

IFRS Foundation Trustees meeting

Due Process Oversight Committee

Virtual 21 March 2022

Agenda Ref 1A

Contacts Henry Rees
Samuel Prestidge

DPOC Oversight of the ISSB Chair and Vice-Chair’s decision to publish exposure drafts on General Requirements for Disclosure of Sustainability-Related Financial Information and Climate-Related Disclosures

Purpose

1. This paper asks the Due Process Oversight Committee (DPOC) to confirm that it does not object to the decision of the ISSB Chair and Vice-Chair to publish exposure drafts on General Requirements for Disclosure of Sustainability-Related Financial Information (General Requirements) and Climate-Related Disclosures before the ISSB is quorate. The Chair and Vice-Chair’s rationale is set out in Agenda Paper 1B for this meeting.

Question for the DPOC

Does the DPOC confirm that it does not object to the ISSB Chair and Vice-Chair publishing the exposure drafts on General Requirements for Disclosure of Sustainability-Related Financial Information (General Requirements) and Climate-Related Disclosures before the ISSB is quorate?

Background

2. In amending the IFRS Foundation *Constitution* in October 2021 to accommodate the establishment of the ISSB, the Trustees provided the ISSB Chair and Vice-Chair, in consultation with any appointed ISSB members, with the option to publish exposure drafts on General Requirements and Climate-Related Disclosures. The Trustees provided this option in the light of:
 - (a) the maturity and high-quality of the Technical Readiness Working Group’s (TRWG) preparatory work on the prototype standards (which was also subject to review and comment by an IOSCO technical expert group);

- (b) calls from stakeholders for the ISSB to develop standards urgently, particularly on climate;
 - (c) the intention for the ISSB's Standards to build on established frameworks; and
 - (d) the possible length of time between the appointment of the Chair and Vice-Chair and there being a quorate ISSB.
3. The Trustees intended this to be a targeted and temporary provision to allow the Chair and Vice-Chair to launch a full and comprehensive public consultation on the two exposure drafts at an earlier point than when there would be a quorate ISSB (which requires at least eight members). The Trustees emphasised that the consultation itself and all subsequent procedures, including considering the feedback and whether re-exposure of the proposals would be required, would be undertaken by the ISSB *as a board* applying the same due process as the IASB.
 4. The Chair and Vice-Chair's option to publish the exposure drafts is subject to DPOC oversight as stipulated in paragraph 57 of the *Constitution*.
 5. At its 1 March 2022 meeting, the DPOC was provided with the context of the process undertaken in the development of the TRWG's recommendations and the existing standards and frameworks on which the ISSB is building its initial work. The DPOC was also provided information about the work that has followed the 3 November 2021 publication of the TRWG's prototype standards on General Requirements and Climate-Related Disclosures to develop these prototypes into ISSB exposure drafts. This context was provided to assist the DPOC in its oversight of the process to develop the exposure drafts and to oversee the potential decision of the Chair and Vice-Chair to publish them.

Due process considerations

6. The ISSB Chair and Vice-Chair have decided to utilise the option to publish the exposure drafts on General Requirements and Climate-Related Disclosures. Agenda Paper 1B explains the ISSB Chair and Vice-Chair's rationale for making this decision to aid the DPOC in its oversight of this decision. It also explains the additional work undertaken to develop the TRWG's prototype standards into ISSB exposure drafts. This paper provides the DPOC with context to aid its oversight.

7. There are no specific criteria attached to the DPOC’s oversight of the Chair and Vice-Chair’s decision to publish the exposure drafts. However, the IFRS Foundation staff think that the DPOC should consider if the Chair and Vice-Chair’s rationale for publishing the exposure drafts on General Requirements and Climate-Related Disclosures before the ISSB is quorate is aligned with the spirit in which the Trustees provided the Chair and Vice-Chair with the temporary and targeted provision. In particular we emphasise:
- (a) As envisaged in October 2021, the two exposure drafts are substantially aligned with the TRWG’s prototype standards, with any areas that have been adapted being clearly identified, and:
 - (i) include the components that are found in an IASB exposure draft as required by the *Due Process Handbook*,
 - (ii) have followed the drafting quality and assurance processes that are required for an IASB exposure draft (including, for example, application of the same editorial processes used when preparing due process documents for the IASB).
 - (b) The Chair and the Vice-Chair have considered the two key points that the Trustees noted would require consideration in deciding whether to exercise the option, namely whether the exposure drafts:
 - (i) provide a sufficient basis for a comprehensive public consultation; and
 - (ii) reflect proposals for IFRS Sustainability Disclosure Standards that a quorate ISSB could support.
 - (c) Utilising the option has a significant effect on the timeliness of undertaking a full and comprehensive consultation on the exposure drafts—a key step in developing IFRS Sustainability Disclosure Standards.
8. Agenda Paper 1B also outlines the Chair and Vice-Chair’s decision to have a 120-day consultation period for the two exposure drafts. This period is in accordance with paragraph 6.7 of the *Due Process Handbook*.
9. As required by the *Constitution*, following the use of the Chair and Vice-Chair’s temporary provision, due process procedures as outlined in the *Due Process Handbook* will apply to the ongoing development of the ISSB’s proposed standards on General Requirements and Climate-Related Disclosures by a quorate ISSB, subject

to oversight by the DPOC. It is anticipated that the ISSB will be quorate early in the third quarter of 2022.

Next steps

10. If the DPOC do not object to the Chair and the Vice-Chair publishing the exposure drafts before the ISSB is quorate, then the exposure drafts are expected to be published by the end of March. It is the aim for the ISSB to be quorate by the third quarter which is when deliberation on the responses to the exposure drafts can begin. The ISSB Chair and Vice-Chair are still targeting to finalise the standards on General Requirements and Climate-Related Disclosures around the end of 2022.