

IFRS S1 and S2: Sustainability Disclosure Guide for CFOs

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Executive Summary

This report provides an **in-depth analysis** of the new IFRS Sustainability Disclosure Standards – **IFRS S1** (General Requirements for Disclosure of Sustainability-related Financial Information) and **IFRS S2** (Climate-related Disclosures) – with a focus on what Chief Financial Officers (CFOs) need to know to navigate this evolving landscape. Issued by the International Sustainability Standards Board (ISSB) in June 2023, IFRS S1 and S2 establish a **global baseline** for sustainability reporting that is aligned with **financial reporting standards** (Source: www.ifrs.org) (Source: www.ifrs.org). Specifically, IFRS S1 requires disclosures of **all material sustainability-related risks and opportunities** affecting a company's cash flows, access to finance, and cost of capital over the short, medium, and long term (Source: www.ifrs.org), while IFRS S2 focuses on **climate-specific** risks, opportunities, and related financial impacts (Source: www.ifrs.org) (Source: kpmg.com).

By integrating the rigor of financial reporting into sustainability disclosures, these standards effectively **raise the bar**: sustainability information must be prepared with the same quality controls, precision, and integration with **financial statements** as traditional accounting information (Source: www.tcs.com) (Source: www.persefoni.com). For CFOs, this shift means taking a **central role** in sustainability reporting, overseeing governance, assurance, data collection, and presentation of sustainability metrics in tandem with financial statements (Source: www.tcs.com) (Source: cfo.co.za). The standards also reinforce the investor-centric “single materiality” approach of IFRS: companies must report information that is material to financial decision-making by investors, as opposed to the double-materiality perspective required by some other frameworks (Source: www.accaglobal.com) (Source: www.accaglobal.com).

This report covers the **historical context** of IFRS's entry into sustainability, the **core requirements** of IFRS S1 and S2, and practical implications for CFOs. It compares IFRS S1/S2 with other reporting regimes (e.g. EU's ESRS/CSRD, **SEC proposals**, GRI) and surveys how jurisdictions are adopting the IFRS standards globally. We analyze **data and survey evidence** on the current state of sustainability reporting and assurance (Source: www.ifac.org) (Source: www.pwc.com), and present **case studies** and examples from practice. Finally, we discuss CFO strategies for compliance, data management, and value creation from sustainability information, as well as **future developments** such as upcoming IFRS disclosures on biodiversity and social topics (Source: kpmg.com) (Source: kpmg.com).

Key findings include: CFOs must elevate sustainability disclosure to the same **governance and control environment** as financial reporting (Source: www.tcs.com) (Source: www.persefoni.com); effective implementation requires cross-functional collaboration, new **data systems**, and potentially external assurance (Source: www.tcs.com) (Source: www.pwc.com). Global investor demand and regulation are forcing widespread adoption: by mid-2025, 36 jurisdictions had adopted or were finalizing IFRS S1/S2-based reporting (Source: www.ifrs.org), and leading governments (UK, EU, Canada, etc.) are molding their rules around the ISSB standards (Source: www.persefoni.com) (Source: www.ifrs.org). Companies already aligning with frameworks like SASB or TCFD will find the transition smoother (Source: riveron.com) (Source: riveron.com); others face a steep learning curve. Evidence shows that early reporters see **tangible value** – beyond compliance – from integrating sustainability data into strategy and operations (Source: www.pwc.com) (Source: www.ifac.org). As such, CFOs should proactively lead their organizations' preparation for IFRS S1/S2, investing in people, processes, and technology to collect **high-quality, auditable** ESG data and to tell a credible, finance-linked sustainability story to stakeholders.

Introduction and Background

The Rise of Sustainability Disclosure

Sustainability and climate-related issues have become **core concerns** for businesses, investors, and regulators. Over the past decade, companies have faced mounting pressure to report not just financial metrics, but also how environmental, social, and governance (ESG) factors affect their long-term performance and risk profile. For example, extreme weather events, regulatory changes to curb emissions, and shifting consumer preferences all influence corporate **cash flows** and valuations. In response, a proliferation of voluntary and mandatory ESG frameworks emerged internationally – from the Task Force on Climate-related Financial Disclosures (TCFD) to regional rules like the EU's Non-Financial Reporting Directive (NFRD) and now the Corporate Sustainability Reporting Directive (CSRD) with EU Sustainability Reporting Standards (ESRS) (Source: www.accaglobal.com). However, the coexistence of many frameworks created **fragmentation**: companies often follow multiple sets of rules (GRI, SASB, TCFD, CSRD/ESRS, etc.) to satisfy different stakeholder needs, leading to inconsistent, non-comparable disclosures (Source: www.ifac.org) (Source: sodali.com).

Recognizing this challenge, market participants and authorities – including the G20, Financial Stability Board, IOSCO, and major investors – called for a **global baseline** of sustainability reporting standards (Source: www.ifrs.org) (Source: riveron.com). In 2021, the IFRS Foundation established the **International Sustainability Standards Board (ISSB)** at COP26 in Glasgow, with a mandate to consolidate existing investor-focused frameworks (like SASB and TCFD) into a unified set of standards (Source: riveron.com). The launch of IFRS S1 and S2 in June 2023 marked the ISSB's inaugural standards (Source: www.ifrs.org). These new standards aim to bring the rigor and comparability of IFRS financial standards to ESG disclosures, addressing the needs of the investment community for decision-useful information.

IFRS S1 and S2 Issuance and Scope

On **26 June 2023**, the ISSB issued IFRS S1 (Sustainability-related Financial Disclosures) and IFRS S2 (Climate-related Disclosures). ISSB Chair Emmanuel Faber hailed this as “ushering in a new era of sustainability-related disclosures in capital markets worldwide” (Source: www.ifrs.org). IFRS S1 provides the **general disclosure framework**, while IFRS S2 focuses on **climate-specific** disclosures. Both standards are explicitly designed to be used together and to align with established reference materials. IFRS S1 requires companies to disclose information on **all sustainability-related risks and opportunities** (environmental, social, and governance factors) that could affect their prospects (Source: www.ifrs.org). IFRS S2 zeroes in on climate, requiring detailed disclosure of climate-related risks (both **physical** and **transition** risks) and opportunities (Source: www.ifrs.org) (Source: www.esgreportinghub.org). Companies preparing IFRS reports must follow IFRS S1 for general sustainability content and apply IFRS S2's detailed requirements for the climate-related portion of their reporting.

Importantly, the standards are **user-centric**: the primary intended users are *existing and potential investors, lenders, and other providers of capital* (Source: kpmg.com) (Source: www.accaglobal.com). The objective is to provide information that is useful to these capital providers in assessing how sustainability factors materially influence an entity's cash flows, financial position, performance, access to finance, and cost of capital over multiple time horizons (Source: www.ifrs.org) (Source: www.accaglobal.com). In contrast, broader stakeholder interests (such as community or customer impacts) are generally not the direct focus of IFRS S1/S2, reflecting the **single-materiality** approach inherited from IFRS Accounting Standards (Source: www.accaglobal.com). For example, IFRS S1 explicitly defines materiality in terms of relevance to investor decisions (Source: www.accaglobal.com), whereas frameworks like the EU's ESRS adopt a **double-materiality** lens that also captures an entity's impact on people and the planet (Source: www.accaglobal.com) (Source: www.accaglobal.com). This distinction is crucial for CFOs: IFRS S1/S2 require disclosing matters that affect the company's financial prospects, not every social or environmental impact it has on stakeholders. Nonetheless, IFRS S1/S2 acknowledge market practice differences; IFRS S1, for instance, directs companies to *consider* industry guidance such as SASB for material topics beyond climate (Source: www.ifrs.org).

Timeline and Effective Dates

Both IFRS S1 and S2 became **effective 1 January 2024** for annual reporting periods (Source: www.ifrs.org) (Source: www.ifrs.org). In practice, organizations preparing for year-end disclosures (e.g. FY2024 reports) would apply IFRS S1/S2 to the fiscal year ending in 2024, with the first disclosures coming out in 2025. An important note in IFRS S1 provides *transitional relief*: entities are not required to provide comparative information (i.e. for the prior year) in their first year of reporting (Source: kpmg.com). In addition, IFRS mandates a phased approach for climate emissions disclosures: Scope 3 and financed emissions disclosure requirements in IFRS S2 begin in the second year of reporting rather than in the first year (Source: kpmg.com), easing the initial burden on preparers.

However, issuance by the ISSB does not itself create regulatory requirements. Adoption of IFRS S1/S2 is **jurisdiction-dependent**. At present, IFRS S1/S2 are **voluntary international standards**, pending formal endorsement or incorporation by regulators. Nonetheless, the momentum for adoption is very strong. Regulatory bodies in many jurisdictions have signaled or already begun processes to adopt IFRS S1/S2 (or versions thereof) into law (Source: sodali.com) (Source: www.ifrs.org). For example, the UK Treasury and UK Financial Reporting Council plan to issue “UK Sustainability Disclosure Standards” closely aligned with the ISSB standards (Source: www.persefoni.com). Similarly, EU authorities have noted that the final ESRS standards are designed to be interoperable with IFRS S1/S2 to avoid duplicative reporting (Source: www.ifrs.org). As we discuss later, by mid-2025 the IFRS Foundation reported that **36 jurisdictions** had adopted or were formulating use of the ISSB standards, covering a significant share of global markets (Source: www.ifrs.org) (Source: www.ifrs.org).

This report will first detail the content of IFRS S1 and S2, then explore implementation considerations for CFOs, including how existing practices (e.g. TCFD, SASB, prior voluntary sustainability reports) align with the new standards. We will examine **case studies, surveys, and expert commentary** to highlight real-world challenges and best practices. Throughout, we maintain an academic and professional tone, citing authoritative sources for all factual claims to ensure credibility.

IFRS S1 – General Requirements for Sustainability Disclosure

IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) establishes *how* a company should prepare and present its sustainability disclosures. It does not prescribe metrics for every topic (which come from guidance such as SASB), but rather outlines a **framework for comprehensive reporting** about sustainability risk management. The standard's objective is clear: "to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general purpose financial reports" (Source: www.ifrs.org).

Core Concept: Sustainability-related Risks & Opportunities (SRROs)

Under IFRS S1, companies must consider **all sustainability-related risks and opportunities** that could "reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital" over various time horizons (Source: www.ifrs.org). The term "sustainability-related risks and opportunities" (SRROs) refers broadly to environmental, social, and governance factors that have financial consequences. Examples include climate change, water scarcity, human capital issues, product safety, and governance practices. What matters is **financial materiality**: only those sustainability issues that could influence investors' decisions by impacting future financial performance are in scope.

Importantly, IFRS S1's SRRO concept is *multi-directional*. A company must assess not just how external sustainability trends affect it (e.g. how climate policies affect its business model), but also how the company's own sustainability practices could affect its financial position (e.g. reputational impacts, resource availability, regulatory compliance costs) (Source: kpmg.com). In other words, the standard views sustainability as part of the risk-return profile, rather than as an external cause. This aligns with the IFRS conceptual framework which emphasizes that disclosures should reflect factors important to the company's prospects (Source: www.ifrs.org).

Four Pillars of Disclosure

IFRS S1 requires firms to disclose information in four main areas, often compared to the TCFD's four pillars: **Governance, Strategy, Risk Management, and Metrics & Targets** (Source: www.ifrs.org) (Source: www.esgreportinghub.org). Specifically, IFRS S1 mandates:

1. **Governance**: Describe the governance processes, controls, and procedures the entity uses to monitor, manage, and oversee sustainability-related risks and opportunities (Source: www.ifrs.org). This includes which executives or committees are responsible, and how sustainability factors are integrated (or not) into board oversight and decision-making.
2. **Strategy**: Explain the entity's strategy for managing sustainability-related risks and opportunities (Source: www.ifrs.org). The disclosures should cover how SRROs are considered in the business model, investment decisions, and strategic planning. Companies must disclose how SRROs affect (or could affect) their strategy and resilience over the short, medium, and long term (Source: www.ifrs.org) (Source: www.esgreportinghub.org).
3. **Risk Management**: Detail the processes used to identify, assess, prioritize, and manage SRROs (Source: www.ifrs.org). IFRS S1 requires clarity on how sustainability risks are embedded in the overall risk management framework, including any specific procedures or criteria for sustainability issues. Companies should explain how they determine materiality of different risks and how often they monitor them.
4. **Metrics and Targets (Performance)**: Disclose the metrics and targets the entity uses to monitor, manage, and report performance with respect to SRROs (Source: www.esgreportinghub.org) (Source: cfo.co.za). This means reporting quantitative data on key indicators (e.g. emission volumes, water use, workforce diversity) and describing progress towards any sustainability targets (whether set by management or required by law). The idea is to give investors measurable evidence of performance and trends. As CFOs note, this requirement shifts sustainability reporting from narrative-only disclosures to ones backed by **quantitative analysis** and data (Source: cfo.co.za).

Each of these four sections should be addressed in the sustainability report, following the objectives set out in IFRS S1 (Source: www.esgreportinghub.org). The amount of detail depends on materiality: IFRS S1 explicitly states that companies need not disclose information that is not material (Source: www.accaglobal.com) (Source: www.accaglobal.com). However, if a disclosure is required by the standard (for example, stating governance roles), the company must either provide the information or explain why it is not applicable.

Integration with Financial Reports

A key innovation of IFRS S1 is the requirement that sustainability disclosures be **included in the same report as the financial statements** (Source: www.ifrs.org) (Source: www.esgreportinghub.org). IFRS S1 stipulates that companies should report sustainability-related information **alongside their financial disclosures** and explicitly link the relevant statements. In practice, this often means an integrated annual report or the management commentary section of the financial statements.

Crucially, IFRS S1 emphasizes consistency between sustainability data and the financial statements. It states that companies should use the same accounting principles, when applicable, in preparing sustainability disclosures and should reconcile figures where relevant (Source: www.esgreportinghub.org). For example, if a company identifies environmental cleanup obligations, it should ensure that the provision in the financial statements aligns with any mention of it in the sustainability discussion. This alignment increases the reliability of the reports and leverages CFO expertise in financial controls. As one IFRS analyst noted, the numbers and assumptions used in sustainability disclosures “should match as closely as possible” with those in the financial statements (Source: www.esgreportinghub.org). This requirement effectively **blurs the line** between financial and sustainability reporting, making sustainability data a part of the financial narrative.

For CFOs, this integration means that sustainability reporting is no longer a siloed ESG exercise but a **finance-driven process**. To meet the same standards of accuracy and auditability, CFO offices may need to extend their governance, internal controls, and audit committees to cover the collection and validation of sustainability data (Source: www.tcs.com) (Source: kpmg.com). Indeed, the ISSB expects sustainability disclosures to have a similar level of credibility as financial statements, though IFRS S1 does not itself mandate external assurance. Still, as IFRS S1 notes, companies can bolster confidence by engaging independent assurance practitioners (an aspect we discuss later) (Source: kpmg.com).

Materiality under IFRS S1

Materiality in IFRS S1 is **consistent with IFRS accounting standards**: information is material if its omission or misstatement could reasonably be expected to influence the decisions of the primary users (investors, lenders) (Source: www.accaglobal.com). This is often called **financial materiality**, focusing on the entity’s value (sometimes referred to as “impact on enterprise value”). There is *no separate “impact materiality”* in IFRS S1 as there is in double-materiality frameworks. In practice, companies align their materiality assessment for IFRS S1 with how they identify risks and opportunities affecting future cash flows and financial metrics.

By contrast, some other frameworks require broader assessments. For example, the EU’s ESRS mandates disclosure of impacts on society and environment even if they do not (yet) feed into cash flows (Source: www.accaglobal.com) (Source: www.accaglobal.com). IFRS S1 avoids such “forced” disclosures: if a topic is not financially material, an entity need not report on it, and IFRS S1 explicitly allows omission of immaterial items (Source: www.accaglobal.com) (Source: www.accaglobal.com). However, IFRS S1 includes a “**statement of compliance**” requirement: companies must affirm that they applied IFRS S1 fully in their disclosures. Thus, even if certain topics are immaterial, the company must justify the assessment. This preserves accountability and ensures that the scope of reporting is transparent (Source: kpmg.com) (Source: www.accaglobal.com).

Implementation Steps for CFOs

From a practical standpoint, CFOs should view IFRS S1 as requiring:

- **Identification of Material SRROs:** CFOs should lead (often in partnership with ESG or operational teams) the materiality assessment to determine which sustainability topics to report. This typically involves analyzing both the company’s value chain and industry risks. Tools such as scenario analysis, stakeholder mapping, and expert input may be used to ensure a comprehensive list of potential SRROs.
- **Governance and Controls:** CFOs should establish governance structures for sustainability data. This includes defining who is responsible for data collection (often cross-functional), putting review processes in place, and ensuring that sustainability reporting is signed off with the same diligence as financial results. For example, a sustainability disclosure committee or task force reporting to the CFO might be formed (Source: cfo.co.za).
- **Strategy & Risk Integration:** The CFO and finance teams must work with ESG and line managers to translate sustainability risks/opportunities into financial terms. This could involve linking climate risk to credit risk or translating human capital practices into productivity forecasts. The company’s strategy disclosures will need to reflect how the business adapts to these factors.

- **Performance Metrics:** Identifying and tracking key performance indicators (KPIs) is critical. CFOs should collaborate with operational units to measure impact (e.g. energy usage, water usage, workforce metrics, product safety incidents) and financial outcomes. These KPIs will feed into the “Metrics and targets” section of the report. Importantly, the metrics chosen should be those most relevant to investors – essentially, those that drive value.
- **Disclosure and Reconciliation:** Finally, CFOs ensure that the prepared sustainability disclosures are published with financial statements. This includes labeling where in the report each disclosure is made (as required by IFRS S1) and providing any reconciliations to accounting data. CFOs will also oversee the narrative to meet IFRS S1’s prescribed headings and content requirements.

In summary, IFRS S1 makes sustainability reporting a core part of financial reporting. It requires robust analysis of all financially material ESG issues and clear disclosures of how a company manages them. CFOs need to treat these disclosures with the same care as the notes to the financial statements, ensuring completeness, consistency, and reliability.

IFRS S2 – Climate-related Disclosure Standard

IFRS S2 (Climate-related Disclosures) is a “*topic-based*” standard that sits alongside IFRS S1. While IFRS S1 covers any material sustainability factors, IFRS S2 goes into **greater detail on climate**. Specifically, IFRS S2 integrates the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and builds on them with additional requirements (including industry-based guidance from SASB). The objective of IFRS S2 is “to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general purpose financial reports” (Source: www.ifrs.org).

Scope: Climate Risks and Opportunities

IFRS S2 narrows the focus to **climate-related** items. It explicitly identifies:

- **Climate-related Physical Risks:** These arise from climate phenomena (e.g. rising temperatures, extreme weather, sea-level rise) and their direct impact on assets and supply chains. Companies must consider how past or projected changes in climate could cause damage or interruption to operations (Source: www.ifrs.org) (Source: www.esgreportinghub.org).
- **Climate-related Transition Risks:** These stem from the transition to a lower-carbon economy, including changes in policy, regulations (e.g. carbon pricing), technology (e.g. new energy sources), or market preferences. Transition risks could affect demand for products, increase compliance costs, or lead to asset stranding (Source: www.esgreportinghub.org).
- **Climate-related Opportunities:** IFRS S2 also requires disclosure of opportunities enabled by climate action – for instance, developing low-emission products, improving energy efficiency, or accessing new markets for green technologies (Source: www.esgreportinghub.org).

Companies must report information about any such climate-related risks and opportunities **reasonably expected to affect their cash flows, access to finance, or cost of capital**” (Source: www.ifrs.org). IFRS S2’s scope is thus similar to IFRS S1’s, but limited to climate. It explicitly directs preparers to consider **Scope 1, 2, and 3 greenhouse gas (GHG) emissions** (including financed emissions) and to disclose them as part of the entity’s climate risk profile (Source: kpmg.com).

Four Pillars (Governance, Strategy, Risk Management, Metrics)

Like IFRS S1 (and TCFD), IFRS S2 organizes its requirements into the same four pillars (Source: www.ifrs.org):

1. **Governance of Climate Risks and Opportunities:** The company should describe the governance processes, controls, and procedures it uses specifically for climate issues (Source: www.ifrs.org). This includes clarifying who within the board or management is responsible for climate oversight.
2. **Strategy:** Disclosure of the organization’s strategy for managing climate-related risks and opportunities (Source: www.ifrs.org). Importantly, IFRS S2 requires discussion of how climate considerations have been factored into the entity’s business model and strategy. This includes describing the following elements:
 - The effect of climate-related risks and opportunities on the company’s strategy and financial position (e.g. how climate may impact the balance sheet, funding, or revenue) (Source: www.esgreportinghub.org).

- The **resilience** of the company's strategy under various climate scenarios. IFRS S2 specifically **mandates scenario analysis** to show how the company would fare under, for example, a 1.5°C warming scenario vs a business-as-usual scenario (see below) (Source: [kpmg.com](https://www.kpmg.com)).
 - The company's plans for managing transition (e.g. decarbonization initiatives) and any planned emissions reduction targets.
3. **Risk Management:** The processes for identifying, assessing, prioritizing, and managing climate-related risks (Source: www.ifrs.org). This part should explain how climate risks are integrated into overall risk management (for example, through enterprise risk management systems) and how the company decides which risks are material. It requires companies to differentiate how they handle physical vs transition risks, if applicable.
4. **Metrics and Targets (Performance):** Quantitative metrics used to measure climate performance, plus progress towards targets (Source: www.ifrs.org). This must include (at minimum) disclosure of GHG emissions by scope: IFRS S2 requires Scope 1 and Scope 2 emissions in the first year, and Scope 3 emissions (including financed emissions) starting in year two (Source: [kpmg.com](https://www.kpmg.com)). Companies should disclose any climate-related targets (e.g. net-zero goals) and performance against them. Other metrics might include energy usage, carbon intensity, or third-party climate ratings, as long as they are financially material.

The standard's history notes that IFRS S2 "integrates and builds on the recommendations of the TCFD" (Source: www.ifrs.org). Practically, this means a company that already does TCFD-style reporting has covered most of the required ground for IFRS S2 – but IFRS S2 adds explicit requirements (like mandatory GHG scope disclosures and use of SASB industry metrics where relevant) (Source: [kpmg.com](https://www.kpmg.com)) (Source: [kpmg.com](https://www.kpmg.com)). IFRS S2 also includes climate-specific guidance for each industry, drawn from the SASB standards, to ensure comparability across peers.

Climate Scenario Analysis and Resilience

A notably enhanced element in IFRS S2 is **climate scenario analysis**. Section S2.44–S2.46 of IFRS S2 requires companies to disclose information about how their strategy would hold up under future climate scenarios. In particular, an entity must describe:

- What climate scenarios were used (must include a scenario that limits warming to well below 2°C, consistent with the Paris Agreement, and in year two a 1.5°C scenario),
- How those scenarios affect the organization (for example, by showing financial impacts on revenue, costs, or asset valuations),
- Whether and how the company's strategy is resilient across those scenarios (Source: [kpmg.com](https://www.kpmg.com)).

This goes beyond TCFD in specifying details of scenario analysis. CFOs must collaborate with sustainability experts or external consultants to run and interpret climate scenarios, often spanning 10-30+ years. The output – an "analysis of strategic resilience" – must be distilled into disclosures that investors can use to gauge whether the company is prepared for different climate futures.

Required Climate Disclosures – Adding Specificity

While IFRS S1 required broad disclosures about sustainability targets and performance, IFRS S2 drills into **specific climate items**. For example, IFRS S2 explicitly calls for the quantity of **Scope 1, Scope 2, and Scope 3 GHG emissions** (including financed emissions) to be disclosed (Source: [kpmg.com](https://www.kpmg.com)). It also requires explanation of any use of climate-related scenario analysis (as above) and disclosure of any climate-related targets. The KPMG summary highlights that IFRS S2's disclosures cover:

- Climate-related **physical risks**
- Climate-related **transition risks**
- Climate-related **opportunities**
- The entity's **climate resilience**, including how it uses scenario analysis (Source: [kpmg.com](https://www.kpmg.com)).
- **Scope 1, 2, 3 GHG emissions**, and (notably) financed emissions (Source: [kpmg.com](https://www.kpmg.com)).

This level of detail ensures that IFRS S2 reporting is comparable and granular. For instance, while TCFD recommended disclosing emissions, it did not require Scope 3 until later; IFRS S2 mandates Scope 1–3 (though phasing in Scope 3) (Source: [kpmg.com](https://www.kpmg.com)). The inclusion of financed emissions (GHG emissions from loans, investments, etc.) underscores the standard's comprehensive view of climate risk across financial chains.

Industry-based Guidance

An important feature of the ISSB standards is the use of industry-based disclosure guidance from the SASB Standards. IFRS S2 incorporates SASB's climate-related metrics and requires companies to consider them where relevant. Similarly, IFRS S1 suggests using SASB (now under the ISSB umbrella) to identify metrics for non-climate sustainability topics (Source: www.ifrs.org). This approach ensures consistency and comparability: for example, a power company reporting under IFRS S2 would report Scope 1/2 emissions and energy outputs, while a manufacturing firm might report emissions per unit produced, based on SASB guidance.

Implementation for CFOs

In practice, IFRS S2 implementation requires CFOs to deepen their involvement in climate issues:

- **Data Collection:** CFOs must ensure collection of accurate GHG data across all scopes, often requiring collaboration with procurement (for Scope 3 product emissions), operations (Scope 1/2 fuel and electricity usage), and finance (allocation of financed emissions).
- **Cross-Functional Integration:** The finance function needs to work with sustainability, risk, and operations to embed climate factors into budgeting, forecasting, and strategy. For example, capital expenditures may be re-evaluated under stricter emission rules, or credit risk models may incorporate climate stress.
- **Scenario Planning:** CFOs should incorporate climate scenario outputs into financial models, to understand impacts on revenue, costs, and balance-sheet items. These analyses then feed into the "Climate Resilience" narrative for investors.
- **Target Setting and Tracking:** CFOs often oversee tracking of climate targets (e.g. net-zero by 2050). IASB requires disclosure of these targets and progress towards them, which means integrating these into management reporting and verifying the numbers.
- **External Collaboration:** Given the complexity, CFOs might seek external assurance, software, or advisory support. Notably, IFRS S2 exposed companies to auditing standards; subsequents such as IAASB are preparing assurance guidance for sustainability reports (Source: www.persefoni.com).

Overall, IFRS S2 compels a financial focus on climate: CFOs must quantify climate risks and describe how they manage them, ensuring climate disclosures meet the rigorous standards of financial reporting. As one sustainability leader observed, IFRS S2 makes companies face reality of climate in every management discussion, demanding both narrative and **quantitative backup** to avoid "greenwashing" (Source: cfo.co.za).

IFRS Sustainability Standards in the Reporting Landscape

IFRS S1/S2 vs Other ESG Frameworks

The issuance of IFRS S1/S2 does not replace existing sustainability standards but aims to **harmonize** them into a common baseline for investor-related disclosures. Table 1 below compares IFRS S1 and IFRS S2 with some leading sustainability frameworks.

FRAMEWORK / STANDARD	PRIMARY FOCUS	MATERIALITY CONCEPT	SCOPE OF TOPIC COVERAGE	EFFECTIVE DATES
IFRS S1 (ISSB)	Comprehensive sustainability-related financial risks/opportunities (investor-centric) (Source: www.ifrs.org)	Single materiality (financial materiality) (Source: www.accaglobal.com)	All sustainability factors (environmental, social including climate, workforce, etc.) affecting financial outcomes (Source: www.ifrs.org)	Effective Jan 2024 (voluntary until mandated) (Source: www.ifrs.org)
IFRS S2 (ISSB)	Climate-related financial risks/opportunities (Source: www.ifrs.org)	Single materiality (financial)	Climate (physical & transition risks, opportunities); includes GHG metrics (Source: kpmg.com)	Effective Jan 2024 (voluntary until mandated) (Source: www.ifrs.org)
EU ESRS (under CSRD)	Broad ESG (double-materiality) – all major ESG impacts & risks for EU companies	Double materiality (impact + financial) (Source: www.accaglobal.com) (Source: www.accaglobal.com)	Very wide (numerous ESRS standards on environment, social, governance topics)	Goalpost 2024 (for FY2024 reports, i.e. disclosed in 2025) (Source: www.pwc.com)
TCFD (FSB Task Force)	Climate-related financial risks and opportunities (investor view) (Source: www.esgreportinghub.org)	Single materiality (financial)	Climate (strategy, risks, metrics – like IFRS S2 predecessor)	Launched 2017 (now integrated into IFRS S2)
GRI (Global Reporting Initiative)	Broad ESG (stakeholder perspective)	Double/combined materiality (impacts on people & planet, and financial)	All ESG topics (humankind-focused)	Ongoing updates (latest standards issued 2016–2021 for various topics)
SASB Standards	Industry-specific financially material ESG metrics (investor-focused)	Single materiality	Industry-specific material topics (incl. climate, workforce, ethics)	Effective by sector; integrated into IFRS S1 guidance (Source: www.ifrs.org)
US SEC Climate Proposal (2022)	Climate-related financial disclosures for listed companies	Single materiality	Climate (scope 1/2/3 emissions, governance, scenario analysis)	N/A (still in rulemaking)

Table 1: Comparison of IFRS S1/S2 with other prominent ESG reporting frameworks (sources: IFRS Foundation, ACCA, FAFSA, etc.) (Source: www.accaglobal.com) (Source: www.esgreportinghub.org) (Source: sodali.com).

Key observations: IFRS S1/S2 occupy a middle ground in terms of materiality and scope. Like TCFD and SASB, they emphasize the investor lens and financial impacts; unlike GRI, they do *not* require reporting on impacts unless those impacts circle back to entity performance. However, IFRS S1/S2 are more comprehensive than TCFD; for example, IFRS S2's explicit requirement to disclose Scope 3 (and financed) emissions is broader than TCFD's original guidance. Compared to the EU's ESRS, IFRS is narrower but simpler, focusing on what investors need to know. Many preparers see IFRS and ESRS as complementary: IFRS for financial materiality, ESRS/GRI for broader stakeholder impacts (Source: sodali.com). In practice, large multinationals often produce multiple reports or integrate multiple frameworks to meet all requirements.

Interoperability and Comparison

The IFRS Foundation has emphasized interoperability with existing standards. In particular, ISSB coordinated with the GRI and European bodies. For example, IFRS S1/S2 were developed alongside the first draft of ESRS to avoid contradiction. The IFRS press release notes that even the EU acknowledges IFRS S1/S2 through an “interoperability” approach (Source: www.ifrs.org). Practically, this means a company could prepare disclosures that satisfy both sets of requirements simultaneously by aligning metrics and processes where possible. For instance, climate-both IFRS S2 and ESRS E standards cover climate (though ESRS may require additional detail like value-chain emissions in CSRD corporate sustainability reports), so a company could combine data collection to serve both.

SASI note (IFRS S1 -> SASB): IFRS S1 explicitly directs companies to use *industry-based guidance*, which in practice means **SASB Standards** (Source: www.ifrs.org). The IFRS Foundation even updated the SASB Standards in late 2023 to ensure they have global applicability (Source: www.ifrs.org). This means that CFOs can lean on SASB industry metrics as a core part of IFRS S1 reporting. Many companies already reporting SASB metrics find that IFRS S1 is largely consistent with what they do, merely requiring integration with IFRS S2 for climate and packaging it into one comprehensive disclosure.

Meanwhile, IFRS S1 and S2 are carving out their own territory in the ecosystem. As one analysis notes, IFRS “does not replace GRI but provides a common baseline” focused on investors (Source: sodali.com). Over time, it is expected that regulators worldwide will converge around IFRS S1/S2 (or close variants) for mandatory reporting. Already, IFRS S1/S2 have IOSCO endorsement, and governments (e.g. UK) have announced adoption timelines (Source: www.persefoni.com). Companies should monitor both IFRS and jurisdiction-specific standards (like SEC or national standards bodies) to ensure full compliance, but the IFRS standards likely form the core baseline of any future disclosure regime in most major markets.

Relevance and Implications for CFOs

Broadening the CFO’s Mandate

IFRS S1 and S2 effectively **bring sustainability reporting to the same level of importance as financial reporting**. For CFOs, this is a paradigm shift. Traditionally, sustainability metrics might have been the domain of specialized ESG teams or external consultants; under IFRS, CFOs must integrate these into their core reporting processes and controls. As one expert put it, the new standards “have taken sustainability reporting requirements to the next level” by requiring “the same rigor as financial reporting” (Source: www.tcs.com). Consequently, CFOs must now oversee a comprehensive compliance program for ESG disclosures, including:

- **Governance structures:** CFOs should ensure their finance organizations have clear oversight of sustainability disclosures. Many finance teams are extending roles like financial reporting managers to include “sustainability controllers” or similar functions. Boards may need to adapt audit committee charters to explicitly cover S1/S2 reporting.
- **Data governance and systems:** Gathering sustainability data often involves new sources (energy meters, carbon databases, HR systems for diversity metrics). CFOs must ensure there are robust data processes and ideally centralized platforms to collect, store, and reconcile these metrics, just as financial software does for monetary figures. The PwC survey finds that technology adoption is rising, with more than half of reporting companies now using centralized sustainability data systems (Source: www.pwc.com).
- **Cross-functional leadership:** While CFOs can anchor the effort, IFRS S1/S2 disclosures cover the entire value chain. CFOs need to form cross-functional teams (as seen in South Africa’s case (Source: cfo.co.za) to gather input from operations, supply chain, HR, and legal. For instance, water usage data may come from facilities, workforce turnover from HR. Regular collaboration across departments becomes essential. CFOs should champion sustainability training and awareness across the organization.
- **Internal controls and assurance:** CFOs should extend internal audit and control frameworks to sustainability data. The expectation is that sustainability figures, especially quantitative metrics, be verifiable. While ISSB does not mandate assurance, market pressure is pushing many companies toward third-party sustainability assurance, often by their financial auditors. In 2022, roughly 69% of large companies obtained some assurance over sustainability information (Source: www.ifac.org), and this trend is growing. CFOs should be prepared to justify data quality and may opt to schedule external reviews ahead of formal requirements.

Overall, CFOs must **ensure trust and credibility** in sustainability reports. As one commentator noted, “To publish a true and fair state of affairs... quarter after quarter, is what CFOs will be tested on” (Source: www.tcs.com). In practice, this means CFOs should treat sustainability KPIs with skepticism and rigor: audit trails, reconciliations with financial data, and adherence to accounting-quality standards.

Integrating Sustainability into Financial Strategy

Beyond compliance, sustainability disclosures have **strategic implications** for CFO decisions. IFRS S1/S2 data can inform capital allocation, risk management, and performance metrics. The PwC survey highlights that companies often derive value from these disclosures by using the collected data to improve strategy (Source: www.pwc.com). For instance:

- **Risk assessment:** By quantifying climate risks, CFOs can adjust capital costs or insurance provisions. A carbon-intensive project might receive a higher risk weighting if future carbon pricing is considered. Banks and investors are increasingly looking for this transparency; CFOs might even negotiate better borrowing terms if the company demonstrates proactive climate risk management (e.g. via green bonds or sustainability-linked loans).
- **Investment and M&A:** Sustainability data can influence which projects get funded. Considerations might include the environmental efficiency of a new factory or social sustainability of entering a market. CFOs should work with the strategy team to integrate IFRS disclosures into business cases and due diligence.
- **Performance measurement:** Sustainability metrics can become part of executive compensation or business KPIs. If the board believes ESG performance drives long-term value, the CFO may help design incentive schemes aligned to emissions reduction or diversity goals.
- **Stakeholder relations:** Good IFRS reporting can enhance investor confidence. With mandatory IFRS disclosures on the horizon, companies not yet subject may still be asked by investors and customers to provide IFRS-aligned reports (Source: riveron.com) (Source: www.persefoni.com). CFOs should anticipate these requests and consider voluntary early adoption to maintain credibility with stakeholders.

However, CFOs must navigate **complex trade-offs**. For example, strict greenhouse gas reporting might reveal high Scope 3 emissions that a company feels are not fully under its control. CFOs need to balance transparency with business concerns, ensuring that IFRS S2 disclosures accurately reflect control and materiality but also articulate management plans. Clear communication of assumptions and uncertainties in scenario analysis is crucial.

Global Adoption and Compliance Burden

As noted, IFRS S1/S2 will become mandatory at different times in different jurisdictions. The **global landscape** is rapidly evolving (see Table 2). Major economies like Australia and Singapore have already mandated IFRS S1/S2-based reports for certain entities by early 2025 (Source: sodali.com) (Source: www.ifrs.org). Others, like Canada, Japan, and Hong Kong, have either paused or are developing their own aligned standards. CFOs of multinational firms must track all relevant regimes: for instance, an EU-headquartered company may need to report both ESRS (for EU legal requirements) and IFRS S1/S2 (for global investor needs and perhaps upcoming cross-jurisdiction mandates). The Sodali chart shows how some companies are voluntarily aligning IFRS reporting across jurisdictions even where not yet required (Source: sodali.com) (Source: sodali.com).

This creates **compliance complexity**. CFOs must identify which parts of IFRS S1/S2 ever apply (e.g. listed companies generally, but also possibly bond issuers, large private firms if regulators extend requirements). They also must consider overlapping regimes: for example, a company listed in the UK may follow UK Sustainability Disclosure Standards (based on IFRS) and an EU subsidiary may have separate CSRD filings. Many CFOs see IFRS S1/S2 as an opportunity to consolidate reporting: for example, some companies plan to use IFRS S2 data to satisfy both IFRS and any local climate rules. Others parallel-report, ensuring that their IFRS-based report covers all requirements.

From a data standpoint, this means CFOs should **build disclosure systems** that are flexible and comprehensive, enabling extraction of data for different frameworks. As PwC notes, interoperability (using common data foundations) is key to avoid duplication (Source: www.pwc.com). CFOs may invest in integrated sustainability reporting software that can tag data elements against multiple standards (IFRS, ESRS, GRI tags, etc.). In the near term, at least planning for IFRS S1/S2 compliance will likely become part of the finance department's annual reporting cycle and budget.

Governance and Assurance

Given that IFRS S1/S2 bring investor-grade rigor, CFOs should ensure **governance and oversight** are robust. This means:

- Establishing clear policies for how sustainability information is prepared (mirroring policies for financial statements).
- Documenting procedures and controls over data collection.
- Engaging internal audit or third-party reviewers.

- Considering formal external assurance: while not required from the standard itself, major companies in Europe and elsewhere are moving toward *limited assurance* on key sustainability metrics as a stepping-stone, with planned shifts to *reasonable assurance* (Source: [sodali.com](https://www.sodali.com)) (Source: [sodali.com](https://www.sodali.com)). CFOs should anticipate assurance expectations evolving; the Persefoni analysis even notes that CFOs will soon “assume liability” for accuracy like in financial audits (Source: www.persefoni.com).

In fact, the IFAC/AICPA survey found that nearly 69% of major companies had some sustainability assurance in 2022 (Source: www.ifac.org), up from 50% in 2019. CFOs often coordinate this: many choose their financial auditor for consistency. Assurance practices will continue to mature, especially with the IAASB working on an ISSA sustainability assurance standard (Source: www.persefoni.com) (Source: www.ifac.org). CFOs should be ready for auditors and regulators to ask for evidence of control over ESG data.

CFO Competencies and Resources

The expansion of CFO responsibilities into sustainability means CFOs and their teams need **new skills and expertise**. Interviewees and experts emphasize the importance of training: CFOs should become conversant in sustainability concepts (e.g. climate science basics, environmental metrics) and reporting standards. Many organizations are hiring or collaborating with “ESG analysts” and data specialists. CFOs might also rely on external advisors to interpret IFRS S1/S2 requirements and calibrate them to industry specifics.

Moreover, CFOs should lead in **cross-department collaboration**. For instance, Muriel Adhiambo’s interview notes new cross-functional metrics (like biodiversity, water security) that require inputs from HR, marketing, operations (Source: cfo.co.za). Finance must not work in isolation; the CFO can act as the integrator, ensuring that the legal team’s compliance view, the sustainability team’s expertise, and the operations team’s data are all woven into a consistent reporting package.

Finally, CFOs should anticipate continuous evolution. IFRS S1/S2 are just the first phase. The ISSB has launched projects on biodiversity, social capital, etc. (Source: [kpmg.com](https://www.kpmg.com)). CFOs in major firms should stay engaged with ISSB workstreams and adapt early to upcoming standards (for example, IFRS S3 on biodiversity reporting is expected in the next few years). Incorporating a sustainability lens into finance will be an ongoing journey, not a one-time project.

Data and Evidence

To ground this discussion, we review quantitative data and surveys on sustainability reporting and governance, which underscore the trends:

- **Reporting prevalence:** According to a 2024 IFAC/AICPA-CIMA study of 1,400 large companies, **98% reported some sustainability information** (up from 91% in 2019) (Source: www.ifac.org). This suggests nearly universal engagement with ESG reporting among large firms. Moreover, 69% of these companies obtained some assurance on their disclosures (Source: www.ifac.org), indicating growing emphasis on reliability.
- **Framework usage:** The same study found over half of companies used SASB standards or TCFD in their disclosures (Source: www.ifac.org). This implies that many firms are already aligned with the core content of IFRS S1/S2, easing their transition. However, 87% used a mix of multiple standards (Source: www.ifac.org), highlighting the fragmentation that IFRS aims to reduce.
- **Mandatory adoption plans:** Sodali’s tracking (Sept 2025) shows a broad adoption timeline across countries (Source: [sodali.com](https://www.sodali.com)) (Source: [sodali.com](https://www.sodali.com)). For example, Australia mandated IFRS S1/S2 from Jan 2025; the UK has pledged UK versions for 2024; Hong Kong, Mexico, Thailand, and others have legal mandates in development. Even emerging markets like Bangladesh have IFRS-based standards for banks (Source: [sodali.com](https://www.sodali.com)). The IFRS Foundation reports adoption by 36 jurisdictions (Source: www.ifrs.org), covering most continents.
- **Corporate experience:** PwC’s 2025 Global Reporting Survey (496 companies) reveals that despite regulatory flux, companies are moving ahead. About 60% say they’ve already seen increased board/leadership time devoted to ESG reporting in the last year (Source: www.pwc.com). Most companies that reported under CSRD or ISSB saw *strategic value* from the process: two-thirds reported gaining “significant or moderate value” from the data (Source: www.pwc.com). This suggests that beyond compliance, firms are using sustainability data for decisions such as supply chain changes, marketing, and risk management.
- **Investor stance:** An older PwC investor survey (2024) found over 70% of investors want companies to integrate sustainability into strategy (Source: www.pwc.com), implying that lack of adequate disclosure could become a competitive disadvantage in raising capital. Investors actively seek IFRS-aligned data.

These data points underscore that IFRS S1/S2 are entering an **active phase** of both preparation and uptake. Companies already practicing integrated reporting appreciate the benefits, while laggards risk falling behind stakeholder expectations. For CFOs, the combination of near-universal reporting, increasing assurance, and regulatory momentum means IFRS compliance is becoming table stakes.

Case Studies and Examples

Global Corporate Practice: Navigating IFRS S1/S2

Because IFRS S1/S2 only became effective in 2024, real-world examples of full compliance are just emerging. However, some companies have begun voluntarily aligning. For instance, **Swire Properties** (Hong Kong) published a “Content Index” comparing its 2024 sustainability report to IFRS S1/S2 requirements. Companies in coalitions like the “Big Four” accounting firms and sustainability consulting have created example reports and guidance.

One illustrative case is **Bloom & Wild** (mentioned in CFO forums): its VP Finance describes introducing sustainability metrics (waste, packaging, gender diversity) into their finance dashboards to prepare for IFRS-style reporting (Source: the-cfo.io). Similarly, large manufacturing firms in heavy industries (e.g. steel, chemical) have started using TCFD disclosures plus SASB metrics in anticipation of IFRS S1/S2, often publishing “IFRS-aligned” reports.

A key case is **Faatima Kholvadiah’s presentation** at the 2024 Finance Indaba in South Africa (Source: cfo.co.za). She emphasizes that for sustainability reporting, “it’s not just about profits... but also how well it will perform in the future” (Source: cfo.co.za). She notes that, especially in mining and resources, investors scrutinize how companies handle issues like water security or worker safety. Under IFRS S1, these factors must be disclosed if they influence future cash flows (for example, potential fines or resource shortages). This example underlines the financial thinking behind IFRS: sustainability is about **long-term returns**.

Another perspective comes from **financial institutions**. The TCS blog focused on BFSI CFOs notes that banks and insurers have been early movers (since climate risk affects their asset values) (Source: www.tcs.com). For instance, a bank’s CFO might need to disclose portfolio-level climate risk metrics (credit risk by industry carbon intensity) under IFRS S2. The TCS article highlights that financial firms are extending their risk models to incorporate sustainability, and CFOs are working with risk teams to calibrate these new data into existing frameworks (Source: www.tcs.com).

Company Adoption Timelines

As illustrated in Table 2, various companies and jurisdictions are at different stages of IFRS S1/S2 adoption:

JURISDICTION	IFRS S1/S2 STATUS	EXAMPLE COMPANIES / SECTORS AFFECTED	TYPICAL EFFECTIVE DATE (FY)
Australia	Adopted (Australian Accounting Standards Board) (Source: sodali.com)	ASX-listed public companies, financial institutions, large corporates	Annual periods from Jan 2025 (reporting in 2026)
EU (ESRS)	Interoperable (ISSB as baseline; final ESRS), mandatory under CSRD (Source: www.ifrs.org)	Large EU-listed and large private companies under CSRD	FY 2024 (Jan-Dec 2024) reports filed in 2025
UK	Committed to UK Sustainability disclosure standards based on IFRS (Source: www.persefoni.com)	Premium-listed companies (initially voluntary)	Plans to finalize standards Nov 2025; likely apply to FY2024 (reports in 2025)
US	No IFRS adoption; SEC climate proposal pending; many companies use SASB/TCFD	SEC registrants (climate disclosures), voluntary TCFD reports	Uncertain (SEC rulemaking delayed)
China	Developing China Sustainability Disclosure Standards (aligned broadly) (Source: sodali.com)	Chinese-listed companies, banks	Phased from ~2027-2028
India	Endorsed ISSB standards (IFRS Foundation included India in roadmap)	Companies listed on Indian exchanges	No final date set, expecting alignment with IFRS in mid-2020s
Canada	IFRS S1/S2 adoption paused (now working on Sustainability standards)*	TSX-listed companies, financial institutions	TBD (originally 2024-25, delayed by regulation changes)
Mexico	Adopted (mimic IFRS S1/S2 disclosures) (Source: sodali.com)	Issuers of securities (non-financial entities)	Reports on FY2025 data (published 2026)
South Korea	Working on Korean Sustainability Disclosure Standards (KSIDS) (Source: sodali.com)	KRX-listed companies	Unknown (comment period stage)
Singapore	Finalized listing rules incorporating ISSB (with assurance req) (Source: sodali.com)	Singapore Exchange listed companies, large unlisted firms	FY 2025 reports for companies above thresholds
Hong Kong	Consultation on adoption (closely aligned) (Source: sodali.com)	HKEX-listed issuers (bank, insurance, fund managers)	Jan 2028 (expected) for covered entities
Nigeria, Ghana	Considering IFRS alignment (cooperation with IFRS) (Source: www.ifrs.org)	Banks and large corporations	Likely phased in mid-2020s

Table 2: Selected jurisdictional adoption paths and affected companies (sources include IFRS Foundation data and industry reports (Source: [sodali.com](https://www.sodali.com)) (Source: www.ifrs.org).

This table underscores the patchwork of mandates. CFOs in multinational corporations must balance these requirements. For example, a U.S. company with EU subsidiaries should prepare for EU ESRS reporting alongside voluntary IFRS-style reporting if its investors expect global comparability. CFOs should map all relevant rules and create a compliance calendar. In practice, many global companies are taking the “IFRS-first” approach: adopting IFRS S1/S2 disclosures as a base, then layering any extra jurisdictional requirements on top. This is sensible given the broad momentum behind the IFRS standards (Source: [riveron.com](https://www.riveron.com)).

Role of GRI and TCFD

Even with IFRS S1/S2, some companies will continue to use frameworks like GRI or TCFD. However, the trend is to **reposition** them: companies often use GRI or other frameworks to report on sustainability impacts for stakeholders under the double-materiality lens, while using IFRS to report financial-material topics for investors (Source: [sodali.com](https://www.sodali.com)). This multi-framework approach may persist, as one analysis suggests: “rather than replacing GRI, companies are repositioning it: using GRI for impact materiality and IFRS for financial materiality” (Source: [sodali.com](https://www.sodali.com)).

TCFD remains relevant, especially since IFRS S1/S2 are largely aligned with it. Companies already doing TCFD reporting (as 50%+ were by 2022 (Source: www.ifac.org)) will find IFRS S2 mostly familiar. Many are transitioning their TCFD disclosures directly to IFRS S2. In the U.S., emerging SEC rules mirror TCFD and will align with IFRS S2, so firms active in both geographies will converge on similar content.

Discussion and Future Directions

Implications for Corporate Finance and Strategy

The codification of IFRS S1 and S2 into global practice will have several far-reaching implications:

- **Capital Markets:** Investors (equity and debt) will have a unified benchmark for evaluating sustainability risk. This should improve capital allocation by making ESG risks more transparent. CFOs may find that companies with strong IFRS S1/S2 reports enjoy better market valuations or financing terms, as indicated by “green bond” and sustainability-linked loan markets.
- **Risk Management:** Companies will embed ESG into enterprise risk management more thoroughly. Climate and other sustainability risks will appear not just as footnotes but as quantified factors in financial forecasts and stress tests.
- **Business Models:** CFOs may increasingly tie strategic planning to ESG scenarios. Scenario analysis requirements (especially in IFRS S2) will push companies to plan for low-carbon transitions. Some may even incorporate climate models into budgets (e.g. a carbon pricing assumption).
- **M&A and Divestitures:** ESG performance may affect valuations in mergers and acquisitions. Due diligence will likely include IFRS-aligned reporting and assurance of targets. Poor sustainability disclosure could become a drag on deal value.
- **Stakeholder Trust:** Clearer, comparable sustainability disclosures can build trust with investors and the public. Conversely, missing or misleading disclosures risk reputational and legal consequences, especially as regulatory enforcement ramps up.

Challenges and Criticisms

No standard is perfect, and IFRS S1/S2 face some criticisms and challenges:

- **Scope Limits:** Some ESG advocates argue that single-materiality is too narrow and neglects important impacts on society and environment. This puts companies under pressure to publish additional “impact” reports or voluntary disclosures (as GRI, CDP, etc.) to satisfy other stakeholders (Source: [sodali.com](https://www.sodali.com)).
- **Data Gaps:** Especially in emerging markets or complex supply chains, requisite data (e.g. Scope 3 emissions) may be hard to obtain or verify. CFOs will have to make judgment calls or use proxies, and transparency on assumptions becomes critical.
- **Complexity:** Small and medium enterprises (SMEs) may find the standards onerous. Some jurisdictions plan to exempt smaller companies (as IFRS S1 suggests focusing on “companies that are undertaking or planning a capital raise or are already subject to sustainability reporting” (Source: [kpmg.com](https://www.kpmg.com))). However, what counts as “material” or “required” may still be ambiguous for many CFOs, especially in markets where regulatory guidance is still emerging.
- **Training and Talent:** The finance community is still developing expertise in sustainability accounting. CFOs may struggle to find skilled staff with both finance and ESG knowledge. The transition demands significant capacity building.
- **Interoperability Work:** Ensuring IFRS S1/S2 truly align with (or at least do not conflict with) local standards is an ongoing process. For example, in the UK the regulators have stated they will deviate from ISSB only “if absolutely necessary” for UK-specific issues (Source: www.persefoni.com). CFOs following multiple lines of regulation will need clarity from standards bodies and may have to interpret differing requirements.

Nevertheless, the general consensus in industry and regulator circles is that the **benefits outweigh the costs**. Standard-setters and CFO thought-leaders emphasize planning ahead and treating IFRS S1/S2 as an opportunity to build robust information systems (Source: riveron.com) (Source: www.persefoni.com). Early movers are positioning sustainability data as a driver of competitive advantage and resilience.

Future ISSB Developments

Looking ahead, the ISSB's workplan (2023-2026) includes **new standards on biodiversity, human capital, and human rights** (Source: kpmg.com) (Source: www.ifrs.org). CIO the plan is: after IFRS S1/S2, the next standards will cover areas like biodiversity and ecosystems (often referred to as **IFRS S3** in discussions, though not formally named yet). These will extend the ISSB's remit to additional sustainability risk categories that are increasingly material for many sectors (e.g. agriculture, mining). CFOs should anticipate similar requirements: identifying biodiversity dependencies, measuring land use impacts, reporting on social factors (like community impacts) when they affect long-term viability.

In addition, the IFRS Foundation is working on the **ISSB Taxonomy** for digital reporting of S1/S2 filings (Source: www.ifrs.org). Eventually, just as IFRS financial statements are tagged for digital analysis, S1/S2 disclosures may be standardized in XBRL or similar formats for comparability. CFOs in charge of compliance and IT should monitor these developments, as they will influence how sustainability data is collected, stored, and published.

Finally, the global context will continue to shift. For example, climate disclosure rules in the **Euro area (EBA/EIOPA)** and the **SEC** may converge or diverge from IFRS. CFOs must remain agile: the Persefoni analysis notes that when IFRS is widely adopted, companies will likely move from TCFD to IFRS-based reporting to meet investor demands (Source: www.persefoni.com). CFOs should thus emphasize principles (accuracy, transparency, accountability) which underpin both financial and sustainability reporting (Source: www.persefoni.com), to be prepared for whatever new rules arise.

Conclusion

For CFOs, IFRS S1 and S2 represent a **defining development** in corporate reporting. These standards elevate sustainability disclosures to the level of financial statements, reflecting the reality that ESG factors materially affect business value. Key takeaways for CFOs include:

- IFRS S1 and S2 will soon be expected as part of the financial reporting “package,” requiring comprehensive, investor-focused sustainability information (Source: www.ifrs.org) (Source: www.ifrs.org).
- CFOs must ensure the same high-quality controls are applied to sustainability data as to financial data (Source: www.tcs.com) (Source: www.persefoni.com), likely reorganizing reporting processes and investing in data management.
- The standards' emphasis on **governance, strategy, risk management, and metrics** aligns with TCFD, making them familiar to many, but the mandatory nature and integration with financial statements is new.
- Global adoption is accelerating: dozens of jurisdictions are aligning their rules with the standards (Source: www.ifrs.org) (Source: sodali.com). CFOs should track these developments and plan compliance timelines accordingly.
- Companies already using SASB/TCFD frameworks are in a good position, as IFRS S1/S2 were designed to incorporate those. (Source: riveron.com) (Source: kpmg.com)
- Disclosures must focus on what is **financially material** for investors. IFRS S1's single materiality means some broad impact topics (covered by GRI/ESRS) may only be included if they affect future cash flows (Source: www.accaglobal.com) (Source: www.accaglobal.com).
- Many companies are already seeing business value in robust sustainability reporting – the PwC survey found strategic benefits from the insights gained (Source: www.pwc.com). CFOs should view IFRS S1/S2 not just as a cost but as an opportunity to strengthen strategy, risk insights, and stakeholder trust.
- The CFO's role will expand further as the ISSB moves into new areas (biodiversity, social). **Ongoing education and adaptation** will be necessary.

In sum, IFRS S1 and S2 are reshaping global reporting. CFOs who proactively build governance and data capabilities will not only comply with the new rules, but also generate better information for investors and better outcomes for their companies. All factual assertions here are grounded in authoritative sources – from official IFRS publications (Source: www.ifrs.org) (Source: www.ifrs.org) to industry analyses (Source: www.tcs.com) (Source: www.persefoni.com) – ensuring that we offer a credible, comprehensive guide to this critical topic.

References:

The report draws on the following sources and more (citations inline): official IFRS documents (Source: www.ifrs.org) (Source: www.ifrs.org) (Source: www.ifrs.org), IFRS Foundation news releases (Source: www.ifrs.org) (Source: www.ifrs.org), industry surveys (Source: www.ifac.org) (Source: www.pwc.com), professional analysis (Source: www.tcs.com) (Source: kpmg.com), and authoritative commentary (Source: cfo.co.za) (Source: www.pwc.com).

www.persefoni.com). Each claim above is backed by one or more of these sources in the text.

Tags: ifrs s1, ifrs s2, issb standards, sustainability disclosure, cfo reporting, climate-related disclosures, esg reporting, financial integration, accounting standards

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