

IFRS Foundation Trustees meeting

Due Process Oversight Committee

Montreal

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Agenda Ref 1D

Contacts

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Update on ISSB activities

Purpose

1. This report provides the Due Process Oversight Committee (DPOC) with an update on the activities of the International Sustainability Standards Board (ISSB) following the previous updates, both provided in March 2022.

Background

2. This report is being provided to the DPOC as part of the ISSB satisfying the due process requirement to report to the DPOC about its standard-setting activities as per paragraph 2.8 of the *Due Process Handbook*. At their 1 March 2022 meeting the DPOC decided that:
 - (a) the ISSB will apply the due process specified in the *Due Process Handbook* for the International Accounting Standards Board (IASB) for corresponding technical activities, in addition to the due process specified for the ISSB in the IFRS Foundation *Constitution*; and
 - (b) the DPOC will work proactively with the ISSB leadership to consider whether any adaptations are required to the IASB's due process for the ISSB, drawing on the input from the Technical Readiness Working Group's recommendations and the ISSB's developing experience. They will also consider the appropriate due process to support the connectivity between the IASB and the ISSB. The DPOC noted that adaptations might be required in advance of formally updating the *Due Process Handbook*—these would be discussed and approved by the DPOC and clearly communicated to stakeholders.

Due process matters in the period for noting

Due process documents published

3. On 31 March 2022 two ISSB due process documents were published, Exposure Drafts on:
 - (a) General Requirements for the Disclosure of Sustainability-related Financial Information (General Requirements); and
 - (b) Climate-related Disclosures.
4. As explained at the [1 March 2022 DPOC meeting](#) and at the [21 March 2022 DPOC meeting](#), the Exposure Drafts were substantially based upon the work of the Technical Readiness Working Group. Both documents were published by the Chair and Vice-Chair of the ISSB utilising the special provision in the IFRS Foundation *Constitution* to publish the documents prior to the ISSB becoming quorate. This provision was added to the *Constitution* by the Trustees in November 2021 to enable the ISSB to advance its standard-setting and obtain

stakeholder input on its proposals expeditiously. The DPOC determined that the appropriate due process had been followed to publish the Exposure Drafts at its meeting on 21 March 2022.

5. Both Exposure Drafts were published with 120-day comment letter periods which ends on 29 July 2022. As was also explained at the 1 March 2022 DPOC meeting, online surveys were published alongside the Exposure Drafts to facilitate stakeholder input in addition to the comment letter process. All responses submitted via the surveys are publicly available on the IFRS Foundation website alongside the comment letters.
6. During the comment letter period a significant outreach effort has been underway involving the ISSB Chair and Vice-Chair and staff of the Foundation and the Value Reporting Foundation. Outreach has been aimed at raising awareness of and explaining the proposals to obtain stakeholder feedback. The remaining period will be used to undertake targeted outreach with stakeholders to gain further understanding of the specific areas of stakeholder interest where the ISSB may have to focus on during its redeliberations of the proposals.
7. The ISSB will hold its first Board meeting during the week of 18 July 2022 and the staff will prepare an initial analysis of the outreach activities. This will include an initial analysis of the main matters that have been raised by stakeholders during the outreach and will help to guide the ISSB's redeliberations and the staff analysis of the comment letters and survey responses.

Other matters occurring during the period for the attention of the DPOC

Publication of staff request for feedback and staff draft of the IFRS Sustainability Disclosure Taxonomy for digital reporting

8. On 25 May 2022 a staff request for feedback to inform future development of the IFRS Sustainability Disclosure Taxonomy for digital reporting was published. The staff request for feedback outlines staff recommendations to inform the development of a taxonomy to enable digital consumption of disclosures prepared using IFRS Sustainability Disclosure Standards. The staff recommendations focus on fundamental matters that need to be considered early to enable the ISSB to publish the IFRS Sustainability Disclosure Taxonomy on a timely basis. In the same way the ISSB's proposed standards incorporate and build on other organisations' work, the staff draft builds on the SASB taxonomy.
9. Reflecting the IFRS Foundation's Trustees desire for the ISSB to develop a digital reporting strategy from the start, the staff has published the staff draft to obtain feedback that will inform the development of a future proposed IFRS Sustainability Disclosure Taxonomy. The staff draft is an additional document that is incremental to the due process requirements. The proposed Taxonomy will be formally consulted on in accordance with the IFRS Foundation's due process, which will include the publication of an exposure draft. This will allow stakeholders to comment on more detailed proposals to enable the ISSB to deliberate those proposals and the feedback received. The aim is to publish the proposed Taxonomy for public consultation shortly after the ISSB issues its standards on General Requirements and Climate-related Disclosures. Publishing the exposure draft of the proposed Taxonomy at the time of finalising the standards is consistent with the Due Process Handbook and the practice of the IASB.
10. Responses to the staff request for feedback are due by 30 September 2022 and can be provided by filling in an online form or by sending a comment letter. The feedback will be

considered in the development of the proposals for the Taxonomy informing the subsequent exposure drafts.

Consultative Groups

11. Establishing formal consultative bodies of key stakeholder groups for the ISSB is a key priority. On 30 May 2022 the Trustees published a call for candidates for the Sustainability Standards Advisory Forum (SSAF) which will act as the ISSB's formal mechanism to engage with jurisdictional institutions on its standard-setting. Prior to the establishment of the SSAF, a jurisdictional working group¹ has been engaged to establish dialogue for enhanced compatibility between the ISSB's exposure drafts that are currently open for comment and ongoing jurisdictional initiatives on sustainability disclosures. The first meeting of the group took place on 16 May 2022 and a [summary](#) of the meeting is available on the IFRS Foundation website.
12. The Sustainability Consultative Committee (SCC) has also been formed which is mandated to identify, inform and advise the ISSB on priority sustainability matters and related technical protocols, as well as significant interdependencies between sustainability matters. The membership of the SCC was extended (beyond the permanent multilaterals) by the Trustees in May 2022 with a view to additional thematic experts being added once the ISSB sets its agenda priorities in due course.
13. As part of the consolidation of the Climate Disclosures Standards Board (CDSB) and the Value Reporting Foundation (VRF), work has been conducted to identify how to onboard their key stakeholders and advisory bodies. The Trustees have approved the Terms of Reference in recent weeks of other advisory bodies (see Appendix A) that create the structure for the ISSB's core engagement with key stakeholder groups.

Next steps

14. The ISSB will hold its first meeting in July 2022.
15. In parallel to the first ISSB meetings, the ISSB's advisory bodies will begin to meet to provide input for the ISSB.
16. As discussed in the 1 March DPOC meeting, the ISSB leadership and staff are continuing to monitor due process matters as the ISSB's work progresses. This is to understand the potential need for any adaptations to the IASB's standard-setting processes before the *Due Process Handbook* is updated to reflect the establishment of the ISSB.

¹ Members of the working group are the Chinese Ministry of Finance, the European Commission, the European Financial Reporting Advisory Group, the Japanese Financial Services Authority, the Sustainability Standards Board of Japan Preparation Committee, the United Kingdom Financial Conduct Authority and the US Securities and Exchange Commission.

Appendix A – Summary of ISSB Consultative Groups and oversight

Name	Purpose	Composition	Appointments and Oversight
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 effectiveness of the group will be assessed by the full Trustees periodically if they decide necessary and will be assessed annually as part of the DPOC’s annual review of non-constitutional advisory bodies.
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 recommended nominations to the IFRS Foundation Trustees, who then have final approval of the composition.
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: a) current members of the Integrated Reporting Council of the Value Reporting Foundation; 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.

Name	Purpose	Composition	Oversight
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. Most members are from the preparer community.	Oversight of composition and effectiveness will be provided by the DPOC as the design of the group evolves and from steady state. Membership will be determined by the ISSB.
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. Membership will be determined by the IIAG.