

Introducing the New ISSB Sustainability Disclosure Standards

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One of the most significant challenges in evaluating the sustainability data provided by companies has been the lack of a globally consistent baseline standard for disclosure. On June 26, 2023, the International Sustainability Standards Board (ISSB) helped to bridge this need with the publication of its first two sustainability disclosure standards:

- [IFRS S1, General Requirements for Disclosure of Sustainability-Related Financial Information](#) and
- [IFRS S2, Climate-Related Disclosures.](#)

Required Disclosures to Facilitate Implementation

The goal of the new disclosure framework is to focus on material, decision-useful information for investors that builds off the existing TCFD (Task Force on Climate-Related Financial Disclosures) and the industry-focused SASB (Sustainability Accounting Standards Board) Standards to streamline disclosures and facilitate implementation.

To further ease adoption, the new ISSB standards were also designed for interoperability with the Global Reporting Initiative (GRI) Standards, a widely used sustainability framework for reporting. The disclosures build on the concepts behind IFRS Accounting Standards in order to integrate with corporate financial statements. **According to the IFRS Foundation, the GRI and ISSB Standards together form a comprehensive corporate reporting regime for the disclosure of sustainability information.**

The disclosure topics covered under the new IFRS S1 and IFRS S2 standards include a company's governance, strategy, risk management and sustainability-related (or climate-related in IFRS S2) targets and metrics. IFRS S1 and IFRS S2 require an organization to disclose information about all material sustainability-related and climate-related risks and opportunities that could reasonably be expected to affect the company's cash flows, access to financing, or cost of capital over the short, medium, or long term.

The new standards permit the exclusion of commercially sensitive information regarding sustainability-related opportunities in certain circumstances provided that the exclusion is disclosed. However, this exclusion is only permitted on a selective basis and does not apply to the disclosure of sustainability-related risks.

Phased-In Disclosures

General reporting under the new ISSB standards is expected to begin on or after January 1, 2024. The ISSB has integrated a phase-in approach for the disclosures which includes the following:

- Establishing a baseline with the first year of disclosure and not requiring comparative history in the first year of disclosure;

- Permitting disclosure of sustainability or climate-related information after the publication of financial statements in the first year of disclosure;
- Prioritizing climate-related risks and opportunities disclosures over general sustainability disclosures; and
- Permitting companies to forgo reporting more complex Scope 3 emissions for the first year of disclosure.

Contact Us

We welcome the opportunity to answer any questions you may have related to this topic or any other assurance, technology, tax, or advisory matters relative to sustainability and ESG. Please call or email any of the Sustainability and ESG Services team members below:

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