

ISSB's Inaugural Global Sustainability Disclosure Standards

July 2023



The standards were launched with the purpose of establishing a global baseline of sustainability-related disclosure standards.

On June 26, 2023, the International Sustainability Standards Board (ISSB) released its much anticipated [inaugural sustainability standards](#). The standards were launched by the IFRS Foundation, the non-profit, public-interest arm of the ISSB. The standards were launched at COP26 with the purpose of establishing a global baseline of sustainability-related disclosure standards.

As the governing body of the International Accounting Standards Board, the IFRS Foundation should be well-positioned to oversee global standards. The International Accounting Standards Board determines the accounting rules for financial statements of public companies used by most developed countries. The release of these standards followed a comprehensive consultation period that allowed global stakeholders to weigh in on the proposed standards. The standards integrate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as well as the Sustainability Accounting Standards Board's industry-based disclosure requirements.

Reception

The standards have received strong support from stakeholders including investors, companies, policy makers, and market regulators. Now that the standards

are finalized, it will be up to countries and jurisdictions to decide whether the standards will be mandatory going forward.

Structure

The ISSB's standards are comprised of two parts: [IFRS S1](#) relates to sustainability-related risks and opportunities; [IFRS S2](#) relates to climate-related risks and opportunities. Each are intended to be effective for reporting periods on or after January 1, 2024 and disclosed within a company's general purpose financial statements. IFRS S1 and IFRS S2 both focus on materiality and information that "could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term". Both are aligned with the TCFD's core recommendations:

- a. Governance—the governance processes, controls and procedures the entity uses to monitor and manage sustainability-related/climate-related risks and opportunities;
- b. Strategy—the approach the entity uses to manage sustainability-related/climate-related risks and opportunities;

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- c. Risk management—the processes the entity uses to identify, assess, prioritize, and monitor sustainability-related/climate-related risks and opportunities; and
 - d. Metrics and targets—the entity’s performance in relation to sustainability-related/climate-related risks and opportunities, including progress towards any targets the entity has set or is required to meet by law or regulation.

IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information

This standard sets out general requirements for the content and presentation of sustainability-related disclosures so that the information disclosed is useful to investors. Some of the topics covered by IFRS S1 include the oversight and management of sustainability risks; current and anticipated effects of those sustainability-related risks and opportunities from the entity’s business model and value chain; how these risks and opportunities affect the firm’s decision making and financial position; and how metrics and targets are determined, measured, and monitored. More detailed information may be found on the standard’s [website](#).

IFRS S2: Climate-related Disclosures

This standard sets general requirements for the content and presentation of climate-related disclosures so that the information disclosed is useful to investors. IFRS S2 applies to climate-related physical and transition risks to which the entity is exposed and climate-related

opportunities available to the firm. Some of the topics covered by IFRS S2 include the oversight and management of climate risks; current and anticipated effects of those climate-related risks and opportunities on the entity’s business model and value chain; how climate risks and opportunities affect the firm’s decision making and financial position; climate-related scenario analysis; greenhouse gas emissions (Scopes 1, 2 and 3 in accordance with the Greenhouse Gas Protocol); and how climate-related metrics and targets are determined, measured, and monitored. The disclosure standards for metrics and target setting are particularly specific and prescriptive. More detailed information may be found on the standard’s [website](#).

Next Steps and How to Prepare

The ISSB plans to work with companies and jurisdictions to encourage and support adoption and implementation of the standards. The organization has also noted that there are plans to develop additional standards in the future related to topics such as biodiversity and human rights. We can expect to see a group of early adopters aim to disclose in line with the IFRS Standards as early as 2024.

Since there’s been broad support of the development of these standards, there is reason to believe that sooner than later, companies across the world will be expected, or even required, to implement the standards. As sustainable and responsible investors, we support policies that further companies being more transparent about financially material sustainability information in a clear and consistent manner.

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