

Sustainability Reporting Standards: Overview of the Ongoing Implementation Process and Recommendations on the Way Forward

I. Introduction: key role of sustainability reporting standards

Sustainability reporting has risen as a key mechanism used by capital markets to guide investor decision-making through enhancing transparency to allow investors to assess sustainability-related risks and opportunities, and channel large-scale finance toward sustainability-aligned activities and projects. Since the late 1990s, the market has driven this momentum through the voluntary adoption of available sustainability reporting standards and frameworks. As this evolution intensified, the urgent need for globally consistent, comparable and reliable sustainability disclosure information became increasingly clear, prompting many calls for action. In 2021, the International Organization of Securities Commissions (IOSCO) announced its priorities and vision for a Sustainability Standards Board under the International Financial Reporting Standards Foundation (IFRS Foundation), building on the IFRS Foundation public interest focus, sound governance, oversight processes and due process.¹ The formation of the International Sustainability Standards Board (ISSB) was announced at the 2021 United Nations Climate Change Conference (COP26).² Since then, the ISSB has released its first two IFRS Sustainability Disclosure Standards – IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 *Climate-related Disclosures* (IFRS S2)³ - to set a global framework for sustainability disclosures to meet the needs of capital markets and undertake other projects. In July 2023, IOSCO endorsed the ISSB Standards as a major step towards having complete, consistent, comparable and reliable sustainability-related financial information. To start preparing securities regulators and other key stakeholders for the adoption of new standards and the overall changes in the sustainability reporting landscape, IOSCO has developed a capacity-building programme on disclosure requirements for corporate issuers, while the IFRS Foundation launched the Partnership Framework for Capacity Building.

With these recent developments, significant steps have been made in advancing and consolidating sustainability reporting practices on a global scale. Many jurisdictions are now gradually moving away from voluntary disclosure regimes involving multiple standards, towards standardized, mandatory sustainability disclosure. This is the case for both jurisdictions that are adopting or otherwise using the ISSB Standards, such as Brazil, and those that had set up interoperable regimes such as the European Union’s Corporate Sustainability Reporting Directive (CSRD) which mandates application of the European Sustainability Reporting Standards (ESRS). Ultimately, “success” of this agenda depends on the capacity of jurisdictions to implement these standards in such a way that they will support generation of high-quality, globally comparable information in a proportionate manner i.e without posing unrealistic demands on financial and technical expertise.

¹ <https://www.iosco.org/news/pdf/IOSCONEWS594.pdf>

² IFRS Foundation announcement in November 2021 on the establishment of the International Sustainability Standards Board - <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/>

³ <https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/>

This note is prepared at the request of the G20 Sustainable Finance Working Group Secretariat and Co-chairs and aims to provide an overview of the ongoing implementation process, summarize the capacity-building efforts and provide preliminary conclusions.

II. Setting the framework: development of the ISSB Standards and IOSCO's endorsement

2.1 Introduction to the work of the ISSB

The ISSB's mandate, as per the IFRS Foundation's Constitution, is to develop a global framework of sustainability disclosure standards to inform economic decisions (IFRS Sustainability Disclosure Standards or ISSB Standards). The formation of the ISSB was in response to strong investor demand for information about sustainability-related information as consideration of sustainability factors has become a mainstream part of investment decision-making. Also, by consolidating several existing standard setters⁴ and incorporating other sustainability-related frameworks and guidance into IFRS S1 and IFRS S2, including the recommendations of the Task Force for Climate-related Financial Disclosure (TCFD), the ISSB aims to reduce cost, complexity and risk to both companies and investors in reporting by moving away from the use of multiple standards and requirements. The sustainability reporting agenda, including the work of the ISSB, has attracted strong international support from the G7⁵, the G20⁶, the Financial Stability Board (FSB), and African Finance Ministers⁷ amongst others. Other major initiatives focused on sustainability reporting include EFRAG's development of ESRS and the United States' Securities and Exchanges Commission's work on climate-related financial disclosure.

2.2 The ISSB Standards

In June 2023, the ISSB issued its inaugural standards, IFRS S1 and IFRS S2.

- **IFRS S1** provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities they face over the short, medium and long term. By setting out the core content and conceptual foundations for a

⁴ The Value Reporting Foundation, that included the Integrated Reporting Framework and the Sustainability Accounting Standards Board Standards, and the Climate Disclosure Standards Board.

⁵ See most recent G7 communique from May 2024 - <https://www.consilium.europa.eu/media/muhnmsh1/stresa-communique-25-may-2024.pdf>

⁶ See G20 statement from February 2023, that summarized the G20 'looks forward to the early finalization by the International Sustainability Standards Board (ISSB) for climate-related financial disclosures, and its work beyond climate' - <https://www.ifrs.org/news-and-events/news/2023/02/g20-focuses-on-launch-of-issbs-inaugural-standards/>

⁷ See African Finance Ministers statement from September 2022 - https://www.uneca.org/sites/default/files/documents/9th-sept-clean-final-communique_egypt-icf-and-meeting-of-african-ministers.pdf

complete set of sustainability-related financial disclosures across all sustainability-related risks and opportunities, provided alongside financial statements, IFRS S1 establishes a comprehensive framework of sustainability-related financial information that meets the needs of global capital markets.

- **IFRS S2** sets out specific climate-related disclosures and accompanies IFRS S1. IFRS S2 requires disclosure of information about both cross-industry and industry-specific climate-related risks and opportunities.

Within each Standard, a company is only required to disclose material, sustainability-related risks and opportunities. Specifically, information is required to be provided about the sustainability-related risks and opportunities that could reasonably be expected to affect a reporting entities' prospects and where such information is material.⁸ Companies are to publish their IFRS S1 and IFRS S2 disclosures alongside their financial statements and as part of their general-purpose financial reports. The Standards have been developed to be used in conjunction with any accounting requirements (so are GAAP agnostic) and are built on the relevant concepts that underpin the IFRS Accounting Standards, which are required by more than 140 jurisdictions.

2.3 IOSCO Endorsement

IOSCO is the international body that brings together the world's financial market regulators and is recognized as the global standard setter for the securities sector. Sustainable Finance is one of IOSCO's key priority areas. Having complete, consistent, and comparable corporate sustainability-related disclosures is a key ambition of IOSCO's Workplan for Sustainable Finance, which aims to enhance capital market quality, integrity, and effectiveness by increasing transparency and mitigating greenwashing. IOSCO's review of the ISSB Standards was therefore a determination as to whether these Standards were likely to meet investor needs for climate-related disclosures and would be appropriate to serve as a framework for wider sustainability-related financial information.⁹

Box 1: IOSCO review approach

The endorsement assessment criteria were based on IOSCO's view that the standards for sustainability reporting should:

- (i) *serve as an effective global framework for consistent and comparable approaches to mandatory or voluntary reporting.*
- (ii) *be compatible and connected with existing accounting and financial reporting standards.*
- (iii) *promote interoperability by acting as a common framework for national or jurisdiction-related requirements.*
- (iv) *meet core investor and capital market needs, enabling markets to price sustainability-related risks and opportunities and support capital allocation.*
- (v) *form the basis for the development of a robust audit and assurance framework.*

⁸ The definition of material information is aligned with IFRS Accounting Standards, which states that information is material if omitting, misstating, or obscuring that information could reasonably be expected to influence investor decisions.

⁹ The full detail can be found in the **IOSCO Technical Assessment** report that accompanied IOSCO's endorsement decision, available at: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD741.pdf>

In that sense, to ensure these objectives were met by the ISSB Standards, IOSCO's assessment criteria comprised a set of 20 granular attributes, organized under five dimensions:

- Dimension 1 focused on the **completeness, consistency and comparability** of sustainability-related information.
- Dimension 2 considered whether the ISSB Standards provide a **common, comprehensive and structured global framework** for sustainability-related reporting, leveraging existing **principles, frameworks and guidance**.
- Dimension 3 considered the **topic scope** of the ISSB Standards, assessed whether they assumed an **investor materiality lens** – applied at the entity level – and gauged the extent to which the Standards accommodate **dynamic materiality** and provide **industry-specific guidance** that may be helpful to reporting entities.
- Dimension 4 considered the approach to defining both **narrative and quantitative disclosure requirements**, and to promoting an appropriate level of granularity and structure in the **disclosure of historical, current and forecast data**.

It also considered the **reference to science-based parameters**, as well as the Standards' treatment of **forward-looking data** and the **format and location of disclosures**.

- Dimension 5 considered whether the ISSB Standards provided an appropriate framework for the **linkage** between sustainability issues and business strategy/financial implications, while also assessing whether the ISSB Standards provide a framework that can be **compatible with financial reporting standards** and **facilitate independent audit and assurance**.

Consequently, IOSCO called on its over 130 member jurisdictions to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards.¹⁰ Recognizing that individual jurisdictions have different domestic arrangements regarding the consideration of international standards, IOSCO also called on the ISSB to provide guidance to set out pathways for implementation of the ISSB Standards within the context of their jurisdictional arrangements in a way that promotes consistent and comparable climate and other sustainability-related disclosures for capital markets.

2.4. Ex-ante proportionality: Supporting Jurisdictions through mechanisms within the ISSB Standards

IOSCO's endorsement criteria included a key component: the need for proportionality. The importance of proportionality was highlighted throughout the IFRS S1 and IFRS S2 exposure draft consultations. This has resulted in insertion of proportionality mechanisms within the ISSB Standards and the inclusion of transition reliefs at the time of publication, as is set out in further detail below. This supports the implementation of the Standards by companies and jurisdictions. In addition, while the objective is to achieve global comparability of information, jurisdictions will need to develop journeys towards implementation, which may be more challenging for some emerging markets in particular, but also taking into account the breadth of sectors and companies that could potentially fall within the scope of the Standards. Inclusion

¹⁰ See IOSCO Endorsement Decision: "IOSCO endorsement of the ISSB Standards for sustainability-related disclosures", available at: <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD741-Endorsement-Decision.pdf>

Proportionality and scalability

Within the ISSB standards, the proportionality mechanisms include the instruction in respect of a number of disclosures, for preparers to use reasonable and supportable information that is available at the reporting date **‘without undue cost or effort’**, a concept that applies to the information required to be used to prepare disclosures. This concept is intended to help preparers by ensuring that what is required from them is proportionate to their circumstances, for instance in areas with high levels of measurement or outcome uncertainty by requiring them to consider information that is reasonably available but clarifying that they need not carry out an exhaustive search for information. This concept is used in some IFRS Accounting Standards, so it is a known concept for many investors, regulators and auditors.¹¹

Separately, the ISSB also introduced the concept of **‘the skills, capabilities, and resources available to the entity’** to address proportionality, allowing entities to apply qualitative approaches in several instances of IFRS S1 and IFRS S2 disclosure.

Transition reliefs

To facilitate the initial application of IFRS S1 and IFRS S2, the ISSB provided temporary transition reliefs for the application of specified requirements. These transition reliefs are available to all entities and relate to:

- **‘Climate-first’ reporting** – IFRS S1 enables an entity to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2) in the first annual reporting period in which that entity applies IFRS S1. The entity is only required to disclose information related to other (non-climate) sustainability-related risks and opportunities from the second year it applies IFRS S1.
- **Scope 3 Greenhouse Gas (GHG) emissions** – IFRS S2 provides a transition relief in the first annual reporting period from disclosing Scope 3 GHG emissions.
- **Timing of reporting** – IFRS S1 requires an entity to provide its sustainability-related financial disclosures at the same time as its related financial statements, covering the same reporting period. However, in the first annual reporting period, IFRS S1 provides transition relief and permits entities to report their annual sustainability-related financial disclosures after they publish their related financial statements, along with their half-year financial reports.
- **Comparative disclosures**—comparative information is not required to be disclosed in the first annual reporting period in which an entity applies IFRS S1 and IFRS S2. In the second year of disclosure, an entity must provide comparative information on sustainability-related risks and opportunities, including climate. However, if an entity decides to apply the relief to disclose information on only climate-related risks and opportunities in the first annual reporting period, it does not need to provide comparative information about its sustainability-related risks and opportunities apart from climate in its second year.
- **GHG Protocol**—IFRS S2 requires an entity to use the *GHG Protocol: A Corporate Accounting and Reporting Standard (2004)* to measure greenhouse gas (GHG) emissions, unless the entity is required by regulation to use a different measurement method. However, IFRS S2 allows an entity already using a different measurement method to continue to use that method in the first year it applies IFRS S2.

¹¹ <https://www.ifrs.org/content/dam/ifrs/project/general-sustainability-related-disclosures/feedback-statement.pdf>;

II. Implementation Roadmap: Challenges and Assistance

Less than a year since the publication of the ISSB Standards, a growing number of jurisdictions are taking concrete steps to adopt or otherwise use ISSB Standards in their legal or regulatory frameworks. At the date of this document more than 20 jurisdictions have already decided to use or are taking steps to introduce ISSB Standards in their legal or regulatory frameworks. These jurisdictions include: Bolivia, Brazil, Canada, Costa Rica, Australia, Bangladesh, China, Hong Kong SAR, Japan, Malaysia, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Chinese Taipei, EU, Kenya, Nigeria, Turkey and the UK. The European Commission, EFRAG and the ISSB have confirmed that ESRS have a high degree of alignment with the ISSB Standards in relation to climate-related disclosures¹², with the ISSB-ESRS interoperability guidance subsequently published. To successfully implement global standards, regulators as well as preparers of various sizes and types, operating across different jurisdictional, regulatory, and economic settings – particularly those in developing and emerging markets – need extensive support.

To understand the challenges faced by jurisdictions and the type of support that may be required, in June-August 2023 IOSCO conducted a Survey of Growth and Emerging Market Committee (GEMC) members to understand the readiness and the steps taken in implementing the ISSB Standards. For nearly all 41 participating jurisdictions sustainable finance / ESG-related matters are a priority. In most of the participating jurisdictions (over 70%), the securities regulator is the only authority in charge of sustainable finance/ESG related matters, while in some cases the central bank and/or the stock exchange also have some responsibilities in this area. In few cases, other authorities share this responsibility (e.g., Ministry of Finance, Insurance Regulator). Respondents share a common view on the importance of having in place (or developing) frameworks and regulations pertaining to sustainability/ESG matters.

Regarding the ISSB Standards, at the time of conducting the survey, three quarters of the participating jurisdictions were planning to apply them in their jurisdictions. Some participating jurisdictions are planning to make the ISSB Standards directly applicable, some are planning to define their own rules in line with the ISSB Standards, while other participating jurisdictions are not still certain whether they would make the ISSB Standards directly applicable or whether they would define their own rules. Some of the elements under consideration are understanding the ISSB Standards, local circumstances, and proportionality and market readiness.

The survey also revealed a number of challenges linked to adoption of the ISSB Standards and the need for comprehensive programs of capacity building. As part of their preparation for the adoption of the ISSB standards, almost one third of the participating jurisdictions have prepared a roadmap, while more than half of the participating jurisdictions have not. In this context, and based on their interaction with market participants, the participating jurisdictions have indicated that the main difficulties the market is facing in complying with the current sustainability/ESG disclosures requirements refer to regulatory uncertainty, data, costs, and knowledge. Challenges faced by some regulators mainly refer to insufficient resources and budgetary constraints, including in relation to monitoring capabilities, use of technologies, adequately trained staff, and lack of capacity building.

As a result, the IFRS Foundation, IOSCO and the World Bank have engaged in a series of activities aimed at assisting these jurisdictions in their own considerations about whether and how to apply, adopt or be

¹² [IFRS - European Commission, EFRAG and ISSB confirm high degree of climate-disclosure alignment](#)

informed by the ISSB Standards as they look to develop their regulatory frameworks for sustainability-related disclosures which includes ongoing capacity building activities to assist jurisdictions (see section IV below).

In May 2024, the IFRS Foundation published its Inaugural Jurisdictional Guide for the Adoption or Other Use of ISSB Standards (Jurisdictional Guide) and the Regulatory Implementation Programme Outline.

The IFRS Foundation recognizes that jurisdictions could progress towards the introduction of sustainability-related disclosure requirements, including the adoption or other use of ISSB Standards at different paces and might be at different stages in their regulatory cycles and adoption pathways **The Jurisdictional Guide and the Regulatory Implementation Programme Outline** aim to support regulators in their adoption considerations and in their considerations on the scaling and phasing-in of the requirements in IFRS S1 and IFRS S2 at a jurisdictional level. The Jurisdictional Guide is also intended to mitigate variation in the manner in which ISSB Standards are implemented across jurisdictions, and therefore, support consistency and comparability of sustainability-related disclosure.

Box 2: The Jurisdictional Guide and the Regulatory Implementation Programme

The Jurisdictional Guide:

- Provides a framework to support regulators and other relevant authorities as they design and plan their journeys for adoption or other use of ISSB Standards.
- Sets out features to inform and describe jurisdictional approaches for the adoption or other use of ISSB Standards in the development of regulatory frameworks, promoting consistency in approaches for jurisdictions and supporting regulators, other relevant authorities and entities in making the transition to full application of the disclosures required by IFRS S1 and IFRS S2.
- Sets out the basis for the development of jurisdictional profiles that describe jurisdictional approaches. These profiles aim to provide capital markets, regulators, other relevant authorities and other stakeholders with greater transparency on jurisdictional progress towards the provision of globally comparable information through the adoption or other use of ISSB Standards. This transparency will enable them to understand the extent to which emerging disclosure requirements support the consistency and comparability of climate and other sustainability related information provided by entities to investors and in various jurisdictions. Jurisdictional approaches may evolve over time as jurisdictions advance in their journeys to introduce or enhance sustainability-related disclosure requirements.
- Intends to reduce fragmentation in sustainability-related disclosure requirements by promoting less variation in how ISSB Standards are adopted or otherwise used by jurisdictions (including their approach to scaling and phasing), thus supporting comparability of disclosures.

The Regulatory Implementation Programme Outline expands on the introduction of the Programme within the Jurisdictional Guide, providing an overview of the content of the programme by which the IFRS Foundation seeks to assist regulators and other relevant authorities as they plan, design and take steps to execute their jurisdictional approaches towards the adoption or other use of ISSB Standards. With this Programme the IFRS Foundation, in collaboration with its partners, intends to provide practical tools, educational materials and capacity building that support regulators and other relevant authorities on their journey to adopt or otherwise use ISSB Standards. The outline provides further context on how the Programme contributes to the IFRS Foundation's wider strategy to support the adoption or other use of ISSB Standards. The Programme aims to inform regulators and other relevant authorities of

considerations regarding regulatory structures, processes and outcomes relevant to the adoption or other use of ISSB Standards. It also aims to outline the policy rationale for the adoption or other use of ISSB Standards and provide clarity on how jurisdictional approaches will be described in accordance with the Jurisdictional Guide. The Programme articulates the role of the IFRS Foundation in developing application guidance and educational material and how it can work with partners who can engage and support a wide range of jurisdictions.

IV. Capacity Building Journey

4.1. Building on past experience

Ensuring inclusive development and widespread adoption of sustainability reporting standards, including the ISSB Standards, requires significant capacity building to prepare and upskill market participants, jurisdictional authorities, regulators and other stakeholders. International collaboration and partnerships are essential to ensure the global adoption of sustainability reporting standards with transparency and consistency across markets and interoperability within the more comprehensive regulatory frameworks. Specific consideration also has to be provided to the needs of developing and emerging economies, as well as the needs of smaller entities, many of which operate within global supply chains. IOSCO, the World Bank, the IFRS Foundation, and other partners are discussing optimal modalities for delivering such support, including the scope of the required efforts; the potential role of the standard-setter (i.e., ISSB) and other international organizations in this process. Considerations are also being given about the desirable experience of other, often private, training service providers who may come into this market to offer their services to jurisdictions and other stakeholders such as reporting entities.

Capacity Building Approach for the IFRS Accounting Standards (IFRSs) in 2000s

The IFRS S1 and IFRS S2 support and capacity building approach can benefit from lessons learned through the roll-out of IFRS (Accounting) Standards (IFRSs). In 2001, the International Accounting Standards Committee (IASC), which was established in 1973, was reorganized as the International Accounting Standards Board (IASB). This reorganization was intended to allow for the standard-setting body to maintain the highest level of integrity, transparency, and accountability necessary to establish high-quality accounting standards while playing a significant role in the global advocacy and knowledge expansion. The IASB issued its first Accounting Standard since the reorganization — IFRS 1 *First-time Adoption of International Financial Reporting Standards* -- in 2003, with the full set of standards issued over the next few years. The 2001 reorganization also included the establishment of a Board of Trustees (the IFRS Foundation) to oversee the IASB's activities. In early 2009, the Monitoring Board¹³ was established to enhance the public accountability of the IFRS Foundation by establishing a link to capital market authorities responsible for corporate reporting in their jurisdictions.

As the adoption of the IFRSs gained momentum, demand for technical assistance and capacity building also grew significantly, and a few partnerships have been formed to meet this demand. The World Bank, in particular, collaborated with the IASB, the IFRS Foundation and IOSCO to support implementation of IFRSs by EDME jurisdictions. Key modalities of this collaboration included knowledge exchange as well as

¹³ Further details about the IFRS Monitoring Board: https://www.iosco.org/about/?subsection=monitoring_boards

engagement of the IASB/the IFRS Foundation experts in various trainings and activities organized by the World Bank or other partners with support provided by the World Bank funding.¹⁴

The development and roll out of IFRSs in the early to mid-2000s helped to distil key attributes of the standard-setting organization critical for the credibility of standards, including independence, public interest, and transparent and comprehensive due process. By putting the public interest and independence at the heart of their actions including development of guidance and training materials, global advocacy, and technical/expert contributions to the implementation process organized by development partners and avoiding real or perceived conflict of interests between standard setting and implementation functions, the IFRS Foundation and IASB established considerable global credibility which then became one of the deciding factors in selecting the IFRS Foundation as the entity to house the ISSB.

The question remains on how best to provide adoption support to jurisdictions that need it the most.

There is a growing and urgent demand for adoption support as jurisdictions move rapidly to consolidate and mandate corporate sustainability disclosure standards and requirements. To ensure that no jurisdiction is left behind, it is crucial that jurisdictions adopt and implement the reporting framework that: (i) reflects the unique context of the jurisdiction, and (ii) is the most efficient and effective in terms of cost and development impacts. It is also crucial that all jurisdictions can receive and afford appropriate level of technical assistance and implementation support. Support for jurisdictions on the journey to adopt or otherwise use ISSB Standards will come from various sources. Potential roles of the IFRS Foundation and its partners in each phase of the adoption journey are detailed in the [regulatory-implementation-programme-outline.pdf \(ifrs.org\)](https://www.ifrs.org/regulatory-implementation-programme-outline.pdf).

Overall, past experience indicates that the standard setters have an important clear role to play working with others within the “ecosystem” to support capacity-building initiatives, including through advocacy, provision of educational material and knowledge sharing. However, the scope, substance and form of such engagement need to be carefully calibrated to preserve the real and perceived independence of the standard setter.

4.2. IOSCO’s Two-pronged Approach: building awareness and internal capacity

Building on its previous experience of preparing securities regulators for the adoption of new standards, IOSCO has developed a capacity-building program on disclosure requirements for corporate issuers.

Following a *two-pronged approach*, IOSCO is collaborating with (a) the IFRS Foundation to build awareness and understanding of the standards so that jurisdictions can come to a conclusion on their preferred approach as to whether they should “adopt, apply or otherwise be informed by” the ISSB Standards and

¹⁴ In May 2017, the World Bank and the IFRSF formalized their collaborative relationships by signing a Memorandum of Understanding (MoU). The MoU aimed to expand the support available to EMDEs in adopting IFRS Standards. The MoU prioritized the development of online and offline educational programs, especially around SMEs Standard, preparing off-the-shelf solutions within jurisdictions, and encouraging greater representation and participation of EMDEs in the work of the IFRS Foundation. Specifically, it underscored the importance of developing scalable, low-cost programs to support the consistent implementation of IFRS Standards in EMDEs and supporting professional development and thought leadership – *available at* <https://www.worldbank.org/en/news/press-release/2017/05/15/ifrs-foundation-and-world-bank-deepen-cooperation-to-support-developing-economies-in-their-use-of-reporting-standards>

(b) with the World Bank to help IOSCO members from growth and emerging markets prepare adoption roadmaps for their jurisdictions to implement the preferred approach.

Building awareness and internal capacity

As part of the global awareness building campaign supporting roll-out of ISSB Standards, IOSCO and the IFRS Foundation are leading a joint programme focused on sustainability-related requirements for corporate issuers and targeted at securities regulators. This program started in September 2022 with a high-level virtual roundtable for decision makers, i.e. the CEOs and Chairpersons of the securities regulatory authorities, followed by technical workshops targeting directors and specialists in charge of setting out sustainable finance policy and regulation.¹⁵ The workshops focus on the role of securities regulators in adopting sustainability reporting standards, and on the critical steps of this journey. The discussions also address the relevance of assurance and ethics standards in achieving consistently prepared and independently assured sustainability disclosures by issuers of securities across the world. In particular, these joint IOSCO and IFRS Foundation workshops are looking to assist securities regulators to:

- *Build familiarity with the substance of IFRS S1 and IFRS S2;*
- *Understand how ISSB Standards would fit into the overall public regulatory framework and what role securities regulators could play in advancing the corporate sustainability disclosure agenda;*
- *Understand the different implementation models; and*
- *Share current initiatives and learnings from fellow regulators that have already adopted or initiated adoption of requirements for sustainability-related disclosures in their jurisdictions.*

Complimentary to these sessions, IOSCO and the IFRS Foundation will be developing a series of webinars which would aim to explain the various technical concepts embedded by IFRS S1 and IFRS S2.

Adoption Support

In parallel with the awareness-building campaign which is mostly focused on understanding the technical content of the ISSB Standards, IOSCO and the World Bank have been leading efforts to design jurisdictional adoption roadmaps, ultimately to support adoption or other use of ISSB Standards. As part of this support, they are conducting a series of workshops focused on the design of sustainability reporting adoption roadmaps for growth and emerging markets.¹⁶ These workshops complement the awareness building efforts/trainings led by the IFRS Foundation and are targeting both decision makers and technical leads. Key issues addressed in these workshops follow the phases of the jurisdictional journey summarized

¹⁵ These workshops were held in Cairo, Egypt, Kuala Lumpur, Malaysia, and Sao Paulo, Brazil. Workshop for the European region is coming up.

¹⁶ The first roadmap workshop was held for the Asia-Pacific region in Kuala Lumpur on 29-30 April 2024, and a second workshop will be held for the Inter-American region in Costa Rica, on 24-25 October 2024. Workshops for the Africa/Middle-East and European regions are being planned for the first half of 2025.

in the IFRS Foundation *Jurisdictional Guide*¹⁷ and described in the Regulatory Implementation Programme and include the following key points:

- Establishing the policy rationale for adoption (*why?*)
- Navigating the legal or regulatory process for adoption (*how?*)
- Deciding which entities should be in scope (*who?*)
- Deciding the content of requirements (*what?*)
- Determining any scaling and phasing-in of requirements (*when?*)
- Deciding where disclosures should be located (*where?*)

The workshops do not aim to identify a single roll out model for markets, but rather propose a flexible framework for the authorities to use, helping them to engage with domestic stakeholders and to identify the adoption approach that appears most appropriate for their context. There is the expectation that for each region at least 6-8 jurisdictions will be assisted to develop an implementation roadmap. To select these jurisdictions, IOSCO and the World Bank will use information gathered in the activities run with the IFRS Foundation and look to have a pool of jurisdictions which have:

- *Experience in applying international reporting frameworks for sustainability disclosures.*
- *Previous engagement with the industry or market participants with regard to sustainability disclosures.*
- *Certain level of familiarity with the ISSB Standards.*
- *Initial steps taken for adoption and implementation.*

4.3. The IFRS Foundation's Capacity Building Partnership Framework: raising awareness of ISSB Standards

At COP27, the IFRS Foundation launched the Partnership Framework for Capacity Building. This seeks to align on a shared vision that the widespread availability of high quality, comparable and timely information is foundational to understand the risks, opportunities and financial impacts associated with climate and wider sustainability topics. The Framework provides a basis to identify opportunities for Partners to directly strengthen development of, as well as leverage and combine, their expertise in interactions with a broad set of international stakeholders and improve coordination at regional and international level to enable consistency of approaches.

The IFRS Foundation's capacity building framework consists of 40+¹⁸ partners from across public and private organisations, global and local, to ensure accelerated readiness for jurisdictions to adopt ISSB Standards. Activities of the partners focus on awareness building and educating the market on the ISSB Standards from an entry level – the information is easily accessible to all participants. Example initiatives include the IFRS Foundation's collaboration with the UN Sustainable Stock Exchange Initiative, to support preparers and others in all markets, that provides free training on securities' issuers, to help stock

¹⁷ Prior to the publication of the Inaugural Jurisdictional Guide in May 2024, the *Preview of the Jurisdictional Guide for the Adoption or Other Use of ISSB Standards* was used as the basis.

¹⁸ See <https://www.ifrs.org/use-around-the-world/partnership-framework-for-capacity-building/> for an up to date list of IFRS Foundation Capacity Building partners

exchanges to develop their own voluntary guidance to support their listed entities in the implementation of ISSB Standards, in conjunction with the IFRS Foundation's Jurisdictional Guide.

At COP28, the IFRS Foundation launched a Knowledge Hub.¹⁹ This includes content curated by the IFRS Foundation and partners to help preparers get started applying ISSB Standards. The content aims to support preparers and other stakeholders in implementation of the standards. The scope of the database is broad, reflecting the requirements in both IFRS S1 and IFRS S2. To date over 150 resources have been collated on the hub for free access, market use.

V. Preliminary Conclusions

- ***Systematic, large-scale capacity building across all key stakeholder groups (government officials/regulators, issuers, assurance providers and users) is key for the successful adoption or other use by jurisdictions and implementation by entities of sustainability reporting standards. While consistent, including the ISSB Standards.*** Consistent and comparable sustainability reporting across jurisdictions is needed for investors to make informed decisions about risks and opportunities, significant, coordinated capacity building is needed to support this goal.
- ***One of the cornerstones of the capacity building effort would be a multi-year approach directed at securities regulators as key agents of change.*** This should focus on two components, as per the two-pronged approach IOSCO is using for capacity building: 1) *building awareness and internal capacity of securities regulators* through in-depth understanding of the technical aspects of the ISSB Standards so that jurisdictions can come to a conclusion on their preferred approach as to whether they should “adopt, apply or otherwise be informed by” the ISSB standards; and 2) *assisting jurisdictions in developing their own adoption roadmaps*. Based on previous experience, it is expected that in most cases targeted jurisdictional technical assistance will be required to design and take forward implementation roadmaps. IOSCO, the IFRS Foundation and development partners such as the World Bank and Regional Development Banks, will continue playing a key role in developing high-quality and accessible implementation material.
- ***In addition to the engagement with regulators and jurisdictional authorities, extensive capacity building should be available to other key stakeholders,*** including corporate issuers, financial markets participants/stock exchanges, assurance providers, information users, etc.
- Given the impact of sustainability reporting requirements by large, global corporates on SMEs which form part of supply chains, there would be a need to understand these interactions better and ***consider how to assist SMEs in their own journey,*** and in a manner befitting their operational model.
- ***Sustainability standard setters and IOSCO are and will continue playing key role in developing core, high-quality, harmonized and accessible training materials*** in close consultation with other key stakeholders,²⁰ global and regional professional accounting organizations. These materials will inform

¹⁹ <https://www.ifrs.org/sustainability/knowledge-hub/how-to-use-this-hub/>

²⁰ Multilateral Development Banks and Regional Development Banks, respectively.

awareness and capacity building efforts at the global, regional and national levels to establish a level playing field.

- ***Given this key role, any engagement of sustainability standard setters in capacity building activities at the level of jurisdictions needs to be carefully calibrated not to compromise real or perceived independence.***

- Going forward, many different players from across the sustainable finance ecosystem may be involved in assisting jurisdictions and other stakeholders such as reporting entities with their capacity building needs. To be effective, these new training service providers should possess in-depth technical expertise with regards to the sustainability reporting framework on which they are looking to provide training and a proven track record in providing capacity building of this kind to both jurisdictions and other stakeholders.

- ***Special effort should be invested in developing a cohort of sustainability reporting professionals, both through training a new cadre and building skills among existing professionals. In particular, this could include:***
 - *Update of the existing or development of new continuing professional education (CPD) programs, incorporating modules on sustainability reporting by professional accounting organizations to supplement existing accounting qualifications.*
 - *Development and inclusion of courses on sustainability reporting by academic institutions in their tertiary education to ensure graduates are “future fit”; i.e. that they can undertake sustainability reporting properly.*