

24 September 2021

Mr. Andreas Barckow  
Chair  
International Accounting Standards Board  
Columbus Building, 7 Westferry Circus, Canary Wharf,  
London E14 4HD, United Kingdom

**Re: Request for Information “Third Agenda Consultation”**

Dear Mr. Barckow:

The Corporate Accounting Committee (CAC) of the Securities Analysts Association of Japan (SAAJ) is pleased to comment on Request for Information “Third Agenda Consultation” (hereinafter referred to as the “RFI”) published in March 2021.

The SAAJ is a not-for-profit organization for professionals in the areas of investment and finance. It offers education and certification programs in these areas. Its certified member analysts (holding the CMA designation) number around 27,500.

The CAC is a standing committee of the SAAJ composed of 12 members, most of whom are users of financial reports including equity and credit analysts, portfolio managers while a few are academicians and public accountants. The CAC submits comment letters to accounting standard setters, such as the International Accounting Standards Board (IASB) and the Accounting Standards Board of Japan (ASBJ), and exchanges opinions with organizations, such as the ASBJ and the Financial Services Agency.

We would like to thank Ms. Rika Suzuki, a member of the IASB, for holding an online seminar for pertinent members of the SAAJ on 11 August 2021 to explain the content of the RFI. A questionnaire was sent to 16 seminar participants (holding the CMA). This comment letter is based on the results of the 13 respondents (response rate: 81%) and discussions among CAC members. Please see the attached questionnaire results.

**General Comments**

Paragraph 4 of the RFI stated, “The Trustees’ review is different from this agenda consultation. ... Therefore, this agenda consultation does not seek feedback on issues related to sustainability reporting, except to the extent that those issues relate to the current scope of the Board’s work.” We do not agree with this premise. During the period 2022 to 2026 covered by the Third Agenda Consultation, the proposed new International Sustainability Standards Board (ISSB) and the IASB should seek mutual roles and build cooperative relationships which are beneficial for users and preparers of financial and sustainability reports. We hope that the IASB and the ISSB will build an effective cooperative relationship avoiding organizational silos. Our comments on this subject are given in the relevant part of Question 4.

Below are our comments on each question.

**Question 1—Strategic direction and balance of the Board’s activities**

The Board’s main activities include:

- developing new IFRS Standards and major amendments to IFRS Standards;
- maintaining IFRS Standards and supporting their consistent application;
- developing and maintaining the IFRS for SMEs Standard;
- supporting digital financial reporting by developing and maintaining the IFRS Taxonomy;
- improving the understandability and accessibility of the Standards; and
- engaging with stakeholders.

Paragraphs 14–18 and Table 1 provide an overview of the Board’s main activities and the current level of focus for each activity. We would like your feedback on the overall balance of our main activities.

- (a) Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes.
- (b) Should the Board undertake any other activities within the current scope of its work?

**Comments**

Regarding **Question 1 (a)**, we think the IASB’s current level of focus for each main activity is fairly appropriate. Responses to **Q1** of our questionnaire showed that 54% thought the IASB’s current level of focus for each main activity was appropriate. However, for **Q2**, some answered that the IASB should increase its activities regarding "supporting digital financial reporting by developing and maintaining the IFRS Taxonomy" and "improving the understandability and accessibility of the

Standards.” This is because the content of the Standards is increasing and becoming more complicated, which makes it difficult for general users of financial reports who are not familiar with accounting to (1) understand IFRS Standards systematically and accurately, and (2) access the Standards easily and quickly.

The IASB should consider increasing its current level of focus on improving the quality of the IFRS Taxonomy and digital financial reporting in order to meet the recent needs for paperless financial statements and online voting. Also, in order to improve understandability for general users, the IASB should (1) use graphs, illustrations, and charts in the Standards, (2) improve the keyword search function of the Standards, and (3) post videos on its website explaining the Standards for general users, among other things.

Since the current level of focus for these two activities is as low as 5%, increasing them would not have a substantial negative impact on the overall balance. We think the IASB could decrease its current level of focus on “developing new IFRS Standards and major amendments to IFRS Standards” as large-scale projects such as the development of new standards and major amendments to existing standards are fewer than before.

Regarding Question 1 (b), we received an opinion that the IASB should undertake a research project with the ISSB on how to incorporate ESG-related information into financial information. As detailed in the comments to Question 4, ESG-related financial information is an intermediate area in the activities of the ISSB and the IASB. During the period of the Third Agenda Consultation it will be important for the IASB to decide (1) to what extent it should commit to this area, and (2) what the desirable cooperative relationship in this area between the two boards should be. ESG-related information would certainly have a significant impact not only on non-financial information but also financial information.

**Question 2—Criteria for assessing the priority of financial reporting issues that could be added to the Board’s work plan**

Paragraph 21 discusses the criteria the Board proposes to continue using when assessing the priority of financial reporting issues that could be added to its work plan.

- (a) Do you think the Board has identified the right criteria to use? Why or why not?
- (b) Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

**Comments**

Regarding Question 2 (a), we believe that the IASB has already identified the appropriate criteria to use. To Q5 of our questionnaire, all respondents agreed to continue using the current seven criteria.

Nevertheless, we would like to make one request in relation to Question 2 (b). When the IASB makes decisions based on “The type of companies that the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than others,” differences compared with existing regional accounting standards, such as US and Japanese GAAP, are an important matter for users and preparers of financial statements. Thus, the IASB should give more importance to this issue than previously.

In addition, we have received an opinion that the IASB should collaborate with standard setters who have a close connection with IFRS standards, such as the International Auditing and Assurance Standards Board (IAASB) and the ISSB, and should engage with those standard setters to avoid discrepancies and inconsistencies between their standards and IFRS Standards.

**Question 3—Financial reporting issues that could be added to the Board’s work plan**

Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board’s work plan.

- (a) What priority would you give each of the potential projects described in Appendix B—high, medium or low—considering the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority.
- (b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyse the feedback, when possible, please explain:
  - (i) the nature of the issue; and
  - (ii) why you think the issue is important.

**Comments**

Regarding Question 3 (a), among the projects in Appendix B, in order of priority the IASB should undertake ⑭ Intangible assets, ② Climate-related risks, ④ Cryptocurrencies and related transactions, and ⑰ Operating segments. In our Questionnaire Q7 in which we asked about the highest priority projects, 85% responded ⑭ Intangible assets, 54% ② Climate-related risks, and 46% ④ Cryptocurrencies and related transactions and ⑰ Operating segments. Reasons behind our prioritization are as follows:

**⑭ Intangible assets**

There are already intangible assets, such as cryptocurrencies and emission trading, which cannot be addressed by the current standards, and new intangible assets will emerge one after another due to the evolution of digital technology. Moreover, many issues have been mentioned, such as: (1) the premiums generated by M&A which cannot be classified as intangible assets currently fall under goodwill, and (2) the disclosure of traditional intangible assets is insufficient. The ISSB should urgently amend the relevant standards and enhance disclosure.

We think the IASB should undertake comprehensive and consistent amendments to its intangible asset and goodwill standards in order to produce valuable results for both users and preparers of financial statements in the ongoing Goodwill and Impairment project.

**② Climate-related risks**

These will be an important issue for the ISSB while the IASB has not considered them much. We should expect as a matter of course that the impact of climate-related risks on financial statements will become increasingly material. Although demarcation between the roles of the IASB and the ISSB is not yet clear, the IASB (which is responsible for the development of accounting standards) should consider developing a new standard that sets comparable and consistent disclosure rules for users to easily understand the impact on the book value of assets and liabilities.

**④ Cryptocurrencies and related transactions**

An increasing number of companies hold cryptocurrencies and transaction volume is expected to expand for some time to come. While their unique characteristics make it difficult to regard them as financial assets, presentations that simply include them in intangible assets would be misleading. The volatility of their value is much higher than that of ordinary financial products and there is a risk that they cannot become traded on exchanges. Therefore, the IASB should consider developing a new standard that establishes disclosure rules independent of ordinary financial assets and intangible assets.

**⑰ Operating segments**

The diversification and globalization of corporate activities have made it more difficult for users of financial statements to understand the economic substance of companies. In order to assess country risk and foreign exchange risk, segment information by domestic and foreign location for important operating segments should be disclosed as a breakdown. Also, in order to accurately understand the economic substance of each operating segment, we think there are many potential projects that can make financial statements more useful, such as: (1) the development of a new cost breakdown by segment, and (2) enhancement of the disclosure of the breakdown of assets and liabilities by segment. These projects seem to require relatively small resources to develop standards.

**⑱ Other comprehensive income**

Although few respondents pointed it out in our questionnaire, we do not think that the IASB has fully considered the impact on the underlying concepts that are the basis of the accounting standard framework and the rationale for the current standards. As we have repeatedly mentioned in our comment letters, the IASB should continuously consider if non-recycling of other comprehensive income would in fact provide useful information to the users of financial statements.

Regarding Question 3 (b), as mentioned in ⑭ Intangible assets above, the IASB should discuss goodwill and intangible assets as a set and proceed with comprehensive and consistent amendments to the standards. We do not believe that the current proposals of the Goodwill and Impairment project to improve disclosure could fundamentally resolve the issue of enormous goodwill created by acquisitions, which poses a significant risk to investors. It goes without saying that the revival of the regular amortization of goodwill is an important issue when holistically discussing goodwill and intangible assets.

**Question 4—Other comments**

Do you have any other comments on the Board’s activities and work plan? Appendix A provides a summary of the Board’s current work plan.

**Comments**

On 28 July 2021, the Sustainability Reporting Committee of the SAAJ submitted a comment letter on the IFRS Foundation Exposure Draft “Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS

Sustainability Standards.” In this letter, we proposed there should be discussion between the IASB and ISSB regarding the integrated disclosure of financial and sustainability reporting, and a framework for such discussion should be defined in the Constitution.

All respondents to Q9 of our questionnaire agreed to this proposal. We think that financial and sustainability information are two key elements for investors to appraise corporate value. We are concerned that it might damage the credibility of the IFRS Foundation if the standards published by the IASB and the ISSB under the same Foundation are inconsistent with each other. The two boards should regularly and continuously hold discussions on subjects such as: (1) whether there are any discrepancies/inconsistencies between relevant IFRS accounting standards (including disclosure standards for financial information) and IFRS sustainability standards, and (2) whether IFRS accounting standards need to be amended in order to develop better IFRS sustainability standards.

The framework for continuous collaboration between the IASB and ISSB should be urgently considered in order to provide the best standards for users and preparers of financial and sustainability information. We would like to emphasize that taking necessary action, such as an amendment to the Constitution to stipulate such a framework, is an urgent task for the IFRS Foundation, the IASB, and the ISSB.

Sincerely yours,



Satoshi Komiyama

Chair

Corporate Accounting Committee

Attachment:  
Questionnaire Results on the IASB RFI “Third Agenda Consultation”

The SAAJ conducted a questionnaire survey on the IASB RFI “Third Agenda Consultation” with 16 CMA participants of the online seminar held on 11 August 2021 by Ms. Rika Suzuki, a member of the IASB. Some 13 responded by the deadline of 23 August 2021 making for a response rate of 81%.

**Q1:** Do you think the IASB’s current level of focus for each main activity is appropriate?

... Question 1 (a)

<b>(a)</b> Yes	7	53.8%
<b>(b)</b> No	5	38.5%
<b>(c)</b> Neither “Yes” nor “No”	1	7.7%
Number of respondents	13	100.0%

**Q2:** If you answered **(b)** in **Q1**, please select up to two activities from (a) to (f) that you think the IASB should strengthen. ... Question 1 (a)

(a) developing new IFRS Standards and major amendments to IFRS Standards	1	11.1%
(b) maintaining IFRS Standards and supporting their consistent application	1	11.1%
(d) supporting digital financial reporting by developing and maintaining the IFRS Taxonomy	3	33.3%
(e) improving the understandability and accessibility of the Standards	4	44.4%
Number of respondents	9	100.0%

**Q3:** If you answered **(b)** in **Q1**, please select up to two activities from (a) to (f) that you think the IASB should pay less attention to. ... Question 1 (a)

(a) developing new IFRS Standards and major amendments to IFRS Standards	3	60.0%
(b) maintaining IFRS Standards and supporting their consistent application	1	20.0%
(c) developing and maintaining the IFRS for SMEs Standard	2	40.0%
Number of respondents	5	100.0%



**Q4:** Do you think the IASB should undertake any activities other than (a) to (f) within the current scope of its work? ... [Question 1 \(b\)](#)

<b>(a)</b> Yes	3	25.0%
<b>(b)</b> No	6	50.0%
<b>(c)</b> Neither “Yes” nor “No”	3	25.0%
Number of respondents	12	100.0%

**Q5:** Do you agree that the IASB should continue using criteria ① to ⑦ in deciding whether to add a potential project to its work plan? ... [Question 2 \(a\)](#)

<b>(a)</b> Yes	13	100.0%
<b>(b)</b> No	0	0.0%
<b>(c)</b> Neither “Yes” nor “No”	0	0.0%
Number of respondents	13	100.0%

**Q6:** Do you think the IASB should consider any criteria other than ① to ⑦? ... [Question 2 \(b\)](#)

<b>(a)</b> Yes	3	23.1%
<b>(b)</b> No	7	53.8%
<b>(c)</b> Neither “Yes” nor “No”	3	23.1%
Number of respondents	13	100.0%

**Q7:** Please select up to three potential projects from ① to ⑳ that you think have the highest priority. ... [Question 3 \(a\)](#)

② Climate-related risks	7	53.8%
④ Cryptocurrencies and related transactions	6	46.2%
⑤ Discontinued operations and disposal groups	1	7.7%
⑥ Discount rates	1	7.7%
⑩ Going concern	1	7.7%
⑭ Intangible assets	11	84.6%
⑮ Interim financial reporting	2	15.4%
⑰ Operating segments	6	46.2%
⑱ Other comprehensive income	1	7.7%
⑲ Pollutant pricing mechanisms	3	23.1%
⑳ Separate financial statements	1	7.7%
Number of respondents	13	100.0%

**Q8:** If there are any issues other than ① to ②② that the IASB should urgently examine, please detail them. ...[Question 3 \(b\)](#)

Four replies

On 28 July 2021, the SAAJ submitted a comment letter on the Exposure Draft “Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards”

In this letter, we proposed that there should be discussion between the IASB and ISSB regarding the integrated disclosure of financial and sustainability reporting, and that a framework for such discussion should be defined in the Constitution.

**Q9:** Do you agree to make the same proposal regarding collaboration between the two boards in the comment letter on the RFI? ... [Question 4](#)

<b>(a)</b> Yes	13	100.0%
<b>(b)</b> No	0	0.0%
<b>(c)</b> Neither “Yes” nor “No”	0	0.0%
Number of respondents	13	100.0%