
Meeting of the Trustees of the IFRS Foundation—Due Process Oversight Committee

Date **March 2023**

Topic **Interim approach to ISSB taxonomy consultative 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*.

Purpose of this paper

1. This paper:
 - (a) provides the Trustees' Due Process Oversight Committee (DPOC) with an update on plans to establish a taxonomy consultative group to advise the International Sustainability Standards Board (ISSB) on its taxonomy related activities, including the development of the IFRS Sustainability Disclosure Taxonomy, consistent with the Annex of the *Due Process Handbook*; and
 - (b) in the interim, until a consultative group is formally in place to advise the ISSB on its taxonomy related activities:
 - (i) seeks DPOC approval for the IFRS Taxonomy Consultative Group (ITCG) and SASB Standards XBRL Taxonomy Review Committee (SASB TRC) to undertake the reviews of the IFRS Sustainability Disclosure Taxonomy due process publications as described in the Annex of the *Due Process Handbook*; and
 - (ii) is intended to facilitate the DPOC's review, consistent with paragraph 3.62 of the *Due Process Handbook*, of the composition of ITCG members, subject to IASB and ISSB consideration in March. To provide time to finalise any changes to the ITCG (eg to expand the remit of the ITCG to advise both the IASB and ISSB on their respective taxonomy related activities, and to finalise appointments of members), we plan to extend the membership period of ITCG members with terms ending 1 April 2023 by four months.

Question

1. Does the DPOC approve the ITCG and SASB TRC to undertake the reviews of the IFRS Sustainability Disclosure Taxonomy due process publications as described in the Annex of the *Due Process Handbook*, as an interim process until a consultative group is formally in place to advise the ISSB on its taxonomy related activities?

ISSB taxonomy consultative group update

2. At its October 2022 meeting, the ISSB agreed to develop an IFRS Sustainability Disclosure Taxonomy for digital reporting.
3. It is intended that the ISSB's IFRS Sustainability Disclosure Taxonomy due process will mirror the IASB's IFRS Accounting Taxonomy due process, which includes various reviews of IFRS Accounting Taxonomy publications by its taxonomy consultative group, the ITCG.
4. The staff are currently finalising recommendations for a taxonomy consultative group for the ISSB. The staff are exploring the following considerations in forming their recommendations:
 - (a) whether to have a single consultative group advising both the IASB and ISSB on their respective taxonomy related activities or two separate consultative groups.
 - (b) if there is a single consultative group, whether to appoint a single Chair or two co-Chairs (one appointed by the Chair of each board).
 - (c) whether to appoint members in a personal capacity or in a representative capacity with the ability to delegate to another member of their organisation with specialist expertise on a particular agenda item.
 - (d) whether to clarify the role of observers.
 - (e) the members and observers to be appointed.

Next steps

5. The staff recommendations will be presented to the IASB and ISSB as part of future board administrative sessions. The staff will update the DPOC on the boards' decisions at a future meeting.
6. The staff will then update the terms of reference for the consultative group(s).
7. The staff will then make a call for nominations for members. The IASB and ISSB will consider nominations and select members. The DPOC will be asked at a future meeting to review the proposed composition of the ITCG to ensure an appropriate balance of perspectives, including geographical balance, in line with paragraph 3.62 of the *Due Process Handbook*.
8. It is intended that members will be announced in early July 2023 with terms commencing 1 August 2023. At this point, it is expected that the transition considerations will have been addressed and the ISSB taxonomy consultative group can then operate in a steady 'business as usual' state.

Interim approach

9. It is expected that the ISSB will publish a Proposed IFRS Sustainability Disclosure Taxonomy for public consultation shortly after it issues IFRS S1 *General Requirements for the Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.
10. It is unlikely that a consultative group to advise the ISSB on the development of a proposed taxonomy will formally be in place to meet this timeline.
11. As an interim process, until a consultative group is formally in place to advise the ISSB, the staff recommend:
 - (a) the ISSB and the staff consult with the ITCG on various aspects of developing a Proposed IFRS Sustainability Disclosure Taxonomy, consistent with the IASB's engagement with the ITCG on matters related to the IFRS Accounting Taxonomy (paragraph 12); and

- (b) the ITCG and the SASB TRC¹ both review the IFRS Sustainability Disclosure Taxonomy due process publications² (paragraphs 13–14).
12. Although considerations in developing a taxonomy tend to be similar, regardless of whether the taxonomy relates to accounting or sustainability matters, the staff think it is useful for both the ITCG and the SASB TRC to review the IFRS Sustainability Disclosure Taxonomy due process publications in the absence of an established ISSB taxonomy consultative group. The membership composition of the ITCG provides for a broad geographical spread and range of functional backgrounds—including taxonomy expertise, XBRL technical expertise and taxonomy interest groups (eg preparers of digital financial reports, consumers of digital financial reports, regulators and accountancy firms). Additionally, some members of the ITCG have experience or interest in digitalised sustainability disclosures. However, the SASB TRC has specific expertise in digitalised sustainability disclosures and were involved in the development of the SASB Taxonomy, which will form the basis for part of the ISSB’s taxonomy.
13. Eleven of the 18 appointed ITCG members have terms that expire on 1 April 2023. As noted in paragraph 4(a), the staff are exploring whether to have a single taxonomy consultative group to advise both boards. In this situation, the boards may wish to change some of the members to incorporate more sustainability expertise. The staff, therefore, recommend that the membership term of these ITCG members is extended by four months. This would provide sufficient time for any changes to the ITCG to be finalised—eg to expand the remit of the ITCG to advise both the IASB and ISSB on their respective taxonomy related activities and to finalise new appointments.

¹ The Value Reporting Foundation created the SASB Standards XBRL Taxonomy Review Committee (SASB TRC) comprising volunteer experts from leading software providers, data aggregators, audit professionals, and/or other interested parties. These individuals review, provide guidance, and help to govern the ongoing maintenance of the SASB Standards XBRL Taxonomy.

² Specifically a draft outline of the proposed taxonomy, proposed taxonomy files and any supporting materials.

14. The extension of the eleven ITCG members would maintain the balance of perspectives as follows:

By stakeholder type				
	ITCG	SASB TRC	Total	Total less duplicates ³
User / data aggregator	4	1	5	4
Preparer	1		2	2
Consultant	3	3	6	4
Accountancy body	4	1	5	4
Regulator / standard-setter	4		4	4
Technology	2	2	4	2

By geography				
	ITCG	SASB TRC	Total	Total less duplicates ³
Africa	1		1	1
Americas	4	3	7	5
Asia-Oceania	4		4	4
Europe	4	2	6	5
Global	5	2	7	5

Next steps

15. If the DPOC approves the staff recommendation in paragraph 1(b)(i), ITCG members and SASB TRC members will be informed of the interim process.
16. ITCG members with membership periods ending 1 April 2023 will also be notified that their terms have been extended by four months.

³ Some ITCG members and SASB TRC members are from the same organisation.