



Uniform Global Sustainability Disclosures: IOSCO's Endorsement Of ISSB Standards Ups The Ante

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On June 26, 2023, the International Sustainability Standards Board (ISSB) [finalized its sustainability disclosure standards](#): IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate Related Disclosures. Before the ink had time to dry, on July 25 the International Organization of Securities Commissions (IOSCO) issued its [endorsement](#) of the ISSB standards for investor-focused sustainability reporting:

“IOSCO has concluded that the ISSB Standards serve as an effective and proportionate global framework of investor-focused disclosures in relation to climate-related matters, specifically (IFRS S2) and, more generally, sustainability-related information (IFRS S1). IOSCO has concluded that the ISSB Standards are appropriate for the purpose of helping globally integrated financial markets accurately assess relevant sustainability risks and opportunities. It has also concluded that they form an appropriate basis for the development of a robust assurance framework to apply to such disclosures.”

This strong statement of support was accompanied by a call for [adoption, adaptation, and implementation of ISSB's Sustainability-related Financial Disclosures Standards](#) by IOSCO's members:

“IOSCO now calls on its 130 member jurisdictions, regulating more than 95% of the world's financial markets, to consider ways in which they might adopt,

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apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements, in a way that promotes consistent and comparable climate-related and other sustainability-related disclosures for investors”

According to Jean-Paul Servais, chair of IOSCO, between 100,000 and 130,000 companies globally are likely to apply the ISSB standards.

On the same day the IOSCO endorsement was released, the ISSB’s parent, the IFRS Foundation, published a “high-level” [Adoption Guide overview](#) that outlines the mechanisms being developed “to support regulatory implementation, as well as steps that have already been taken such as building proportionality mechanisms and transition reliefs into the Standards.” According to the ISSB:

“Our strategy to support jurisdictions in their journeys towards adoption focuses on four strategic pillars: proportionality, transitional reliefs, consistency in approaches on the phasing-in and scaling of requirements, and capacity building that supports implementation.

This strategy balances addressing initial implementation challenges faced by preparers and the differing starting points and level of preparedness of jurisdictions with the need to deliver the consistency and comparability required by capital markets.”

The Adoption Guide itself, which is scheduled for completion later this year, “will balance jurisdictional considerations about the phasing in of requirements with the need to deliver the comparability, consistency and reliability required by capital markets.” Toward that end, the ISSB is working with IOSCO on capacity building to phase and scale the requirements of the ISSB standards to the size and sophistication of jurisdictions considering adoption and companies that will use them. The ISSB is also in the process of establishing a Transition Implementation Group that “will provide a public forum for stakeholders to follow the discussion of questions that arise on implementation.”

The Adoption Guide overview gives special attention to Scope 3 greenhouse gas (GHG) emission disclosures from value chains that were a focal point for ISSB’s consultations, and are currently a controversial issue in the U.S. The overview notes that: “... information on Scope 3 GHG emissions is critically important to investors as they assess the transition risks and opportunities in the move towards a lower carbon economy.”

However, the overview goes on to summarize the care ISSB has taken to allow additional time, account for potential undue cost and effort, and provide for flexibility on estimating measurements of Scope 3 emissions. In short, the ISSB has taken stock of the challenges posed by Scope 3, and has adopted practical and reasonable measures to phase in the disclosure requirements.

With IOSCO’s support, the ISSB is pulling out all the stops to facilitate and expedite adoption and implementation of IFRS S1 and S2 as the global baseline for sustainability disclosures, both financial and climate related. IOSCO’s endorsement is expected to be a powerful inducement for its member jurisdictions to use the ISSB standards or align their own to be consistent with them. As the IFRS states in its cover note to the Adoption Guide overview: “The positive outcome from IOSCO’s comprehensive review of the Standards sends a strong signal to jurisdictions around the world that the ISSB Standards are fit for purpose for capital market use.”