

28 March 2025

Due Process Oversight Committee
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Committee Members,

RESPONSE TO EXPOSURE DRAFT *PROPOSED AMENDMENTS TO THE IFRS FOUNDATION DUE PROCESS HANDBOOK*

We support the Due Process Oversight Committee's (DPOC) commitment to ensure the *Due Process Handbook* (*Handbook*) remains relevant to address changing needs, evolving due process conventions and comments from stakeholders. We also appreciate the opportunity to comment on its proposed amendments to the *Handbook*.

We are supportive of the proposed amendments in the Exposure Draft. We agree that the due process set out in the *Handbook*, which was written largely with the International Accounting Standards Board (IASB) in mind, is largely still applicable for the International Sustainability Standards Board (ISSB) at its current early stage of development. Therefore, we agree that more monitoring is required before committing to any significant deviation from the current due process.

Notwithstanding the above, we would like to provide our comments to question 1 in the Exposure Draft on reflecting the creation of the ISSB in the *Handbook*, as follows:

1. References related to financial reporting

Notwithstanding that 'financial reporting' is defined in IASB's *Conceptual Framework for Financial Reporting*, the definition should be reproduced in the glossary of terms in the *Handbook*, together with that for other terms such as 'general purpose financial reports' and 'sustainability-related financial disclosures'. This is to minimise any ambiguity and confusion, especially when the preparers of sustainability-related financial disclosures using the ISSB's standards might not be the same as those using IASB's standards to prepare financial statements for the same entity.

As 'general purpose financial reports' encompasses sustainability-related financial disclosures, it would also be clearer to state that it is a collective term for both the financial statements and sustainability-related financial disclosures when used in the *Handbook*.

The Exposure Draft mentioned that "No change is necessary to the references to 'financial reporting' because the ISSB's work is consistent with the definition of financial reporting in the *Conceptual Framework for Financial Reporting* developed by the IASB." Because the term 'financial reporting' is included in the name of the *Conceptual Framework* developed by IASB, there might be confusion over whether the *Conceptual Framework* would also apply to the ISSB's work. To avoid this confusion, it should be made clear that the IASB's *Conceptual Framework* does not apply to

sustainability-related financial disclosures. Alternatively, one single *Conceptual Framework* could be jointly published by IASB and ISSB to reinforce the goal of building connectivity between financial statements and sustainability-related financial disclosures and ensure coherence.

2. Processes to facilitate knowledge sharing and coordination between IASB and ISSB

Given the increasing focus on connectivity between financial reporting and sustainability reporting and the heightened focus on combating climate change, collaboration between both boards is vital. To reflect more proportionally that connectivity in reporting is a key objective of both IASB and ISSB, more measures should be institutionalised in the *Handbook* to facilitate knowledge sharing and coordination between IASB and ISSB. Joint efforts would enable both boards to publish a coherent set of principles that reflect the overall interconnected nature of financial and sustainability performance.

We strongly support the inclusion of provisions in the *Handbook* to encourage both boards to work together on common projects. For example, the *Handbook* should specify considerations for joint board meetings and interaction between IASB and ISSB technical staff. As a minimum, there should be more mention of how joint board meetings should be conducted, e.g. the meeting frequency and quorum. IASB and ISSB meetings appear to be conducted monthly, and the quorum is 60% of appointed members. We do not expect the same rigour as that for individual boards, but minimum expectations should be set out in the *Handbook*.

The IFRS Foundation could also consider delegating or creating an oversight body to ensure that both boards' interests are aligned and connectivity is achieved — or at least not set back — throughout the process of technical activities, such as when deciding on work plans and during deliberations.

3. Need for an ISSB-equivalent of the IFRS Interpretations Committee

As part of its role, the IFRS Interpretations Committee responds to questions about the application of the IFRS Accounting Standards. Currently, it appears that the same role for the IFRS Sustainability Disclosure Standards is taken by the ISSB and Transition Implementation Group on IFRS S1 and IFRS S2 (TIG). We strongly encourage the formation of a separate interpretations committee under ISSB.

We recognise that TIG had been crucial to the timely and practical issuance of IFRS S1 and IFRS S2 at a time when the harmonisation of sustainability reporting standards was urgently required. However, as adoption of the IFRS Sustainability Disclosure Standards gains traction, we anticipate that there would be significant implementation issues and divergence in practice. To address these challenges, there needs to be a separate committee that adheres to a formal and rigorous process to address complex issues and ensure consistency in the interpretation and application of the IFRS Sustainability Disclosure Standards, much like what the IFRS Interpretations Committee does for the IFRS Accounting Standards.

The current operating procedures of TIG appear to be insufficient to play this role. For example, we note TIG will periodically meet in public to discuss potential questions arising from the implementation of IFRS S1 and IFRS S2 and a log of submissions, meeting agendas and discussion summaries will be posted on the meetings page. While members of TIG share their views on the issues, there is no requirement for the views of stakeholders to be considered. Creating the equivalent of an IFRS Interpretations Committee for ISSB and implementing its due process would

ensure that there is robust and transparent discussion of implementation issues faced on the ground. If possible, the ISSB's interpretations committee could even consider addressing connectivity issues between the financial statements and sustainability-related financial disclosures, e.g. issues arising from the implementation of materiality as defined in the IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.

4. Inclusion of the SASB Standards due process in the *Handbook*

As noted in the Exposure Draft, ISSB has assumed responsibility for the SASB Standards and have incorporated them into the requirements of the IFRS Sustainability Disclosure Standards. The IFRS Sustainability Disclosure Standards are already adopted by major jurisdictions in their corporate reporting regime, and greater adoption is expected worldwide. By extension, the SASB Standards are also likely to see more widespread use globally. It is therefore critical to establish a formal process for the enhancement of the SASB Standards and their integration within the broader sustainability reporting framework.

For the reason above, we suggest for the SASB Standards due process to be included in the main body of the *Handbook*, as opposed to its position as a mere annex currently. It would also be ideal if the SASB Standards Taxonomy due process is incorporated into the wider IFRS Taxonomies due process in Annex A.

As part of its merger with the Value Reporting Foundation, ISSB has also assumed responsibility for the Integrated Reporting Framework. We note IASB and ISSB will work together to agree on how to build on and integrate the Integrated Reporting Framework into their standard-setting projects and requirements. Should connectivity in reporting mature and the Integrated Reporting Framework see greater prominence in the development of related requirements in IASB's and ISSB's standards, DPOC should also consider including the due process of the Integrated Reporting Framework due process in the *Handbook*.

5. IFRS Taxonomies due process

To continue to reflect the importance of building connectivity in reporting in the IASB's and ISSB's work, the IFRS Taxonomies due process should set out the requirement for technical staff to ensure that the IFRS Accounting Taxonomy and IFRS Sustainability Disclosure Taxonomy are coherent with each other. For example, some sustainability-related financial disclosures, e.g. climate-related risks, might have financial implications and the taxonomies should avoid inconsistencies. Better yet, the taxonomies could work towards aligning sustainability-related financial disclosures with disclosures in financial statements to produce connected corporate reporting in the long term as reporting matures in the ecosystem.

In addition, we anticipate that even after the transition to ISSB standards is over, companies might still continue to apply several standards or frameworks in their sustainability reporting to meet jurisdictional requirements and/or the needs of stakeholders other than investors. Therefore, the IFRS Taxonomies due process in the *Handbook* could explicitly specify interoperability with other reporting standards and frameworks as an area of possible improvement in paragraph A32. Moreover, the due process could also specify in paragraph A35 a requirement to ensure updates to IFRS Taxonomies do not conflict with those for other requirements and frameworks. For example, the Global Reporting Initiative (GRI) is developing its GRI Sustainability Taxonomy and the European Sustainability Reporting Standards (ESRS) has its own taxonomy.

We would also like to provide our comments to question 2 on enhancements and clarifications, as follows:

1. Timeframe for a post-implementation review

While we agree that sufficient information to assess the effects of the new requirements should be available before a board should begin and conduct a post-implementation review (PIR), the *Handbook* should specify an end date for a PIR to provide stakeholders with greater confidence that the effects of applying the requirements of a new IFRS Standard or major amendment to a Standard are monitored. The *Handbook* could specify that a PIR should begin, or complete, no later than five years, as an example, after the new requirements have been applied internationally.

2. Due process for material to support application of IFRS Standards

We note the due process for accompanying material that is not an integral part of IFRS Standards, as mentioned in paragraph 6.34, is different from that of other material to support application of IFRS Standards, as specified in paragraphs 8.8 to 8.16. Both of these items would support the application, implementation and adoption of the Standards but are not part of the Standards. We recommend for the *Handbook* to clarify the differences between both items and to align the respective due processes. This would be especially relevant for the IFRS Sustainability Disclosure Standards, for which educational material, e.g. the one relating to the disclosure of material information that was issued in November 2024, could be seen as implementation guidance specified in paragraph 6.34.

3. Prioritisation or withdrawal of projects from the work plan

We suggest for the *Handbook* to be clear about the criteria to prioritise or withdraw projects from the work plan. Other than providing a structure to facilitate the boards' decision-making process, this would align the stakeholders' understanding with the boards' and help them better anticipate changes to the work plan that could impact global standard-setting. This would be especially relevant to paragraph 4.6 of the *Handbook*, which allows the board to add projects to the work plan or change its priorities between consultations in response to changing circumstances. The criteria should help prioritise projects effectively by considering changing global trends and developments and the boards' limited time and resources.

Should you require any further clarification, please feel free to contact Mr Donaphan Boey at donaphan.boey@isca.org.sg.

Yours faithfully,



Mr Terence LAM
Director, Advocacy & Professional Standards