



IFRS® Foundation

Agenda paper 3A

Update on the work of the Technical Readiness Working Group (TRWG)

IFRS Advisory Council
September, 2021

Agenda

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2 Members and objective of the TRWG

3 Deliverables of the TRWG

4 The prototypes

5 Connectivity of the IASB and the ISSB

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Proposed strategic direction based on feedback



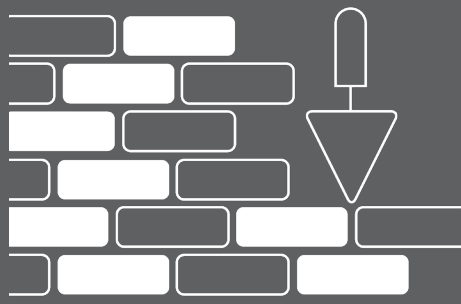
Investor focus



Sustainability scope, prioritising climate



Global baseline



Build on existing frameworks

Providing a "running start" for an ISSB – preparatory work on technical content & transfer of resources

	Overview
Purpose	The TRWG aims to provide a running start for the potential new board . The TRWG also responds to the International Organization of Securities Commissions' (IOSCO) <u>24 February 2021 call</u> for the coordination of work to drive international consistency of companies' sustainability-related disclosures that focus on enterprise value creation.
Deliverables	<ul style="list-style-type: none"> To provide technical observations and proposals for consideration by the potential new board To formulate joint strategic recommendations regarding the potential transfer of content, technical expertise and resources to the board.
Membership	<p>Chair: IFRS Foundation Observer: IOSCO, IPSASB</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES</p> </div> <div style="text-align: center;">  <p>VALUE REPORTING FOUNDATION</p> </div> <div style="text-align: center;">  <p>CDSB Climate Disclosure Standards Board</p> </div> <div style="text-align: center;">  <p>WORLD ECONOMIC FORUM</p> </div> <div style="text-align: center;">  <p>IASB</p> </div> </div>

Overview of TRWG deliverables

	Observations and proposals for:	Description
Technical Preparatory Work	1 Enhanced prototype climate standard	Further develop the content of the prototype climate-related disclosure standard to provide a basis for consideration as an exposure draft under an ISSB
	2 Enhanced prototype presentation standard	Further develop the content of the prototype presentation standard to provide a basis for consideration as an exposure draft under an ISSB
	3 Conceptual guidelines for standard setting	Principles and concepts to support the early standard setting activities of an ISSB (e.g., materiality)
	4 Architecture of standards*	Key concepts and architecture of what standards look like (e.g., reporting areas, cross-industry metrics and industry-specific metrics)
	5 Other items to inform a standards agenda	Other items to inform a standards agenda The items that demonstrate the features of “pressing topics” for potential standard-setting
	6 Due process characteristics	Considerations for transitory and steady-state due process of an ISSB
	7 Digitisation strategy	Digitisation strategy from onset of ISSB's work
	8 Connectivity	Evolution of management commentary to provide connecting framework and connectivity between ISSB and IASB.

The prototypes: What are the components?

Presentation Standard (general requirements)

- General requirement to disclose all material sustainability information (“what” information to disclose)
- Sets out general approach to disclosure for material information based on the 4 pillars (“how” to disclose)
- Sets out what to do if an ISSB Standard is not yet in place for a material topic (a concept that already exists in IFRS Standards) – this will set a hierarchy of what guidance to use to meet the disclosure requirements.

Thematic Standards (first – Climate)

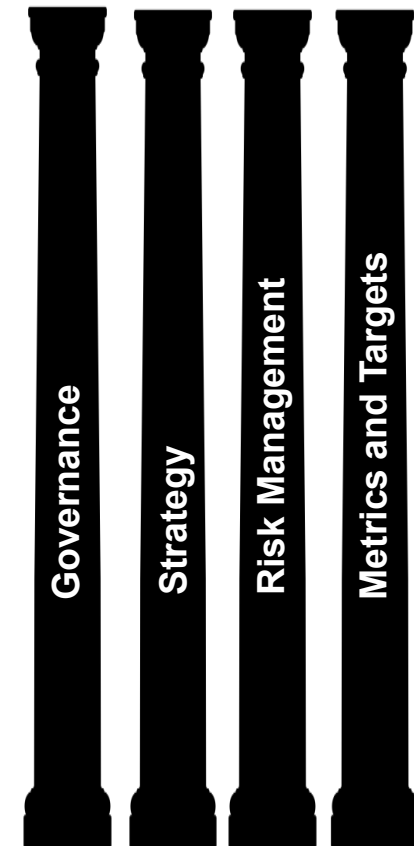
- Establishes requirements for:
 - Narrative-based disclosures
 - Cross-industry metrics
- General requirement for industry/activity/business model-specific metrics (but does not establish the metrics)

Thematic Standards are developed when: 1) a theme is pervasive across the market; 2) tailoring of the four pillars to establish narrative-based requirements is value-adding; and 3) cross-industry metrics are feasible and useful.

Industry Standards (disclosures specific to an industry)

- Industry-specific disclosure topics (those covered by a thematic standard plus others)
- Specific narrative and metrics :
 - To meet Thematic Standards
 - Requirements for all other industry-specific disclosure topics not covered by Thematic Standards

Industry standards are developed for an established set of industries.



Aspects of connectivity between the IASB and the ISSB

	Area	Description
Governance	Governance and constitutional arrangements	Sets objective for boards and common oversight
Operational	Technical staffing	Ensure resource sharing and capacity building
	Operational staffing	Ensure appropriate resource sharing
Standard setting bodies	Scope of, and links, between IASB and ISSB	Enables interconnected reporting
	Remit of IASB/ISSB relative to other parts of the corporate reporting system	Establishes clear boundaries and expectations
	Standard setting/due process (operational procedures for deliberation/document approval)	Structured to support connected requirements and reporting
Standards and guidance	Concepts and requirements of IASB and ISSB (e.g. materiality, value creation/enterprise value)	<ul style="list-style-type: none"> Clarifies treatment of topics where there is shared interest and/or interconnection in investor information needs Supports connectivity/cohesion and minimises inconsistencies/conflicts
	For a given topic: Suite of related IASB/ISSB resources (e.g. topic-specific standard, associated guidance, presentation standard, conceptual framework, basis for conclusions)	Provides quick and easy navigation for those new to IASB and ISSB pronouncements

Outreach

1 Pre-Recorded Webcast	<ul style="list-style-type: none">• <i>Publicly available webcast</i>	<ul style="list-style-type: none">• To inform TRWG stakeholders on the aims, purpose, progress and timings to date of the TRWG for the ISSB creation• To include overview of TRWG composition and technical process
2 Editorial Review	<ul style="list-style-type: none">• <i>Undertake a review of the prototypes</i>	<ul style="list-style-type: none">• To seek detailed drafting comments on the climate prototype, presentation prototype, and overview of conceptual guidelines. Will use a structured questionnaire
3 Stakeholder Outreach	<ul style="list-style-type: none">• <i>TRWG members undertake targeted outreach with preparers and investors</i>	<ul style="list-style-type: none">• To seek comments on practical application issues and to see whether the prototypes respond to user needs• Also to seek understanding of cost-benefit balance• Objective is to inform TRWG recommendations. This is not a substitute for the ISSB's ultimate due process