

Scorecard

ISSB IFRS S1

About ISSB IFRS S1

COVERAGE OF COMPANIES

Global

LAUNCH DATE

2023

FOCUS

Financially material sustainability-related risks and opportunities

LINK:

<https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/>

ISSB IFRS S1 Score

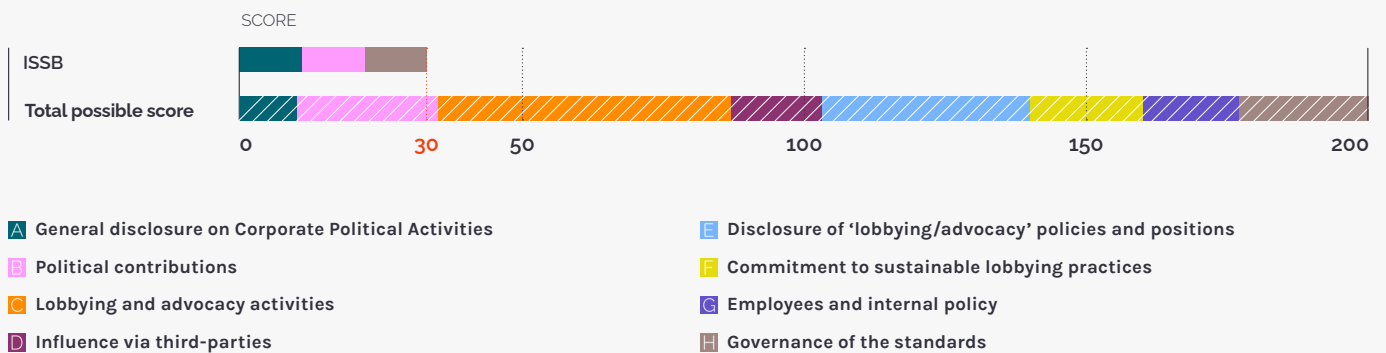
Tracker Rank and Score for ISSB

The score is out of a total of 200 and the rank describes the standards position in the 27 standards assessed by the Tracker.



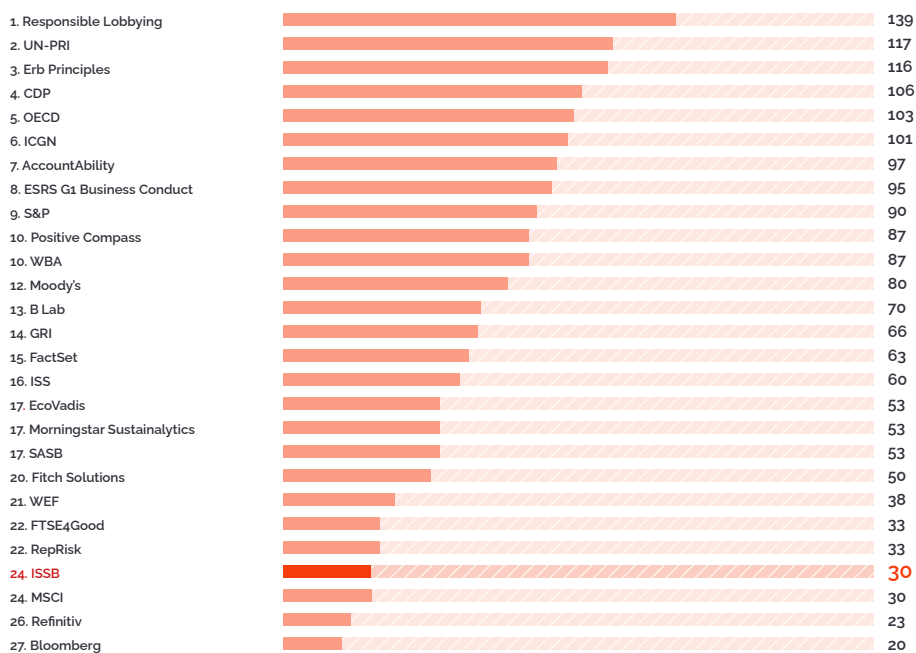
Rank 24 /27

Category scores of ISSB



*Categories where the standard received no points do not appear in the colour-coded graph

Rank and scores for all standards



Description

The International Sustainability Standards Board (ISSB) IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information¹ are the result of ongoing work to standardise sustainability reporting and integrate it into international financial accounting standards. The ISSB was launched by the UK-based International Financial Reporting Standards (IFRS) Foundation at the COP26 conference in November 2021. The ISSB was asked to develop and maintain IFRS Sustainability Disclosure Standards in order to provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions. The ISSB sits alongside the existing International Accounting Standards Board (IASB) as a body that informs the evolution of international accounting standards and associated financial reporting norms. Although they are separate and independent boards, they work alongside each other to enhance interconnectedness between financial reporting and sustainability reporting.

In March 2022, the ISSB issued two Exposure Drafts, based on the prototype documents created by its Technical Readiness Working Group (TRWG): IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information; and IFRS S2 Climate-related Disclosures. Proposals set out in IFRS S1 require an entity to disclose material information about all the significant sustainability-related risks and opportunities to which it is exposed.

The Good Lobby Tracker analysed the extent to which the draft IFRS S1 framework addresses corporate political activities and related lobbying conduct. The standard was adopted by the IFRS in June of 2023, and has been heavily endorsed by global financial regulators since its adoption.² As part of the normal process of international financial reporting standards development, national governments are expected to adopt the ISSB recommendations into national regulatory regimes over time. This makes the ISSB's work important for the future of corporate reporting and corporate conduct.

According to the ISSB, their standards are designed to meet investor information needs and enable companies to communicate decision-useful information efficiently to global capital markets. The ISSB is committed to delivering standards that are cost-effective, decision-useful and market informed. Its work is backed by the G7, the G20, the International Organization of Securities Commissions (IOSCO), the Financial Stability Board, African Finance Ministers and Finance Ministers and Central Bank Governors from more than 40 jurisdictions. The first two ISSB Standards, IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and IFRS S2 Climate-related Disclosures (IFRS S2) are both effective for reporting periods beginning after 1 January 2024.

Recognising the value of existing frameworks and the market demand for streamlining, the ISSB sought to build on and consolidate the work of market-led investor-focused reporting initiatives, including the SASB Standards, the Task Force for Climate-related Financial Disclosures (TCFD) Recommendations, the Integrated Reporting Framework,³ and the Climate Disclosure Standards Board (CDSB) Framework.⁴

Score summary

The IFRS S1 disclosure recommendations received a **Tracker score of 30 out of a total possible score of 200**. This reflects the IFRS Foundation's focus on financial accounting disclosures and the ISSB's tendency to ignore the financial materiality of corporate political activities and associated lobbying conduct in their standards development process. IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities 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. Corporate political activities may be included implicitly in the IFRS definition of sustainability-related risks, but these are not mentioned anywhere in the standard. The IFRS S1 standard receives Tracker points for its governance, and feedback mechanisms.

Opportunities for improvement

In future revisions to the S1 standard, the ISSB should consider assessing the financial materiality of corporate political activities, and the applicability of each of the 8 Tracker categories as guides for preparers of corporate financial reports.

Endnotes

- 1 <https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/#>
- 2 'IOSCO endorses the ISSB's Sustainability-related Financial Disclosures Standards' (25.07.2023): <https://www.iosco.org/news/pdf/IOSCONEWS703.pdf>
- 3 <https://integratedreporting.ifrs.org/resource/international-ir-framework/>
- 4 <https://www.cdsb.net/what-we-do/reporting-frameworks>

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