
IFRS Foundation Trustees – Due Process Oversight Committee

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Topic **Initial membership of the IFRS Sustainability Reference Group**

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This document is prepared for discussion of 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 International Sustainability Standards Board (ISSB), and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*.

Introduction

1. This paper is intended to facilitate the DPOC's review of the proposed initial set of members for the IFRS Sustainability Reference Group (SRG) as a result of the call for members published on 20 February 2024.
2. The SRG will be a diverse group of subject matter experts in matters of sustainability and general purpose financial reports and disclosure. The primary remit of this group is to provide technical input to ISSB members and staff for research and standard-setting projects. The size of the Group is not fixed but can comprise up to 150 members to enable representation across jurisdictions, preparers, users and industries.
3. As included in section 1.1 of the [terms of reference](#), the objectives of the SRG are:
 - (a) to establish a group of members who can contribute individually, in subgroups or collectively to the ISSB's technical agenda by providing valuable insights and technical feedback on research and standard-setting projects,
 - (b) to bring diverse stakeholder perspectives through ad-hoc consultation on the ISSB's technical work, and
 - (c) to facilitate effective technical discussions on sustainability standard-setting issues, including specific discussion topics, industry considerations, geographic/jurisdictional considerations, feasibility of providing high-quality, transparent, comparable and decision-useful information to primary users of

general purpose financial reports (investors, lenders and other creditors), and the relevance of information for decisions about providing resources to a company.

4. In accordance with section 1.2 of the terms of reference, the SRG will be reviewed at the one-year anniversary and two-year anniversary of its launch to evaluate the effectiveness of its design and remit in fulfilling the objectives mentioned above.
5. As previously highlighted, the SRG is a reference group and not a consultative or advisory group in the same way as groups identified in the IFRS Foundation's [Due Process Handbook](#). In part, this is because the Group will not meet as an entire group to provide feedback on ISSB projects. ISSB members and technical staff will meet with members bilaterally or in small group meetings, as needed, when members' expertise aligns with the ISSB work plan and particular technical issues being considered. The ISSB can solicit and/or receive technical feedback from non-members in addition to SRG members during technical consultations. We expect that for practically every technical consultation, input will be sought from individuals outside of the SRG to supplement input from SRG members.

Background

6. The ISSB Technical Reference Group (TRG) was the predecessor of the SRG. This group resulted from the merger of a broad range of subject matter experts from the former Climate Disclosure Standards Board and Value Reporting Foundation technical groups. The remit of the TRG ended in December 2023, and the ISSB decided to create a new group by opening a call for members to diversify and optimise the membership.
7. The [call for members](#) for the SRG was published on 20 February 2024. Applications were received until 20 April 2024. A total of 541 applications were submitted to join the SRG. 533 of these applications were considered credible.

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8. In September 2024, the ISSB approved an initial set of 88 members for the SRG after considering a range of scenarios for the number of initial appointments of up to 150 members.

Aspirational membership composition

9. An applicant's expertise and professional background was the primary consideration when recommending who to include in the SRG. When there were applicants with equivalent expertise, other attributes were considered so that the composition of the SRG would be as balanced as possible, in the context of the options available based on who applied. After controlling for applicants' expertise, the following attributes were considered for an aspirational membership composition: Applicants' location, primary work experience, sector/industry expertise, years of experience and gender. The aspirational membership composition is not meant to be a prescriptive composition of the Group but gives staff and the ISSB something to aim for when making choices about equivalent applicants to include from the proposed membership.
- (a) Location: The aspirational membership composition for jurisdictional representation was informed by four points of reference, including A) the S&P Broad Market Index¹, B) GDP² C) regional sustainability reporting rates³, and D) the distribution of comment letters on the Request for Information on the agenda consultation and the S1/S2 exposure drafts. These various reference points allowed us to consider how we might aspire to design the SRG membership to match the distribution of capital (via market cap or GDP) or the distribution of sustainability reporting. And by considering the geographic distribution of comments letters received for recent ISSB public consultations,

¹ Reference **Point A** is the S&P Broad Market Index, which [considers companies from 48 developed and emerging economies](#) and [represents 14,000 companies](#).

² Reference **Point B** is the GDP from 89 developed, emerging and frontier market economies.

³ Reference **Point C** is regional sustainability reporting rates based on [KPMG's 2022 analysis of the top 100 companies in each of 58 jurisdictions](#). Jurisdictions were grouped into regions to determine the reporting rate, and then the reference point was determined by the relative weight of each region.

we could aspire to include members in the SRG who represent geographies that have been underrepresented in recent public consultation processes.

- (b) Primary work experience: The aspiration is to have a balanced representation between ‘Corporate/Preparers’ and ‘Investors/Users,’ while also including a smaller representation of ‘Subject Matter Experts / Academics / NGOs’⁴, ‘Accounting / Consulting / Preparer Service Providers’ and ‘Investor Service Providers.’
 - (i) Applicants from national standard setters or regulators were out of scope for SRG membership due to their representation in other ISSB consultative groups.
 - (c) Sector/Industry of expertise: The aspiration is to prioritise applicants with experience in industries relevant to the upcoming SASB enhancements and research projects on biodiversity, ecosystems and ecosystem services (BEES) and human capital.
 - (d) Years of experience: The aspiration is to include members with a range of years of professional experience.
 - (e) Gender: For gender distribution, the aspiration is to achieve close to 50/50 balance across those identifying as female and male, while also welcoming non-binary members. All non-binary-identifying individuals are considered in the same way as those identifying one gender.
10. Once all applicants had been reviewed and the possible options for membership were clear, a few principles were agreed for making trade-offs to identify the best individuals for the SRG’s particular needs and to create a group with a range of backgrounds. Those principles were:
- (a) Investors and primary users were prioritised over investor coalitions.

⁴ **Subject matter expert** refers to individuals who would not be considered a corporate or an investor or a consultant or academic or investor service provider or academic, such as someone who works at a think tank or research institute.

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- (b) Preparers were prioritised over preparer service providers, such as assurance or consulting firms.
 - (c) Preparers with expertise in industries identified as priorities given our technical work agenda were prioritised over those with expertise in other industries.
 - (d) Applicants with expertise in BEES and human capital were prioritised over those with expertise in climate given the focus of the new work plan.
11. After discussing various scenarios for the number of members to appoint initially, the board aligned around establishing the SRG with a smaller number of 88 initial members. A smaller initial set of members allows the board to source additional members with high qualified backgrounds who also have underrepresented attributes. This will ensure a diverse and inclusive set of views across the Group. A smaller initial set of members also helps allow the Group's membership to evolve as the ISSB work plan evolves. At the same time, a smaller group does not narrow the number of possible voices who provide feedback to the ISSB during technical consultations because we can and will seek feedback from those who are not members of the Group.
12. The initial set of members was recommended based on emphasising, in no particular order, applicants with:
- (a) Expertise in SICS industries identified as priority industries for the project to enhance the SASB Standards;
 - (b) Expertise in BEES and human capital; and
 - (c) Primary work experience as a preparer or investor/user compared to service providers or others.

13. The regional and primary work experience composition of the initial set of members is summarised in the tables below.

Member's Region	Number of members in the initial set	Percentage
Africa	3	3%
Asia-Oceania	24	27%
Middle East	1	1%
Europe	25	28%
North America (excl Mexico)	30	34%
Latin America and the Caribbean	5	6%

Member's Primary Work Experience	Number of members in the initial set	Percentage
Corporate/Preparer	42	48%
Investor/User	27	31%
Subject Matter Expert/Academic/NGO	12	14%
Accounting/Consulting/Preparer Service Provider	5	6%
Investor Service Provider	2	2%

14. The ISSB agreed that after the initial set of members are appointed, we would source additional members to aim for an overall membership composition to approximate the aspirational membership composition. The public call for members allowed for an inclusive process to select the initial set of SRG members, although some attributes

were underrepresented in the applicant pool. We plan to source additional members—around a couple dozen more—by contacting prospective members directly, instead of undertaking a second public call for members. This will be a more effective and targeted way of (i) adding members with expertise in areas relevant to the ISSB’s new work plan and (ii) increasing representation from investors and from individuals based in Africa, the Middle East and Latin America and the Caribbean. While sourcing individuals to add to the Group, we will also leave space for additional members to potentially be appointed at some point in the next two years, in the event the ISSB approves new projects during that time such that the relevant subject or industry expertise is obtained. These plans are consistent with information specified in the Terms of Reference and in the February 2024 call for members, namely that the SRG membership could include any size up to 150 members and could also be appointed in phases.

15. This approach of a public call for members for the SRG followed by targeted efforts to source a smaller number of additional members to balance the Group’s membership results in an inclusive process for establishing the Group consistent with the principles of the *Due Process Handbook*.
16. The ISSB approved the membership of the inaugural SRG members in early September 2024 with the intention of building out the membership by around a couple dozen additional members as described above. The materials considered by the ISSB before they made their decision have been shared with the DPOC, consisting of the board paper and the proposed members.

Questions for the DPOC

1. Does the DPOC have any comments or questions about the proposed membership of the SRG?

Next Steps

17. Subsequent to the DPOC's review of the proposed membership of the SRG, the staff will contact the approved members and confirm their participation. All applicants will be notified once decisions have been made and will be reminded that the ISSB will solicit technical feedback from non-members in addition to SRG members.
18. Once confirmation of participation is received, the SRG membership will be published on the IFRS Foundation's website. We will then start to source additional members, as noted above.
19. For the next two years, the ISSB technical staff and board members will conduct bilateral or small group meetings with relevant SRG members as appropriate. There will also be a quarterly group-wide update webinar to share logistics information related to SRG membership and any relevant news from the ISSB and/or the IFRS Foundation.
20. At the one-year anniversary of the SRG, we will evaluate the effectiveness of the design and remit of the Group in fulfilling its objectives and, if needed, amend the terms of reference accordingly to better fulfil the objectives.