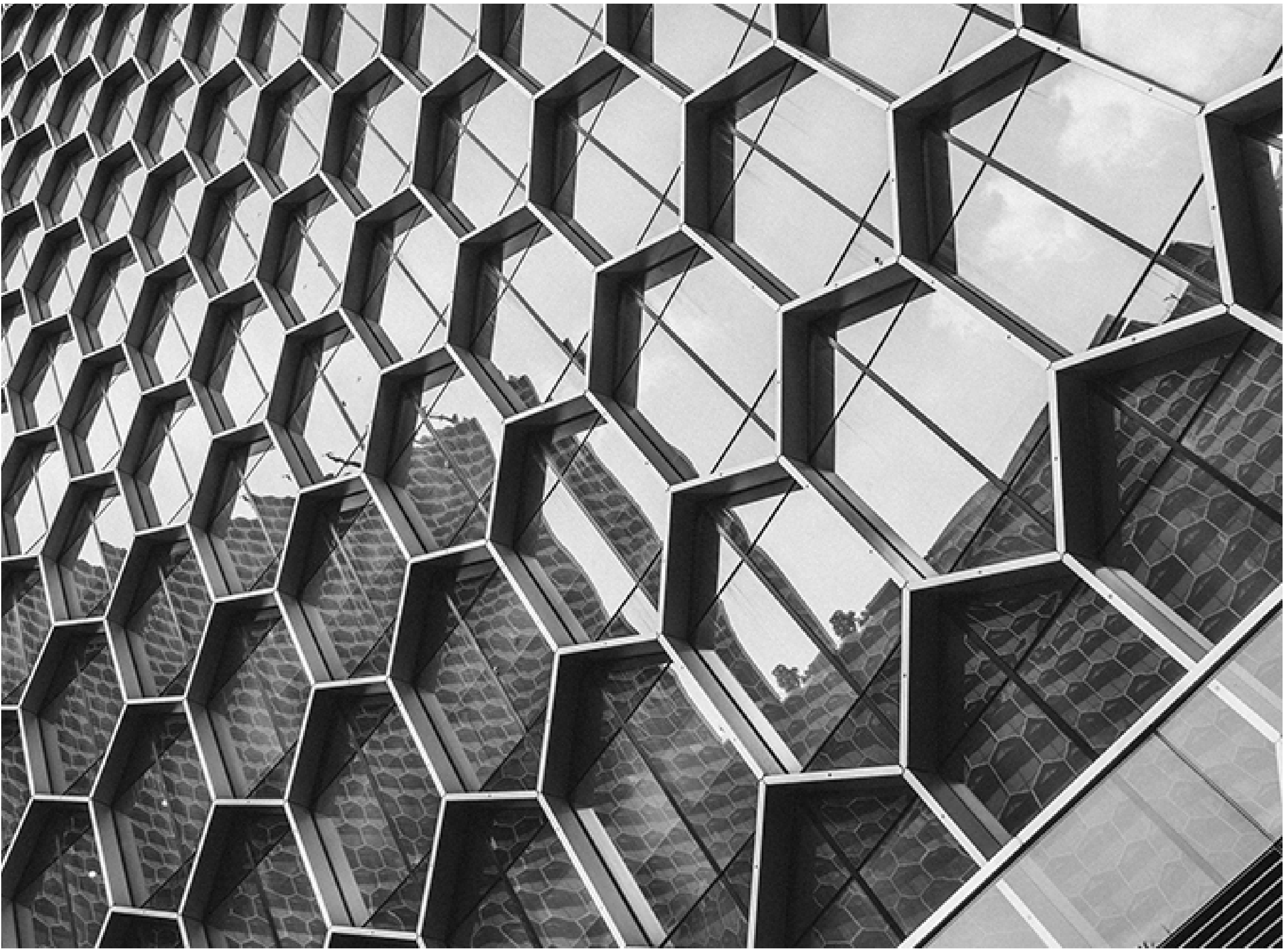
IFRS® Foundation

Jurisdictional Rationale Guide for the adoption or other use of ISSB Standards



EXECUTIVE SUMMARY

Investors, global policy makers, regulatory bodies and other market participants have long called for global, decision-useful and market-informed sustainability-related disclosure standards to enable investors and other market participants to understand, assess and price companies' sustainability-related risks and opportunities. In response, the International Sustainability Standards Board (ISSB) was created in November 2021 with the aim of establishing a high-quality, comprehensive and cost-effective global baseline of sustainability-related financial disclosures focused on the needs of investors and capital markets.

In June 2023, the ISSB issued its inaugural Standards: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* (referred to collectively as 'ISSB™ Standards'). Building on existing voluntary sustainability reporting frameworks and market practice, ISSB Standards help companies to disclose to capital markets globally comparable information on climate and other sustainability-related risks and opportunities. ISSB Standards are designed to support the transition from companies voluntarily providing sustainability-related disclosures to, subject to decisions of jurisdictional authorities, disclosing financially material sustainability-related information on a mandatory basis in accordance with globally accepted standards.

Since issuing the first ISSB Standards, jurisdictional adoption has gained significant momentum worldwide, moving quickly towards achieving the global baseline. Just a couple of years after IFRS S1 and IFRS S2 were issued, many jurisdictions have incorporated or are in the process of incorporating ISSB Standards into their regulatory frameworks.

The IFRS Foundation (Foundation) is committed to supporting the efficient and effective adoption and implementation of ISSB Standards. As part of its Regulatory Implementation Programme, the Foundation announced it would develop resources to support jurisdictions in:

- assessing the case for adoption or other use of ISSB Standards;[1] and
- articulating a clear rationale that can help regulators to make decisions about adoption and to engage with their market participants.

The Foundation has analysed publications by international organisations and jurisdictions that are on their adoption journeys and has engaged with global bodies with an interest in the adoption or other use of ISSB Standards. Based on that research, the Foundation has identified three commonly cited areas of benefit from the adoption or other use of ISSB Standards. These areas, illustrated in Figure 1, are:

- **strengthening capital markets by informing investors' capital allocation decisions;**
- **improving cost effectiveness and enhancing efficiencies for companies; and**
- **enabling jurisdictions to access other benefits resulting from the global baseline of sustainability-related financial disclosures, when relevant.**

1 In the *Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards*, 'adoption or other use of ISSB Standards' refers to the range of approaches that jurisdictions may take to 'adopt, apply or otherwise be informed by' ISSB Standards when introducing sustainability-related disclosure requirements in their legal and regulatory frameworks. This range includes approaches that involve the adoption or other use of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* directly, as well as the introduction of local sustainability-related disclosure requirements (or standards) designed to deliver functionally aligned outcomes to those resulting from the application of IFRS S1 and IFRS S2.

Figure 1—Commonly cited areas of benefit from the adoption or other use of ISSB Standards

A. Strengthening capital markets by informing investors' capital-allocation decisions

- Encouraging greater transparency to enable better-informed investment decisions through greater accuracy in assessing and pricing risks and opportunities
- Supporting the development of a jurisdiction's capital markets by facilitating access to capital, lowering the cost of capital and encouraging foreign direct investment
- Fostering investor protection and mitigating greenwashing
- Promoting a more resilient financial system

B. Improving cost effectiveness and enhancing efficiencies for companies

- Streamlining reporting requirements and reducing burdens and costs to improve cost effectiveness for companies
- Enhancing efficiency through alignment with international standards

C. Enabling jurisdictions to access other benefits resulting from the global baseline of sustainability-related financial disclosures, when relevant

- Enhancing the financial market architecture, including the sustainable finance architecture
- Using the 'building blocks approach' so jurisdictions can choose to build on the global baseline
- Enhancing global trade competitiveness throughout the supply chain
- Supporting broader domestic and international policy goals

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INTRODUCTION

The creation of the ISSB marked a significant milestone in the global effort to enhance sustainability-related financial disclosures for use in capital markets. Since issuing IFRS S1 and IFRS S2 in June 2023, the ISSB has made significant progress towards establishing ISSB Standards as the global baseline for companies seeking to provide financially material information to investors in a manner that is consistent and comparable.

Under its *Regulatory Implementation Programme*, the Foundation has committed to developing:

- tools and resources to support the decisions of jurisdictions considering their approaches to adopting or otherwise using ISSB Standards; and
- materials that support jurisdictions in determining a clear rationale to guide their decision-making related to adopting ISSB Standards.

As the basis for this support, the Foundation has carried out detailed desktop analysis of the adoption rationales set out by jurisdictions in their policy statements, adoption roadmaps and consultation documents, and by international organisations in their policy reports. The Foundation also hosted a roundtable in March 2025 to assess these findings and gather additional input with a group of organisations with an interest in adoption of ISSB Standards, including:

- the International Organization of Securities Commissions (IOSCO);
- multilateral development banks and agencies;
- development agencies;
- accountancy bodies; and
- investors.

This document brings together the insights from the desktop analysis and the roundtable discussion. 'Jurisdictional perspectives', in the form of examples and extracts from jurisdictional consultations and roadmaps, are included throughout this document to illustrate frequently cited adoption rationales or considerations. By offering insights into the strategic advantages of adopting or otherwise using ISSB Standards, this document aims to support jurisdictions as they work towards:

- developing effective and efficient sustainability-related reporting regimes tailored to their specific needs and objectives; and
- contributing to globally consistent and comparable information for capital markets.

Background—ISSB Standards as the global baseline for sustainability disclosure

The ISSB was created in November 2021 in response to urgent calls from investors, regulators and policymakers. These stakeholders stressed the importance of having more consistent, rigorous and decision-useful information that enables them to understand, assess and price companies' sustainability-related risks and opportunities.

Global policymakers and regulatory bodies, such as IOSCO, the Financial Stability Board (FSB), the G7 and the G20, emphasised that the delivery of high-quality sustainability-related financial information would be an essential contributor to the proper functioning of capital markets, building trust, resilience, transparency and accountability.

In its 2020 report *Sustainable Finance and the Role of Securities Regulators and IOSCO*, IOSCO stated that:[2]

> securities regulators can contribute to this transition towards sustainable investments and a sustainable economy by, for example, promoting transparency in markets through disclosure of material [environmental, social and governance]-related information that allows market participants to identify and assess sustainability-related risks and opportunities. Information on individual firm's exposure to risks and opportunities and their strategies to address them can be material to investment decision. Access to such information, when material, is fundamental for investor protection, efficient risk management and transparent, well-functioning capital markets …

Similarly, the FSB stated in 2021 that:[3]

> the ability to manage [climate-related] risks depends on reliable data, from a variety of sources, including from scientific and official sector sources, and also from corporate disclosures. High-quality corporate disclosures enable market participants to make better-informed decisions … and help financial authorities to better assess the resilience of financial institutions and the overall financial system to climate-related risks.

A key aim in creating the ISSB was to respond to the lack of coordination among existing voluntary sustainability-related frameworks, standards and requirements—a so-called 'alphabet soup' that adds cost, complexity and risk for investors and companies. The ISSB was therefore created to deliver a set of global sustainability-related disclosure standards that meet the needs of capital markets, are cost-effective, decision-useful and market-informed, and, subject to decisions of jurisdictional authorities, can form the basis for mandatory reporting requirements globally.

Accordingly, in June 2023, the ISSB issued its inaugural Standards: IFRS S1 and IFRS S2. ISSB Standards help companies make the transition from providing voluntary sustainability-related disclosures to a regime in which companies disclose sustainability-related financial information on a mandatory basis in accordance with globally accepted standards, operating within jurisdictions' legal and regulatory frameworks reflecting sovereign decisions.

In the *Effects Analysis on IFRS S1* General Requirements for Disclosure of Sustainability-related Financial Information *and IFRS S2* Climate-related Disclosures, the ISSB concluded that the benefits of implementing ISSB Standards outweigh the costs, based on comments from the public consultation on the exposure drafts of IFRS S1 and IFRS S2. The ISSB also acknowledged that the transition to ISSB Standards will involve implementation challenges that will inevitably vary, depending on a company's state of preparedness, its specific circumstances and the circumstances affecting the jurisdiction in which it operates.

Similarly, based on feedback on the exposure drafts and ongoing engagement with key stakeholders, the ISSB also acknowledged that jurisdictional compliance with a global reporting framework can be an important factor in influencing capital providers' confidence in a jurisdiction's capital market. Such compliance can also influence confidence in the reliability of a jurisdiction's regulatory framework and its compliance with international principles, standards and best practice.

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2 IOSCO, *Sustainable Finance and the Role of Securities Regulators and IOSCO*, IOSCO, page 3, 2020, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD652.pdf.

3 FSB, *FSB Roadmap for Addressing Climate-Related Financial Risks*, FSB, page 1, 2021, https://www.fsb.org/uploads/P070721-2.pdf.

After an independent and comprehensive review, IOSCO endorsed IFRS S1 and IFRS S2 in July 2023, concluding that they are 'appropriate to serve as a global framework for capital markets'.[4] IOSCO called on its 130 member jurisdictions to consider ways to adopt, apply or otherwise be informed by ISSB Standards within their jurisdictional arrangements, encouraging both mandatory application and voluntary use.

Since the inaugural ISSB Standards were issued, jurisdictional adoption has gained significant momentum worldwide, advancing the ISSB Standards as the global baseline for capital markets. This progress is demonstrated by the first set of jurisdictional profiles and snapshots, published in June 2025. Most jurisdictions that have taken steps towards adoption are targeting an approach that fully adopts, or otherwise aligns closely with, ISSB Standards.

Assessing the case—The need to consider the jurisdictional rationale for adoption

A jurisdiction's consideration of whether to adopt or otherwise use ISSB Standards might involve several phases, as set out in the Foundation's *Regulatory Implementation Programme Outline*. These phases include:

- becoming familiar with ISSB Standards;
- assessing the case for adoption and considering market readiness;
- developing a roadmap for adoption; and
- executing the roadmap by introducing sustainability-related disclosure requirements over time.

Determining a clear rationale for adopting or otherwise using ISSB Standards is central to the 'assessing the case' phase. In this phase, jurisdictional authorities address the policy objective, or the 'why', driving consideration of sustainability-related disclosures for their regulatory frameworks. A rationale also helps to guide jurisdictional activities and decisions and to build market participants' support in the 'developing the roadmap' phase. A carefully articulated rationale will guide a jurisdiction's decisions about the 'how', 'who', 'what' and 'when' of adoption. Some decisions necessarily flow from the outcomes a jurisdiction is seeking to achieve by adopting or otherwise using ISSB Standards—for example, decisions about the reporting companies that will be permitted or required to apply ISSB Standards (who) or the specific disclosure requirements that will apply to reporting companies (what). A clear rationale will also help to determine which regulatory authorities need to be directly involved in the adoption process and which other stakeholders might need to be engaged.

As noted by participants in the March 2025 roundtable, a jurisdiction will typically have more than one prevailing rationale for considering sustainability-related disclosure requirements. Relevant regulatory authorities within a jurisdiction might also pursue varying policy objectives. Careful evaluation and communication of the key considerations, benefits and the relationship between various policy objectives can help to identify different rationales and perspectives and to build consensus on a comprehensive and cohesive jurisdictional approach. Coordinated efforts among the relevant policymaking and regulatory bodies are more likely to result in coherent regulatory proposals that streamline requirements, avoid overlaps and deliver the intended benefits.

4 IOSCO, *IOSCO endorsement of the ISSB Standards for sustainability-related disclosures*, IOSCO, page 1, 2023, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD741-Endorsement-Decision.pdf.

Furthermore, because any new disclosure requirements are likely to involve a cost to reporting companies, it is critical for regulatory authorities to be able to articulate and communicate the corresponding benefits and how those benefits will outweigh the costs, both initially and on an ongoing basis. (See Figure 1—Commonly cited areas of benefit from adoption or other use of ISSB Standards for the benefits of adopting, based on jurisdictional evidence and input.) Articulating the benefits of adoption or other use of ISSB Standards is not only good practice but will also help to build support and buy-in among core stakeholders. Such support is essential to ensure the proposed regulatory changes are successfully implemented. An important insight from the roundtable discussion was that clarity on the adoption rationale is also critical to a jurisdiction's post-implementation review and assessment of the effect and level of effectiveness of the regulatory decisions.

As acknowledged in Section 1.1 of the *Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards* (Jurisdictional Guide), the decision to adopt or otherwise use ISSB Standards is a sovereign decision. Each jurisdiction can and should make this choice based on its own circumstances, including its state of readiness, while considering the benefits of adoption or other use of ISSB Standards. A jurisdiction's rationale might be affected by various economic, financial, geographical or institutional factors—for example, the degree of development of its economic, capital market or financial system, the degree of its economic or financial integration with other jurisdictions (either regionally or globally), or other relevant sustainability-related policies or commitments.

Importantly, in assessing the case for adopting or otherwise using ISSB Standards, a jurisdiction might need to consider other complementary, interdependent or enabling features of its financial market architecture to fully realise the benefits of ISSB Standards. These features include building capacity within the market to successfully implement any agreed measures.

ISSB Standards are designed to help companies provide sustainability-related disclosures that meet the information needs of primary users of general purpose financial reports.[5] ISSB Standards are designed to support the disclosure of consistent and comparable information to help investors to understand, assess and price sustainability-related risks and opportunities, and to understand entities' sustainability strategies, practices and risk management.

Accordingly, the Jurisdictional Guide emphasised rationales related to the functioning and development of capital markets. Because of the extent of the matters to be considered, policymakers representing different functions of government might need to come together with regulators to determine a whole-of-jurisdiction rationale and to draw input from stakeholders across the economy.

Based on insights from publications by international bodies, jurisdictional authorities and roundtable participants, the three most-often cited areas of benefit resulting from the adoption or other use of ISSB Standards are:

- strengthening capital markets by informing investors' capital allocation decisions;
- improving cost effectiveness and enhancing efficiencies for companies; and
- enabling jurisdictions to access other benefits resulting from the global baseline of sustainability-related financial disclosures, when relevant.

Figure 1 provides an overview of these three areas and their sub-components. The rest of this document explores these areas of benefit in greater depth.

5 IFRS S1 defines general purpose financial reports as 'reports that provide financial information about a reporting entity that is useful to primary users in making decisions relating to providing resources to the entity. These include decisions about: (a) buying, selling or holding equity and debt instruments; (b) providing or selling loans and other forms of credit; or (c) exercising rights to vote on, or otherwise influence, the entity's management's actions that affect the use of the entity's economic resources. General purpose financial reports include—but are not restricted to—an entity's general purpose financial statements and sustainability-related financial disclosures'.

SECTION 1—STRENGTHENING CAPITAL MARKETS BY INFORMING INVESTORS' CAPITAL ALLOCATION DECISIONS

Publications by jurisdictional authorities and international bodies consistently cite the introduction of reporting requirements based on international standards as a way of enhancing the reliability, consistency and comparability of information for capital markets.

These publications emphasise the growing importance of companies providing more transparent disclosures of financially material information about sustainability-related risks and opportunities to investors, creditors, lenders and other users of general purpose financial reports. Similarly, roundtable participants emphasised the need to help investors access investor-focused information to support capital allocation decisions.

Greater transparency allows investors to more **accurately assess the effects of sustainability-related risks and opportunities on a company's prospects**. Improved pricing accuracy enables better-informed decisions about investment and capital allocation.

Better-informed decisions, in turn, support the **development and efficiency of a jurisdiction's capital markets, facilitating access to capital while lowering the cost of capital and encouraging foreign direct investment**. Improved transparency also enhances market integrity, supports confidence among market participants and contributes to investor protection, while **mitigating corporate greenwashing**—the practice of companies misleading stakeholders about the sustainability of their products and services.

Together, these benefits combine to promote a more **resilient financial system**.

Each of these benefits for capital markets is considered in the next sections.

1.1—Greater transparency enables better-informed investment decisions through greater accuracy in assessing and pricing risks and opportunities

Central to the rationale for strengthening the capital markets is the role of ISSB Standards in helping companies to provide reliable, consistent and comparable disclosures of material information about sustainability-related risks and opportunities. These disclosures inform the investment decisions of investors, lenders and other users of general purpose financial reports.

A jurisdiction that introduces requirements for companies to disclose material sustainability-related financial information in accordance with ISSB Standards helps capital providers to access high-quality, decision-useful information. Such information enables them to better understand, assess and price companies' sustainability-related risks and opportunities. This core benefit underpins other parts of the rationale for strengthening the capital markets by adopting or otherwise using ISSB Standards.

In its 2021 *Report on Sustainability-related Issuer Disclosures*, IOSCO emphasised that an overarching aim of a globally consistent reporting standard should be to 'facilitate efficient pricing of sustainability risks and opportunities across issuers and markets to enable better-informed capital allocation decisions'.[6] Similarly, the FSB stated in its 2021 *FSB Roadmap for Addressing Climate-related Financial Risks* that 'high quality corporate disclosures enable market participants to make better-informed decisions, such as on pricing and allocation of capital'.[7]

6 IOSCO, *Report on Sustainability-related Issuer Disclosures*, IOSCO, page 32, 2021, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD678.pdf.

7 FSB, *FSB Roadmap for Addressing Climate-Related Financial Risks*, FSB, page 1, 2021, P070721-2.pdf.

In its analysis and engagement, the Foundation has identified three main areas through which reliable, consistent and comparable sustainability-related disclosures can deliver adoption benefits: **enhancing transparency and accountability, informing investors' capital allocation decisions and supporting strategic decision-making.**

Enhancing transparency for entities that have public accountability

Several regulatory authorities, international organisations and roundtable participants have emphasised the role played by ISSB Standards in enhancing transparency for entities that have public accountability. With more accurate pricing of risks and opportunities, investors can make better-informed decisions about potential risks, opportunities and financing. These decisions, in turn, build greater confidence in the capital markets. Similarly, transparency provided by financial institutions promotes confidence in financial markets.

IOSCO's *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation* sets out the internationally recognised standards of regulation, oversight and enforcement.[8] These standards form a basis of the evaluation of the securities sector for the Financial Sector Assessment Program of the International Monetary Fund (IMF) and the World Bank. According to these objectives and principles, if companies fully disclose information that is material to investors' decisions, investors are better able to assess the potential risks and rewards of their investments and, thus, to protect their own interests (Principle 16).[9]

In its endorsement statement, IOSCO noted that ISSB Standards are fit for purpose for the disclosure of 'sustainability-related financial information in both capital raising and trading and for the purpose of helping globally integrated financial markets accurately assess relevant sustainability-related risks and opportunities'.[10] IOSCO's endorsement highlights the importance of consistent, high-quality disclosures in providing investors with necessary insights. These disclosures enable investors to effectively evaluate how sustainability-related risks and opportunities could reasonably be expected to affect companies' cash flows, their access to finance or their cost of capital over the short, medium or long term.

8 IOSCO, *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation*, IOSCO, 2017, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD562.pdf.

9 As noted in IOSCO's *Methodology for Assessing Implementation of the IOSCO Objectives and Principles of Securities Regulation*, IOSCO Principle 16 requires consideration of the adequacy, accuracy and timeliness of both financial and non-financial disclosures as well as disclosure of risks that are material to investors' decisions.

10 IOSCO, *IOSCO endorses the ISSB's Sustainability-related Financial Disclosures Standards*, IOSCO, page 1, 2023, https://www.iosco.org/news/pdf/IOSCONEWS703.pdf.

Jurisdictional perspectives

Brazil: In the Brazil Securities Commission's (CVM) recitals in the resolution of October 2023 on its approach towards preparing and disclosing information related to sustainability, based on ISSB Standards, it noted: 'the objective of giving visibility and predictability to market agents'.[11]

Costa Rica: The Institute of Public Accountants of Costa Rica's circular adopting ISSB Standards stated that:[12]

> it is necessary to maintain a comprehensive, consistent and logical approach regarding accounting and financial regulations, including the sustainability standards issued by the ISSB, since for its users … are their main source of comprehensive financial information for proper decision-making as well as for risk measurement, and to achieve comparability globally.

Jordan: The Amman Stock Exchange (ASE) Climate-Related Disclosure Policy stated that:[13]

> climate change poses significant risks and opportunities for businesses and the broader economy. As a result, investors, regulators and other stakeholders increasingly demand transparent, reliable, and comparable climate-related information to make informed decisions.

Malaysia: The Malaysian *National Sustainability Reporting Framework* (NSRF) noted that ISSB Standards:[14]

> offer a framework for companies to disclose reliable, decision-useful and globally comparable sustainability information … . By adopting the standards, Malaysia aims to enhance transparency, accountability, and trust in companies …

United Kingdom: The UK Financial Conduct Authority (FCA) noted in its 45th edition of the *Primary Market Bulletin* that it:[15]

> welcomes the publication of the [ISSB Standards] that deliver, for the first time, a global reporting standard for corporate sustainability disclosures. It's [the FCA's] view that internationally consistent, comparable and useful sustainability disclosures will improve the transparency of issuers' activities. This will give investors the information they need to make business, risk and capital allocation decisions.

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11 CVM Resolution Nº 193, of October 20, 2023, (Brazil), page 2, 2023, https://www.gov.br/cvm/en/foreign-investors/regulation-files/ResolutionCVM193.pdf.

12 Institute of Public Accountants of Costa Rica (CCPA), *Adoption of International Financial Reporting Standards Related to Sustainability*, CCPA, page 9, 2023, https://ccpa.or.cr/wp-content/themes/maximus/pdf/normativa-vigente/circulares-vigentes/Circular%2033-2023.pdf.

13 Amman Stock Exchange (ASE), *Amman Stock Exchange Climate-Related Disclosure Policy*, ASE, page 1, 2025, https://www.ase.com.jo/sites/default/files/2025-02/Disclosure%20Policy.pdf.

14 Advisory Committee on Sustainability Reporting (ACSR), *National Sustainability Reporting Framework*, ACSR, page 5, 2024, https://www.sc.com.my/api/documentms/download.ashx?id=e98c3900-7b35-4cf5-a07d-fd17acf8734e.

15 Financial Conduct Authority (FCA), *Primary Market Bulletin 45*, FCA, 2023, https://www.fca.org.uk/publications/newsletters/primary-market-bulletin-45.

Informing investors' capital allocation decisions

Growing recognition of the financial risks and opportunities associated with climate change and other sustainability-related matters has led to increased demand for high-quality, decision-useful information to inform investors' decisions about capital allocation. The Foundation's engagement and analysis have found extensive references to the role of global disclosure frameworks in supporting the functioning of capital markets and preventing the mispricing of assets and misallocation of capital.

These considerations are central in IOSCO's 2020 report *Sustainable Finance and the Role of Securities Regulators and IOSCO*, which led to the launch of IOSCO's work on sustainability reporting and ultimately IOSCO's call to create the ISSB. In its report, IOSCO observed that:[16]

> information on individual firms' exposure to risks and opportunities and their strategies to address them can be material to investment decisions. Access to such information, when material, is fundamental for investor protection, efficient risk management and transparent, well-functioning capital markets, and ultimately, for an efficient allocation in their economy. Therefore, issuers' disclosure of material [information about] ESG-related matters is important to facilitate market participants' decision-making processes.

Jurisdictional perspectives

Australia: The Australian Treasury stated that:[17]

> to unlock investment in emissions mitigation and climate risk adaptation, businesses and investors need to understand and price both the opportunities and risks of climate change. Poor investor understanding of climate-related risks and opportunities could lead to inefficient allocation of capital.

Brazil: In the recitals in the resolution of October 2023 on its approach towards preparing and disclosing financial information related to sustainability, based on ISSB Standards, the CVM noted:[18]

> the importance and need for Brazilian practices to be harmonized with international practices for the disclosure of sustainability information, providing increased transparency, reliability, consistency and comparability of this information, in order to enable national companies to access international sources of financing and the construction of an international interoperability environment; [and] the urgency of establishing measures to provide transparency to the risks and opportunities related to sustainability that affect entities in the capital market, in order to contribute to the development of a sustainable and regenerative economy.

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16 IOSCO, *Sustainable Finance and the Role of Securities Regulators and IOSCO*, IOSCO, page 3, 2020 https://www.iosco.org/library/pubdocs/pdf/IOSCOPD652.pdf.

17 The Australian Government (the Treasury), *Policy Impact Analysis—Climate-related financial disclosures*, the Australian Government (the Treasury), page 5, 2023, https://treasury.gov.au/sites/default/files/2024-01/c2024-466491-pia.pdf.

18 CVM *Resolution Nº 193*, as of October 20, 2023, (Brazil), https://www.gov.br/cvm/en/foreign-investors/regulation-files/ResolutionCVM193.pdf.

Canada: The Canadian Sustainability Standards Board (CSSB) noted in its *Proposed 2025-2028 Strategic Plan* that:[19]

> the CSSB has developed [Canadian Sustainability Disclosure Standards] that align with the global baseline standards developed by the ISSB. These foundational standards focus on ensuring that capital-market participants have the information they need to make capital allocation decisions.

Hong Kong SAR: The Hong Kong SAR government noted that:[20]

> there is clear demand from investors for Hong Kong to align in full with the ISSB Standards to remain competitive and to maintain Hong Kong's status as an international financial centre. As the ISSB Standards [set] the global baseline of sustainability disclosures, it is imperative for Hong Kong to meet the baseline requirements to provide global investors with consistent and comparable information for capital allocation purposes.

Singapore: The Singapore Sustainability Reporting Advisory Committee—comprising the Singapore Stock Exchange and the Singapore Accounting and Corporate Reporting Authority, among others—emphasised that:[21]

> disclosures provide the necessary data to enable investors and lenders to assess how climate change affects companies' prospects and facilitates the allocation of capital.

Rwanda: The roadmap issued by the Institute of Certified Public Accountants of Rwanda (ICPAR) highlighted that:[22]

> Rwanda, as part of its commitment to sustainable development, recognises the need to implement these standards to drive accountability and improve the transparency of its corporate sector. The adoption of [ISSB Standards] is expected to help: Enhance investor confidence: International investors increasingly require standardised ESG (Environmental, Social and Governance) disclosures before committing capital to emerging markets like Rwanda.

Similarly, many investors have emphasised, both during the roundtable and in engagements with the ISSB, that they value the investor focus in IFRS S1 and IFRS S2. These investors noted that sustainability-related risks and opportunities are already shaping investment decisions, but capital is probably being misallocated because investors have an incomplete set of information. Jurisdictions that require disclosure of material information about sustainability-related risks and opportunities may better meet the information needs of investors, thereby enhancing potential for efficient capital allocation to entities in the jurisdiction.

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19 Canadian Sustainability Standards Board (CSSB), *Proposed 2025-2028 Strategic Plan Consultation*, CSSB, page 9, 2025, https://www.frascanada.ca/en/cssb/about/strategic-plan.

20 The Government of the Hong Kong SAR, *Roadmap on Sustainability Disclosure in Hong Kong: Ambition, Assurance, Enablement*, The Government of the Hong Kong SAR, page 11, 2024, https://www.fstb.gov.hk/fsb/en/publication/report/docs/FSTB_Roadmap2024_eBooklet_EN.pdf.

21 Sustainability Reporting Advisory Committee (SRAC), *Turning Climate Ambition into Action in Singapore—Recommendations by the Sustainability Reporting Advisory Committee*, SRAC, page 2, 2023, https://api2.sgx.com/sites/default/files/2023-07/Consultation%20Paper-Recommendations%20by%20SRAC.pdf.

22 Institute of Certified Public Accountants of Rwanda (ICPAR), *IFRS Sustainability Disclosure Standards Rwandan [Draft] Adoption Roadmap*, ICPAR, page 10, 2025, https://icparwanda.com/wp-content/uploads/2025/02/ICPAR-Draft-Adoption-Roadmap-for-public-comments.pdf.

Facilitating an understanding of strategy and risk management

ISSB Standards facilitate investors' understanding of an entity's strategy for managing sustainability-related risks and opportunities as well as its overall risk profile and risk management processes. Engagement with investors identified enhanced understanding of risks and opportunities when companies:

- ensure that their disclosures focus on what is truly material to the companies' prospects; and
- update their disclosures as information about new sustainability-related matters becomes material.

Jurisdictional perspectives

Hong Kong SAR: The Hong Kong SAR government noted that:[23]

> active integration of sustainability considerations into these companies' business operations will positively influence business behaviour and effectively reduce carbon emissions which will advance global sustainability efforts in addressing climate change. The Hong Kong Standards will also serve as a catalyst for large [publicly accountable entities] to articulate their sustainability efforts to their investors and stakeholders.

UK: The UK's Department for Business & Trade noted in understanding the benefits of UK Sustainability Reporting Standards that:[24]

> for entities using the standards, it is anticipated that a greater awareness of sustainability-related risks and opportunities over the medium-to-long term will enable them to develop more effective and innovative strategies to improve both sustainability-related outcomes and business performance.

1.2—Supporting the development of a jurisdiction's capital markets—facilitating access to capital, lowering the cost of capital and encouraging foreign direct investment

The benefits of transparency can also help to support the development of a jurisdiction's capital markets. The potential implications of sustainability-related reporting for capital markets were central to IOSCO's call to create the ISSB, recognising that access to information on individual firm's exposure to risks and opportunities and their strategies to address them, when material, is fundamental for 'investor protection, efficient risk management and transparent, well-functioning capital markets, and ultimately, for an efficient allocation in their economy'.[25]

23 The Government of the Hong Kong SAR, *Roadmap on Sustainability Disclosure in Hong Kong: Ambition, Assurance, Enablement*, The Government of the Hong Kong SAR, page 14, 2024, https://www.fstb.gov.hk/fsb/en/publication/report/docs/FSTB_Roadmap2024_eBooklet_EN.pdf.

24 UK Department for Business & Trade, *Exposure draft of UK Sustainability Reporting Standards: UK SRS S1 and UK SRS S2*, UK Department for Business & Trade, 2025, https://www.gov.uk/government/consultations/exposure-drafts-uk-sustainability-reporting-standards/exposure-draft-of-uk-sustainability-reporting-standards-uk-srs-s1-and-uk-srs-s2.

25 IOSCO, *Sustainable Finance and the Role of Securities Regulators and IOSCO*, IOSCO, page 3, 2020, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD652.pdf.

Supporting the development and growth of a jurisdiction's capital market is a rationale observed in many consultations, especially among emerging markets and developing economies (EMDEs). In markets with less-developed capital markets, important considerations often include expanding participation, facilitating access to capital, lowering the cost of capital and encouraging foreign direct investment. These jurisdictions recognise the opportunity presented by ISSB Standards to help attract foreign investment and deepen integration within the global financial system (see 'Fostering investor protection and mitigating greenwashing').

The rationale for developing capital markets by adopting or otherwise using ISSB Standards also resonated with roundtable participants.

Participants also observed, however, that the profile of a jurisdiction's capital market will affect the scale, nature and speed of the benefits it is able to realise from adopting or otherwise using ISSB Standards. Relevant parts of the capital market profile include:

- the size and state of the markets;
- the profile of participants in the market (for example, international participation and dependence on international capital flows, especially from other jurisdictions or regions adopting or otherwise using ISSB Standards);
- investors' needs and expectations relating to compliance with global standards; and
- the number and size of listed companies and other publicly accountable entities.

For example, in advanced markets and larger EMDEs, the core focus will often be maintaining and enhancing market competitiveness, improving market functioning and attracting international capital and international listings. In contrast, for smaller EMDEs, aligning to global 'best practice' standards can improve access to development finance and other support from development partners. Although this alignment might help to attract private investment, access to development finance will often be the primary driver—in some cases perhaps also forming part of the conditionality in loans and grants.

The Jurisdictional Guide emphasises that the adoption or other use of ISSB Standards can help to address the 'country' or 'market' discount factor. This factor refers to a perceived reduction in a company's investment attractiveness that can arise from investors' lack of familiarity with or uncertainty about the quality, reliability and comprehensiveness of local requirements for sustainability-related financial information or their alignment with international standards. Jurisdictional consultations and roadmaps similarly highlight that, by supporting high-quality disclosure aligned with global standards, a jurisdiction adopting or otherwise using ISSB Standards can reduce uncertainty, strengthen market confidence and help to reduce the risk premium associated with factors such as a lack of transparency and uncertainty about the quality of disclosure.

Jurisdictions' rationales typically emphasise one or more of three main ways in which aligning disclosure requirements with international standards can help to improve market confidence and support the development of a jurisdiction's capital markets: **improving access to capital, lowering the cost of capital and attracting foreign direct investment**.

Improving access to capital

Aligning with international standards and practices can build confidence in the reliability and comparability of information, growing the number of participants in the market and attracting foreign capital to the local market.

Jurisdictional perspectives

Nigeria: The Financial Reporting Council of Nigeria stated that:[26]

> Nigeria embraced the ISSB Standards because of [the ISSB's] global baseline and high-quality standards, which facilitate the disclosure of the sustainability-related risks and opportunities faced by an entity. The adoption of the standard will ensure the streamlining of sustainability disclosures and enhancement of comparability, which has the potential to unlock capital flows to Nigeria.

Rwanda: The roadmap issued by the ICPAR highlighted that:[27]

> adopting IFRS Sustainability Disclosure Standards in Rwanda and the region enhances corporate transparency by focusing on sustainability-related risks, including the financial impacts of climate change and other sustainability stressors. Unlike broader sustainability initiatives, these standards do not assess corporate sustainability efforts but instead provide investors, lenders and policymakers with clear, comparable information on how such risks affect financial performance and future financial prospects. This reduces the risk premium associated with lack of transparency, ensuring that capital is allocated efficiently, reducing uncertainty and strengthening market confidence.

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26 Financial Reporting Council of Nigeria (FRC), 'Roadmap Report for Adoption of IFRS Sustainability Disclosure Standards in Nigeria', FRC, page 15, 2024, https://frcnigeria.gov.ng/wp-content/uploads/2024/07/FINAL-COPY-OF-SUSTAINABILITY-ROADMAP1.pdf.

27 ICPAR, *IFRS Sustainability Disclosure Standards Rwandan [Draft] Adoption Roadmap*, ICPAR, page 5, 2025, https://icparwanda.com/wp-content/uploads/2025/02/ICPAR-Draft-Adoption-Roadmap-for-public-comments.pdf.

Lowering the cost of capital

By improving access to reliable and consistent information for all stakeholders and increasing investor confidence, the adoption or other use of ISSB Standards can contribute to lowering the cost of capital for companies. Access to high-quality, decision-useful information and improved ability for investors to assess the risk profile of their investments can lead to a reduction in the risk premium demanded by investors. That reduction, in turn, can lower borrowing costs for companies and improve their access to capital.

Jurisdictional perspectives

Australia: The Australian Treasury's *Policy Impact Analysis* noted that:[28]

> in consultation, the majority of stakeholders agreed there are benefits from climate-related financial disclosures, particularly for investors who would have better access to information, reducing costs, complexity and confusion. This would in turn improve access to capital or reduce the risk premium on capital. It would also level the playing field for companies who are and are not reporting.

Jordan: The ASE Climate-Related Disclosure Policy observed that:[29]

> the adoption of ISSB Standards can help mitigate the 'country or market discount' that arises from investors' uncertainty about the quality, reliability and comprehensiveness of local reporting requirements. By aligning with international standards, Jordanian companies will provide disclosures that are comparable on a global scale, thereby enhancing investor confidence and potentially reducing the cost of capital for these companies.

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28 The Australian Government (the Treasury), Policy Impact Analysis—*Climate-related financial disclosures*, the Australian Government (the Treasury), page 16, 2023, https://treasury.gov.au/sites/default/files/2024-01/c2024-466491-pia.pdf.

29 ASE, *Amman Stock Exchange Climate-Related Disclosure Policy*, ASE, page 2, 2025, https://www.ase.com.jo/sites/default/files/2025-02/Disclosure%20Policy.pdf.

Attracting foreign direct investment

Aligning local requirements with international standards can be a key factor in attracting foreign direct investment. By aligning sustainability reporting with the global baseline, jurisdictions can demonstrate their commitment to transparency and accountability, making them more attractive to international investors. Providing reliable and comparable disclosures to inform decisions about capital allocation can support sustainable economic growth and ensure that a jurisdiction's capital market remains competitive and appealing to global investors and development partners.

Jurisdictional perspectives

Brazil: In the recitals of its resolution of October 2023, the CVM noted:[30]

> the importance and need for Brazilian practices to be harmonized with international practices for the disclosure of sustainability information, providing increased transparency, reliability, consistency and comparability of this information, in order to enable national companies to access international sources of financing and the construction of an international interoperability environment …

Indonesia: Similarly, the Institute of Indonesia Chartered Accountants noted that:[31]

> sustainability reporting based on ISSB Standards is crucial for national business and economic activities. The national capital market, with a significant proportion of foreign investors, domestic companies seeking international funding, and companies engaged in international trade and domestic commerce, requires sustainability information presented in reports aligned with ISSB Standards.

Uganda: The Institute of Certified Public Accountants of Uganda (ICPAU) stated that the rationale for adoption of ISSB Standards includes aiming:[32]

> to improve domestic entities' access to foreign capital markets and encourage foreign direct investment including access to green financing; thereby promoting sustainable economy growth.

Roundtable participants also stressed the need for an effective enabling environment to realise the full benefits of ISSB Standards. These participants observed that, before jurisdictions introduce ISSB Standards, they might need to have already established or introduced other parts of the necessary financial market and regulatory architecture—for example, open and transparent markets and robust corporate governance standards. Some observed that a starting point for many jurisdictions might be an enhanced public financial management system.

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30 CVM, *Resolution N° 193*, of October 20, 2023, (Brazil), page 1, 2023
https://www.gov.br/cvm/en/foreign-investors/regulation-files/ResolutionCVM193.pdf.

31 Institute of Indonesia Chartered Accountants (IAI), *Roadmap of Indonesian Sustainability Disclosure Standards*, IAI, page 7, 2024,
https://web.iaiglobal.or.id/assets/files/file_sak/Roadmap%20SPK_English.pdf.

32 Institute of Certified Public Accountants of Uganda (ICPAU), *Roadmap for Adoption of Sustainability Disclosure Standards—Uganda*, ICPAU, page 18, 2025,
https://www.icpau.co.ug/sites/default/files/Resources/ICPAU%20Roadmap%20SEPT%202025.pdf.

Similarly, one roundtable participant cautioned that ISSB Standards cannot be seen as a 'silver bullet' to realise all the benefits of developing capital markets—disclosure is an essential pillar, but only one part of the broader architecture. This point is also highlighted by the IMF in its 2021 report *Strengthening the Climate Information Architecture*.[33] This report identifies disclosure standards as one of three global building blocks to 'improve market confidence, safeguard financial stability and foster sustainable finance' (see the 'Enhancing the financial market architecture, including the sustainable finance architecture' section).

Roundtable participants observed that—particularly for EMDEs—assessing the enabling environment can be seen as part of a wider assessment of 'market readiness', which also includes:

- considering the jurisdiction's familiarity with sustainability-related reporting; and
- assessing the capacity of the reporting ecosystem to support high-quality disclosure (for example, access to data and professional services, and regulatory readiness).

A comprehensive readiness assessment should inform preparers' and regulators' decisions about adoption timelines and reliefs, and capacity-building needs.

Other participants emphasised the typically long lead-time for legislative changes and the importance of the political context. These comments suggest that, even though it might be appropriate to phase in requirements over an extended period, jurisdictional policymakers and regulators should start to discuss internal jurisdictional considerations and to assess the readiness and maturity of the market as early as is practicable. These discussions and assessments will help to ensure that decisions are made in a timely manner and that a clear direction is set for market participants early in the process.

By giving appropriate focus to the enabling environment, relevant authorities can ensure the pace of adoption matches their jurisdiction's circumstances and avoid trying to adopt ISSB Standards before the jurisdiction is ready. Roundtable participants observed that adopting ISSB Standards without putting an effective enabling environment in place can be counterproductive. It can lead to poor-quality reporting, which can in turn attract criticism and undermine buy-in.

These observations underscore the importance of considering the adoption rationale within the **broader context of local circumstances and conditions**. Consistent with these observations, the Foundation's *Roadmap Development Tool* states that an **assessment of market readiness** is another important input to decisions.

1.3—Fostering investor protection and mitigating greenwashing

A further consideration related to the rationale for strengthening capital markets by adopting or otherwise using ISSB Standards is fostering investor protection and mitigating greenwashing. The rationale emphasises the benefit of reliable, consistent and comparable information on sustainability-related risks and opportunities. This rationale is also emphasised in publications from IOSCO and the IMF, with greenwashing recognised as a core challenge for regulators to address to prevent companies from making misleading claims about their environmental credentials.

33 International Monetary Fund (IMF), *Strengthening the Climate Information Architecture*, IMF, page 1, 2021, https://www.imf.org/en/Publications/staff-climate-notes/Issues/2021/09/01/Strengthening-the-Climate-Information-Architecture-462887.

IOSCO's 2023 report *Supervisory Practices to Address Greenwashing* stressed the need for reliable, consistent and comparable sustainability-related financial information to maintain trust in sustainable finance, stating that:[34]

> IOSCO has also focused its efforts on addressing the growing risk of greenwashing to mitigate the investor protection concerns. The growth of Environmental, Social, and Governance (ESG) investing, and sustainability-related products has led to several challenges, including concerns regarding the reliability, consistency and comparability of available information, and the risk of greenwashing. … Taken more broadly, greenwashing undermines the fundamental trust in sustainable finance. To ensure a healthy global sustainable finance market, there is a need for reliable, consistent, and comparable sustainability related information, while related ESG products should be marketed and managed in a way that does not undermine investors' trust.

This view is shared by the IMF, which emphasises the importance of a strong climate information architecture to attract private investors and reduce greenwashing risks. In its 2023 *Global Financial Stability Report*, the IMF stated that a 'weak climate information architecture increases the risks of "greenwashing" (investments wrongly marketed or classified as climate-beneficial) and reduces market transparency'.[35]

Roundtable participants also saw mitigating greenwashing and fostering protection for investors as potentially important parts of a jurisdiction's adoption rationale. Participants observed that mitigating greenwashing through companies disclosing sustainability-related financial information would also serve to lower transaction costs in the market by reducing ambiguity and uncertainty over sustainability-related claims.

Jurisdictional perspectives

Chinese Taipei: The Financial Supervisory Commission stated that:[36]

> aligning with the IFRS Sustainability Disclosure Standards can provide investors with a comprehensive set of financial reporting (including the financial statements and sustainability information), facilitating investors' useful decision-making, prevent greenwashing, and enhancing investor protection.

UK: The UK Government stated that the UK's Sustainability Disclosure Requirements are central to the:[37]

> UK government's long-term strategy to ensure investors and consumers are able to access the sustainability information they need … the SDR [Sustainability Disclosure Requirements] framework brings together new and existing sustainability reporting requirements for business, the financial sector and investment products. This will enable market participants to identify investment opportunities, ensuring that sustainability claims stand up to scrutiny and protect against consumer harms such as 'greenwashing'.

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34 IOSCO, *Supervisory Practices to Address Greenwashing*, IOSCO, page 3, 2023, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD750.pdf.

35 IMF, *Global Financial Stability Report—Financial and Climate Policies for a High-Interest-Rate Era*, IMF, page 80, 2023, https://www.imf.org/en/Publications/GFSR/Issues/2023/10/10/global-financial-stability-report-october-2023.

36 Financial Supervisory Commission (FSC), *Roadmap for Taiwan listed companies to align with IFRS Sustainability Disclosure Standards*, FSC, page 2, 2023, https://www.fsc.gov.tw/uploaddowndoc?file=News/202308241023270.pdf&filedisplay=annex+1-Roadmap.pdf&flag=doc.

37 UK Government, *Mobilising Green Investment—2023 Green Finance Strategy*, UK Government, page 38, 2023, https://assets.publishing.service.gov.uk/media/643583fb877741001368d815/mobilising-green-investment-2023-green-finance-strategy.pdf.

1.4—Promoting a more resilient financial system

The resilience of the global financial system is increasingly challenged by climate and other sustainability-related risks, some of which are systemic in nature. The FSB highlights in its 2021 roadmap on climate-related financial risks that both physical climate risks and a disorderly transition to a lower-carbon economy could destabilise the financial system, potentially leading to increased risk premiums and declining asset prices.[38] The FSB emphasised the importance of 'reliable data, from a variety of sources, including from scientific and official sector sources and also from corporate disclosures' in mitigating systemic risks.

Similarly, in its 2020 report *Sustainable Finance and the Role of Securities Regulators and IOSCO*, IOSCO emphasised that 'both the physical risks of rising temperatures and a transition towards a low-carbon economy can trigger risks that have "distinct characteristics compared to other structural risks"'.[39] These risks can 'affect not only specific firms or sectors, but more broadly the stability of the financial system'. IOSCO recognised the role that regulators, supervisors and businesses can play in promoting transparency in markets through disclosing material sustainability-related financial information, which allows market participants to identify and assess sustainability-related risks and opportunities.

Roundtable participants similarly recognised the importance of the rationale for improving the resilience of the financial system. Participants highlighted the growing interest of central banks and ministries of finance in enhancing the availability of climate-related information, particularly to support micro-prudential regulation and financial stability. However, one participant cautioned that it was important jurisdictions did not focus 'too narrowly' on climate-related risks and in doing so exclude other sustainability-related risks.

These considerations are also reflected in jurisdictional proposals, in which financial authorities emphasised the systemic risks posed by climate change, both physical and transition-related, and the role of enhanced disclosure requirements in helping companies to assess and manage these risks.

Jurisdictional perspectives

Australia: The Australian Securities & Investments Commission stated that:[40]

> climate change also presents systemic risks (both physical and transitional) to the financial system that regulators of financial stability risks (such as prudential regulators and central banks) need to manage.

Bangladesh: The Bangladesh Central Bank in its proposals adopting ISSB Standards stated that:[41]

> the disclosures require banks and finance companies to establish the necessary procedures and build the necessary skills to identify and manage sustainability and climate-related risks as internationally consistent disclosure is a key component in the collective efforts to improve the resilience of the financial system.

38 FSB, *FSB Roadmap for Addressing Climate-Related Financial Risks*, FSB, page 1, 2021, https://www.fsb.org/uploads/P070721-2.pdf.

39 IOSCO, *Sustainable Finance and the Role of Securities Regulators and IOSCO*, IOSCO, page 3, 2020, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD652.pdf.

40 Australian Securities & Investments Commission (ASIC), *Regulatory Guide 000 Sustainability reporting*, ASIC, page 8, 2024, https://download.asic.gov.au/media/ihcotflf/attachment1-to-cp380-published-7-november-2024-20241112.pdf.

41 Bangladesh Bank Sustainable Finance Department, *Guideline on Sustainability and Climate-related Financial Disclosure*, Bangladesh Bank Sustainable Finance Department, page 9, 2023, https://www.bb.org.bd/mediaroom/circulars/gbcrd/dec262023sfd06e.pdf.

SECTION 2—IMPROVING COST EFFECTIVENESS AND ENHANCING EFFICIENCIES FOR COMPANIES

The adoption or other use of ISSB Standards can also create benefits for companies in terms of **cost effectiveness and efficiency**.

By providing clear disclosure requirements, ISSB Standards facilitate **streamlined reporting**, preventing fragmented regulatory approaches and **reducing compliance burdens and costs**. As a critical mass of companies globally begin to disclose in accordance with ISSB Standards, companies will gain access to a more comprehensive and better-developed reporting ecosystem.

Adopting ISSB Standards also helps **jurisdictions align their reporting**. With aligned reporting, companies can develop more efficient internal data systems and processes for reporting on sustainability-related risks and opportunities. These benefits might be particularly pronounced for companies with cross-border operations or more than one subsidiary.

2.1—Improved cost effectiveness for companies through streamlining reporting requirements

Several jurisdictions have recognised that consistent sustainability-related disclosure requirements can significantly reduce costs and complexity for companies. These views were echoed in the roundtable discussions, with one participant noting that fragmented regulations and easing reporting burdens have been prominent themes in engagements with stakeholders about ISSB Standards. Companies can also benefit from efficiencies derived from introducing sustainability-related reporting requirements that refer to sustainability standards that are connected with standards for the preparation of financial statements and have a common conceptual underpinning. Furthermore, the SASB Standards, a source of guidance for applying IFRS S1, can facilitate cost effectiveness and efficiencies by identifying the sustainability-related risks and opportunities most relevant to investor decision-making in 77 industries.

Beyond the benefits resulting from more efficient reporting and disclosure, adopting or otherwise using ISSB Standards might also provide information that can help companies manage sustainability-related risks and opportunities more effectively. Market feedback on the exposure drafts of IFRS S1 and IFRS S2 highlights that building sustainability-related reporting strategies and objectives can enhance coordination between departments and employees, improving *internal* operational efficiency and effectiveness (see ‘Greater transparency enables better-informed investment decisions through greater accuracy in assessing and pricing risks and opportunities’).

Jurisdictional perspectives

Kenya: The Institute of Certified Public Accountants of Kenya reflected that:[42]

> the multitude of available frameworks and standards, along with diverse metrics, data, terminology and reporting criteria, introduces uncertainty for preparers of sustainability reports, making it difficult to determine the most effective approach.

42 Institute of Certified Public Accountants of Kenya (ICPAK), *Roadmap for Adoption of IFRS Sustainability Disclosure Standards in Kenya*, ICPAK, page 10, 2024, https://online.flippingbook.com/view/581226061/.

2.2—Enhanced efficiency through alignment with international standards

As jurisdictions around the world respond to growing demand for transparent reporting about how sustainability-related risks and opportunities affect companies, an important consideration has been how to prevent fragmented regulatory approaches and improve global consistency. It is widely acknowledged that fragmented regulatory approaches create costs and inefficiencies in capital markets, including for reporting companies. These costs might be higher and these inefficiencies more pervasive where reporting companies are subject to disclosure requirements in other jurisdictions, perhaps because they have significant overseas operations, are listed in more than one market or have reporting subsidiaries in other jurisdictions.

In its endorsement decision, IOSCO concluded that ISSB Standards are appropriate for helping globally integrated financial markets accurately assess relevant sustainability-related risks and opportunities. A larger number of jurisdictions are progressing on their journeys to adopt or otherwise use ISSB Standards (see the jurisdictional profiles and snapshots published by the Foundation in June 2025). Therefore, aligning with the global baseline not only enhances the comparability and consistency of sustainability reporting, but also supports companies in navigating reporting obligations across jurisdictions. Aligning with ISSB Standards can provide a '**global passport**', **facilitating positive 'regulatory equivalence' decisions** and **helping to reduce duplicative reporting** for companies that are subject to disclosure requirements in more than one jurisdiction.

Fragmented regulatory approaches result in inconsistent, conflicting or uncoordinated sustainability disclosure requirements that create complexity and costs for companies that have to:

- use different approaches to the concept of 'materiality';
- apply different terms and definitions; and
- manage several data sets and challenges with integrating data from subsidiaries into parent-related reporting.

This fragmentation results in increased costs and potentially heightened liability risks for reporting companies. It also hinders usefulness for investors, who have to use reconciliation mechanisms or leverage interoperability tools that add costs and prevent investors from easily comparing information between industries, jurisdictions and regions.

Aligning sustainability-related reporting requirements across jurisdictions enables more reporting companies to collect and manage data more efficiently and helps to streamline governance and processes for managing sustainability-related risks and opportunities. As an increasing number of companies implement ISSB Standards, the data ecosystem will increasingly facilitate preparation of disclosures required by the Standards, including a wide range of data and analytical and professional services. Companies using ISSB Standards can benefit from the IFRS Foundation's educational materials and resources to support their disclosures, as well as third-party resources, available on the IFRS Foundation's knowledge hub.[43] These materials continue to be developed and published as the market provides feedback on its experiences of applying ISSB Standards. This feedback, in turn, supports higher-quality reporting and generates efficiencies when information is requested from stakeholders along the value chain. These considerations are heightened for companies that operate across borders, especially if they have subsidiaries in other jurisdictions.

43 https://www.ifrs.org/sustainability/knowledge-hub/.

Jurisdictional perspectives

European Union: In the recitals to the Corporate Sustainability Reporting Directive (CSRD), the European Parliament and the Council of the European Union noted that:[44]

> [European] Union standards should take account of any sustainability reporting standards developed under the auspices of [the] International Financial Reporting Standards Foundation. To avoid unnecessary regulatory fragmentation that could have negative consequences for undertakings operating globally, [European] Union sustainability reporting standards should contribute to the process of convergence of sustainability reporting standards at global level, by supporting the work of the International Sustainability Standards Board (ISSB).

UK: The UK set out in its 2024 *Sustainability Disclosure Requirements—Implementation Update 2024* that 'financial markets are global, and international interoperability is a key principle of the UK's approach' to sustainability disclosure requirements.[45]

Pakistan: The Institute of Chartered Accountants of Pakistan (ICAP) stated that:[46]

> the baseline approach provides a way to achieve global comparability for financial markets and allow jurisdictions to further develop additional requirements if needed to meet public policy or broader stakeholder needs. This approach helps to reduce duplicative reporting for companies subject to multiple disclosure requirements.

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44 Directive (EU) 2022/2464 of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting [2022] OJ L 322/15, page 29, 2022, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464.

45 UK Government, *Sustainability Disclosure Requirements: Implementation Update 2024*, UK Government, page 1, 2024, https://assets.publishing.service.gov.uk/media/66505ba9adfc6a4843fe04e5/Sustainability_Disclosure_Requirements__SDR__Implementation_Update_2024.pdf.

46 The Institute of Chartered Accountants of Pakistan (ICAP), *IFRS Sustainability Disclosure Standards—Study, consultation and recommendations for implementation in Pakistan*, ICAP, page 9, 2023, https://www.icap.net.pk/files/sustainabilityreporting/publications/ifrs-sustainability-disclosure-standards-study-consultation-and-recommendations-for-implementation-in-pakistan.pdf.

SECTION 3—ENABLING JURISDICTIONS TO ACCESS OTHER BENEFITS RESULTING FROM THE GLOBAL BASELINE OF SUSTAINABILITY-RELATED FINANCIAL DISCLOSURES, WHEN RELEVANT

The third core theme commonly cited by global bodies—and identified in policy reports and jurisdictional publications—is the potential to use the global baseline to support use cases beyond directly informing the investment decisions of investors and other users of general purpose financial reports.

By providing high-quality, reliable and comparable data, consistent sustainability-related disclosure can help to **enhance the financial market architecture**, including the sustainable finance architecture, especially in EMDEs.

ISSB Standards are designed to provide policy-neutral outcomes. However, the global baseline of disclosure can **improve jurisdictions' access to foreign capital markets, strengthen their competitiveness and trade-attractiveness in global value chains and integrate the jurisdiction more deeply into the global economic and financial system**. Streamlined disclosure in accordance with ISSB Standards can make it easier for companies to **trade across borders and facilitate passporting measures**.

Nevertheless, jurisdictions can also choose to **build on the global baseline** of sustainability-related disclosure within their own laws and regulations, enabling them to **meet their own jurisdictional-specific disclosure-related objectives** (for example, sustainability-related financial information linked to public policy goals) **while still realising the benefits of the global baseline**. This approach allows for companies to disclose additional information as long as this additional information does not obscure the material information required by ISSB Standards.

Finally, jurisdictions can also adopt or otherwise use ISSB Standards as part of a package of measures to **support other domestic and international policy objectives**, such as sustainable growth and development and broader climate-related goals.

3.1—Enhancing the financial market architecture, including the sustainable finance architecture

International organisations have recognised the critical role of global sustainability-related disclosure standards in supporting the strengthening of financial markets. As discussed in the 'Strengthening capital markets by informing investors' capital allocation decisions' section, high-quality, consistent disclosures enhance the functioning of markets by improving transparency and predictability for market participants. In addition, important elements of financial market architecture can be enhanced when jurisdictions implement disclosure requirements that improve the accessibility and transparency of material information.

Companies' corporate disclosures, including sustainability-related disclosures, are a foundation for various forms of financial intermediation, including for collective investment schemes and asset management. High-quality corporate-level disclosures contribute to the preparation of product- or portfolio-level disclosures for investors. In its 2021 report *Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management*, IOSCO noted that sustainability-related practices and disclosure at the asset-manager level can promote greater transparency and accountability from asset managers, which might help to prevent greenwashing (see the 'Fostering investor protection and mitigating greenwashing' section).[47] This report includes recommendations on product-level disclosure in order to help investors to better understand a company's:

- sustainability-related products; and
- materially significant sustainability-related risks for all products.

IOSCO noted that:[48]

> given the dependency of firm-level and product-level disclosures made by asset managers relating to sustainability on disclosures from corporate issuers, [IOSCO's work] to improve and progress the harmonisation of corporate sustainability reporting directly impacts disclosures by asset managers.

Corporate credit ratings are another important feature of the financial market architecture. The quality of credit ratings depends in large part on the quality of information available to credit rating agencies. Jurisdictions requiring disclosure of material information about risks and opportunities—including sustainability-related risks and opportunities—facilitate increased transparency and access to information used to develop credit ratings.

Separately, in its 2021 report *Environmental, Social and Governance (ESG) Ratings and Data Products Providers*, IOSCO noted that:[49]

> as investors become more sensitive to the potential financial risks posed by climate change and the potential impact of other ESG considerations, such considerations are becoming increasingly significant in investment decision making. Investor demand, as well as regulatory developments, are encouraging the development of new ESG ratings and data products.

The report also highlighted that:[50]

> [given] the current lack of consistent information at the level of corporate disclosures, ESG-focussed investors may need to place greater reliance on the ESG ratings and data products developed by ESG ratings and data products providers.

The report concluded that 'the lack of standardisation of corporate disclosures therefore impacts the quality and availability of information that can be used by ESG ratings and data products providers.'[51]

47 IOSCO, *Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management*, IOSCO, page 12, 2021, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD688.pdf.

48 IOSCO, *Recommendations on Sustainability-Related Practices, Policies, Procedures and Disclosure in Asset Management*, IOSCO, page 17, 2021, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD688.pdf.

49 IOSCO, *Environmental, Social and Governance (ESG) Ratings and Data Products Providers*, IOSCO, page 3, 2021, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD690.pdf.

50 IOSCO, *Environmental, Social and Governance (ESG) Ratings and Data Products Providers*, IOSCO, page 5, 2021, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD690.pdf.

51 IOSCO, *Environmental, Social and Governance (ESG) Ratings and Data Products Providers*, IOSCO, page 17, 2021, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD690.pdf.

More broadly, as noted in the section 'Promoting a more resilient financial system', roundtable participants noted a growing interest in enhancing the availability of climate-related information to assess resilience in financial markets. Sustainability-related information prepared using hiqh-quality standards similarly facilitates prudential supervisors' monitoring of financial markets.

In the IMF's report *Strengthening the Climate Information Architecture*, the IMF similarly identified globally consistent climate disclosure standards as one of three interconnected pillars of a robust *climate information architecture*—alongside high-quality data and climate-finance taxonomies.[52] The IMF's 2023 *Global Financial Stability Report* emphasised that:[53]

> strengthening the climate information architecture—data, disclosures and alignment approaches (including taxonomies)—is an important part of the policy mix needed to create an attractive environment for private capital in [EMDEs].

The report highlights that investors require high-quality, reliable and comparable data, which many EMDEs currently lack.

The general benefits of improved transparency to the overall financial market architecture also apply to the sustainable finance architecture. IOSCO's Technical Assessment Report endorsing ISSB Standards also calls out the role of sustainability-related reporting standards in helping to expand the data ecosystem for sustainable finance. IOSCO noted that, beyond enabling informed investment decisions:[54]

> this information is also the main input for other capital markets intermediaries that create sustainability-oriented instruments, funds, ratings, indices, and other data products that influence capital allocation.

Consistent with this perspective, several jurisdictions—including both advanced economies and EMDEs—are leveraging global standards to strengthen domestic markets alongside other complementary sustainable finance initiatives. Integrating sustainability reporting into wider reform programmes ensures that investors, and ultimately the consumers of financial products, can access the information they need to make decisions about allocating capital in line with their objectives.

Expanding on the benefit of strengthening the information architecture of financial markets, roundtable participants highlighted that ISSB Standards can also serve to attract talent. Jurisdictions adopting the global baseline gain access to a global talent network of sustainability professionals, enhancing their capacity to strengthen sustainable finance markets. Adopting or otherwise using ISSB Standards was seen as similar to the International Accounting Standards Board's credentials serving as a global accounting 'passport'.

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52 IMF, *Strengthening the Climate Information Architecture*, IMF, 2021, https://www.imf.org/en/Publications/staff-climate-notes/Issues/2021/09/01/Strengthening-the-Climate-Information-Architecture-462887.

53 IMF, *Global Financial Stability Report—Financial and Climate Policies for a High-Interest-Rate Era*, IMF, 2023, page 79, https://www.imf.org/en/Publications/GFSR/Issues/2023/10/10/global-financial-stability-report-october-2023.

54 IOSCO, *IOSCO endorsement assessment of the ISSB Standards for sustainability-related disclosures*, IOSCO, page 4, 2023, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD741.pdf.

Jurisdictional perspectives

Australia: Australia's 2024 *Sustainable Finance Roadmap* positioned climate-related disclosures in the wider context of a package of reforms, observing:[55]

> the Roadmap is all about mobilising the significant private capital required to achieve net zero, modernising our financial markets and maximising the economic opportunities associated with energy, climate and sustainability goals.

Brazil: In the CVM recitals in the resolution of October 2023, it noted 'the objective of giving visibility and predictability to market agents'.[56]

3.2—'Building blocks approach'—Jurisdictions can choose to build on the global baseline to meet their own disclosure objectives while still realising the benefits of the global baseline

The concept of a 'building blocks approach' is used to describe ISSB Standards as a global baseline for material information for capital markets that jurisdictions can build on with other applicable standards to meet their specific needs, while maintaining the international comparability of companies' information.

IOSCO articulated this concept clearly in its *Report on Sustainability-related Issuer Disclosures*, noting that:[57]

> IOSCO envisages that the ISSB's future standards, sitting alongside financial reporting standards and with a focus on enterprise value creation, would form the first block, providing the global baseline. This would be complemented by other 'blocks' (applicable standards), which may be jurisdiction-specific and may focus on wider sustainability impacts or other disclosures that extend beyond the ISSB's enterprise value creation orientation but could be based on consistent and comparable metrics and methodologies.

The building blocks approach is consistent with the policy-neutral focus of ISSB Standards. This approach also reflects that, although jurisdictions might have different sustainability reporting objectives, a common foundation enhances the global comparability of companies' information. The International Federation of Accountants also advocated for this approach, stating that it 'can deliver a global system for consistent, comparable, and assurable sustainability-related information that best meets the needs of investors and other stakeholders'.[58] Finally, as compared to a fragmented disclosure landscape or one that relies on multiple interoperable frameworks, a building blocks approach may facilitate investors' comparisons across companies and be more cost-effective for preparers—particularly those with reporting obligations in multiple jurisdictions.

55 The Australian Government (the Treasury), *Sustainable Finance Roadmap*, the Australian Government (the Treasury), page 2, 2024, https://treasury.gov.au/sites/default/files/2024-06/p2024-536290.pdf.

56 CVM, *Resolution N° 193*, of October 20, 2023, (Brazil), page 2, 2023, https://www.gov.br/cvm/en/foreign-investors/regulation-files/ResolutionCVM193.pdf.

57 IOSCO, *Report on Sustainability-related Issuer Disclosures*, IOSCO, page 40, 2021, https://www.iosco.org/library/pubdocs/pdf/IOSCOPD678.pdf.

58 International Federation of Accountants (IFAC), *Enhancing Corporate Reporting: Sustainability Building Blocks*, IFAC, 2021, https://www.ifac.org/publications/enhancing-corporate-reporting-sustainability-building-blocks.

Jurisdictional perspectives

Malaysia: The Malaysia NSRF noted that alignment with international standards will:[59]

> enable Malaysian businesses to remain competitive in the global market, while ensuring that we meet our national goals, including our commitment to the United Nations Sustainable Development Goals (SDGs) and our aspirations for a low-carbon, resilient economy.

EU: The recitals to the CSRD noted that:[60]

> to realise [the benefits of sustainability reporting], the sustainability information disclosed in the annual reports of undertakings first has to reach two primary groups of users. The first group of users consists of investors, including asset managers, who want to better understand the risks and opportunities that sustainability issues pose for their investments and the impacts of those investments on people and the environment. The second group of users consists of civil society actors, including non-governmental organisations and social partners, which wish to better hold undertakings to account for their impacts on people and the environment. Other stakeholders might also make use of sustainability information disclosed in annual reports, in particular to foster comparability across and within market sectors.

Pakistan: ICAP noted that:[61]

> the baseline approach provides a way to achieve global comparability for financial markets and allow jurisdictions to further develop additional requirements if needed to meet public policy or broader stakeholder needs. This approach helps to reduce duplicative reporting for companies subject to multiple disclosure requirements.

3.3—Enhanced global trade competitiveness throughout the supply chain

Jurisdictions worldwide recognise that adopting globally aligned sustainability disclosure standards can enhance their competitive position in global trade networks. Indeed, the increasing demand for sustainability-related financial information throughout supply chains underscores that the ability to provide information relevant to sustainability reporting can be a competitive advantage for suppliers.

Aligning sustainability reporting with global best practices might therefore position companies to participate more effectively in international trade and capital markets and help to ensure they meet the evolving expectations of international partners. The potential benefits of adopting or otherwise using ISSB Standards might be higher in export-oriented economies, in those deeply integrated into global supply chains and for those seeking access to global capital markets.

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59 ACSR, *National Sustainability Reporting Framework*, ACSR, page 5, 2024, https://www.sc.com.my/api/documentms/download.ashx?id=e98c3900-7b35-4cf5-a07d-fd17acf8734e.

60 Directive (EU) 2022/2464 of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting [2022] OJ L 322/15, page 18, 2022, https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022L2464.

61 ICAP, *IFRS Sustainability Disclosure Standards—Study, consultation and recommendations for implementation in Pakistan*, ICAP, page 9, 2023, https://www.icap.net.pk/files/sustainabilityreporting/publications/ifrs-sustainability-disclosure-standards-study-consultation-and-recommendations-for-implementation-in-pakistan.pdf.

Jurisdictional perspectives

Hong Kong SAR: The Hong Kong Institute of Certified Public Accountants stated that:[62]

> investors continued to emphasise the importance for Hong Kong to align in full with the ISSB Standards ... Full alignment is necessary for Hong Kong to stay relevant at the international level as an IFC with a major capital market and remain competitive in global trade, especially when transacting with entities in jurisdictions that impose requirements on supply chain due diligence and/or have a strong climate focus.

South Korea: The Korean Sustainability Standards Board stated that:[63]

> achieving interoperability and consistency with international sustainability standards is essential for domestic companies to compete in global capital markets and to respond effectively to sustainability-related regulations in major countries.

3.4—Supporting broader domestic and international policy goals

Beyond the benefits for markets, adopting ISSB Standards has been seen by some stakeholders as a strategic tool to enable the advancement of broader policy objectives related to sustainable development, climate action and economic transformation. Jurisdictions recognise that sustainability disclosures can play a role in supporting jurisdictional climate commitments by providing the necessary data to track progress and identify areas for improvement. This data is essential for achieving targets, such as those outlined in international agreements on climate change.

Although this perspective extends beyond the Foundation's mission, some jurisdictions have viewed the adoption or other use of ISSB Standards as a way of supporting more sustainable economic models and, in some cases, helping to accelerate the transition to those models. These jurisdictions aim to support sustainable transformation agendas while maintaining international competitiveness by setting out measures to build transparency around the interactions between reporting companies and their stakeholders, society, the economy and the natural environment.

In some cases, measures to align disclosures with the global baseline are complemented by other disclosure requirements and wider interventions to support sustainable development and growth.

62 Hong Kong Institute of Certified Public Accountants, *Explanatory Memorandum, HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and HKFRS S2,* Hong Kong Institute of Certified Public Accountants, page 9, 2024, https://www.hkicpa.org.hk/-/media/Document/SSD/handbookupdate/4mes1s2.pdf

63 Korean Sustainability Standards Board, *KSSB published the Exposure Draft of the Sustainability Disclosure Standards*, Korean Sustainability Standards Board, page 1, 2024, https://eng.kasb.or.kr/en/front/board/engAnnouncementsView.do?seq=206&searchfield=ALL&searchword=&s_date_start=&s_date_end=.

Jurisdictional perspectives

Pakistan: The ICAP noted the benefits for economic development policy that disclosure on the basis of ISSB Standards can support, recognising the:[64]

> importance of sustainability reporting and disclosures [as] being increasingly recognised … at the same time, the social and economic impacts of business activities are also of growing concern, particularly in areas such as labor practices, product safety and data security … By reporting on sustainability practices, entities can demonstrate their commitment to addressing these challenges and their efforts to operate in a responsible and sustainable manner.

China: The Ministry of Finance noted that:[65]

> the formulation and release of unified national sustainability disclosure standards … is an effective pathway to promote corporate implementation of sustainable development concepts, enhance global trade and investment activities, increase international competitiveness, and drive high-quality development. It also addresses the urgent need to promote sustainable economic, social, and environmental development and the harmonious coexistence of humanity and nature.

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64 ICAP, *IFRS Sustainability Disclosure Standards—Study, consultation and recommendations for implementation in Pakistan*, ICAP, page 15, 2023, https://www.icap.net.pk/files/sustainabilityreporting/publications/ifrs-sustainability-disclosure-standards-study-consultation-and-recommendations-for-implementation-in-pakistan.pdf.

65 Ministry of Finance of the People's Republic of China, *The relevant person in charge of the Accounting Department of the Ministry of Finance answered reporters' questions on the 'Corporate Sustainability Disclosure Standards—Basic Standards (Trial)'*, Ministry of Finance of the People's Republic of China, 2024, https://kjs.mof.gov.cn/zhengcejiedu/202412/t20241216_3949760.htm.

SECTION 4—THE PATH FORWARD FOR THE ADOPTION OR OTHER USE OF ISSB STANDARDS

The evidence from engagement with jurisdictional consultations, policy reports, global bodies and adoption roadmaps consistently demonstrates that adopting or otherwise using ISSB Standards can offer significant benefits across three key dimensions, specifically:

- strengthening capital markets by enabling informed investment decisions for capital allocation;
- improving cost effectiveness and enhancing efficiencies for companies; and
- enabling jurisdictions to access other benefits resulting from the global baseline of sustainability-related disclosures, when relevant.

As regulatory authorities across jurisdictions consider their approach to sustainability-related disclosure requirements, adopting or otherwise using ISSB Standards can be approached in a manner that allows them to meet specific jurisdictional priorities while maintaining the benefits of global alignment. A careful approach is particularly important for EMDEs, which might face unique implementation challenges but stand to gain substantially from improved access to capital markets and enhanced trade competitiveness in global supply chains.

The momentum behind the adoption of ISSB Standards demonstrates the growing recognition that sustainability-related financial information is essential to well-functioning capital markets. As more jurisdictions decide to use ISSB Standards, the network benefits of a globally consistent approach will continue to increase.

Ultimately, although the transition to ISSB Standards involves change and potential implementation challenges that will vary across jurisdictions, the evidence suggests that the long-term benefits will outweigh the costs—for investors, for companies and for the development and resilience of broader capital markets. Jurisdictions that advance a clear, well-articulated adoption rationale tailored to their specific context can develop effective tailored roadmaps, support the successful adoption or other use of ISSB Standards in their jurisdiction and contribute to more transparent, efficient and sustainable global capital markets.

APPENDIX—REFERENCES

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