



Public Accountants and Auditors Board



**Unpacking Sustainability Disclosure Standards: a
guide to the new ISSB standards**

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Unpacking Sustainability Disclosure Standards: a guide to the new ISSB standards

The new International Sustainability Standards Board (ISSB) standards help solve the problem of global reporting fragmentation, enabling clearer, more consistent reporting for business entities. Learn how the standards can help your firm boost credibility and efficiency in your sustainability reporting.

Sustainability reporting has been gathering momentum across the world as a strategy for promoting a more comprehensive, cohesive, and efficient approach to corporate reporting, that fully communicates the range of factors that materially affect the ability of an organization to create value. As a business entity, staying informed about the latest standards and frameworks that can impact your business is essential. This can be an onerous task given the fragmented jigsaw of global standards that have grown up around sustainability.

The new International Sustainability Standards Board (ISSB) framework, announced in June 2023, is a major step forward as it aims to simplify reporting by setting a baseline for all companies.

Companies and their investors don't currently have a common language for communicating about sustainability. But the ISSB's first set of standards – IFRS S1 and S2 – aim to change all that by creating a common framework for all disclosures. This should bolster trust and confidence in sustainability-related information to drive investment and resourcing decisions.

Let's break down the new ISSB standards to understand how they can benefit your business.

What is the ISSB?

The ISSB is an international organization dedicated to developing and promoting globally accepted standards. The International Financial Reporting Standards (IFRS) Foundation set up the board in 2021 to enhance transparency, credibility, and comparability of sustainability reporting by providing a comprehensive global baseline of disclosures.

The board's creation helps consolidate and simplify the fragmented array of sustainability standards that has grown up over the last few decades. The Value Reporting Foundation (VRF) and the Climate Disclosure Standards Board (CDSB) have consolidated into the IFRS Foundation. And the ISSB builds on and consolidates the work of other investor-focused reporting initiatives, including:

- Sustainability Accounting Standards Board (SASB) standards
- Task Force for Climate-related Financial Disclosures (TCFD) recommendations
- Integrated Reporting Framework
- Climate Disclosure Standards Board (CDSB) framework.

ISSB will also be incorporated into the CDP global environmental disclosure platform.



The Global Reporting Initiative – another popular sustainability framework – has said it will be distinct but complementary to the ISSB, and the two frameworks are aligning their work programs. The GRI says its standard will ensure transparency on organizations' impacts on people and planet, while the ISSB supports efficient and resilient capital markets. Together these two standards can provide a complete picture on sustainability impacts and performance, says the GRI.

Will ISSB standards be mandatory for Zimbabwean business entities?

Statutory Instrument 41 of 2019 prescribes the International Financial Reporting Standards (IFRS) as the reporting framework for Zimbabwe therefore IFRS S1 and IFRS S2 will be mandatory in Zimbabwe.

In November 2021, the Minister of Finance and Economic Development issued a resolution for the early adoption of the Sustainability Disclosure Standards that were yet to be issued by the International Sustainability Standards Board (ISSB). The early adoption was made based on the Government of Zimbabwe's desire to meet the needs of capital markets and other stakeholders and to enhance transparency and accountability, efficiency and comparability in business.

In line with its statutory mandate to prescribe auditing standards, accounting standards and accountancy reporting standards for use in Zimbabwe, including the application of internationally recognised auditing, accounting, and reporting standards, the Public Accountants and Auditors Board (PAAB) early adopted the Sustainability Disclosure Standards as issued by the International Sustainability Standards Board (ISSB)

ISSB standards – the key features

The new standards apply to annual reporting periods beginning on or after 1 January 2024.

The rules are designed to be user-friendly and easy to understand, with practical guidance and examples to simplify implementation.

The standards are flexible, accounting for the varying legal, cultural, and economic environments in which businesses operate. This helps organizations comply with minimal burden or disruption to operations.

The standards are scalable, recognizing the diversity of organizations and different levels of readiness. This allows businesses to adopt them in a phased manner. BUSINESSES can prioritize the implementation of specific standards based on their needs and resources.

The ISP framework takes an integrated approach, going beyond financial information to include non-financial factors such as environmental, social, and governance (ESG).



Main requirements

The disclosures organizations provide for [IFRS S1 \(General requirements for sustainability-related financial disclosure\)](#) must be useful to financial report users in making decisions about providing resources to the entity. It requires entities to disclose information about risks and opportunities that could reasonably affect their prospects, including the entity's cashflows, and access to finance or cost of capital over the short, medium, or long term.

S1 requires entities to disclose information about their sustainability-related risks and opportunities – in particular:

- Governance processes, controls, and procedures the entity uses to monitor, manage, and oversee sustainability-related risks and opportunities.
- Strategy for managing risks and opportunities.
- Processes for identifying, assessing, prioritizing, and monitoring them.
- The entity's performance around sustainability-related risks and opportunities, including progress towards any targets the entity has set or is required to meet by law or regulation.

[IFRS S2 \(Climate-related disclosures\)](#) has the same key disclosure requirements as for S1 listed above, but for specific climate-related risks and opportunities rather than those relating to general sustainability.

Disclosed targets should align with the latest international agreements on climate change – such as the [Paris Agreement](#) – and local plans, known as nationally determined contributions.

Where next for the ISSB?

Having launched its general sustainability and climate standards, the ISSB is now exploring whether to extend its remit to cover areas such as biodiversity, ecosystems, human capital, and human rights.

On Friday (1 September 2023), the ISSB [consultation on future priorities](#) closed and an analysis of various stakeholder views on the next two-year agenda for the ISSB. Stakeholders were requested to provide their feedback on four potential projects: biodiversity, ecosystems and ecosystem services; human capital; human rights—and a fourth project researching further integration in reporting.

Stakeholders were asked to comment on the strategic direction and balance of the ISSB's activities; the criteria for assessing which sustainability-related matters to prioritise—including topics, industries and activities; and the scope and structure of potential new research and standard-setting projects. An important consideration will be the balance of time spent by the ISSB on advancing new projects and supporting the implementation of IFRS S1 and IFRS S2.

What is clear is that through driving connections to financial statements, fostering trust in disclosure, and promoting further harmonisation of the sustainability reporting landscape,



the ISSB will be well placed to ensure investors are provided with better information for better economic and investment decision making and that companies will be better able to communicate with investors and attract capital.

The benefits for business entities aligning with ISSB standards.

Businesses have faced difficulties in navigating the complex alphabet soup of ESG regulations. But ISSB provides them with a solid foundation for improving financial reporting, enhancing business efficiency, and facilitating international growth.

The ISSB standards can help business entities improve their reporting processes, ensuring consistent, accurate and reliable information. This transparency enhances credibility and helps businesses attract potential investors and financing.

Aligning with the ISSB standards helps business entities to better manage risks by identifying how sustainability and climate issues may affect their prospects.

It can help business entities to streamline their internal processes, making them more efficient and effective with improved decision-making, cost reduction, and operational excellence.

Adhering to internationally recognized standards also positions businesses for global expansion. It enables businesses to meet the expectations of international stakeholders, facilitates cross-border transactions, and simplifies compliance with regulatory requirements in foreign markets.

Keeping pace with the latest standards and frameworks is crucial for businesses aiming to thrive in an increasingly competitive global market. By adopting the standards, businesses can strengthen their credibility, attract investors, and unlock new opportunities for success.



Next Steps for Zimbabwe

To accelerate the implementation of Sustainability Standards in Zimbabwe, the PAAB set up the Sustainability Standards Panel (SSP). The Panel provides strategic thinking and promotes and supports the implementation of Sustainability Standards in Zimbabwe. Membership of the SSP is drawn from major stakeholders in the sustainability standards value chain who include other financial sector regulators, auditors, academics, professional accountancy organisations and preparers of accounts from diverse sectors of the economy.

To measure Zimbabwean Entities Preparedness to implement the Sustainability Disclosure Standards, the SSP have launched a Preparers of Financial Statements Survey. The survey will enable the PAAB to gather as much qualitative information as possible that is representative of the current implementation status in Zimbabwe. The results of the survey will input in the development of technical capacity interventions for Zimbabwe and ultimately the subsequent roadmap in implementing the Sustainability Disclosure Standards in Zimbabwe. The survey will close on the 18th of September 2023.

The PAAB has also issued a Call for Evidence to seek views on the IFRS Sustainability Disclosure Standards (IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures) as issued by the International Sustainability Standards Board (ISSB) and their imminent use in Zimbabwe. Responses will also be used to inform the SSP's technical assessment of IFRS S1 and IFRS S2 and the subsequent implementation roadmap. The call for evidence closes on 11 October 2023.



The Public Accountants and Auditors Board (PAAB), Zimbabwe, was established by section 4 of the Public Accountants and Auditors Act, 1995 (as amended) (the Act). Public accountants (public auditors) are defined in the Act as any person registered by the PAAB to provide public accountancy services (public audit services) to any person, including a public company or statutory body. PAAB is the National Standards Setter in Zimbabwe responsible for endorsing and adopting international accounting standards, international standards on auditing and international public sector accounting standards when they meet certain criteria for prescription by statutory regulation by PAAB in accordance with section 44(2)(a) of the Act. PAAB is responsible for defining and enforcing ethical practice and discipline among registered public accountants and public auditors and setting Ethics standards (section 5(1)(d) of the Act); and representing the views of the accountancy profession on national, regional and international issues (section 5(1)(g) of the Act). PAAB also plays a role in accountancy-specific education (section 5(1)(h) of the Act).

Further information about PAAB can be obtained at www.paab.org.zw

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