of two part-time members, if either the IASB or ISSB consists of fewer than 12 members, and for there to be safeguards against conflicts[5] of interest and to ensure the Board role is the predominant activity of such members. A higher proportion of part-time members would reduce the effective FTEs of Board members involved in standard setting, and such members may also face competing professional obligations that could dilute their undivided attention, depth of engagement, and capacity for rigorous peer challenge. Despite this recommendation, EFRAG is also aware that some stakeholders favour a higher proportion of part-time members as this could, in some circumstances, allow a more effective outreach and representation of jurisdictional perspectives, and enable access to specialised competencies.

[5] Such conflicts of interest could arise due to the real or perceived undue influence by the organisations that would be contributing-in-kind to the funding of the Boards by employing the part-time Board members.

Voting arrangements

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?

EFRAG's response

9 EFRAG supports the proposed voting arrangements of a simple majority plus one with a minimum of five affirmative votes for Exposure Drafts and Standards. These proposals are consistent with the current requirements of a supermajority. Moreover, they allow for the expression of a dissenting opinion, which can contribute to high-quality standard setting, regardless of Board size.

10 However, EFRAG asks the Trustees to further clarify the minimum number of Board members that could participate in a private meeting under the reduced Board sizes. Our understanding is that it is currently a blocking minority minus two members, which does not work for any Board of eight or fewer members.

Other targeted amendments

Question 4—Other targeted amendments

Do you agree with the other proposed targeted amendments to the *Constitution*?

EFRAG's response

11 EFRAG agrees with the amendments related to the Basis for Conclusions and ISSB temporary provisions. However, below are aspects of the other targeted amendments where EFRAG has concerns or asks for further clarification.

(a) *Duration of Board member terms.* The phrase '*initial appointments of up to five years and the possibility of renewal for one or more further terms*' has bestowed the Trustees with greater flexibility to set the duration of the terms of individual Board members (i.e. a member can be appointed for less than five years). EFRAG would support flexibility in a Board member's tenure, provided the duration of a Board member's overall term is greater than five years. Such flexibility could allow the staggered replacement of Board members. At the same time, EFRAG is concerned about the possibility of shortened overall terms of less than five years for some Board members, due to the suggested wording changes. EFRAG notes that it takes a couple

of years before a Board member is fully up to speed and that individual contribution is maximised by having a term of at least five years. Moreover, a minimum term of five years enhances the attractiveness of the role for high-quality candidates.

(b) *Timing of workplan consultation.* EFRAG supports granting the IASB the possibility of shortening its workplan to less than five years. If managed well, this could allow the IASB to respond timeously to arising issues. However, it is not clear whether this proposal would mean that the shortened workplan replaces the current five-year workplan or whether the IASB can have both a two-year workplan and a five-year workplan. If the latter were the case, would there be separate agenda consultations for the short-term and the five-year workplans?

(c) *Changes in Executive Director title and role description*. The rationale for the change in the title and role description of the Executive Director/Managing Director remains unclear. The role description explicitly refers to managing staff, which is only one aspect, albeit an important one, of running any organisation. From the proposed deletion of 'responsible for overseeing operational decisions affecting the day-to-day management of the IFRS Foundation', other operational aspects (finance, legal, IT), which were implicitly captured within the role description in the current *Constitution*, seem not to be part of the primary responsibilities of the Managing Director. The proposed role description blurs the division of roles and responsibilities between the Trustees and the Managing Director and should be further clarified.