

IFRS Foundation Monitoring Board

Madrid, 3 November 2021

Statement of the IFRS Foundation Monitoring Board on the IFRS Foundation's announcement of the International Sustainability Standards Board

The IFRS Foundation Monitoring Board (hereinafter, "Monitoring Board") welcomes the announcement today by the IFRS Foundation of the formation of the International Sustainability Standards Board (ISSB) to sit alongside the International Accounting Standards Board (IASB), tasked to develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investor needs. Standards will be subject to full public consultation and can be considered for adoption by jurisdictions on a voluntary basis. Jurisdictions will have their own legal frameworks for adopting, applying or otherwise making use of international standards.

Under the revised IFRS Constitution, the main mission of the Monitoring Board will continue to be to monitor the IFRS Foundation and reinforce its public interest remit, overseeing the IFRS Foundation Trustees responsibilities in promoting high-quality, comprehensive, and enforceable globally accepted accounting and sustainability disclosure standards.

Jean-Paul Servais, Chairman of the Monitoring Board, said:

"High-quality corporate reporting that is supported by high-quality, comprehensive and globally accepted corporate reporting standards continues to be cornerstone for effective, fair and transparent capital markets. On behalf of the Monitoring Board, I warmly welcome the establishment today of the International Sustainability Standards Board (ISSB) under the IFRS Foundation. As the ISSB progresses towards the delivery of global baseline of sustainability disclosure standards that can be used across jurisdictions in accordance with their own legal frameworks, the Monitoring Board stands ready to extend its mandate to the ISSB with the view to ensure its standards are subject to the same robust governance, due process, and oversight as IFRS accounting standards.

The Monitoring Board looks forward to continuing working cooperatively with the Trustees, the IASB leadership and the future ISSB leadership with the view to promoting the legitimacy and enhancing the public interest focus of the IFRS Foundation and its standard setting boards.

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Notes to editors

About the IFRS Foundation Monitoring Board

The Monitoring Board's mission

The IFRS Foundation Monitoring Board¹ is an integral element within the IFRS Foundation's three tier governance structure. It was established in 2009 to enhance the IFRS Foundation's public accountability by establishing a link to a Monitoring Board of public authorities.

The IFRS Foundation's governance structure is designed to ensure the adequacy and legitimacy of governance and oversight for the IASB and the ISSB, including:

- (i) public authorities are represented on the Monitoring Board;*
- (ii) the IFRS Foundation Trustees (the Trustees) provide robust independent oversight; and*
- (iii) the IASB and ISSB board members provide independent standard-setting expertise. The IASB is responsible for developing a set of accounting standards ('IFRS Accounting Standards') and the ISSB is responsible for developing a set of sustainability disclosure standards ('IFRS Sustainability Disclosure Standards').*

The main mission of the Monitoring Board is to monitor the IFRS Foundation, whose Trustees in turn focus on the oversight of the IASB and ISSB. The Monitoring Board's objective is to reinforce the Foundation's public interest remit and oversee the Trustees' responsibilities in promoting the development of high quality, comprehensible, enforceable, and globally accepted accounting and sustainability disclosure standards.

The Monitoring Board is a group of capital market public authorities that are responsible for setting the form and content of corporate reporting in their jurisdictions and have a responsibility to protect and advance the public interest and are strongly committed supporting the developments of high quality international corporate reporting standards

It is chaired by Mr. Jean-Paul Servais, Vice-Chair of the IOSCO Board and Chairman of the Financial Services and Markets Authority of Belgium, as representative of the IOSCO Board.

The members of the Monitoring Board include representatives of the following organizations:

- the Board of the International Organization of Securities Commissions (IOSCO)*
- the Growth and Emerging Markets Committee of IOSCO*
- the Comissão de Valores Mobiliários of Brazil*
- Ministry of Finance of the People's Republic of China*
- the European Commission*
- the Financial Services Agency of Japan*
- the Financial Services Commission of Korea*
- the Securities and Exchange Commission of the United States of America.*

¹ https://www.iosco.org/about/?subsection=monitoring_board

The Basel Committee on Banking Supervision and the Comissão do Mercado de Valores Mobiliários of Portugal, in representation of the IOSCO European Regional Committee, are observers.

MB duties and responsibilities

The Monitoring Board's main responsibilities are to ensure that the Trustees continue to discharge their duties as defined by the IFRS Foundation Constitution. This encompasses, among others, reviewing the Trustees' oversight of the IASB and ISSB standard setting processes, reviewing the adequacy and appropriateness of Trustee arrangements to financing the IASB and the ISSB, approving the appointment or reappointment of Trustees, and providing input on the selection of the IASB and ISSB leadership.

As an overarching responsibility, the Monitoring Board is tasked to confer with the Trustees regarding their responsibilities in relation to regulatory, legal and policy developments that are pertinent to reinforcing the IFRS Foundation public interest function and to promote the development of IFRS standards.

Monitoring Board's engagement with the Trustees' proposals on sustainability reporting

The Monitoring Board has regularly engaged with the Trustees and IFRS Foundation staff throughout the process and as they developed their proposals on sustainability reporting. In addition to the periodic technical exchanges between the Monitoring Board and the IFRS Foundation staff, the Monitoring Board has frequently met with the IFRS Foundation leadership to discuss the Trustees' proposals to establish an ISSB under the overall governance framework of the IFRS Foundation.

As part of the first consultation paper by the IFRS Foundation on the role it could play in the area of sustainability reporting, the Monitoring Board announced its engagement strategy, encompassing:

- *The establishment of a dedicated working group to discuss in further detail the Trustees proposals and prepare the Monitoring Board's engagement with the Trustees. The Monitoring Board tasked the Monitoring Board's Deputies Working Group to support the Monitoring Boards' oversight of the Trustee proposals.*
- *The Monitoring Board has provided input on Trustee's consideration of the feedback received on the proposals set out for public consultation.*
 - *The Monitoring Board has focused its review on the following key requirements for success addressed by the Trustees as pre-requisites for the establishment of the ISSB:*
 - *That the IFRS Foundation proposals to establish the ISSB received sufficient level of global support from public authorities, global regulators, and market stakeholders, including investors and preparers, in key markets;*
 - *That the IFRS considered working with regional initiatives to contribute to global consistency and reduce complexity in sustainability reporting;*
 - *The adequacy and appropriateness of the governance structure;*

- *That the ISSB could rely on appropriate technical expertise at the level of the Trustees, ISSB members and staff;*
- *That the IFRS Foundation secured separate funding for the ISSB and its capacity to obtain financial support; and*
- *That the IFRS Foundation considered building synergies with financial accounting reporting (interconnectivity)*

In particular, the Monitoring Board has actively engaged with the Trustees on the following areas:

- (i) On the proposed amendments to the IFRS Foundation Constitution, including due consideration to the feedback received from global stakeholders;*
- (ii) Has undertaken its constitutional duty with respect to the appointment of new Trustees keeping in mind the need to incorporate expertise on sustainability reporting;*
- (iii) The Monitoring Board and the Trustees agreed the process and timelines for the nominations of the ISSB Chair and Vice-Chair and will provide input for consideration by the Trustees;*
- (iv) Has monitored the IFRS Trustees deliberations in relation to funding and the process the Trustees agreed for the assessment of offers received to host the ISSB on the basis of the merit of these proposals;*
- (v) It has been regularly updated on the process made by the IFRS Technical Readiness Working Group with respect to the technical preparations to give the ISSB a running start by enhancing the prototype climate standard as well as the Trustees considerations as to how best integrate the existing expertise and resources; and*
- (vi) It has followed developments in relation to the formation of the ISSB Multi-Lateral Working Group in its preparations to establish a multi-stakeholder consultative committee to advise the ISSB identify relevant sustainability topics that may be material to enterprise value creation, while also supporting mechanisms for facilitating, coordinating, and promoting consistency in reporting of the wider sustainability impacts.*

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