



## PROPOSED AMENDMENTS TO THE IFRS FOUNDATION DUE PROCESS HANDBOOK

Issued 27 March 2025

ICAEW welcomes the opportunity to comment on the Exposure Draft *Proposed Amendments to the IFRS Foundation Due Process Handbook* published by the IFRS Foundation on 19 December 2024, a copy of which is available from this [link](#).

While ICAEW broadly agrees with the IFRS Foundation's proposed changes to the IFRS Foundation Due Process Handbook (the Handbook), we have some broader concerns about certain aspects of the proposed changes.

We support an alignment of the due process framework of the International Sustainability Standards Board (ISSB) with that of the International Accounting Standards Board (IASB) but encourage the IFRS Foundation to consider whether the due process for ISSB™ Standards should be tailored more to meet the needs of sustainability reporting standards.

We broadly agree with the proposed enhancements and clarifications to the Handbook but have concerns relating to certain aspects of the proposed amendments, including those relating to post-implementation reviews, educational material and other sources of guidance.

This response of 27 March 2025 has been prepared by the ICAEW Corporate Reporting Faculty. Recognised internationally as a leading authority on corporate reporting, the faculty, through its Financial and Non-Financial Reporting committees, is responsible for formulating ICAEW policy on corporate reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The faculty provides an extensive range of services to its members including providing practical assistance with common corporate reporting problems.

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## KEY POINTS

### INCLUDING THE DUE PROCESS FOR THE ISSB

1. ICAEW welcomes the opportunity to comment on this exposure draft (ED). Rigorous due process is essential for both financial and sustainability reporting standard setting. We are therefore pleased to see proposed updates to the IFRS Foundation Due Process Handbook (the Handbook) that bring in due process requirements for the International Sustainability Standards Board (ISSB).
2. As set out in our recent Thought Leadership report, [Shaping sustainability standard setting](#), ICAEW believes that sustainability standard setters can learn much from the International Accounting Standards Board (IASB) due process framework. We therefore support, in general, an alignment of the due process framework of the ISSB with that of the IASB.
3. We encourage, however, the IFRS Foundation to consider whether the due process for ISSB™ Standards should be more tailored to meet the needs of developing sustainability reporting standards and to reflect on whether the proposed approach of applying established due process to an emerging set of standards is always appropriate - see our response to *Question 1* for further detail.

### SASB STANDARDS

4. The fact that IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requires that entities 'shall refer to and consider' the Sustainability Accounting Standards Board (SASB) materials still triggers much debate as to the appropriate due process of the SASB Standards. ICAEW has previously [acknowledged](#) that they have been through an extensive and rigorous due process over a number of years but has voiced dissatisfaction that the due process was not conducted in the context of applying the industry-based requirements on an international basis, nor as part of the wider-sustainability disclosure framework that the ISSB is seeking to establish.
5. These concerns remain and, while likely to be outside the scope of this consultation, are important to bear in mind when considering the due process for SASB Standards. Ultimately, we would like to see SASB Standards integrated into ISSB Standards as a long-term solution to this issue.
6. While we would prefer the process to be an interim measure while work towards integration takes place, we welcome the addition of the proposed Annex B that sets out the due process for maintaining SASB Standards and the SASB Standards Taxonomy. We are concerned, however, that work on the SASB Standards is conducted by a small, closed group (SASB Standards Board Adviser Group) in contrast to the development of an IFRS® exposure draft which takes place in public meetings. We would like to see more transparency and openness in the process, given the role that SASB Standards currently play in ISSB Standards.

### ENHANCEMENTS AND CLARIFICATIONS

7. ICAEW agrees with the proposed enhancements and clarifications to the Handbook but has some broader concerns about certain aspects of due process.
8. We have heard concerns about the perceived increased reliance on the use of 'other material/educational material' on sustainability reporting topics, which although subject to internal reviews, has not gone through the due process to deem it authoritative. We suggest the Handbook considers when it might be appropriate to issue authoritative guidance or embark on standard setting.
9. Although we support the proposals to build on the IASB's experience and stakeholder feedback to clearly explain the objective of, process for and possible outcomes of a Post-

Implementation Review (PIR) in its publications, we have wider concerns about the value and timing of PIRs. As set out in our response to *Question 2*, we would like the PIR process to be more agile with both Boards able to react quicker to stakeholder feedback. We suggest that the Foundation takes a step back and evaluates how well the PIR process is currently working.

## ANSWERS TO SPECIFIC QUESTIONS

### ***Question 1 – Reflecting the creation of the ISSB in the Handbook***

***Do you agree with how the DPOC proposes to reflect the creation of, and the due process for, the ISSB in the Handbook?***

#### **Including the due process for the ISSB**

10. We broadly agree with how the IFRS Foundation proposes to reflect the creation of, and the due process for, the ISSB in the Handbook. However, we believe greater distinction between the due process of the ISSB and the IASB may be needed in certain areas.
11. Sustainability reporting standards are in their infancy and as a result there is no equivalent notion of Generally Accepted Accounting Practice, which financial reporting standards benefit from when being developed and applied. In addition, companies reporting on sustainability matters are having to grapple with difficult implementation issues due to rapidly evolving methodologies and data quality issues. As a result, we would like to see a more agile standard setting process for ISSB Standards that can rapidly and effectively deal with such challenges.
12. We recognise it is not possible to foresee all potential challenges during the standard setting process. We therefore suggest that the IFRS Foundation considers enhancing the transition and implementation work of the ISSB to address implementation challenges in a more efficient and effective manner.
13. We support the work of the current Transition Implementation Group (TIG) but would like to see a clearer and more transparent process whereby the ISSB considers whether any implementation issues that have been raised with the TIG should result in the issuance of guidance, the equivalent of an Agenda Decision by the IFRS Interpretations Committee, or standard setting work. Given the relative youth of sustainability reporting, it is to be expected that issues will arise in practice. We believe that setting out a clear and transparent process in the Handbook to address such issues will help maintain the quality of the Standards and enhance confidence and trust in sustainability reporting where ISSB Standards are applied.
14. The IFRS Foundation may also consider whether enhanced or mandatory field work is beneficial for the development of new ISSB Standards. We recognise, however, that field work can have limitations and that the ISSB is striking a careful balance between urgency and due process.
15. Ultimately, we encourage the IFRS Foundation to consider whether the due process for ISSB Standards should be further tailored to meet the needs of sustainability reporting standards, considering their maturity as an emerging, rather than established, reporting framework.

#### **Due process for the SASB Standards and the SASB Standards Taxonomy**

16. We welcome the proposed addition of Annex B which sets out the due process procedures for the maintenance of SASB Standards and the SASB Standards Taxonomy. We are, however, disappointed that the work on SASB Standards is conducted by a small, closed group (SASB Standards Board Adviser Group) in contrast to the development of an IFRS

exposure draft which takes place in public meetings. We strongly believe the fact that the SASB Standards have such a key role in the application of IFRS S1, and are required to be considered, merits more open and transparent due process.

17. Given the extensive number of topics covered by the SASB Standards, we suggest that the Foundation considers whether the usual methods for engaging stakeholders are sufficient. Proposals regarding industry disclosure requirements may warrant different due process procedures to ensure that quality feedback is sought from relevant stakeholders and those with industry knowledge.
18. While outside the scope of this consultation, we would like to take this opportunity to call on the ISSB to prioritise the creation of a unified sustainability reporting framework with SASB Standards fully incorporated into ISSB Standards. The fact that the SASB Standards have not fully been through the IFRS Foundation's due process remains problematic. Although work on enhancements to the SASB Standards are welcome, this does not address the issue of having two sets of standards within the same framework that have been, and are, subject to different levels of due process. We would like to see the Foundation set out a process for doing this, alongside maintaining the SASB Standards as an interim measure.
19. Following on from our point above, we would like to see more clarity over the future architecture of the ISSB Standards regarding industry requirements. What appropriate due process looks like for these Standards will depend on their ultimate role within the framework.

#### Other external standards

20. We note that the proposed amendments to the Handbook make no reference to existing external frameworks and international agreements that have been incorporated into IFRS S2 *Climate-related Disclosures*, such as the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard*. Although the ISSB does not have authority over this standard, we encourage the Foundation to consider whether there are any due process steps that should be taken and documented in the Handbook to ensure that the standard continues to be suitable and of sufficient quality.

#### Connectivity

21. We support the proposed amendments to reflect connectivity between the two Boards. In particular, we support the new step in the standard setting process (paragraph 6.25(b) of the ED) that requires presentation to the board of a summary of the steps taken to meet the objective to develop standards that are compatible, consistent and conflict-free of the other board's standards. We believe this proposal will help facilitate the IASB and ISSB working more collaboratively.

#### **Question 2 – Enhancements and clarifications**

##### ***Do you agree with the proposed enhancements and clarifications to the Handbook?***

22. ICAEW broadly agrees with the proposed enhancements and clarifications to the Handbook but has concerns relating to certain aspects of the proposed amendments, as set out below.

#### Post-implementation reviews

23. While we do not object to the proposals to clarify the objective of, process for and possible outcomes of a PIR, we do have more broad concerns about the stakeholder value gained from PIRs and have heard comments in favour of Transition Resource/Implementation Groups.

24. In addition to our points in paragraphs 12-13 of this response, we note that stakeholders only see the final wording of a Standard or amendment after it is issued (meaning potential issues might not be identified as a Standard is developed or amended). We therefore believe that post-implementation issues might be best considered by a specific Transition Resource/Implementation Group set up for that purpose. Such groups would allow for issues that are only identified as entities begin to apply a new or amended Standard to actual data to be raised and resolved on a more timely basis, as well as offering positive confirmation of requirements in a Standard where appropriate. We believe this will be of particular benefit when developing sustainability reporting standards given their relative maturity.
25. We recognise that the objective of a PIR is different to that of a Transition Resource/Implementation Group, in that a PIR assesses whether the effects of applying the requirements are as intended when those requirements were developed. However, we question whether a PIR would be needed, for every new Standard or major amendment to a Standard, if a Transition Resource/Implementation Group became a mandatory part of due process. Indeed, it may be useful to consider whether the objectives of a PIR could be met as a result of work performed by a Transition Resource/Implementation Group. Overall, we believe the PIR process should be more agile with the Boards able to react more quickly to stakeholder feedback.

#### **Educational and other materials**

26. We have heard concerns about the perceived increased reliance on the use of 'other material' (currently referred to as 'educational material') which, although reviewed internally, has not gone through the required due process to deem it authoritative. While we do not object to the development of other material to support application of IFRS Standards, we encourage the Foundation to include suitable due process steps to determine whether the topics covered are suitable for such material or whether authoritative guidance or standard setting is more appropriate. Consideration of how guidance is likely to be used by auditors as well as preparers is important when considering this point.
27. Following on from the point above, it would be helpful to have greater clarity over the decision process leading to a particular type of guide or other supporting material being published. This may help reduce the level of confusion that can arise from the publication of multiple types of guidance. We also think it would be useful to have the materials grouped by type of information, such as application guidance and illustrative examples, to help improve navigability.
28. Paragraph 8.15 of the ED states that third party guidance materials may be published on the Foundation's website but will not be subject to the review described in paragraph 8.11. While these materials will be labelled as third-party resources, we are concerned that stakeholders will inadvertently assume that these have been endorsed by the Foundation and that appropriate reviews have been performed. Alternatively, stakeholders may not know what level of confidence to place in such materials which may lead to confusion. We suggest that the Foundation has a clear process that considers potential risks involved to help decide when it is appropriate to publish third-party materials.