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## IFRS Foundation Trustees meeting – Due Process Oversight Committee

Date **June 2023**  
Topic **Update on ISSB activities**  
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This document is prepared for discussion at a public meeting of the IFRS Foundation Trustees' Due Process Oversight Committee (DPOC). The Trustees are responsible for governance of the IFRS Foundation, oversight of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB), and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*.

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### Purpose

1. This report provides the Due Process Oversight Committee (DPOC) with an update on the activities of the International Sustainability Standards Board (ISSB) since the last update provided to the DPOC in March 2022. The report is for the period from March to June 2023 and addresses the following matters:
  - (a) Deliberations on [draft] IFRS S1 (General Sustainability-related Disclosures) and [draft] IFRS S2 (Climate-related Disclosures);
  - (b) ISSB Consultation on Agenda Priorities;
  - (c) Industry-based materials;
  - (d) Development of the IFRS Sustainability Disclosure Taxonomy;
  - (e) Supporting implementation; and
  - (f) Work of the ISSB Consultative Groups.
2. The report aims to assist the DPOC in fulfilling its role of overseeing the due process activities of the ISSB, as set out in paragraphs 2.1–2.15 of the *Due Process Handbook* (Handbook). **No decisions are required of the DPOC—accordingly, all information in this report is for noting only.**
3. This paper also contains two appendices:
  - (a) [Appendix A](#)—Overview of projects on the Work Plan; and
  - (b) [Appendix B](#)—Work of the ISSB Consultative Groups.

### Due process matters in the period for noting

#### ***Redeliberation and finalisation of [draft] IFRS S1 and IFRS S2***

4. In the period March to June 2023 the ISSB held an additional virtual meeting on 4 April 2023 to discuss IFRS S1. The meeting was added as some stakeholders observed that it would be challenging for entities to begin their sustainability reporting providing information about the full range of sustainability-related risks and opportunities in accordance with IFRS S1, especially for annual reporting periods beginning on or after 1 January 2024. Some stakeholders also noted that reporting on climate-related risks and opportunities is the highest priority.

5. At that meeting the ISSB tentatively decided to introduce a transition relief in IFRS S1 that would continue to require companies to apply IFRS S1 and IFRS S2 together but allow an entity to report on only climate-related risks and opportunities (as set out in IFRS S2) in the first year it applies IFRS S1 and IFRS S2.
6. The agenda paper for the meeting was posted on the IFRS Foundation website three working days prior to the ISSB meeting. In accordance with paragraph 3.12 of the *Handbook* for papers posted less than five working days in advance of the meeting the technical staff is required to explain the main reasons for doing so. In this instance the meeting was called at short notice as a result of wanting to address the key stakeholder feedback on a timely basis so as to not disrupt the advancement of the balloting process. The paper could therefore only be published three working days prior to the meeting in order to enable publication of IFRS S1 and IFRS S2 to continue in accordance with the planned schedule.
7. During the period, the drafting of both IFRS S1 and IFRS S2 has advanced and both Standards have now been balloted by the ISSB. The DPOC reviewed the due process for the development of these Standards at its March 2023 meeting. The ISSB intends to issue IFRS S1 and IFRS S2 at the end of Q2 2023 as planned.

### ***ISSB Consultation on Agenda Priorities***

8. During the period the ISSB published the Request for Information for its Consultation on Agenda Priorities to seek feedback on its work plan for the next two years.
9. The ISSB received an update on the project in March and considered the due process steps taken in developing the request for information at its April 2023 meeting. In April the ISSB also considered the comment period for the RFI and decided on a 120-day comment period, the usual period for this type of consultation specified in the *Handbook*. At its March meeting, the DPOC had approved the ISSB setting a 90-day comment period, subject to the ISSB considering the points raised by the DPOC in its discussion. These were included in the staff paper for the ISSB's discussion and noted by the ISSB.
10. The RFI was published in May and ISSB and staff members are currently engaging stakeholders through outreach activities. Stakeholders can respond to the RFI either by comment letter or via a survey response. Staff plan to present an analysis of the feedback received in the fourth quarter of 2023. The Trustees will discuss the RFI in the plenary meeting.

### ***Industry-based Materials***

11. As discussed with the DPOC at its October 2022 and March 2023 meetings, the ISSB is undertaking a project to improve the international applicability of the SASB Standards beyond those that will be included in IFRS S2 (that is, the elements of the SASB Standards that were not climate-related). The SASB Standards Board Advisor Group developed an Exposure Draft to seek feedback on the proposed methodology the ISSB will use to make targeted amendments to the SASB Standards to make sure references within them are internationally applicable as per the due process agreed by the DPOC at its October 2022 meeting. In April 2023 the ISSB ratified the Exposure Draft and decided to publish it with a 90-day comment period. The DPOC agreed that the ISSB could set a 90-day comment period at its March 2023 meeting as the document is both narrow in scope and urgent. The Exposure Draft—Methodology for Enhancing the International Applicability of the SASB Standards—was published in May and stakeholders are able to submit feedback via a comment letter or an online survey.
12. In May 2023 the ISSB ratified consequential amendments to the SASB Standards in connection with the issuance of IFRS S2. These amendments will update and align the climate-related elements in the

SASB Standards with the industry-based metrics that will be included in IFRS S2 (including disclosures about financed emissions) to ensure consistency. As per the agreed due process, these recommendations were also developed by the SASB Standards Board Advisor Group and ratified by the ISSB.

### ***Development of the IFRS Sustainability Disclosure Taxonomy***

13. In October 2022 the DPOC was updated about the publication of a staff request for feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy, published in May 2022. The document is a staff draft of a Taxonomy to facilitate the digital reporting of IFRS Sustainability Disclosures based on the Exposure Drafts of IFRS S1 and S2.
14. The staff are currently considering the responses in the preparation of an exposure draft of a proposed IFRS Sustainability Disclosure Taxonomy to be approved by the ISSB for publication for public comment following the finalisation of IFRS S1 and S2. As previously discussed with the DPOC, development of the IFRS Sustainability Disclosure Taxonomy is subject to the due process in the *Handbook*.

### **Supporting implementation**

15. As part of its activities to support the implementation of its Standards, the ISSB has decided to form a Transition Implementation Group on IFRS S1 and IFRS S2 (TIG). The TIG will discuss implementation questions submitted by stakeholders related to the requirements in IFRS S1 and IFRS S2. The purpose of the TIG is to:
  - (a) provide a public forum for the discussion of implementation questions; and
  - (b) inform the ISSB to determine what, if any, action will be needed to address those questions. Possible actions include providing supporting materials such as webinars, case studies and/or referral to the ISSB.
16. The membership of the TIG is expected to comprise 15 members and three observers. The TIG will include members from the preparer community that are engaged in sustainability reporting as well as assurance providers that are also engaged in the implementation of IFRS S1 and IFRS S2. The ISSB issued a call for candidates in April 2023 for membership of the TIG. The deadline for applications is 30 June 2023. The DPOC will be asked to review the proposed composition of the TIG in line with paragraph 3.62 of the *Handbook* to ensure it contains an appropriate balance of perspectives.

### **Consultative Groups**

17. In the period between March and June, the ISSB's Consultative Groups have continued to meet and [Appendix B](#) summarises the purpose of each group and a description of their meetings in the period.

## Appendix A—Overview of projects on the Work Plan

| Project   | Objective  | Next due process step                            | Date      | Current activity   | Last due process document                  |
|---|--|--|-----------|--|--|
| Amendments to climate-related SASB Standards      | To maintain and enhance the SASB Standards.  | SASB Amendment                                   | June 2023 | At its May 2023 meeting, the ISSB ratified consequential amendments to the climate-related SASB Standards to align them with IFRS S2. The ISSB expects to issue the amendments to the climate-related SASB Standards in June 2023. | NA   |
| Climate-related disclosures                       | To develop requirements for an entity to disclose information about its climate-related risks and opportunities.                       | IFRS Sustainability Disclosure Standard          | June 2023 | The ISSB redeliberated the proposals after considering the feedback on the Exposure Draft, and expects to issue an IFRS Sustainability Disclosure Standard around the end of Q2 2023.  | Exposure Draft published March 2022        |
| Consultation on Agenda Priorities                 | To obtain feedback to inform the ISSB's work plan and activities for the first two years following the consultation.                   | Request for Information feedback                 | H2 2023   | Consultation outreach.   | Request for Information published May 2023 |
| General sustainability-related disclosures        | To develop general requirements for an entity to disclose sustainability-related financial information.                                | IFRS Sustainability Disclosure Standard          | June 2023 | The ISSB redeliberated the proposals after considering the feedback on the Exposure Draft, and expects to issue an IFRS Sustainability Disclosure Standard around the end of Q2 2023.  | Exposure Draft published March 2022        |
| IFRS Sustainability Disclosure Taxonomy           | To develop the IFRS Sustainability Disclosure Taxonomy to reflect the requirements in IFRS S1 and IFRS S2.                             | Proposed IFRS Sustainability Disclosure Taxonomy | Q3 2023   | The ISSB has considered staff research and feedback received on a staff draft and will now develop a Proposed IFRS Sustainability Disclosure Taxonomy for public consultation.   | N.A  |
| International Applicability of the SASB Standards | To update references to jurisdiction-specific laws and regulations in the SASB Standards to improve their international applicability. | Exposure Draft Feedback                          | Q3 2023   | Consultation outreach.   | Exposure Draft published May 2023          |

## Appendix B—Work of the ISSB Consultative Groups

| Name   | Purpose  | Composition   | Oversight  | Meetings in period  |
|--|--|---|--|---|
| Jurisdictional Working Group                   | Consisting of jurisdictional representatives and representatives from the IFRS Foundation has established dialogue for enhanced compatibility between the ISSB’s exposure drafts and ongoing jurisdictional initiatives on sustainability disclosures.   | Chinese Ministry of Finance, the European Commission, the European Financial Reporting Advisory Group, the Japanese Financial Services Authority, the Sustainability Standards Board of Japan, the United Kingdom Financial Conduct Authority and the United Kingdom Financial Reporting Council, the US Securities and Exchange Commission.              | ISSB Chair and Vice Chair(s)   | March, April, May 2023.<br><br>Participants have provided comments on the ISSB Agenda Papers and relevant updates from their jurisdictional work.                           |
| Sustainability Standards Advisory Forum (SSAF) | To provide an advisory forum where members can constructively contribute towards the achievement of the ISSB’s goal of developing standards that provide a comprehensive global baseline of sustainability-related reporting that is interoperable with jurisdictional standards on sustainability reporting ensuring two-way engagement between the ISSB and jurisdictions as sustainability-related reporting requirements are developing. | 12-16 jurisdictional and/or regional bodies.  | Members of the SSAF will be selected by the Trustees of the IFRS Foundation, following a call for candidates.  | The SSAF held its inaugural meeting on 17 April 2023.<br><br>The SSAF discussed the latest developments in the ISSB’s work including its Consultation on Agenda Priorities. |
| Sustainability Consultative Committee (SCC)    | To identify, inform and advise the ISSB on priority sustainability matters and related technical protocols, as well as significant interdependencies between sustainability matters.   | The SCC will be comprised of 1 Chair (either the ISSB Chair or Vice-Chair), 4 permanent multilateral member organisations (IMF, OECD, UN and World Bank) and up to 9 additional expert members. Additional expert members may be drawn from organisations with relevant expertise, or appointed as individual experts without organisational association. | The permanent multilaterals and SCC Chair will present the recommendations to the IFRS Foundation Trustees, who then have final approval of the composition, | The SCC met on 4 April 2023 and discussed the Consultation on Agenda Priorities.  |

| Name  | Purpose   | Composition   | Oversight   | Meetings in period  |
|---|---|---|---|---|
| Integrated Reporting and Connectivity Council | To provide advice on how reporting required by the IASB and the ISSB should be integrated and on how principles and concepts from the Integrated Reporting Framework should be considered in relevant projects by the IASB and the ISSB.  | Members of the Council will be:<br>a) current members of the Integrated Reporting Council of the Value Reporting Foundation;<br>b) members of the VRF and CDSB Boards who meet the criteria; and c) individuals whose expertise is deemed of high standing and who meet the criteria. <IR> Ambassadors who meet the criteria will also be invited to join the Council. Members will act in their personal capacity. | The Council will continue in this role for two years. At the expiry of two years the need for the separate Council will be reviewed by the Trustees of the IFRS Foundation. | The Integrated Reporting and Connectivity Council met on 25 April and discussed a comparison between the IASB's Management Commentary exposure draft and the IR Framework. The Council also received an update on both the IASB's and ISSB's latest work. |
| Technical Reference Group                     | The purpose of the ISSB Technical Reference Group is to bring together a diverse, broad group of subject matter experts from existing Climate Disclosure Standards Board (CDSB) and Value Reporting Foundation (VRF) technical groups to provide technical advice and support to ISSB board members and technical staff. The group will serve as a technical reference group for up to 12 months from 1 July 2022 with the intention of evolving the design of the group in the future, when the operations and needs of the ISSB are clearly defined | Comprised of existing technical expertise from the CDSB and VRF technical groups, that include, but not limited to thematic, cross-industry and industry-specific expertise.  | Oversight of composition and effectiveness will be provided by the DPOC as the design of the group evolves and from steady state.   | The Technical Reference Group did not meet formally during the period. However, its broad membership was updated on the progress of the ISSB's work via email.  |
| ISSB Investor Advisory Group (IIAG)           | To provide strategic guidance on the development of IFRS Sustainability Disclosure Standards, helping to ensure that the investor perspective is articulated clearly and is considered in the ISSB standard-setting process. The IIAG also helps achieve widespread adoption and use of IFRS Sustainability Disclosure Standards by encouraging use of the Standards to communicate performance to investors on sustainability-related issues which impact enterprise value.  | A group of leading asset owners and asset managers across markets who are committed to improving the quality and comparability of sustainability-related disclosure to investors.   | Oversight of composition and effectiveness will be provided by the DPOC.  | The IIAG met on 23 February 2023 to provide strategic input into the work of the ISSB. This included an update on the ISSB's work including on the establishment of ISSB Investor Strategy Board Advisory Group   |