
IFRS Foundation Trustees meeting – Due Process Oversight Committee

Date **October 2022**
Topic **Update on ISSB activities and annual reporting on due process matters**
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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*.

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 June 2022. The report is for the period June to September 2022 and addresses the following matters:
 - (a) General update on the work of the ISSB;
 - (b) Staff Request for Feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy; and
 - (c) Work of the ISSB Consultative Groups.
2. The report also addresses matters as part of the due process requirement to report annually to the DPOC on:
 - (a) comment letters received and the public availability of Board papers (see Appendix A);
 - (b) the engagement with securities and prudential regulators (see paragraph 6); and
 - (c) the work of Consultative Groups (see Appendix B and paragraphs 22–25).
3. 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. No decisions are required of the DPOC—**accordingly, all information in this report is for noting only.**

Due process matters in the period for noting

Update on the work of the ISSB

4. In the period June to September 2022 the ISSB has held its first two Board meetings.

Progressing the ISSB's initial Standards
5. In July the ISSB met for the first time and discussed the outreach undertaken on both draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (General Requirements Exposure Draft) and draft IFRS S2 *Climate-related Disclosures* (Climate Exposure Draft). At that meeting it was explained that the staff and the ISSB Chair and Vice-Chair had undertaken over 300 outreach events, attended by approximately 30,000 stakeholders across a diverse range of stakeholder groups.

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6. Paragraphs 3.55–3.58 of the Handbook outline the need for dialogue between the IFRS Foundation and securities and prudential regulators. As part of the outreach on the exposure drafts the ISSB engaged with both securities and prudential regulators, for example:
 - (a) IOSCO established working groups on both the General Requirements and Climate-related Disclosures exposure drafts to provide detailed feedback to the staff to inform the ISSB. Staff and the ISSB Vice-Chair met with the working groups on several occasions.
 - (b) The Japanese Financial Securities Agency, the United Kingdom Financial Conduct Authority and the United States Securities and Exchange Commission are all members of the ISSB's Jurisdictional Working Group (see paragraph 24) and IOSCO is an observer.
 - (c) Dialogue with the Financial Stability Board (FSB) has been established both at the staff and the ISSB level, including engagement at the FSB Standing Committee on Supervisory and Regulatory Cooperation, and in the FSB Steering Committee. Staff and the ISSB Vice-Chair have also established dialogue with the Basel Committee on Banking Supervision (BCBS).
 7. The consultation periods for both the ISSB's exposure drafts closed on 29 July 2022. The ISSB Technical Staff presented an initial analysis of the comment letters and survey responses on both the exposure drafts at the September 2022 ISSB meeting. There was a significant response to both Exposure Drafts with over 1400 responses received (for specific figures see Appendix B) from a broad range of stakeholder types and geographies. The high level of responses suggests significant and widespread interest across the global capital markets in the draft General Requirements and Climate Standards, including the work of the ISSB to develop IFRS Sustainability Disclosure Standards more broadly. The feedback in response to both the exposure drafts has provided a significant depth of feedback for the staff to analyse and the ISSB consider in redeliberations.
 8. Preparers represented the single largest stakeholder type that provided feedback. In addition, the number of responses from users of general purpose financial reporting, including organisations that represent users such as investor associations, is high relative to commonly observed response rates to the Foundation's consultations on standard setting proposals. For example, many asset managers and asset owners that represent a wide range of sizes (in terms of assets under management), geographies and investment strategies provided feedback on both Exposure Drafts, suggesting a high level of interest from investors and other users.
 9. At the September 2022 meeting the ISSB also discussed how the proposals in the two Exposure Drafts should be redeliberated. In particular, the ISSB considered: what its general approach to redeliberation should be; specific topics for redeliberation; and the projects' timings. The ISSB also discussed at its September meeting the approaches that it could use in the final standards to address the range of capabilities and preparedness of entities around the world to apply the proposed requirements in the Exposure Drafts. The mechanisms the ISSB could use to address this issue are referred to as mechanisms for addressing 'scalability'. The ISSB considered the factors to be used to evaluate which scalability mechanisms to use in particular circumstances. The ISSB made their first decisions on both the topics for redeliberation and scalability challenges noting that in order of the ISSB's baseline to be 'truly global' it is important to ensure that the final Standards are appropriate for application for a range of entities and markets including emerging economies.
 10. At the September 2022 ISSB meeting the International Accounting Standards Board (IASB) Chair provided an educational session on the IASB's activities, including its recently completed Agenda Consultation. This included discussion of topics on the IASB's agenda where coordination with the ISSB will be important such as considering the effects of climate-related risks in the financial statements.

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11. At their October 2022 meeting the ISSB will discuss:
- (a) an update on the approach to the ISSB's Consultation on Agenda Priorities (see paragraphs 13-18 below);
 - (b) the strategy for integrating industry-based materials into IFRS Sustainability Disclosure Standards;
 - (c) key matters related to the draft General Requirements and Climate Standards that the staff think are important to achieving the interoperability of the ISSB's initial standards; and
 - (d) specific matters for technical redeliberation.
12. The ISSB aims to complete redeliberations on substantive issues by the end of 2022, with a view to issuing the standards on General Requirements and Climate-related Disclosures as soon as possible in 2023. As part of the final stages of redeliberations the ISSB will be asked to review permission to ballot papers for both the proposed standards. As part of this document the ISSB will be asked if all due process procedures have been adequately followed in the development of the Standards. The DPOC will receive these papers as part of its review of the due process over the life of the project early next year ('lifecycle' review).

ISSB Consultation on Agenda Priorities

13. As per paragraph 4.5 of the Handbook, the ISSB keeps the DPOC informed of the process in developing the consultation on its work plan.
14. In July, the ISSB received an overview and a preliminary list of broadly defined items to consider in preparing a Request for Information to obtain stakeholder feedback on its forward-looking agenda priorities at its July 2022 meeting. At that meeting the ISSB considered key background information, the market need, primary challenges to addressing the need and potential paths forward relating to its forward-looking agenda. It was also considered where existing materials of the IFRS Foundation's recently consolidated entities, the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF), respectively, could provide the ISSB with a starting point to address the market need related to each item to be considered as part of its forward-looking agenda.
15. At the October ISSB meeting the ISSB will be updated on the planned approach to and timing of its consultation on agenda priorities and the publication of a request for information. The staff's recommended approach is that the request for information:
- (a) Outlines the work to build on the foundation established by IFRS S1 and IFRS S2, once finalised as context; and
 - (b) Sets out proposals for new research and standard-setting. The request of information will seek stakeholder input on these proposals to inform the board's decisions on the future work plan.
16. The staff recommend that the work to build on the foundation established by IFRS S1 and IFRS S1 would include the following:
- (a) Work designed to improve the Sustainability Accounting Standards Board (SASB) Standards to make the SASB Standards more internationally applicable and decision-useful for investors in the application of IFRS S1

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- (b) Supporting the adoption, application, and usefulness of IFRS S1 and IFRS S2, including consideration of public feedback, including via materials to support capacity building and the development of the digital taxonomy for the IFRS Sustainability Disclosure Standards:
 - (c) Coordinating with the IASB to ensure connectivity in the reporting required by the ISSB and the ISSB, and work to address interoperability, engaging with jurisdictional and voluntary sustainability-reporting standard setters, including ongoing efforts to align where possible with the work of GRI, EFRAG and other jurisdictional efforts; and
 - (d) Continuing research and outreach to identify and assess IFRS S2 for areas of potential enhancement, including climate-related risks and opportunities identified by respondents to [draft] IFRS S2, such as those related to 'just transition,' water, and nature.
17. This foundational work is recommended to begin upon the finalisation of IFRS S1 and IFRS S2, and thus, prior to the completion of the agenda consultation. The foundational activities would be described in the request for information to, primarily, provide context for the public consultation on new research and standard-setting projects.
18. The recommended timeline for the publication of the request for information allows for the conclusion of the significant re-deliberations on [draft] IFRS S1 and [draft] IFRS S2 that might impact the work plan. Thus, the request for information can more appropriately reflect what is—and what is not—included in IFRS S1 and IFRS S2, as well as any ISSB decisions on other key aspects relevant to the foundational work (eg the role of industry-based materials). The staff expectation is that this would result in the publication of the request for information in H1 2023¹.

Staff Request for Feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy

19. In June 2022 the DPOC were 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. The staff draft Taxonomy was accompanied by a document outlining relevant issues and recommendations to be proposed to the ISSB by the staff, and requesting feedback on the draft taxonomy and these issues and recommendations.
20. The period for providing feedback closed on 30 September 2022. Staff received 20 comment letters and a further 23 survey responses. Many respondents expressed strong support for the development of the digital Taxonomy for sustainability information—which was seen as improving accessibility of information in a cost-efficient way. For several questions raised in the request for feedback most respondents broadly agreed with the staff proposals. In four areas (provision of two views on the taxonomy content, close following of previous SASB Taxonomy for industry-based metrics, granularity of identification of narrative disclosures and the use of categorical elements for summaries of narrative disclosures) there was also general agreement from many respondents, but some suggestions for improvements or guidance. In relation to the approach proposed to the representation in the Taxonomy of the relationship between the requirements of S1 and S2 respondents had mixed views and concerns, but no clear suggestions. A few respondents proposed field testing of proposals in this area, or that some tagging, particularly of narrative information, be required only at a later date.

¹ [ap2-agenda-priorities-update-on-planned-approach.pdf \(ifrs.org\)](https://www.ifrs.org/ap2-agenda-priorities-update-on-planned-approach.pdf)

21. The staff are currently collating and analysing the responses in further detail, along with discussions with the IFRS Taxonomy Consultative Group and the results of targeted market outreach. Staff will present a summary of this feedback to the ISSB at its meeting in November 2022. Following this, the responses will be considered 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 the IFRS S1 and S2. As previously discussed with the DPOC, the finalisation of the IFRS Sustainability Disclosure Taxonomy will be subject to the due process in the Handbook.

Consultative Groups

22. The DPOC received an update in June regarding the establishment of various groups to advise the ISSB. Appendix B summarises the purpose of each. Given the ISSB's consultative groups are only just beginning to meet, the staff is not yet in a position to provide any assessment about whether the groups are serving their function or whether the composition of the groups should change, as per paragraph 3.66 of the Handbook. Therefore, this update is intended to inform the DPOC's ongoing oversight of the bodies as per paragraph 2.8 of the Handbook.
23. In the period covered by this report, two ISSB Advisory Bodies have begun to meet: the Jurisdictional Working Group and the Sustainability Consultative Committee.
24. The Jurisdictional Working Group has been engaged to establish dialogue for enhanced compatibility between the ISSB's exposure drafts and ongoing jurisdictional initiatives on sustainability disclosures. In the period covered by this report the Group met on three occasions (May, July and September 2022) and summaries of each meeting are available on the IFRS Foundation website.
25. The Sustainability Consultative Committee (SCC) has been formed 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 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. The inaugural meeting of the SCC was held on 15 September 2022. A summary of the meeting is available on the IFRS Foundation website. Members participated virtually and used this opportunity of the first meeting to introduce themselves and their organisations, providing introductory remarks on how they can support the mandate of the ISSB. The ISSB Chair provided an overview of the IFRS Foundation followed by a question-and-answer session with the Chair and Vice Chair. Bilateral calls will take place between the SCC Secretariat and members to provide an overview of members priorities for future ISSB work program and to seek input to and support for an ISSB strategy for building capacity in developing and emerging economies.

Appendix A—Receipt of comment letters, publication of ISSB Board papers and their public availability

- A1. As per paragraphs 3.67 and 3.68 of the Handbook, all comment letters analysed have been posted on the IFRS Foundation website.
- A2. As per 3.11 and 3.12 of the Handbook, all agenda papers distributed to ISSB members for public meetings of the ISSB were made available on the IFRS Foundation website. Furthermore, there were no cases in which a document discussed by the ISSB in a public meeting was withheld or had any material removed from observers.
- A3. No board papers were distributed to ISSB Members after the paper posting deadline.

Comment letters and survey responses	
General Requirements	610 comment letters and 125 survey responses
Climate	594 comment letters and 106 survey responses

Appendix B—Summary of ISSB Consultative Groups and oversight

Name	Purpose	Composition	Oversight	Meetings
Jurisdictional Working Group	To establish a 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) overseen by the Trustees.	<p>Past meetings: May, July, September 2022.</p> <p>Forthcoming: October, November and December 2022.</p>
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 before the end of 2022.	<p>Past meetings occurred: None.</p> <p>Forthcoming: Due to be established to begin meetings in Q1 2023.</p>
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 is comprised of a Chair, 4 permanent multilateral member organisations (IMF, OECD, UN and World Bank) and up to 9 additional expert members ² . 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,	<p>Past meetings: September 2022.</p> <p>Forthcoming: October 2022</p>

² <https://www.ifrs.org/groups/sustainability-consultative-committee/#members>

Name	Purpose	Composition	Oversight	Meetings
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.	TBD
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.	TBD
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.	Forthcoming: October 2022