

MEMO ON ADOPTION OF IFRS S1 AND S2

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Practicioners committee

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The International Sustainability Standards Board (ISSB) was established as part of the IFRS Foundation because of investor, company and international policy maker demand for:

- decision-useful, comparable information
- ending the ‘alphabet soup’ of voluntary initiatives
- an efficient reporting landscape

The ISSB builds on the work of market-led investor-focused reporting initiatives—including the Climate Disclosure Standards Board (CDSB), the Task Force on Climate-related Financial Disclosures (TCFD), the Value Reporting Foundation’s Integrated Reporting Framework and industry-based SASB Standards, as well as the World Economic Forum’s Stakeholder Capitalism Metrics.

The ISSB works in close cooperation with the International Accounting Standards Board (IASB), ensuring connections between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards. Each board is independent, and their Standards complement each other to provide investors and other capital market participants with comprehensive information to meet their needs. The staff of the IASB and the ISSB work in coordination at all times to ensure their Standards are compatible.

Following extensive market consultation and having consolidated the resources of other initiatives and aligned international support, the ISSB published its first two Standards in June 2023, IFRS S1 ‘General Requirements for Disclosure of Sustainability-related Financial Information’ and IFRS S2 ‘Climate-related Disclosures’. The ISSB Standards are proportionate and enforceable, designed to elicit assured, decision-useful information connected to financial statements. The ISSB Standards are suitable for application around the world, creating a truly global baseline.

Adoption of the ISSB Standards

The ISSB Standards provide a comprehensive global baseline of sustainability disclosure standards that can be mandated and combined with jurisdiction-specific requirements or requirements aimed at meeting the information needs of broader stakeholder groups beyond investors. IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024, with early adoption permitted. With respect to IFRS S1 and S2, **it is for jurisdictional authorities to decide whether to mandate use of these IFRS Sustainability Disclosure Standards issued by the ISSB.**

Assurance relating to these ISSB Standards

It is also up to jurisdictions to determine whether assurance is required. The IFRS Foundation’s mandate does not include requiring a particular level of assurance by those using its standards. The IFRS Foundation is also not responsible for the development of assurance standards.

Source: ISSB Frequently Asked Questions

Based on the foregoing, ICATT's position is as follows:

1. The IASB and ISSB are Independent Boards with different mandates.
2. The adoption of these standards may require extensive consultations with key stakeholders.
3. In light of "1" and "2" above, entities may adopt IFRS S1 and IFRS S2 on a voluntary basis for annual periods beginning on or after 1 January 2024. A timeline for mandatory adoption, along with assurance requirements, will be determined at a later date subject to completion of consultations with key stakeholders.
4. An Assurance or Audit Report relating to IFRS S1 and IFRS S2 is not mandatory at this time, but it is encouraged. Currently, assurance practitioners utilize ISAE 3000 (Revised) 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information' and ISAE 3410 'Assurance Engagements on Greenhouse Gas Statements' to provide opinions or conclusions on sustainability information. ISSA 5000 'General Requirements for Sustainability Assurance Engagements' is in the Exposure Draft stage and comments were due on 1 December 2023.

The Institute will continue to consider pertinent and relevant developments and will provide further guidance in 2024.