
IFRS Foundation Due Process Oversight Committee

Date **October 2023**
Project **Updating the *Due Process Handbook***
Topic **Initial considerations**
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This document is prepared for discussion of 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*.

Purpose of discussion

1. This memo considers the plan for the DPOC's project to update the IFRS Foundation [*Due Process Handbook*](#) to reflect formally the establishment of the ISSB.
2. The DPOC agreed to undertake this project in March 2022 in Frankfurt once the ISSB's 'structures and processes reached a degree of maturity'.
3. An update to the *Handbook* will involve a public consultation.
4. **The DPOC is asked for its views on the proposals in the paper.**

Background

The current version of the Handbook

5. The *Handbook* sets out the due process that applies to the International Accounting Standards Board and the IFRS Interpretations Committee relating to standard-setting, the development of materials to support the consistent application of IFRS Accounting Standards, and the IFRS Accounting Taxonomy. It reflects and furthers the due process included in the IFRS Foundation *Constitution*. The DPOC is responsible for maintaining the *Handbook*.

6. The DPOC published the current version of the [Handbook](#) in August 2020 on culmination of its previous project to update it. [Appendix B](#) to this paper includes some information about that project. The most substantive revisions in 2020 related to Agenda Decisions published by the Interpretations Committee.
7. The *Handbook* does not explicitly refer to the ISSB given the current version predates the establishment of that Board. Nonetheless as explained from paragraph 8, the DPOC agreed in its public meeting in March 2022 that the *Handbook's* principles should also apply to the ISSB.

The due process currently applied by the ISSB

8. The ISSB's due process from its inception has been governed by:
 - (a) the [Constitution](#), which specifies some fundamental aspects of due process (see sections 53–59); and
 - (b) the DPOC's [decision in March 2022](#) that the ISSB should apply the due process specified in the *Handbook* for the IASB for corresponding technical activities.
9. In addition, the DPOC stated in March 2022 that it might be required to adapt and add to the IASB's due process in the *Handbook* for specific aspects of the ISSB's work before formally updating the *Handbook*. To date, the DPOC has agreed some additional procedures relating to the [maintenance of the SASB Standards](#) (October 2022) and the [SASB Standards Taxonomy](#) (March 2023), and some interim arrangements that are no longer required for an [ISSB taxonomy consultative group](#) (March 2023). The DPOC's decisions are included in [Appendix C](#) to this paper.
10. Following discussion at the DPOC's meeting in June 2023, the DPOC's web pages on the [IFRS Foundation's website](#) were updated to enhance communications about the due process applied by the ISSB as an interim step until the *Handbook* is updated. A note was also added to the front of the current version of the *Handbook* on the website

to explain it applies to the ISSB and to provide a link to the further details on the website.

Timing of the project to update the *Handbook*

11. In March 2022, the DPOC agreed that it should undertake its assessment of the required changes to the *Handbook* once the ISSB's structures and processes reached a degree of maturity. This was to allow the DPOC's work to be informed by the early work of the ISSB. The DPOC also indicated that it would publicly consult on proposed changes in 2023.
12. Experience since March 2022 has highlighted that the ISSB has a robust due process that is working well and which is not impeding the ISSB progressing with its work. Accordingly, the DPOC has continued to allow the ISSB's process to mature and to allow it more time to learn from the ISSB's experience.
13. Nonetheless, although the ISSB has a due process that is working well, there are opportunities for potentially improving that process that could assist the ISSB and, as noted below, the IASB. Furthermore stakeholders' expectations about the project have been raised, and the absence of references to the ISSB in the *Handbook* poses the risk of perceptions that the ISSB has no formal due process, despite the DPOC's and ISSB's work communicating otherwise.
14. Accordingly, with the benefit of soundings from the DPOC and considering the proposed focus of the project discussed from paragraph 15, the staff proposes that the DPOC aim to publish a consultation on a revised *Handbook* no later than Q4 2024. Depending on stakeholder feedback, the DPOC could publish the revised *Handbook* in late 2025/early 2026. More information about the timeline is set out from paragraph 29.

Topics likely to be of focus in the project

Objective of the Handbook update

15. The staff proposes that the DPOC should focus on the adaptations and additions required to reflect formally the ISSB in the *Handbook*—in particular newer areas not in mind when the *Handbook* was last updated—rather than undertake a fundamental overhaul of the *Handbook*. This is because:
- (a) the DPOC completed its last *Handbook* review less than three years ago, and the amendments are working well and have been well received;
 - (b) the existing due process specified in the *Handbook* is providing a robust yet adaptable due process for the ISSB—to date, only a few adaptations have been required for the ISSB’s work and these all relate to the SASB Standards, a notion not contemplated in the *Handbook*;
 - (c) this *Handbook* update is occurring at a relatively early stage in the ISSB’s operations—the Board started meeting only just over a year ago and experience is still limited;
 - (d) keeping the focus targeted, as with the 2020 revisions to the *Handbook*, will assist stakeholders in engaging with the project and also reflects that even a targeted project will absorb senior internal resources.
16. The catalyst for this update to the *Handbook* is the establishment of the ISSB. However, in addition to introducing specific references to the ISSB into the *Handbook*, the DPOC will want to consider whether any changes could be made to the existing due process based on anything learnt from the ISSB’s experience. In addition, the DPOC could consider some refinements to the *Handbook* in the light of the IASB’s recent experience with some processes that have previously been highlighted to the DPOC by the IASB leadership such as post-implementation reviews, the agenda consultation and the digital taxonomy. That said, given the time and resource that are involved internally and externally in undertaking a review of the

Handbook, consideration also needs to be given to the benefits of considering all known potential areas of improvement to the *Handbook* at the same time.

17. Overall the staff thinks that the revisions to the *Handbook* need to strike an appropriate balance between the need to update it at this time, but being mindful that the ISSB is still at a very early stage in its operations and that the Foundation still has limited experience in the process for developing the ISSB's Standards. These Standards differ from the IASB's both in subject matter (including that it is relatively nascent and fast-evolving) and the nature of the Standards with their significant industry-specific and metric-heavy content. The ISSB and the IASB are also at an early stage in their 'connectivity journey'. The DPOC will therefore want the revised *Handbook* to support the two boards for a few years, but it should ensure that the *Handbook* provides flexibility for processes to continue to mature and develop. In time there may be a need to amend processes in the light of greater experience.
18. [Appendix A](#) to this paper includes a preliminary list of topics to potentially be examined in the project. These reflect the [input from the Technical Readiness Working Group](#) that the DPOC considered in March 2022.
19. The staff also continues to review recent due process manuals of other organisations to identify any points of consideration for the DPOC in its work.

Key topics

20. The staff has identified two new key topics for consideration:
 - (a) maintenance of industry-based requirements in ISSB Standards and the SASB Standards; and
 - (b) IASB and ISSB cooperation and connections.

These two topics were key observations of the Technical Readiness Working Group when it discussed due process considerations for the ISSB.

Maintenance of industry-based requirements in ISSB Standards and the SASB Standards

21. Similarly to the IASB, the ISSB will maintain its Standards to ensure they remain up to date and fit for market use. However, the use of industry-based disclosure requirements and metrics is likely to result in the Standards being updated more frequently and on a more targeted basis (for example, possibly an update of a specific metric). The metrics can, for instance, include references to third-party materials, such as regulation, and so changes in those regulations could require changes to the ISSB's requirements or guidance to ensure they remain relevant and up-to-date.
22. Accordingly, the DPOC will want to explore what processes need to be in place to monitor the need for changes (for example, arising from third-party changes). It will also want to explore whether there could be a more agile due process—but one still involving consultation—when, for instance, the ISSB updates industry-specific disclosures and metrics. At present such updates would require the full process specified in the *Handbook* for an exposure draft with its 'default' 120-day comment period (which can be shortened with the DPOC's permission). Any such process will need to ensure the ISSB gathers sufficient informed industry-based input to ensure that the specific disclosures and metrics can be applied globally.
23. For this topic, the DPOC's work will benefit from the insights gained from the ISSB's ongoing work to enhance the international applicability of the SASB Standards, including the recent consultation; the more general feedback about the SASB Standards from the consultation on agenda priorities; and any relevant experience from the early application of IFRS S1 and IFRS S2 (given the SASB Standards are a resource entities are required to consider in applying IFRS S1 and served as the basis for some disclosures and guidance in IFRS S2). These could all help inform the DPOC about the approach for an ISSB consultation focused on industry-specific materials.

IASB and ISSB cooperation and connections

24. As well as the revised *Handbook* reflecting the ISSB as a separate board, it also needs to reflect—consistently with the *Constitution*—that the Foundation now has two independent standard-setting boards operating alongside each other, both focused on providing information to inform investment decisions.
25. As noted in paragraph 17, the two boards are at an early stage of the connectivity journey and experience is inevitably limited. Over the next few years, the boards’ practices will continue to develop as the boards continue to develop a better understanding of what connectivity entails. In advance of that richer experience, the DPOC needs to be mindful of the risk of overly specifying (or locking-in) a due process that might restrict that development and the boards’ work. The *Handbook* should therefore provide the flexibility to allow the boards’ practices to continue to develop under close supervision from the DPOC. After finalising the *Handbook*, the DPOC could potentially utilise the process it has used to date for the ISSB with respect to making any required adaptations to the *Handbook* if required.
26. The *Handbook* could therefore document how the existing due process works collectively. For instance it could:
- (a) reflect aspects of the infrastructure and process to facilitate connectivity already put in place, including information sharing, consultation with each other, consistent drafting and coordinated stakeholder engagement. The DPOC may also want to explore the need to specify a process that each board applies when the other board issues or amends a Standard to consider whether changes to its own Standards are needed (in line with the objective in the *Constitution* of the two boards developing sets of Standards that are ‘compatible and avoid inconsistencies and conflicts’).
 - (b) reflect that the boards can discuss technical matters together or undertake a project together if they decide this is appropriate, including issuing a due process document together. The *Handbook* could also explicitly specify the existing voting requirements associated with any due process document the

boards might develop together—namely each board would vote independently using its usual voting requirements to approve the issuance of that document.

27. Given the stage of the boards’ connectivity journey, the DPOC might be limited in how far it can go beyond clearly articulating the existing process, for example potentially considering matters such as considering the need for any process that would require the two boards to consider whether to discuss or work together on a technical topic. In addition, the staff thinks it would be challenging to consider amending the voting requirements related to joint working (for example, to issue a due process together), given the *Constitution* specifies two independent boards and gives each of them standard-setting autonomy by specifying separately their respective voting requirements. Further, this existing due process addresses the risk of a document in a project that requires both ‘sustainability’ and ‘accounting’ expertise being approved without the requisite super-majority support of a board with relevant expertise.
28. For this topic, the DPOC’s work will benefit from more clarity from the boards about the potential for joint work. This itself will be informed by stakeholder feedback from the ISSB’s consultation on agenda priorities, which included a potential project on integration in reporting that could involve both the ISSB and the IASB, as well as other stakeholder feedback about when and how they envisage the two boards working together. The two boards will be discussing the feedback jointly in Q1 2024 before the ISSB concludes on its work plan H1 2024.

Proposed timeline and sequencing of the DPOC’s discussions

29. The staff’s proposed thinking about the timeline and sequencing of work is set out in the table below. This reflects the timing of some of ongoing projects noted above that could inform the DPOC’s work.
30. The staff envisages that there are some topics that will likely require separate staff papers and DPOC discussion. However, for more minor changes, the staff will develop proposed drafting and then summarise the changes in a paper for noting and

any comment by the DPOC. This is in line with how the DPOC proceeded in the previous *Handbook* update project.

Indicative timeline

Q4 2023

- Continue review of other due process manuals of other organisations to identify any points of consideration for the *Handbook*
- Further examination of the topics to be considered in the project
- Staff develop a working/preliminary draft of the proposed revised *Handbook*
 - Reflect the ISSB and its due process as agreed to date
 - Reflect any previously discussed areas (for example, post-implementation reviews, agenda consultation)
 - Highlight areas of the *Handbook* for DPOC discussion in H1 2024
- Share working draft with DPOC members

Q1 2024

- DPOC discussions on the following potential topics
 - Maintenance of ISSB Standards and the SASB Standards
 - Educational material and materials to support adoption
 - ISSB consultative groups
 - Other proposed changes 1—summary of other changes for DPOC comment

Q2 2024

- DPOC discussions on the following potential topics
 - Digital taxonomy
 - IASB and ISSB cooperation and connections
 - Interpretations Committee Agenda Decisions
 - Other proposed changes 2—summary of other changes for DPOC comment
- Key engagement on main proposed changes under discussion
 - Monitoring Board
 - Advisory Council

Indicative timeline

Q3/Q4 2024

- DPOC discussion of any additional matters or follow ups
- Drafting/review the proposed revised *Handbook* and accompanying Invitation to Comment
- DPOC approval of publication of proposed revised *Handbook* for public consultation (minimum of 90 days) and publication

Q1 2025

- Engagement on the proposed revised *Handbook* with the Monitoring Board and other stakeholders, as appropriate

Q2–Q3 2025

- consider feedback on *Handbook* and agree required amendments to the proposals

Q4 2025/Q1 2026

- Revised *Handbook* published together with an accompanying Feedback Statement

Appendix A

- A1. This appendix sets out some of the specific areas of likely focus for the review.
- (a) *IASB and ISSB cooperation and connections*—see paragraphs 24–28.
 - (b) *Maintenance of industry-based requirements in ISSB Standards and the SASB Standards*—see paragraphs 21–23.
 - (c) *Maintenance and enhancements to the SASB Standards not forming part of ISSB Standards*—to consider whether any amendments to the process approved by the DPOC in October 2022 or additional processes are required in the light of experience, for example with the ongoing project to enhance the international applicability of the SASB Standards.
 - (d) *Digital taxonomy*—to consider whether any adaptations are required to the Annex to the *Handbook* relating to updates to the IFRS Sustainability Disclosure Taxonomy and the SASB Standards. In addition, to explore whether some of the taxonomy due process requirements in the *Handbook* could be set out in the form of higher-level principles rather than highly specific procedures that do not always readily adapt to the nature of the document.
 - (e) *Educational material*—to consider whether the requirements (including terminology) in paragraphs 8.8–8.11 of the *Handbook* remain appropriate and sufficient for the educational materials being and likely to be developed relating to ISSB Standards (bearing in mind the focus on capacity building). The *Handbook* term ‘educational material’ refers to published material related to the Standards that is not part of the Standards and includes material such as the interoperability material discussed at the DPOC’s September 2023 meeting.
 - (f) *ISSB consultative groups*—to consider whether any adaptations to paragraphs 3.59–3.66 of the *Handbook* are required for the ISSB’s consultative groups and more broadly to consider whether and how the ISSB’s

engagement with investors, national standard-setters, the Advisory Council, securities regulators and others should be specified (paragraphs 3.47–3.53).

- (g) *Post-implementation reviews*—to consider whether any enhancements should be made to the requirements relating to PIRs (paragraphs 6.48–6.59 of the *Handbook*) in the light of:
- (i) the IASB’s extensive experience since the previous *Handbook* review and the IASB’s clarified description of the objective, process and outcome of a PIR that was discussed with the DPOC in 2022. (In the previous review, the DPOC effectively decided not to update the requirements for PIRs given the experience that would shortly be obtained from a number of PIRs.)
 - (ii) the need to consider whether the process needs any adaptations for ISSB Standards (given the need to undertake PIRs of these Standards in due course).
- (h) *Agenda Decisions*—to consider whether any aspects of the due process (as enhanced in 2020) could be refined in light of experience and any suggestions for improvement.
- (i) *Agenda Consultation*—to consider whether any enhancements should be made to paragraphs 4.3–4.7 of the *Handbook* given the IASB’s experience from its recently completed five-yearly agenda consultation and also from the ongoing ISSB’s consultation on its agenda priorities. (To include reviewing the comments on due process raised in the IASB’s consultation by stakeholders that were previously shared with the DPOC.)
- (j) *Additional consultation documents*—to consider whether there is any need to amend the *Handbook* to reflect that on occasions additional consultation documents may be published that are incremental to the required due process and not specifically contemplated by the *Handbook* (for example, the publication in 2022 of a staff request for feedback to inform the future development of the IFRS Sustainability Disclosure Taxonomy).

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- (k) *Use of surveys*—to consider whether any adaptations are required to the *Handbook* to reflect the increasing use of surveys (and potentially other mechanisms) to obtain formal feedback from stakeholders beyond comment letters.
 - (l) *Handbook structure*—reviewing where adaptations are required will help inform how to incorporate the ISSB’s due process into the *Handbook*, for instance on a largely sequential basis (set out the IASB due process followed by ISSB due process) or concurrent basis (set out the due process for the two boards together as far as possible).
 - (m) *Handbook updates*—to consider whether it might be feasible for the *Handbook* to be a more dynamic document so that it could be supplemented from time to time (for example, with supplementary notes to reflect updates to due process approved by the DPOC between the more formal, periodic reviews of the *Handbook*). This would require careful consideration, however, of the transparency of the process for such updates.

Appendix B

The DPOC's 2018–2020 project to update the Handbook

- B1. The DPOC undertook a project to review and update the *Handbook* in 2018–2020, which included a [public consultation](#) in 2019. The DPOC undertook this review to ensure the *Handbook* remained fit for purpose as a result of developments in the IASB's and the Interpretations Committee's processes and that it continued to reflect good practice since the previous substantive amendment in 2012–2013. (The Appendix to the *Handbook* on page 57 sets out its full history.)
- B2. The DPOC's most substantive revisions to the previous version of the *Handbook* related to Agenda Decisions published by the Interpretations Committee—the DPOC improved the description of an Agenda Decision and enhanced the related due process by formally involving the IASB in their finalisation. The DPOC also:
- (a) updated the requirements relating to effects analysis to reflect developments in the IASB's effect analysis process;
 - (b) enhanced and streamlined the consultation requirements for adding major projects to the IASB's work plan;
 - (c) updated and enhanced the minimum amount of review required for educational material; and
 - (d) clarified the DPOC's role in overseeing the IFRS Taxonomy due process.
- B3. More background on the 2020 amendments can be found in the [Project Summary and Feedback Statement](#).

Appendix C

Adaptions to the requirements of the Handbook for the ISSB approved to date by the DPOC

Maintenance of the SASB standards ([October 2022](#))

The DPOC discussed and approved the following process for the ISSB to maintain, evolve and enhance the SASB standards that do not form part of IFRS Sustainability Disclosure Standards. These standards have an important role because they are referenced as supporting materials in IFRS S1 *General Requirements*.

- A group of three to five ISSB members will be established to develop recommendations for the ISSB relating to this work. The group will also develop drafts of the required exposure drafts of amendments to the SASB standards and, after considering the stakeholder feedback, drafts of the final amendments.
- The ISSB will consider the recommendations of this group in ISSB meetings (which are public) and ratify the exposure drafts and, subsequently the final amendments prepared by the group. Ratification will require the same level of support by ISSB members as is required for an amendment to an IFRS Sustainability Disclosure Standard. Exposure drafts of, and final amendments to, the SASB standards will be issued by the ISSB.
- The comment period for the exposure drafts will be the same as for those related to IFRS Sustainability Disclosure Standards.

The DPOC also discussed two specific related matters relating to maintaining and enhancing the SASB standards:

- the process for improving the international applicability of the SASB standards—the DPOC approved the ISSB issuing an exposure draft to request feedback on the proposed process and methodology for updating US-based references in the SASB standards for more internationally applicable references, rather than an exposure draft containing a full mark-up of the proposed amendments. Following consideration of the feedback to the exposure draft, the staff will make a draft of the amendments available on the IFRS Foundation website, consistently with the process described in paragraphs 3.31–3.33 of the *Due Process Handbook*, to allow stakeholders to review the amendments before the ISSB finalises them.
- the process for amending the SASB standards to align them with the elements in the final version of Appendix B to the Climate-related Disclosures Standard that were originally drawn from the SASB standards. The DPOC agreed that no further public consultation on these amendments would be required given that they had been exposed for public comment as part of the Climate-related Disclosures Exposure Draft. (In future instances when the ISSB proposes incorporating elements from the SASB standards in IFRS Sustainability Disclosure Standards and in doing so amends those elements, the ISSB will include the consequential amendments to the corresponding SASB Standards as part of its Exposure Draft. This will enable those amendments to be made to the SASB Standards when the ISSB finalises the Exposure Draft to avoid multiple versions of materials.)

SASB Standards taxonomy due process ([March 2023](#))

The DPOC considered and approved the following due process for updating the SASB Standards Taxonomy to enhance its international applicability.

- Instead of publishing a proposed SASB Standards Taxonomy update (ie exposure draft), the ISSB will include a discussion on the proposed taxonomy modelling approach in the Methodology

Exposure Draft. This aligns the approach to the consultation with that approved by the DPOC in October 2022 for approving the international applicability of the SASB Standards—ie consulting on the approach, rather than the detailed changes. The description of the approach will be developed by the staff, in consultation with the ISSB’s taxonomy consultative group and a group of ISSB members with expertise in the SASB Standards and the digital taxonomy, for ratification by the full ISSB. This is akin to the ratification process approved by the DPOC for the SASB Standards.

- Feedback on the proposed modelling approach will be discussed in a public ISSB meeting.
- Updates to the SASB Standards Taxonomy will then be finalised, subject to approval by the full ISSB.

Interim approach to ISSB taxonomy consultative group ([March 2023](#))

The DPOC agreed that until a consultative group is formally in place to advise the ISSB on its taxonomy related activities, the existing IFRS Taxonomy Consultative Group and the SASB Standards XBRL Taxonomy Review Committee should undertake the required reviews of IFRS Sustainability Disclosures Taxonomy due process publications. *[This interim approach is no longer applicable. From 1 August 2023 the IFRS Taxonomy Consultative Group advises both the IASB and the ISSB on their respective digital taxonomies and related activities.]*