

EXCLUSIVE INTERVIEW

ICMA: Can you provide an overview of the IFRS Foundation's mission and its global impact on financial reporting?

Erkki Liikanen: The IFRS Foundation is an independent standard-setter created in 2001 to develop—in the public interest—high-quality, understandable, enforceable and globally accepted standards for general purpose financial reporting, and to promote and facilitate their adoption. Our standards bring transparency, efficiency and accountability to the world's capital markets.

The standards are developed by the Foundation's two standard-setting boards – the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB) – following an inclusive and transparent process, providing a common reporting language that also reduces the cost of capital and reporting costs for companies.

ICMA: Since its inception in 2001, how has the IFRS Foundation transformed the global landscape of financial information with IFRS Accounting Standards?

Erkki Liikanen: IFRS Accounting Standards, developed by the IASB, is now the de facto global reporting

language for companies. More than 140 jurisdictions require use of the standards. Before the IFRS Foundation was created, organizations in different countries came together to harmonize accounting requirements. However, it was first when the Foundation was created that the journey towards a truly global accounting language was properly started.

Our standards are developed with input from a wide range of stakeholders from all over the world. This inclusive standard-setting process help ensure the standards are of as high quality as possible, that they can be applied by companies in different jurisdictions and settings and that they result in decision-useful information to investors.



Mr. Erkki Liikanen
Chair, The Trustees of the
IFRS Foundation

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Fully adopting IFRS Standards by jurisdictions ensures companies and investors receive all the benefits associated with globally accepted standards for accounting and sustainability disclosures. It is also essential in ensuring there is globally consistent and comparable information for capital markets

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ICMA: What are the main responsibilities of the Trustees of the IFRS Foundation, and how do they contribute to the governance and oversight of the IASB and ISSB?

Erkki Liikanen: The IFRS Foundation has a three-tier governance structure, designed to keep standard-setting independent of special interest, to maintain a high level of accountability to stakeholders and to provide a formal link to public authorities. The IASB and the ISSB are responsible for standard-setting and related activities. They are overseen by the Trustees – a group of 22 individuals appointed from varied countries and professional backgrounds.

The Trustees are also responsible for governance and organizational strategy; for maintaining the Foundation's Constitution and its standard-setting process; for appointing members to the IASB, the ISSB, the IFRS Interpretations Committee and various advisory bodies; and for funding. The Trustees operate through committees. Our Due Process Oversight Committee (DPOC) is responsible for overseeing that the standard-setting follows the agreed due process. The DPOC's meetings take place in public and all papers related to its meetings can be found on the Foundation's website.

The Trustees are in turn accountable to a Monitoring Board of capital market authorities responsible for setting out the form and content of financial reporting in their jurisdictions. The Monitoring Board reinforces the public oversight of the Foundation and the Trustees. The Monitoring Board approves all Trustee appointments.

ICMA: How do IFRS Standards help improve global decision-making by providing better information?

Erkki Liikanen: Capital markets need transparent and reliable information to function efficiently—investors must be able to trust the information they receive from the companies they invest in. IFRS Standards enhance the transparency and quality of the information

provided and help investors identify opportunities and risks globally, thus improving capital allocation.

ICMA: What challenges and successes have you observed in countries transitioning to IFRS Standards?

Erkki Liikanen: Research has shown that benefits from moving from national standards to IFRS Accounting Standards include better information for investors. Investors no longer need detailed knowledge about several different sets of accounting requirements, which in turn makes it easier to understand accounting policies and judgements made by companies. We have also seen that it helps multinational companies streamline their reporting, resulting in improved communication and understanding internally as well as improved communication with investors.

Some of those transitioning to our standards have found our principles-based standards challenging to apply in the beginning, because they require a certain amount of judgement. Elsewhere, the fact that both the accounting and auditing profession is still developing may mean that there has been challenges in finding the right talent. Finally, it is typical when companies move to our standards or implement new requirements that they will have to make changes to their systems. Such systems changes and upgrades can be costly and complex to implement.

On the sustainability side, over 20 countries are already taking steps to adopt or use our standards. Because sustainability disclosures are a new area, capacity building is key. That is why the Foundation is working with a range of partners globally to support companies in their implementation of the standards and regulators on their journey to require sustainability disclosures.

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ICMA: How do IFRS Accounting Standards and IFRS Sustainability Disclosure Standards complement each other to provide comprehensive financial and sustainability information?

Erkki Liikanen: Our stakeholders have repeatedly highlighted how important it is that connected information is key for capital markets. Sustainability information is increasingly becoming part of investors' decision-making, together with the information in the audited financial statements. In other words, investors need both financial statements and sustainability-related financial disclosures to make informed decisions.

Our two standard-setting boards are committed to developing standards that enable companies to prepare reports that tell investors a holistic, comprehensive and coherent story. While independent, the IASB and ISSB are collaborating to ensure that the information companies provide applying IFRS Accounting Standards and IFRS Sustainability Disclosure Standards complement each other.

ICMA: How does the IFRS Foundation support the global adoption and rigorous application of IFRS Standards?

Erkki Liikanen: I would like to highlight three ways we support adoption and consistent and high-quality adoption of our standards. First, we ensure we factor in all stakeholders' views in the standard-setting process. This helps ensure that the standards are understandable and can be applied by companies globally. Second, we provide a range of educational and supporting materials when we issue new requirements to help our stakeholders understand the requirements and the thinking behind them. And, third, we work closely with regulators and other authorities around the world. It is up to jurisdictions to decide whether to adopt our standards; to support jurisdictions in their journey to adopt or use the ISSB's standards, including through our recently published a jurisdictional guide aimed at regulators.

ICMA: How does the IFRS Foundation plan to engage with regulators, companies, investors, and other stakeholders to support the adoption and use of IFRS Standards worldwide?

Erkki Liikanen: Engaging with stakeholders lies at the core of our work. We have a range of standing advisory bodies that we engage with regularly to discuss reporting needs and possible solutions. These groups ensure we have regular dialogue with companies, regulators, investors, academics, the accounting and sustainability professions etc. In addition, we engage with our stakeholders through conferences and education sessions.

ICMA: Why does the IFRS Foundation recommend adopting IFRS Standards fully and comprehensively [in a single step]?

Erkki Liikanen: Fully adopting IFRS Standards by jurisdictions ensures companies and investors receive all the benefits associated with globally accepted standards for accounting and sustainability disclosures. It is also essential in ensuring there is globally consistent and comparable information for capital markets. In contrast, partial adoption of IFRS Standards results in companies going through the challenges of meeting new reporting requirements without gaining the full international recognition, investors not receiving information that is comparable and eventually leading to fragmented regulation in capital markets.

Our remit as a standard-setter is mainly focused on developing the standards but also encouraging and facilitating their consistent implementation and promoting their adoption. It is up to jurisdictions to determine how and when to adopt our standards.

We are committed to supporting regulators around the world in adopting our standards in a comprehensive, timely and consistent manner. Much of this work is done in partnership with the International Organization for Securities Commissions (IOSCO); IOSCO's members regulate more than 95% of the world's securities markets in over 130 jurisdictions.

To reap the full benefits of a global reporting language, it is important that the standards are applied in a consistent manner globally. To support regulators and jurisdictions in their journeys to adopt the inaugural ISSB Standards, we have published a Jurisdictional Guide and the outline of a Regulatory Implementation Programme, bringing transparency to jurisdictions' approaches.

The Editorial Board thanks Mr. Erkki Liikanen, Chair, The Trustees of the IFRS Foundation for sparing from his precious time to give exclusive interview for Chartered Management Accountant Journal.