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## IFRS Foundation Trustees – Due Process Oversight Committee

Date **June 2023**

Topic **Enhancing communications about the ISSB’s Due Process**

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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 the International Sustainability Standards Board (ISSB), and for delivery of the IFRS Foundation’s objectives as set out in the IFRS Foundation *Constitution*.

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### Introduction

1. This memo considers ways to enhance the communications about the due process applied by the ISSB as an interim step until the DPOC completes its project to update the IFRS Foundation [Due Process Handbook](#) to reflect formally the establishment of the ISSB.
2. **The DPOC is asked for any comments on the draft materials attached to the paper.**

### Background to the current version of the *Handbook*

3. The *Handbook* sets out the due process that applies to the International Accounting Standards Board and the IFRS Interpretations Committee relating to standard-setting, the development of materials to support the consistent application of IFRS Accounting Standards, and the IFRS Accounting Taxonomy.
4. The *Handbook* does not explicitly refer to the ISSB given the current version—published in August 2020<sup>1</sup>—predates the ISSB’s establishment. Nonetheless as

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<sup>1</sup> The current version of the [Handbook](#) was the culmination of the DPOC’s previous project to review it, undertaken in 2018–2020. For background on the project and amendments, see the [Project Summary and Feedback Statement](#).

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explained below, the DPOC agreed that the *Handbook*'s principles should also apply to the ISSB.

5. The DPOC agreed in March 2022 in Frankfurt to update the *Handbook* to reflect formally the establishment of the ISSB once the ISSB's 'structures and processes reached a degree of maturity'.
6. The DPOC is expected to discuss at a public meeting its plans for updating the *Handbook* later in 2023.

## Due process for the ISSB

7. The ISSB's due process is currently governed by:
  - (a) the [Constitution](#), which specifies some fundamental aspects of due process (see sections 53–59 of the *Constitution*), and
  - (b) the DPOC's [decision in March 2022](#) that the ISSB should apply the due process specified in the *Handbook* for the IASB for corresponding technical activities.
8. In addition, the DPOC stated in March 2022 that it might be required to adapt and add to the IASB's due process in the *Handbook* for specific aspects of the ISSB's work before formally updating the *Handbook*. Any such adaptations and additions are reported to stakeholders in the reports of DPOC's meetings on the IFRS Foundation website. To date, the DPOC has agreed some additional procedures relating to the [maintenance of the SASB Standards](#) (October 2022) and the [SASB Standards Taxonomy](#) (March 2023), and interim arrangements for an [ISSB taxonomy consultative group](#) (March 2023).

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## Enhancing communications about the ISSB's current due process

9. The ISSB's existing due process needs to be clearly communicated to stakeholders given the *Handbook* does not refer to the ISSB and the DPOC will not complete its revisions to the *Handbook* for some time (the DPOC will also need to undertake a public consultation on its proposed changes). Doing so helps minimise the risk of perceptions that the ISSB is operating without a formal due process.
10. It is also important to clarify to stakeholders that the existing due process allows the IASB and the ISSB to establish connectivity in their respective Standards and, if considered appropriate, would allow them to consider technical matters together or undertake a joint project and jointly issue a due process document.
11. The DPOC's statements to date about the ISSB's due process are included on the Foundation's website, and ISSB staff papers and consultation documents explain as appropriate the due process applied.
12. However, there are enhancements the staff recommends to assist stakeholders:
  - (a) including a short document on the DPOC's webpage on the Foundation website summarising the ISSB's due process (ie that it applies the *Constitution* and the *Handbook*, and detailing the amendments to date agreed by the DPOC, together with an explanation of joint working with the IASB); and
  - (b) adding a note to the front of the current (2020) PDF version of the *Handbook* on the website (which stakeholders access and can download) to explain the above and provide a link to that summary document.
13. Drafts of these materials are attached for the DPOC's comment.

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## Attachments—Drafts of materials for the DPOC’s webpage

### Due process requirements for the ISSB

This note describes the due process applied by the International Sustainability Standards Board.

In summary, the ISSB applies:

- the due process specified in the [IFRS Foundation Constitution](#);
- the due process specified in the [IFRS Foundation Due Process Handbook](#) for the International Accounting Standards Board;
- any adaptations and additions to the requirements in the *Due Process Handbook* made by the IFRS Foundation Trustees’ [Due Process Oversight Committee](#).

The Due Process Oversight Committee monitors the ISSB’s compliance with this due process.

### Due process requirements in the IFRS Foundation *Constitution*

Some due process requirements for the ISSB are specified in the IFRS Foundation *Constitution* (see sections 53–59 of the *Constitution*). The Trustees specified these requirements in October 2021 when they amended the *Constitution* to reflect the establishment of the ISSB.

### Applicability of the due process requirements in the IFRS Foundation *Due Process Handbook*

The IFRS Foundation *Due Process Handbook* describes the due process requirements of the International Accounting Standards Boards and the IFRS Interpretations Committee relating to their standard-setting activities, the development of materials to support the consistent application of IFRS Accounting Standards, and the IFRS Accounting Taxonomy. The requirements reflect and further the due process specified in the *Constitution* for the IASB and the Interpretations Committee.

The Trustees’ committee responsible for overseeing the due process of the IASB, the ISSB and the Interpretations Committee—the Due Process Oversight Committee (DPOC)—last updated the *Handbook* in August 2020 before the establishment of the ISSB. Accordingly the *Handbook* makes no reference to the ISSB.

In due course, the DPOC will update the *Handbook* to reflect formally the establishment of the ISSB.

Before such time, the DPOC decided in [March 2022](#) that the ISSB will apply the due process specified in the *Handbook* for the IASB for corresponding technical activities, in addition to the due process specified for the ISSB in the *Constitution*.

### Adaptions to the requirements of the *Due Process Handbook* for the ISSB

In March 2022, the DPOC noted that adaptations and additions to the IASB’s due process might be required for specific aspects of the ISSB’s work. Any such adaptations and additions will be made by the DPOC and reported to stakeholders in the reports of its meeting on the IFRS Foundation website.

As a convenience for stakeholders, those adaptations and additions are summarised in the attached [Appendix](#).

### Working with the IASB

The existing due process allows the IASB and the ISSB to establish connectivity in their respective Standards and, if considered appropriate, would allow the IASB and the ISSB to consider technical matters together or undertake a joint project and jointly issue a due process document. For example,

if the boards decided to issue an exposure draft jointly, each board would apply its balloting procedure separately in approving the exposure draft. Accordingly, a super majority of the IASB and a super majority of the ISSB would be required to issue the exposure draft.

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**Appendix: Adaptions to the requirements of the *Due Process Handbook* for the ISSB approved by the DPOC*****Maintenance of the SASB standards*** ([October 2022](#))

The DPOC discussed and approved the following process for the ISSB to maintain, evolve and enhance the SASB standards that do not form part of IFRS Sustainability Disclosure Standards. These standards have an important role because they are referenced as supporting materials in IFRS S1 *General Requirements*.

- A group of three to five ISSB members will be established to develop recommendations for the ISSB relating to this work. The group will also develop drafts of the required exposure drafts of amendments to the SASB standards and, after considering the stakeholder feedback, drafts of the final amendments.
- The ISSB will consider the recommendations of this group in ISSB meetings (which are public) and ratify the exposure drafts and, subsequently the final amendments prepared by the group. Ratification will require the same level of support by ISSB members as is required for an amendment to an IFRS Sustainability Disclosure Standard. Exposure drafts of, and final amendments to, the SASB standards will be issued by the ISSB.
- The comment period for the exposure drafts will be the same as for those related to IFRS Sustainability Disclosure Standards.

The DPOC also discussed two specific related matters relating to maintaining and enhancing the SASB standards:

- the process for improving the international applicability of the SASB standards—the DPOC approved the ISSB issuing an exposure draft to request feedback on the proposed process and methodology for updating US-based references in the SASB standards for more internationally applicable references, rather than an exposure draft containing a full mark-up of the proposed amendments. Following consideration of the feedback to the exposure draft, the staff will make a draft of the amendments available on the IFRS Foundation website, consistently with the process described in paragraphs 3.31–3.33 of the *Due Process Handbook*, to allow stakeholders to review the amendments before the ISSB finalises them.
- the process for amending the SASB standards to align them with the elements in the final version of Appendix B to the Climate-related Disclosures Standard that were originally drawn from the SASB standards. The DPOC agreed that no further public consultation on these amendments would be required given that they had been exposed for public comment as part of the Climate-related Disclosures Exposure Draft. (In future instances when the ISSB proposes incorporating elements from the SASB standards in IFRS Sustainability Disclosure Standards and in doing so amends those elements, the ISSB will include the consequential amendments to the corresponding SASB Standards as part of its Exposure Draft. This will enable those amendments to be made to the SASB Standards when the ISSB finalises the Exposure Draft to avoid multiple versions of materials.)

***SASB Standards taxonomy due process*** ([March 2023](#))

The DPOC considered and approved the following due process for updating the SASB Standards Taxonomy to enhance its international applicability.

- Instead of publishing a proposed SASB Standards Taxonomy update (ie exposure draft), the ISSB will include a discussion on the proposed taxonomy modelling approach in the Methodology Exposure Draft. This aligns the approach to the consultation with that approved by the DPOC in October 2022 for approving the international applicability of the SASB Standards—ie consulting on the approach, rather than the detailed changes. The description of the approach will be

developed by the staff, in consultation with the ISSB's taxonomy consultative group and a group of ISSB members with expertise in the SASB Standards and the digital taxonomy, for ratification by the full ISSB. This is akin to the ratification process approved by the DPOC for the SASB Standards.

- Feedback on the proposed modelling approach will be discussed in a public ISSB meeting.
- Updates to the SASB Standards Taxonomy will then be finalised, subject to approval by the full ISSB.

*Interim approach to ISSB taxonomy consultative group ([March 2023](#))*

The DPOC agreed that until a consultative group is formally in place to advise the ISSB on its taxonomy related activities, the existing IFRS Taxonomy Consultative Group and the SASB Standards XBRL Taxonomy Review Committee should undertake the required reviews of IFRS Sustainability Disclosures Taxonomy due process publications.

August 2020

IFRS<sup>®</sup> Foundation

International Accounting Standards Board  
and IFRS Interpretations Committee

# Due Process Handbook





**IFRS Foundation**

**Due Process Handbook**

*This Handbook sets out the due process principles that apply to the International Accounting Standards Board and the IFRS Interpretations Committee. The Trustees of the IFRS Foundation have a Due Process Oversight Committee that is responsible for monitoring compliance with due process.*

*The Due Process Handbook was last updated in 2020 before the establishment of the International Sustainability Standards Board (ISSB). The requirements specified in this Handbook for the International Accounting Standards Board also apply to the ISSB. For more information about the due process of the ISSB, refer to the [Due Process Oversight Committee's webpage on the IFRS Foundation website](#) *(insert link)*.*