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"The 2023's new and the fresh": the International Sustainability Disclosure Standards

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Abstract

The manuscript briefly overviews the newly published ISSB Sustainability Disclosure Standards in June 2023. Critical matters leading to the historical publication of the ISSB Standards are elaborated, including the IFRS's International Sustainability Standards Board (ISSB) positioning in the ecosystem for sustainability reporting in ESG accordance. The Board published two groundbreaking International Sustainability Disclosure Standards. We elaborate on a few fundamental concepts behind the ISSB Standards and their general requirements. Nevertheless, the awareness of the ISSB Standards and its disclosure requirements is at an early stage. The latter could have an impact on its worldwide endorsement. It is challenging for different jurisdictions to embed sustainability reporting into their reporting system.
Keywords: *sustainability reporting; ISSB; IFRS Sustainability Disclosure Standards.*

1. Introduction

Sustainability reporting has been in the spotlight for the last few years. Non-financial reporting has been present for over 30 years, but the last decade has given rise to it, making it almost omnipresent. Previously, it was usually called non-financial reporting; nowadays, it is named sustainability reporting. Previously, it was normaly an exeption, lately, it has become mainstream (Abela, 2022), because sustainability factors are becoming a regular permanent part of investment decision-making (IFRS Foundation, 2023a). There were and are increasing calls from investors and other groups of stakeholders that high-quality sustainability-related disclosures regarding an entity's business, present and prospective, should be prepared by reporting entities (IFAC, 2020; Accountancy Europe 2020; IOSCO, 2021; Portilla, et al., 2020). These calls were answered. KPMG's 2022 study reports that there was, until now, a steady growth trend of disclosing sustainability-related disclosures. In the sample of one hundred entities by revenue in 58 different countries, 64 % had disclosed sustainability-related information in 2012 and ten years later, in 2022, 79 % of entities had disclosed sustainability-related information (KPMG, 2022). Sustainability disclosures help lower the information asymmetry between the entity's management, investors and other stakeholders. Sustainability reporting, therefore, enables better monitoring by investors and consequently could lead to better entity governance. Entities can improve in many ways, i.e., they can become more resilient, improve their financial and sustainability performance, etc. Some of the previous study's results suggest that sustainability disclosures lower the cost of capital, better financing (i.e., lower costs of debt), improve investment efficiency and international capital flows, better liquidity, etc. (Christensen et al., 2021). On the other hand, some studies find no relationship (i.e., Clarkson et al., 2013; Stellner et al., 2015). Sustainability reporting does have an economic effect on an entity and could add to economic growth and development. There is a momentum where sustainability reporting has gained an important role; better said, that role has been assigned to it, which is comparable to financial reporting (CDP et al., 2020; EFRAG, 2021; IFAC, 2020; Mähönen, 2020).

Calls for sustainability-related disclosures are omnipresent. A reporting entity can apply any one of the existing sustainability reporting frameworks, standards, and guidelines to prepare sustainability disclosures. This results in disclosures that are incomparable, disparate, and less useful. Calls for sustainability disclosures are widened with requests for worldwide comparable information in sustainability-related matters and high-quality disclosures. Increased comparability and transparency would meet some of the information needs of the entity's investors and other stakeholders (Portilla et al., 2020; IOSCO, 2023). Cohorent, generally acceptable sustainability reporting pronouncements are crucial in the entity's reporting process and sustainability performance (Zdolšek & Taškar Beloglavec, 2023).

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Our paper aims to give a short overview of the newly published ISSB's Sustainability Disclosure Standards and a few fundamental concepts behind the ISSB Standards. The ISSB has published these sustainability reporting standards and tends to become globally endorsed by various stakeholders and jurisdictions. We limit ourselves to the presentation of the ISSB and the grounding principles and requirements in the ISSB's Standards sustainability-related disclosures.

This paper has the following structure. After the introduction, a brief presentation of the current sustainability reporting ecosystem (i.e., various standard-setters and pronouncements) follows. We briefly summarise its historical development. In the third part, we spotlight IFRS's International Sustainability Standards Board. The Board issued two International Sustainability Disclosure Standards in a relatively short period. The Standards and general requirements are presented in the fourth part. The conclusion includes final remarks regarding the sustainability disclosure pronouncements and prospective users of sustainability information disclosures. The paper concludes with possible future research directions.

2. The rationalised ecosystem for sustainability reporting?

At least over the last thirty years, an unprecedented number of pronouncements related to sustainability reporting (i.e., guidelines, frameworks, standards, etc.) have been published. For example, one of the studies shows that in the sample of 60 countries, there are 348 mandatory and 266 voluntary sustainability reporting schemes (Van der Lugt et al., 2020). This is truly a sustainability reporting multiverse, an ecosystem of pronouncements related to non-financial or sustainability reporting (Baboukardos et al., 2023). This sustainability reporting multiverse resulted in a fragmented ecosystem with repetitive requirements, lower transparency, and higher complexity (BEIS, 2020; IFRS Foundation, 2020; Portilla et al., 2020; Accountancy Europe, 2019, 2020; IOSCO, 2021; Mähönen, 2020). For preparers and users of sustainability-related disclosures, this ecosystem is less useful. One of the weaknesses is also the lack of linkage between financial and sustainability reporting (Zdolšek & Taškar Beloglavec, 2023).

In the past few years, the landscape of the ecosystem for sustainability reporting has changed and evolved. In the past, private initiatives, i.e., the Global Reporting Initiative (GRI), Climate Disclosure Project (CDP), International Integrated Reporting Council (IIRC), Climate Disclosure Standards Board (CDSB), Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-Related Financial Disclosures (TCFD), were global leaders (CDP et al., 2020; Lassala et al., 2021). Due to various political actions, activism, and acknowledgement of sustainability reporting in the last few years, the influential "new players" emerged that began their work in sustainability reporting. For example, the IFRS Foundation has established a new ISSB Board to work on sustainability reporting. The European Union put EFRAG (an advisory body to the European Commission) on the mission with the responsibility to prepare the European Sustainability Reporting Standards. Conversely, some previous participants have stopped existing (via consolidation) (IFRS Foundation, 2023f).

The landscape has changed with new players in the ecosystem for sustainability reporting. However, new players usually publish recent pronouncements, i.e., guidelines that have previously not existed. For example, "new guidelines in the new field". Therefore, this fact makes the statement about the rationalisation of the ecosystem less likely accurate. Nevertheless, crucial for the new players in the ecosystem for sustainability reporting is their knowledge and experience in the field of standard-setting. For example, there was a common belief that accounting can be crucial in developing sustainability reporting pronouncements (Accountancy Europe, 2019; Lamberton, 2005; Durocher et al., 2007).

3. The IFRS Foundation and the ISSB

The IFRS Foundation governs the International Accounting Standards Board (IASB), founded as the International Accounting Standards Committee (IASC) in 1973. IASB was transformed into the IASB in 2001. The IASB has the task and responsibility of preparing the IFRS Accounting Standards. IFRS Accounting Standards are required for use in more than 140 countries worldwide, and more countries encourage or permit their use (IFRS Foundation, 2023n). The IFRS Foundation acknowledged the call to become active in sustainability reporting (IFRS Foundation, 2023a; CDP et al., 2020; IFAC, 2020). The IFRS Foundation established the International Sustainability Standards Board (ISSB) in November 2021. The ISSB develops sustainability disclosure standards that result in high-quality, worldwide comparable information on sustainability-related risks and opportunities. Its standards have two main aims: to focus on investors' and the financial markets' needs and to become an unfied comprehensive global baseline of sustainability disclosures (IFRS Foundation, 2023a). On the other hand, the ISSB is aware of the fact that for standards' users (i.e., reporting entities), its standards must be decision-useful, cost-effective, and market-informed (IFRS Foundation, 2023a). All standards developed under the IFRS Foundation umbrella are developed and issued in the public interest (Hoogervorst & Prada, 2015).

The ISSB represents one of the cornerstones of the renewed sustainability reporting ecosystem (previously usually also called the non-financial reporting ecosystem). The renewed ecosystem will be more coherent, i.e. harmonised and comprehensive than the fragmented and complex system with many standard-setters, non-interconnected pronouncements and frameworks that were in place in the past (CDP et al., 2020). Sustainability disclosures in the past were criticised for their incomparability, duplications, their lower quality and credibility and verifiability (Ho, 2017; Accountancy Europe, 2020; Mähönen, 2020; Martinov-Bennie et al., 2012; Albu et al., 2013; Kaya, 2017). Ongoing momentum of acknowledgements and recognition concerning the Earth's sustainability problems, accompanied by the activism of various stakeholders, had spotlighted the previously sidelined accounting profession. The IFRS Foundation, previously purely an accounting standard-setter, had become an "active player" in sustainability reporting (Accountancy Europe, 2019; Lamberton, 2005; Durocher et al., 2007). The IFRS Foundation has some advantages. Its IASB issues IFRS Accounting Standards that are globally used and endorsed (IFAC, 2020). The ISSB and IASB are under the IFRS Foundation's umbrella. This represents a unique possibility to achieve the broadest possible interconnection between sustainability and financial reporting (IFRS Foundation, 2020; IFAC, 2020; Mähönen, 2020). The existing IFRS Foundation's network and standards-setting framework architecture is unique. Its global network enables communication, connections, and cooperation with various stakeholders.

In its short time of existence, the ISSB has gained remarkable worldwide support from various groups of stakeholders, i.e. the G7, the G20, the International Organization of Securities Commissions (IOSCO), the International Federation of Accountants (IFAC), the Financial Stability Board and its Task Force on Climate-related Financial Disclosures (TCFD), African Finance Ministers and Finance Ministers and Central Bank Governors from more than 40 jurisdictions, The Basel Committee on Banking Supervision, and other market participants (IFRS Foundation, 2023a). Support was also gained from standard-setters in sustainability reporting CDP, GRI, and predecessors, Climate Disclosure Standards Board (CDSB), International Integrated Reporting Council (IIRC), and Sustainability Accounting Standards Board (SASB) (CDP et al., 2020). After the ISSB was formed, the latter were quickly consolidated into the ISSB. The ISSB's standard-setting applies a building block approach in the field of sustainability. It means that the ISSB builds on the work of its predecessors, i.e., past reporting initiatives, that have, during their existence, acquired a plethora of personnel, knowledge, experience, and other globally dispersed sustainability reporting assets. The ISSB is committed to continuing to develop the Integrated Reporting Framework, which has existed since 2013 and was initially prepared by the IIRC (IFRS Foundation, 2023b). The Integrated Reporting Framework is structured to be used by the reporting entity in disclosing its managing of responses to the external environment and creates value for its shareholders (IFRS Foundation, 2023b). The ISSB is also responsible for the acquired sectoral SASB Standards, which were previously under the custody of the SASB, established in 2011. The SASB Standards enable the reporting entity to provide industry-based sustainability disclosures about risks and opportunities that affect the entity's value (IFRS Foundation, 2023c). The Climate Disclosure Standards Board (CDSB), which has been designing the CDSB Framework since 2007, was also consolidated by the ISSB (CDSB, 2023). The ISSB also builds on the World Economic Forum's Stakeholder Capitalism Metrics work. The ISSB aims to become the world-leading standard-setter for sustainability disclosure standards, building on the established expertise and practice associated with market-leading frameworks and standards (Zdolšek & Taškar Beloglavec, 2023).

The ISSB is a proponent of developing a genuinely global common language of sustainability-related financial disclosures (IFRS Foundation, 2023d). The ISSB Standards are expected to ensure rigorous, reliable, comparable sustainability disclosures. These will enable users to make informed business decisions (i.e., in investment decision-making). Consequently, ISSB Standards promote the proper functioning of capital markets and build trust, resilience, efficiency, transparency and accountability (IFRS Foundation, 2023e). The ISSB Standards are expected to be developed with efficiency in mind and cost-effective, helping a reporting entity to report what is needed (IFRS Foundation, 2023a).

The project of developing sustainability disclosure standards under the IFRS umbrella started before the ISSB's formation. The Technical Readiness Working Group (TRWG) conducted the preparatory work for the ISSB, preparing the publication of prototype general disclosure and climate requirements, which laid down the initial technical work (IFRS Foundation, 2023f). The first one sets out general sustainability disclosures. The second one sets climate-related disclosures that build on the TCFD's recommendations and includes industry-specific disclosures. The ISSB draw from these documents, preparing in the year 2022 draft documents of sustainability disclosure standards for public consultation. After public deliberation, the ISSB issued its first two IFRS Sustainability Disclosure Standards in June 2023, IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures, with an effective date of 1 January 2024 (IFRS Foundation, 2023g). As a necessity, the ISSB's related project is related to the IFRS Sustainability Disclosure Taxonomy to reflect disclosure requirements. The Taxonomy will be "designed to facilitate users of general-purpose financial reports to consume sustainability-related financial information digitally, regulators to require the digital reporting of sustainability-related financial information and preparers to implement digital reporting of sustainability-related financial information, enabling tagging without undue cost" (IFRS Foundation, 2023h). After publishing IFRS S1 and S2, the ISSB is seeking public feedback on its priorities in the following years (i.e., on projects on sustainability-related risks and opportunities in the field of biodiversity, ecosystems and ecosystem services; human capital, human rights, etc.) (IFRS Foundation, 2023i).

Discourse is present but non-salient. General critics and sceptics argue that setting sustainability disclosure standards should not be left to politics (Adams & Mueller, 2022; Bushman & Landsman, 2010). For example, policy involvement and development could endanger achieving sustainable development. The ISSB formation will only distract from efforts to address the world's sustainability issues and concerns (Ali et al., 2023). The criticism also highlights that the ISSB Standards are based on a single financial materiality concept. In critics ' opinion, preparing sustainability disclosures only for a handful of an entity's investors is a major drawback (Abhayawansa, 2022; Eccles, 2022). Broad groups of stakeholders require sustainability disclosures (Ali et al., 2023). However, as Eccless states, an entity can report on double materiality if it wants to (Eccles, 2022). Moreover, the further use of the Integrated Reporting Framework is uncertain, possibly sending the Framework to a historical graveyard (de Villiers & Dimes, 2023; Afolabi et al., 2023).

The ISSB acknowledges the difficult task of sustainability disclosure standards becoming a global baseline. For the ISSB Standards to be accepted internationally and worldwide, they must be accepted by various stakeholders, regions and jurisdictions (IFRS Foundation, 2023j). For example, first, the standard must be endorsed by a country from Africa, South America, Asia, Europe or any other region or continent. Second, the standard must be endorsed by users, i.e. reporting entities, investors and other market participants and jurisdictions. Developing globally applicable sustainability disclosure requirements is an endeavour that the ISSB is currently entitled to. Nevertheless, the jurisdictions can add their own additional (local) 'building blocks' to the global baseline. Other local disclosure requirements can request more tailored sustainability disclosures tailored to the information needs the jurisdiction deems necessary (IFRS Foundation, 2023j).

4. The ISSB Standards

To state it bluntly, the underlying idea of sustainability disclosure standards is ensuring the preparation of helpful sustainability disclosures to its users. Sustainability disclosure standards are based on various concepts. For example, the idea behind the ISSB Standards is to ensure disclosures and manage an entity's exposure to sustainability-related risks and opportunities and management of (IFRS Foundation, 2023g). Information about an entity's disclosure, policy, goals, and management should give users decision-useful information related to sustainability. The ISSB Standards primarily focus on investors, the concept known as the single financial materiality. Sustainability-related information is useful to investors (i.e., helps investors understand) because it reveals an entity's ability to generate short- and long-term cash flows. This information relates to the entity's interactions with its stakeholders, the economy, the entity's natural environment and the society in its upstream and downstream value chain (IFRS Foundation, 2023g, 2023m). Considering the entity's costs and burdens of preparing information, the ISSB Standards require an entity to disclose sustainability information that could reasonably be anticipated to have an effect on the entity's prospects over the short or long term (i.e., the entity's cost of capital, borrowing possibilities, etc.) (IFRS Foundation, 2023g). For example, the entity's prospect could be endangered by sustainability risks, i.e., the entity's externalities are present in the local areas, the entity's business model is based on water abundance, etc.

To sum up, the ISSB Standards require disclosure of the (current) financial effects of sustainability-related risks and opportunities on the entity's financial position, performance and cash flows and anticipated financial effects of sustainability-related risk and opportunities on the entity's financial position, performance and cash flows over the short and long term while considering how these risks and opportunities are embedded in the entity's financial planning (IFRS Foundation, 2023m). An entity must use reasonable and consistent assumptions and data when preparing it for its sustainability-related disclosures. These must correspond to the assumptions and data to prepare the related entity's financial statements (IFRS Foundation, 2023m). An entity can report other additional sustainability-related information (i.e., information not required by the ISSB Standards). Additional information must not obscure information required by the ISSB Standards (IFRS Foundation, 2023m).

A reporting entity will place its sustainability-related disclosures in its report with an entity's general purpose financial statements (IFRS Foundation, 2023m). This placement of sustainability-related information requires that sustainability disclosures are published simultaneously as the entity's financial statements. An entity's financial and sustainability reporting is for the same reporting period (IFRS Foundation, 2023m). Additional relief is in place for entities using the ISSB Standards for the first time. Only entities using the ISSB Standards for the first time can publish their sustainability-related information with an additional time lag, i.e., in the following half-year report (IFRS Foundation, 2023m). The new ISSB Standards IFRS S1 and S2 were published in June 2023, hence the term "new and fresh" in the title of this manuscript. This is a once-in-lifetime momentum for sustainability reporting. Both ISSB Standards are effective for annual reporting periods beginning on or after 1 January 2024. An entity will apply the ISSB Standards for their 2024 reporting cycle in preparation for their sustainability disclosures. Users of the entity's reports will see the sustainability disclosures in 2025. A reporting entity for sustainability-related information is the same as the reporting entity for financial reporting (IFRS Foundation, 2023m).

Any private or public sector reporting entity can voluntarily apply the ISSB Standards to prepare sustainability-related disclosures. Note that both ISSB Standards must be applied so that an entity can state compliance with the ISSB Standards. The ISSB can not require mandatory use of the ISSB Standards. Nevertheless, the ISSB Standards were endorsed in July 2023 (one month after its publication) by one of the main stakeholders of the global financial system, the International Organisation of Securities Commissions (IOSCO), which represents capital markets authorities regulating the great majority of the world's securities markets, that is more than 95 %, from130 members jurisdictions. IOSCO's endorsement sends a solid signal to jurisdictions worldwide and calls IOSCO's members to consider how they can incorporate the ISSB Standards into their respective regulatory frameworks. The aim is to globally deliver consistency and comparability of sustainability-related disclosures to users (IOSCO, 2023; IFRS Foundation, 2023k). If jurisdictional authority makes the ISSB Standards mandatory, then a reporting entity from that jurisdiction must apply them. For example, before the issuance of the ISSB Standards, the Nigerian authority (i.e., the Financial Reporting Council of Nigeria) declared that Nigeria would move to adopt the ISSB Standards after their publication (IFRS Foundation, 2022). The ISSB collaborates closely with boards related to sustainability reporting that are newly established or will be established shortly from various jurisdictions (i.e., Australia, Brazil, Canada, Japan, South Korea, etc.) (IFRS Foundation, 2023e).

The IOSCO's endorsement signals that the ISSB Standards meet the "fit and proper" criteria for their application. The ISSB Standards should provide sustainability-related information that is comparable, understandable, timely and verifiable (i.e., auditable). These qualitative characteristics of information are necessary for information to be useful. The ISSB Standards should eliminate duplication of disclosures, their incomparability and lower quality and credibility (Ho, 2017; Accountancy Europe, 2020; Mähönen, 2020; Martinov-Bennie et al., 2012; Albu et al., 2013; Kaya, 2017). One of the main advantages of the ISSB Standards should be the intercomparability of disclosed information. The high priority for the ISSB was achieving interconnection between financial and sustainability reporting (CDP et al., 2020).

Furthermore, establishing interoperability between the ISSB and the European Sustainability Reporting Standards (ESRS), the GRI Standards, and other major jurisdictional requirements was also a high priority. Another view on comparability is regarding comparative information for the current and past reporting periods. The ISSB Standards require disclosure of comparative sustainability-related information. Nevertheless, additional reliefs regarding providing comparative information are given to entities. For example, in the first year of use of the ISSB Standards, an entity does not have to provide comparative information (IFRS Foundation, 2023g). More reliefs are possible, including one that relieves an entity from disclosing sustainability-related opportunities if that information is commercially sensitive for an entity (IFRS Foundation, 2023m). One advantage of the ISSB Standards is that they consider the entity's circumstances regarding their range of preparedness and capabilities for sustainability reporting. For example, if an entity does not have the necessary capabilities and resources, the entity could be allowed to temporarily or even permanently provide qualitative information instead of quantitative about the anticipated financial effects of a sustainability-related risk or opportunity (IFRS Foundation, 2023m). The ISSB Standards also provide transitional reliefs in the first year of their application. The ISSB Standards bundle encompasses application guidance. For example, the ISSB provides illustrative guidance and examples regarding using the ISSB Standards.

The underpinning of the ISSB Standards is the single materiality concept (Stolowy & Paugam, 2023), i.e., the focus in the ISSB Standards is on the needs of the entity's investors and financial markets. Therefore, the accompanying slogan is "better information for better decisions". An entity must disclose fairly material sustainability-related information. The concept of materiality is borrowed from the IFRS Accounting Standards. Information is material if omitting, misstating, or obscuring that very same piece of information could reasonably be expected to influence users' decisions based on that information (i.e., sustainability-related information) (IFRS Foundation, 2023m). Furthermore, fair presentation of sustainability-related information means, that all sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects must be disclosed. The ISSB's faithful presentation encompasses a complete, neutral, and accurate depiction of sustainability-related risks and opportunities (IFRS Foundation, 2023m).

The ISSB Standards architecture consists of four pillars: governance, strategy, risk management and metrics and targets about sustainability-related risks and opportunities (IFRS Foundation, 2023g, 2023m). The ISSB took over the pillars of the TCFD Recommendations regarding climate reporting and extended them beyond climate reporting. In the first pillar regarding governance, an entity should disclose information that is useful to users in understanding the entity's governance processes, controls and procedures that the entity uses to monitor, manage, and oversee sustainability-related risks and opportunities. The second pillar regarding strategy should ensure applicable disclosures to users regarding the entity's strategy in managing sustainability-related risks and opportunities. In the third pillar regarding risk management, an entity should disclose information enabling users to understand the entity's risk management processes concerning identifying, assessing, prioritising and monitoring sustainability-related risks and opportunities. The fourth and last pillar regarding metrics and targets should ensure useful disclosures regarding the entity's performance concerning its sustainable-related risks and opportunities. This performance reporting should entail the entity's progress towards any entity's targets and other targets required by the entity's jurisdiction (IFRS Foundation, 2023g; 2023m).

In June 2023, the ISSB published its first two IFRS Sustainability Disclosure Standards, IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures. The first one, IFRS S1, sets out the general requirements for an entity on disclosures about the entity's sustainability-related risks and opportunities that are useful to users of general-purpose financial reports. It sets out the general requirements for how an entity should disclose that information and the requirements for providing a complete set of sustainability-related financial disclosures (IFRS Foundation, 2023m). IFRS S1 has the status of a fundamental sustainability disclosure standard. IFRS S1 adapts many concepts and general requirements from the IASB's Conceptual Framework for Financial Reporting and the IFRS Accounting Standards (i.e., IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors and IAS 1 – Presentation of Financial Statements). Adapted foundations and requirements are generally accepted in financial reporting (IFRS Foundation, 2023g, 2023m). Additionally, IFRS S1 specifies sources of guidance to help an entity identify sustainability-related information to report (i.e., sustainability-related risks and opportunities and disclosure requirements applicable to those sustainability-related risks and opportunities) (IFRS Foundation, 2023m).

5. Concluding remarks

History will log the publication of the ISSB Standards as a once-in-a-lifetime event, a milestone that marks a new era for sustainability reporting. An event is equal to another milestone in history, i.e., the U.S. Securities and Exchange Commission's rule from 1933 requiring listed entities to prepare their financial statements following the U.S. Generally Accepted Accounting Principles (US GAAP) (Zdolšek & Taškar Beloglavec, 2023). With the ISSB Standards publication and further endorsement from the IOSCO, sustainability reporting has been assigned a role comparable to financial reporting. Nevertheless, it must be added that standards publication is only the first step. The task and responsibility of ensuring useful sustainability-related disclosures about a reporting entity is with the entity and its management. It will be a challenging and daunting new task for preparers of sustainability-related disclosures.

Our paper briefly overviews the newly published ISSB Sustainability Disclosure Standards. In our overview, we limited ourselves to the main requirements and a few fundamental concepts concerning the preparation of sustainability-related disclosures following the ISSB Standards, especially the requirements of the IFRS S1. IFRS S2, a thematic standard that presents the requirements concerning climate-related disclosures, is not included in our overview.

In our opinion, the awareness of the ISSB Standards and its disclosure requirements is at the early stage of a newborn. Preparers tackling everyday business problems are probably unprepared for sustainability reporting following the new ISSB Standards. Most preparers lack the personnel, knowledge, experience, and other assets necessary to prepare sustainability-related disclosures. Education is needed for the personnel, existing and prospective. Not only preparers but other users also lack knowledge and skills about sustainability reporting. One question is how to include sustainability reporting in educational program curricula.

As we previously marked in our manuscript, sustainability-related disclosures are growing. However, another aspect of preparing sustainability-related disclosures is that this task and responsibility is currently limited to larger entities in the private sector in developed countries (IFRS Foundation, 2023l). There is a massive challenge facing jurisdictions in how to embed sustainability reporting into their reporting system for various types of entities. For example, if larger entities from the private sector prepare sustainability-related disclosures, why larger organisations from the public sector are not? Should organisations from the public sector set an example?

Another challenge for the ISSB and its Standards is the following. The European Union prepared and published in July 2023 its own European Sustainability Disclosure Standards (ESRS). The European Union's EFRAG (as custodian of the ESRS) and the IFRS Foundation are cooperating, but there is an essential difference in the design of the sustainability reporting standards. For example, the ESRS Standards are based on the double materiality concept. It will be challenging for the ISSB to achieve worldwide endorsement in the developed economies, especially in the EU and its member states, the USA, etc.

A possible future enquiry could be directed into comparing the requirements of the ISSB and ESRS Standards. Is there a duplication of requirements for sustainability-related disclosures? How are these two standards and any other interoperable? One possible avenue of research could be to explore the widespread usage of the ISSB Standards (i.e., among various users, different industry sectors, regions, countries, etc.). Problems with the ISSB Standards application among prepares would also be an interesting research path. Furthermore, the expectations gap between the prepares and users of sustainability-related disclosures could be studied.

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