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Global IFRS Institute | Sustainability reporting



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**“A global baseline can only be achieved if it’s feasible for all types of companies to adopt the standards, not just the most sophisticated. By beginning to address scalability now, the ISSB is showing that it’s listening to concerns about the challenges ahead for preparers in applying the standards.”**

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## Considering ways to ensure the standards can be applied by all types of company

### What’s the issue?

The feedback that the International Sustainability Standards Board (ISSB) has received on both proposed IFRS S1 and IFRS S2 (together ‘the proposals’<sup>1</sup>) shows strong support for a ‘global baseline’ of sustainability-related financial information. However, a global baseline can only be achieved if it is feasible for all types of company to apply, not just the most sophisticated.

Many stakeholders identified scalability as an issue and requested that the ISSB give more support to companies that are less prepared or could find it difficult to apply the proposals due to resource constraints – in terms of systems, or availability of specialist staff or data.

### What was proposed?

The proposals offer some limited relief for companies. For example:

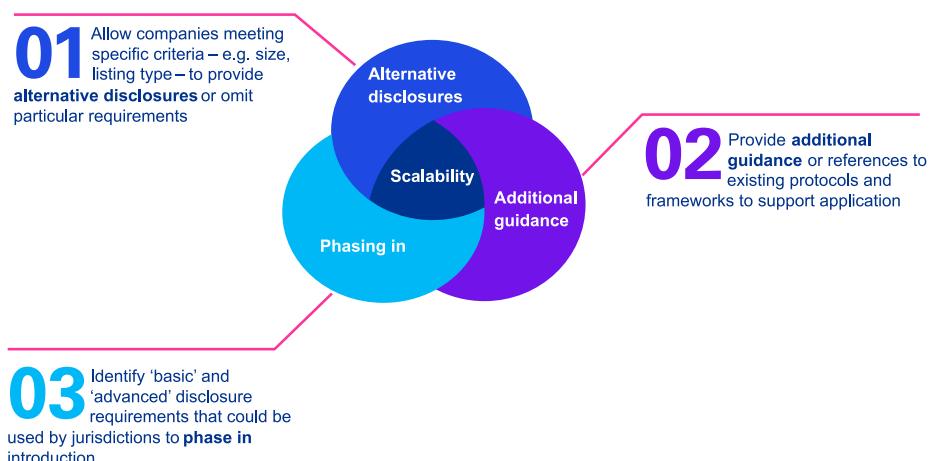
- comparative information would not be required in the first year of application; and
- scenario analysis and quantified financial impacts would not be required if the company is ‘unable to’ provide them.

However, feedback in the ISSB’s analysis showed concerns with applying the ‘unable to’ relief in practice. There are also other areas of the proposals – e.g. disclosing Scope 3 greenhouse gas (GHG) emissions or reporting at the same time as the financial statements – that will be particularly challenging for some companies to apply.

### What’s the ISSB’s latest thinking?

To address these concerns, the ISSB discussed providing further guidance on the meaning of ‘unable to’ and considered three ways or ‘mechanisms’ that could help companies globally to apply the final standards in a timely way:

1. IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.



The next action is to identify where and how these mechanisms can be used to apply the final standards.

### What's the impact?

The ISSB is working on ways to make the global baseline easier to apply, while keeping the same objectives, structure and strong links to all the elements of the TCFD<sup>2</sup> framework.

Companies still need to understand what they need to do to be ready for reporting under the proposed standards. These mechanisms may not be available to all companies, and jurisdictions may not include them in local requirements.

### Actions for management

Do not delay starting your implementation project. The ISSB may find ways to help with transition but companies will still need to do a lot of work in preparing to apply the standards. So what can be done now?

- Familiarise yourself with the current proposals and understand what they would require. Read our [guide](#) for more detail.
- Perform an impact assessment to understand where there are gaps between your current reporting and the proposals.
- Engage with your local standard setter to understand how it plans to introduce the requirements and whether any transition relief might be permitted.
- Keep monitoring developments to understand how the ISSB plans to introduce scalability mechanisms at future board meetings.

### How did we get here?

The ISSB first considered scalability at the September 2022 meeting.

Document version	Reference	Note
Proposed IFRS S1	<a href="#">ED/2022/S1</a>	Published 31 March 2022
Proposed IFRS S2	<a href="#">ED/2022/S2</a>	Published 31 March 2022
ISSB Board meeting – 20–23 September 2022 – Frankfurt	<a href="#">AP3C and AP4C Scalability Meeting summary</a>	The ISSB tentatively decided on the factors that they will use to consider further which scalability mechanisms are appropriate support companies to apply the proposals

2. Task Force on Climate-related Financial Disclosures.

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