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## IFRS Foundation Due Process Oversight Committee

Date **June 2024**  
Project **Due Process Handbook**  
Topic **Update on project**  
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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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### Purpose of discussion

1. This paper updates the DPOC about its project to update the IFRS Foundation [Due Process Handbook](#) to reflect formally the establishment of the ISSB.
2. The DPOC had an initial discussion about the project in October 2023 (see [paper 1J](#) for that meeting).
3. No decisions are required of DPOC, but the staff would welcome any feedback or comment.

### Objective of project

4. The catalyst for updating the *Handbook* at this time is the need to formally reflect the establishment of the ISSB given the *Handbook* was last updated in August 2020 before the ISSB's establishment. The ISSB has now been operating for nearly two years, and the Foundation's due process is the bedrock underpinning the boards' standard-setting and was one of the main reasons why the IFRS Foundation was asked to establish the ISSB.
5. The ISSB is (and has been since inception) applying a rigorous and robust due process: it applies the due process specified in the *Handbook* for the IASB for

corresponding technical activities together with some additional procedures relating to the new processes relating to the SASB Standards that the DPOC has approved (see [Appendix B](#)). But is important to minimise the risk of perceptions that the ISSB is operating without a formal due process.

6. Although the catalyst for this update is the establishment of the ISSB, the DPOC agreed to take this opportunity to make any targeted amendments as a result of the IASB's and IFRS Interpretations Committee's recent experience with some processes.
7. The DPOC agreed the update of the *Handbook* should be targeted given rather than a comprehensive line-by-line review of it because:
  - (a) the existing due process is thorough and robust;
  - (b) the DPOC revised the *Handbook* less than four years ago and the amendments made then are considered to be working well and have been well received;
  - (c) experience since March 2022 has highlighted that the ISSB has a robust due process that is working well and which is not impeding the ISSB progressing with its work;
  - (d) the DPOC has stated that its presumption will continue to be that the ISSB should have the same due process as the IASB except where specified (and the rationale for any differences will be explained, including highlighting whether they are temporary). To date, the only difference in process relates to new process required for the SASB Standards, which have a different status to IFRS Standards and are a new notion for the Foundation.
8. Keeping the focus targeted, as with the 2020 revisions to the *Handbook*, will also assist stakeholders in engaging with the project and reflects that even a targeted project will absorb senior internal resources.
9. The DPOC agreed it needed to be forward-looking with its revisions to reflect that the ISSB is still at a relatively early stage in its operations.

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## Scope

10. [Appendix A](#) to this paper includes a list of topics that are being considered in the project. This is an updated list from October 2023, reflecting input from DPOC members as well as work done to date.

## Progress

11. Since October 2023 we have:
- discussed with senior IASB and ISSB technical staff and leadership potential amendments to the *Handbook* for consideration in due course by the DPOC. The main areas preliminary considered to date:
    - Interpretations Committee Agenda Decisions;
    - digital Taxonomy;
    - post-implementation reviews;
    - ISSB and ISSB cooperation and connections;
    - maintenance of the SASB Standards (and related digital taxonomy;) and
    - materials to support application of IFRS Standards (‘educational materials’).
  - begun drafting the revised *Handbook*.
12. Foundation staff also updated the Monitoring Board deputies about the project and the key areas of focus.

## Next steps

13. The DPOC aims to publish a consultation on a revised *Handbook* before the end of 2024.
14. Between now and then, the DPOC will consider the key topics and the proposed changes in public meetings, starting at this meeting (see paper 1G(ii)). For more minor changes, the staff will develop proposed drafting and then summarise the changes in a paper for noting and any comment by the DPOC. In addition, the DPOC will review drafts of the reviewed *Handbook* and the Invitation to comment before approving their publication.
15. The timeline is as follows:

Timeline
<p><b>June 2024 Trustees meeting</b></p> <ul style="list-style-type: none"> <li>• DPOC discussions on the following potential topics               <ul style="list-style-type: none"> <li>○ Interpretations Committee Agenda Decisions</li> <li>○ Digital taxonomy</li> <li>○ Post-implementation reviews</li> </ul> </li> </ul>
<p><b>Aug/Sep 2024</b></p> <ul style="list-style-type: none"> <li>• DPOC discussions on the following potential topics               <ul style="list-style-type: none"> <li>○ Materials to support application of IFRS Standards ('educational material')</li> <li>○ Maintenance of the SASB Standards and related digital taxonomy</li> <li>○ Maintenance of ISSB Standards</li> <li>○ Other proposed changes—summary of other changes for DPOC comment</li> </ul> </li> </ul>
<p><b>Sep 2024</b></p> <ul style="list-style-type: none"> <li>• Working draft of <i>Handbook</i> shared with DPOC members for comment</li> </ul>
<p><b>Oct 2024 Trustees meeting</b></p> <ul style="list-style-type: none"> <li>• DPOC discussions on the following potential topics               <ul style="list-style-type: none"> <li>○ IASB and ISSB cooperation and connections</li> <li>○ Building on work of other bodies</li> </ul> </li> <li>• DPOC discussion of any additional matters or follow ups</li> </ul>

Timeline

**Oct 2024**

- Invitation to comment and draft of *Handbook* shared with DPOC members for comment

**Nov 2024**

- DPOC discussion of any additional matters or follow ups
- DPOC approval of publication of proposed revised *Handbook* for public consultation (minimum of 90 days) and publication

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## Appendix A

A1. This appendix sets out some of the specific areas of focus for the review.

- (a) *IASB and ISSB cooperation and connections*—to consider how the *Handbook* reflects that the Foundation now has two independent standard-setting boards operating alongside each other. For instance, the *Handbook* could document how the existing due process works collectively, allowing the two boards to establish connectivity in their respective Standards and, if considered appropriate, allows them to consider technical matters together or undertake a joint project and jointly issue a due process document.
- (b) *Maintenance of industry-based requirements in ISSB Standards*—to consider whether and how the *Handbook* should be amended to reflect that the use of industry-based disclosure requirements and metrics could result in the ISSB Standards being updated more frequently and on a more targeted basis (for example, possibly an update of a specific metric) than the IASB’s Standards. As noted in October, however, this update to the *Handbook* is occurring at an early stage in the ISSB’s development before the ISSB has had any experience of updating its Standards.
- (c) *Building on the work of other bodies*—to consider whether and how the *Handbook* acknowledge that in developing proposed requirements, the boards may build on requirements developed by other parties. In developing IFRS S1 and IFRS S2, the ISSB built on materials from TCFD, CDSB, IIRC and SASB; similarly in its new projects the ISSB will be considering how it might build on existing materials. In the past, the IASB has also developed requirements based on the work of others (eg the FASB). The *Handbook* could acknowledge this but clarify that the boards’ proposals, whether developed from scratch or built on/incorporating materials from other parties are subject to the Foundation’s due process.
- (d) *Maintenance and enhancements to the SASB Standards*—to consider whether any amendments to the process approved by the DPOC in October 2022 or additional processes are required in the light of experience, for example from

the project to enhance the international applicability of the SASB Standards. The due process for the SASB Standards will be incorporated into the *Handbook*.

- (e) *Digital taxonomy*—to consider whether any adaptations are required to the Annex to the *Handbook* relating to updates to the IFRS Sustainability Disclosure Taxonomy and the SASB Standards. The staff also explored whether some of the taxonomy due process requirements in the *Handbook* could be set out in the form of higher-level principles rather than highly specific procedures that do not always readily adapt to the nature of the document. As noted in paper agenda paper 1G(ii) we decided against recommending such changes.
- (f) *Materials to support application of IFRS Standards (‘educational material’)*—to consider whether the requirements (including terminology) in paragraphs 8.8–8.11 of the *Handbook* should be updated to ensure they provide appropriate parameters for the work the ISSB is doing to support application, including capacity building, bearing in mind the ISSB might develop new types of materials given sustainability-related financial disclosure reporting is relatively new and that consideration is given to the appropriateness of the requirements given that a high volume of material may need to be provided. The DPOC’s discussion in September 2023 on interoperability material highlighted the need to consider whether such material should be treated as its own category because it also addresses other organisations’ standards.
- (g) *ISSB consultative groups*—to consider whether any adaptations to paragraphs 3.59–3.66 of the *Handbook* are required for the ISSB’s consultative groups and more broadly to consider whether and how the ISSB’s engagement with investors, national standard-setters, the Advisory Council, securities regulators and others should be specified (paragraphs 3.47–3.53).

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- (h) *Post-implementation reviews*—to consider whether any enhancements should be made to the requirements relating to PIRs (paragraphs 6.48–6.59 of the *Handbook*) in the light of:
- (i) the IASB’s extensive experience since the previous *Handbook* review and the IASB’s clarified description of the objective, process and outcome of a PIR that was discussed with the DPOC in 2022. (In the previous review, the DPOC effectively decided not to update the requirements for PIRs given the experience that would shortly be obtained from a number of PIRs.)
  - (ii) the need to consider whether the process needs any adaptations for ISSB Standards (given the need to undertake PIRs of these Standards in due course).
- (i) *Agenda Decisions*—to consider whether any aspects of the due process (as enhanced in 2020) could be refined in light of experience and any suggestions for improvement.
- (j) *Agenda Consultation*—to consider whether any enhancements should be made to paragraphs 4.3–4.7 of the *Handbook* given the IASB’s experience from its recently completed five-yearly agenda consultation and also from the ISSB’s consultation on its agenda priorities. (To include reviewing the comments on due process raised in the IASB’s consultation by stakeholders that were previously shared with the DPOC.)
- (k) *Additional consultation documents*—to consider whether there is any need to amend the *Handbook* to reflect that on occasions additional consultation documents may be published that are incremental to the required due process and not specifically contemplated by the *Handbook* (for example, the publication in 2022 of a staff request for feedback to inform the future development of the IFRS Sustainability Disclosure Taxonomy).
- (l) *Use of surveys*—to consider whether any amendments should be made to the *Handbook* to reflect the increasing use of surveys (and potentially other



mechanisms) to obtain formal feedback from stakeholders beyond comment letters (eg a survey with relevant questions targeted at investors).

- (m) *Handbook updates*—to consider whether it might be feasible for the *Handbook* to be a more dynamic document so that it could be supplemented from time to time (for example, with supplementary notes to reflect updates to due process approved by the DPOC between the more formal, periodic reviews of the *Handbook*). This would require careful consideration, however, of the transparency of the process for such updates.

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## Appendix B

### ***The current version of the Handbook***

- B1. 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. It reflects and furthers the due process included in the IFRS Foundation *Constitution*. The DPOC is responsible for maintaining the *Handbook*.
- B2. The DPOC published the current version of the [Handbook](#) in August 2020 on culmination of its [previous project](#) to update it. The most substantive revisions in 2020 related to Agenda Decisions published by the Interpretations Committee.
- B3. The *Handbook* does not explicitly refer to the ISSB given the current version predates the establishment of that Board. Nonetheless as explained from paragraph B4, the DPOC agreed in its public meeting in March 2022 that the *Handbook's* principles should also apply to the ISSB.

### ***The due process currently applied by the ISSB***

- B4. The ISSB's due process from its inception has been governed by:
- (a) the [Constitution](#), which specifies some fundamental aspects of due process (see sections 53–59); 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.
- B5. 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*. 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 some interim

arrangements that are no longer required for an [ISSB taxonomy consultative group](#) (March 2023).

- B6. Following discussion at the DPOC's meeting in June 2023, the DPOC's web pages on the [IFRS Foundation's website](#) were updated to enhance communications about the due process applied by the ISSB as an interim step until the *Handbook* is updated. These detail the adaptations to the requirements of the *Handbook* for the ISSB approved by the DPOC. A note was also added to the front of the current version of the *Handbook* on the website to explain it applies to the ISSB and to provide a link to the further details on the website.