
IFRS Foundation Trustees meeting – Due Process Oversight Committee

Date **March 2023**
Topic **Update on ISSB activities**
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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 October 2022. The report is for the period from October 2022 to February 2023 and addresses the following matters:
 - (a) Deliberations on [draft] IFRS S1 (General Requirements Exposure Draft) and [draft] IFRS S2 (Climate Exposure Draft);
 - (b) ISSB Consultation on Agenda Priorities;
 - (c) Industry-based materials;
 - (d) Development of the IFRS Sustainability Disclosure Taxonomy;
 - (e) Supporting implementation; and
 - (f) Work of the ISSB Consultative Groups.
2. 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* (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

Redeliberation of [draft] IFRS S1 and IFRS S2

3. In the period October 2022 to February 2023 the ISSB met monthly and also held additional virtual meetings on 1 and 3 November 2022.
4. During this period the ISSB has advanced its technical deliberations based on the substantive feedback received on the General Requirements and Climate Exposure Drafts which closed for public comment at the end of July 2022. At its February 2023 meeting, the ISSB concluded that its technical deliberations are sufficiently advanced to begin the balloting process. As part of that process the DPOC is considering a Due Process Life Cycle Review of IFRS S1 and IFRS S2 at this meeting (see Agenda Paper 1D).
5. The ISSB intends to issue IFRS S1 and IFRS S2 at the end of Q2 2023.

ISSB Consultation on Agenda Priorities

6. During the period the ISSB has advanced its work on its consultation on agenda priorities for the next two years. The ISSB were updated at its October meeting on the planned approach and timing of its consultation on agenda priorities and the publication of a request for information. The ISSB decided that the request for information will:
- (a) Outline the committed work to build on the foundation established by IFRS S1 and IFRS S2, once finalised as context for the request for information; and
 - (b) Set out proposals for new research and standard-setting. The request for information will seek stakeholder input on these proposals to inform the board's decisions on the future work plan.
7. The ISSB decided that the work to build on the foundation established by IFRS S1 and IFRS S2 would include:
- (a) Work designed to enhance the SASB Standards to make them more internationally applicable and decision-useful for investors in the application of IFRS S1 and continuing legacy SASB Standards projects;
 - (b) Supporting the 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 IASB, 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.
8. This foundational work will begin upon the finalisation of IFRS S1 and IFRS S2, and thus prior to the completion of the agenda consultation. The foundational activities will be described in the request for information to, primarily, provide context for the public consultation on new research and standard-setting projects.
9. In December 2022, the staff provided the ISSB with their recommendations for projects to be included in the request for information¹. These recommendations were informed by initial feedback received following consultation with various IFRS Foundation advisory bodies (including the Advisory Council), and research, consulting and analysing various sources of information to assess potential projects to include in the request for information.
10. A primary consideration in the staff's analysis to prioritise potential projects was the ability of the ISSB, as part of its initial two-year work plan, to make timely, meaningful progress on sustainability-related subject matters where there is clear evidence of investor interest and market demand, but

¹ [ISSB December 2022 Paper 2 Projects to be included in Request for Information](#)

where a widely accepted standard for capital markets-focused disclosure on such matters does not currently exist.

11. At its December 2022 meeting the ISSB tentatively decided to seek feedback in the request for information on four potential projects.
12. The recommended timeline for the publication of the request for information has allowed 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 expect that this would result in the publication of the request for information in May 2023.
13. The DPOC is being asked to approve a shortened comment period for the request for information on agenda priorities at this meeting (see Agenda Paper 1E).

Industry-based Materials

14. As part of the consolidation of the Value Reporting Foundation, the ISSB committed to build upon the industry-based standards of the SASB.
15. The ISSB discussed the strategy for integrating industry-based materials into IFRS Sustainability Disclosure Standards at its October 2022 meeting². Following this initial discussion, the ISSB has made various tentative decisions relating to industry-based materials:
 - (a) In relation to the role of the SASB Standards in IFRS S1, the ISSB tentatively decided to require entities to *consider* the SASB Standards as a source of guidance to disclose investor relevant information on sustainability-related risks and opportunities not specifically covered by IFRS Sustainability Disclosure Standards;
 - (b) In relation to the proposed industry-based requirements in Appendix B of [draft] IFRS S2, the ISSB tentatively decided to amend IFRS S2 so that industry-specific disclosures would be required and that entities would be required to consider the (SASB based) industry-based requirements in providing such disclosures³. The ISSB also agreed to enhance the industry-based materials in [draft] IFRS S2 by:
 - (i) responding to stakeholder feedback on the international applicability of some disclosure topics and metrics;
 - (ii) resolving inconsistencies between Appendix B and the SASB Standards;
 - (iii) resolving inconsistencies between how some of the same or similar metrics are used in different industry-based requirements in Appendix B; and
 - (iv) amending errors in its scope introduced by the inclusion or omission of some metrics.
16. As discussed with the DPOC at its October 2022 meeting, the ISSB is undertaking a project to improve the international applicability of the SASB Standards beyond those that have been included in [draft] IFRS S2 (that is, the elements of the SASB Standards that were not climate-related). Work is advancing with a view to the ISSB publishing an exposure draft in May to seek feedback on the

² [ISSB October 2022 Paper 6 Industry-based materials](#)

³ This is a change from the Climate Exposure Draft which proposed that Appendix B be required to be applied by entities.

proposed methodology for these improvements. The DPOC is being asked to approve a shortened comment period for the exposure draft at this meeting (see Agenda Paper 1E).

17. At its October 2022 meeting, the ISSB tentatively decided its foundational work would include efforts to improve the SASB Standards, including advancing some of the existing SASB Standards research and standard-setting projects. Therefore, the existing SASB Standards research and standard-setting projects are not in the scope of the request for information on agenda priorities. At its October 2022 meeting the DPOC agreed to establish a board adviser group that would be responsible for the maintaining, enhancing and advancing the SASB Standards with any standard-setting to update the SASB Standards being subject to ratification by the full ISSB. Following that DPOC decision, the ISSB staff have established the SASB Standards Board Advisers and the group is in operation.

Development of the IFRS Sustainability Disclosure Taxonomy

18. In October 2022 the DPOC was 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.
19. The ISSB was updated in November 2022 about the feedback received on the staff draft⁴. Staff received 20 comment letters and a further 23 survey responses. The staff are currently considering the responses 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 IFRS S1 and S2. As previously discussed with the DPOC, development of the IFRS Sustainability Disclosure Taxonomy is subject to the due process in the *Handbook*.

Supporting implementation

20. As the ISSB moves to finalise both IFRS S1 and S2, it has begun to consider how it can support the implementation of its Standards. This has included initial consideration about how it can involve sustainability reporting practitioners in considering key technical matters arising on the implementation of the Standards. The IASB has often established a group of practitioners after issuing a major Standard (for example the Transition Resource Group for IFRS 17 *Insurance Contracts*) to:
 - (a) provide a public forum for stakeholders to follow the discussion of questions raised on implementation; and
 - (b) inform the Board in order to help them determine what, if any, action will be needed to address those questions. Possible actions include providing supporting materials such as webinars, case studies and/or referral to the Board.
21. The ISSB will further consider establishing such a group to support implementation and how else it can support the implementation of IFRS S1 and S2 in the coming months. We will update the DPOC at a future meeting. The DPOC would be asked to review the proposed composition of any group the ISSB forms in line with paragraph 3.62 of the *Handbook* to ensure it contains an appropriate balance of perspectives.

⁴ [ISSB November 2022 Paper 7A Summary of feedback on staff draft of IFRS Sustainability Disclosures Taxonomy](#)

Consultative Groups

22. The DPOC received an update in October 2022 regarding the establishment of various groups to advise the ISSB and about their initial meetings. In the period between October 2022 and February 2023, the groups have continued to meet and Appendix A summarises the purpose of each group and a description of their meetings in the period.

Appendix A – Work of the ISSB Consultative Groups

| Name | Purpose | Composition | Oversight | Meetings in period |
|--|--|---|--|---|
| Jurisdictional Working Group | Consisting of jurisdictional representatives and representatives from the IFRS Foundation has established 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) | October, November and December 2022. January and February 2023. Participants have provided comments on the ISSB Agenda Papers and relevant updates from their jurisdictional work at each meeting and in December considered the future role of the Group. At that meeting it was determined that an ongoing role for the group would be valuable to discuss strategic matters relating to the interoperability of the ISSB Standards. |
| 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 SSAF's inaugural composition was announced in December 2022. The SSAF did not meet in the period. |
| 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 recommendations to the IFRS Foundation Trustees, who then have final approval of the composition, | The SCC met in October 2022 and discussed: <ul style="list-style-type: none"> • Feedback received on exposure drafts; • Future priorities; and • Implementing the standards in emerging economies. |

| Name | Purpose | Composition | Oversight | Meetings in period |
|---|---|---|---|---|
| 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. | The Integrated Reporting and Connectivity Council met in November 2022 and received updates on the ISSB's work and the management commentary project. Members also provided input into strategic matters relating to Integrated Reporting and connectivity. |
| 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. | The Technical Reference Group did not meet formally during the period. However, its broad membership was updated on the progress of the ISSB's work via email. |

| Name | Purpose | Composition | Oversight | Meetings in period |
|-------------------------------------|--|---|--|---|
| 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. | The IIAG met in December 2022 to provide strategic input into the work of the ISSB. This included an update of the ISSB's work on [draft] IFRS S1 and [draft] IFRS S2. The IIAG also provided strategic input into the development of the ISSB's consultation on agenda priorities. |