

A Systematic Review of IFRS Sustainability Standards: Stakeholder Perspectives, Materiality, Implementation Challenges and Future Directions

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Abstract

Establishing the International Sustainability Standards Board (ISSB) by the IFRS Foundation marks a significant advancement in the standardisation of global sustainability-related disclosure. This study systematically reviews peer-reviewed literature from the Emerald database, concentrating on stakeholder responses, materiality discussions, implementation issues, and future direction concerns related to IFRS S1 and S2. The results underscore robust stakeholder endorsement of the ISSB's objectives while causing significant apprehensions regarding legitimacy, inclusivity, and its singular materiality framework. The dominance of preparers in consultations and the insufficient representation from developing nations underscore power imbalances in standard-setting. Implementation problems encompass institutional power dynamics and possible misalignment with Sustainable Development Goals. The ISSB's investor-centric methodology improves comparability, however its limited materiality breadth may compromise wider environmental and social goals. Future advancement hinges on the ISSB's capacity to rectify legitimacy deficiencies, guarantee inclusive engagement, and integrate holistic sustainability viewpoints.

Keywords: IFRS S1 and S2, materiality, stakeholder response, sustainability reporting, Sustainability Reporting Standard Board

Introduction

The formation of the International Sustainability Standards Board (ISSB) by the IFRS Foundation marks a significant advancement in global efforts to standardize sustainability-related financial disclosures. The ISSB has introduced IFRS S1 and IFRS S2 to enhance the consistency and comparability of sustainability reporting, particularly for investors and capital market participants (Millar and Slack, 2024). These standards represent an investor-focused approach, which has sparked a spectrum of academic and stakeholder responses. While the ISSB has received broad support from stakeholders, concerns persist regarding the scope, materiality concept, and implementation challenges associated with these standards (Bohn *et al.*, 2025; Kulik and Dobler, 2023). Critics argue that the ISSB's emphasis on financial materiality may neglect broader environmental and social objectives envisioned by frameworks such as the Global Reporting Initiative (GRI) and the European Financial Reporting Advisory Group (EFRAG) (Abhayawansa, 2022; Ali *et al.*, 2023). Additionally, scholars have identified legitimacy challenges and power imbalances in stakeholder participation, particularly the underrepresentation of voices from developing economies (Kulik & Dobler, 2023). This review aims to systematically examine the academic literature on IFRS sustainability standards, focusing on stakeholder responses, materiality debates, implementation barriers, and future directions. The study offers a consolidated perspective on emerging research trends and provides a foundation for future inquiry and policy development in the field of sustainability reporting.

Methodology

This study adopts a systematic literature review approach to analyze the emerging body of research on IFRS S1, IFRS S2, and the ISSB. The review was limited to peer-reviewed journal articles published in the Emerald Insight database. A structured search query was employed, using combinations of keywords such as "International Sustainability Standards Board", "IFRS S1", and "IFRS S2" in titles and abstracts. Boolean logic was applied to refine the search results.

From the initial pool of 25 articles, 8 were selected based on their direct relevance to the objectives of the ISSB, methodological rigor, and thematic alignment. The selected studies were examined across four key themes: (1) stakeholder responses and legitimacy, (2) the materiality debate, (3) implementation challenges, and (4) future developments. Analytical techniques such as thematic content analysis, document review, and interpretive synthesis were used to assess the contributions of each study (Millar & Slack, 2024; Bohn et al., 2025; Abhayawansa, 2022; Rowbottom, 2023). The review aims to contribute to the academic discourse on sustainability reporting, highlighting areas of consensus and identifying gaps that warrant further research by synthesizing insights from these studies.

Results and discussion

Stakeholder responses and legitimacy challenges

The legitimacy of the ISSB as a standard-setting body remains widely debated. Millar and Slack (2024) and Bohn et al. (2025) investigate comment letters from investors and stakeholders, revealing broad support for the ISSB while also highlighting concerns regarding materiality, scope, and enforcement mechanisms. Although the ISSB was supported by 68% of stakeholders (Bohn et al., 2025), critics argue that it is deficient in sustainability expertise and concentrates exclusively on investor requirements rather than broader environmental and social concerns.

Kulik and Dobler (2023) investigate stakeholder participation in ISSB consultations and discover that preparers and accounting professionals dominated the process, while investors and stakeholders from developing countries had limited representation. This imbalance raises concerns about input legitimacy and the extent to which the ISSB represents diverse global interests.

The materiality debate in IFRS sustainability standards

A central debate surrounding IFRS sustainability standards is the concept of materiality. Abhayawansa (2022) argues that both financial and double materiality have conceptual limitations, advocating for a more balanced approach that accounts for financial and non-financial capitals. Millar and Slack (2024) reinforce this concern by highlighting investor disagreements over single versus double materiality. The ISSB's preference for single materiality, focusing on financial impact, has led to criticism that its approach limits the broader sustainability objectives envisioned by frameworks such as GRI and the EFRAG.

Challenges in implementing IFRS sustainability standards

The implementation of IFRS sustainability standards presents a variety of obstacles. Ali et al. (2023) underscore the potential for the ISSB's approach to prioritise market-driven interests over sustainability imperatives, and also identify power struggles in sustainability standard-setting.

Afolabi et al. (2023) argue that the ISSB's growing influence could shift sustainability reporting away from the SDGs, undermining efforts to achieve global sustainability goals.

Moreover, Rowbottom (2023) posits that the ISSB's investor-oriented focus marginalises broader sustainability concerns, a transition that is facilitated by financial backing and strategic partnerships. This raises concerns regarding the efficacy of the IFRS sustainability standards in addressing social issues.

Future directions for IFRS sustainability standards

The future trajectory of IFRS sustainability standards remains uncertain. de Villiers and Dimes (2023) suggest that Integrated Reporting (IR) may remain beneficial for internal decision-making; however, it is likely to lose significance in external reporting as the ISSB gains a position of dominance. Millar and Slack (2024) emphasize that investor concerns regarding emissions reporting, assurance, and materiality will shape future refinements to IFRS S1 and S2.

As demand for mandated sustainability disclosures rises, Bohn et al. (2025) project that the ISSB's influence will grow but underline the need of addressing legitimacy issues by raising stakeholder inclusiveness. Kulik and Dobler (2023) recommend that future developments should ensure greater representation from diverse global stakeholders, particularly from developing economies, to enhance the legitimacy and effectiveness of IFRS sustainability standards.

Table 1: Summary of studies on stakeholder responses, materiality debate, implementation challenges, and future directions in IFRS sustainability standards

| Theme | Author(s) & year | Objective | Methodology | Findings |
|--|-----------------------------------|--|---|---|
| Stakeholder Responses and Legitimacy Challenges | Millar & Slack (2024) | Examines investor responses to IFRS S1 and IFRS S2 to identify consensus and dissonance | Thematic content analysis of investor comment letters | Broad support for the ISSB, but concerns materiality, scope, and enforcement. |
| | Bohn, Macagnan & Kronbauer (2025) | Analyzes stakeholder responses to IFRS Foundation's consultation on ISSB legitimacy | Python-based content analysis of 577 comment letters | 68% of stakeholders support ISSB, but critics highlight narrow focus and lack of sustainability expertise. |
| | Kulik & Dobler (2023) | Examines stakeholder participation in ISSB's first two exposure drafts | Content analysis of comment letters using rational-choice framework | Preparers and accounting professionals dominated participation; limited input from investors and developing countries. |
| The Materiality Debate in IFRS Sustainability Standards | Abhayawansa (2022) | Critically examines materiality in sustainability reporting and proposes an alternative | Review of academic & grey literature, including ISSB Exposure Draft responses | Proposes a single materiality approach, integrating financial and non-financial capitals. |
| | Millar & Slack (2024) | Highlights investor disagreements on single vs. double materiality | Thematic content analysis of investor comment letters | Disagreement between single vs. double materiality in investor responses. ISSB's preference for financial materiality criticized. |
| Challenges in Implementing IFRS Sustainability Standards | Ali et al. (2023) | Examines the role of standard setters and power struggles in sustainability reporting | Literature review and analysis of IASB, ISSB, GRI, and others using Bourdieu's concept of field | ISSB disrupts the standard-setting field, raising concerns about market-driven priorities shaping standards. |
| | Afolabi et al. (2023) | Assesses how ISSB and EFRAG influence GRI's position in sustainability reporting | Document analysis of GRI, EFRAG, and IFRS Foundation public releases | ISSB's growing influence may shift sustainability reporting away from SDGs, undermining GRI's original purpose. |
| | Rowbottom (2023) | Analyzes the role of the Corporate Reporting Dialogue (CRD) in global sustainability reporting | Interpretive approach using interviews, document analysis, and observations | CRD's evolution supports ISSB's investor-oriented reporting approach, marginalizing broader sustainability goals. |

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| Future Directions for IFRS Sustainability Standards | De Villiers & Dimes (2023) | Analyzes the future of Integrated Reporting (IR) in light of ISSB's rise | Critical analysis using Alvesson & Deetz's (2000) framework | IR may remain relevant for internal use but lose external reporting significance as ISSB dominates. |
| | Millar & Slack (2024) | Examines the impact of investor concerns on future IFRS standards | Thematic content analysis of investor comment letters | Investor concerns on emissions reporting, assurance, and materiality will shape future ISSB standards. |
| | Bohn, Macagnan & Kronbauer (2025) | Predicts the ISSB's role expansion in mandatory sustainability reporting | Python-based content analysis of 577 comment letters | ISSB's role will likely expand with increasing demand for mandatory disclosures, but legitimacy concerns remain. |
| | Kulik & Dobler (2023) | Recommends greater inclusivity in future ISSB consultations | Content analysis of comment letters using rational-choice framework | Suggests the inclusion of more diverse global stakeholders, particularly from developing economies, to enhance legitimacy. |

Conclusion

This systematic review produces academic perspectives on the IFRS Sustainability standards, especially IFRS S1 and IFRS S2, published by ISSB. This review finds that even though the ISSB represents a significant step towards global sustainability disclosure harmonization, the investor focus of this standard raises several critical issues. Stakeholder responses exhibit both support and scepticism, particularly around concerns of legitimacy, inclusivity, and scope. The dominance of preparers and accounting professionals, coupled with limited representation from developing countries, underscores the need for more equitable stakeholder engagement.

The argument on materiality is dominant to the critique of IFRS sustainability standards. The ISSB's adoption of single materiality has been challenged for its narrow focus on financial outcomes, which some scholars argue undermines broader sustainability goals, particularly in contrast to the double materiality approach embraced by frameworks like the GRI and EFRAG. Implementation challenges, including institutional power dynamics, capacity disparities, and the potential sidelining of the Sustainable Development Goals, further complicate the standards' global applicability.

The ISSB's future success will depend on its capacity to adapt to stakeholder concerns, rectify legitimacy gaps, and guarantee inclusivity, especially from underrepresented regions. Future advancements must emphasize the incorporation of comprehensive sustainability viewpoints, improve assurance systems, and promote equitable materiality frameworks that align with both financial and societal goals. This assessment establishes a basis for subsequent research and policy discussions, promoting a more inclusive, transparent, and effective global sustainability reporting framework.

Limitations and recommendations

This study is limited to literature derived just from Emerald publications, thus excludes research from other academic databases, regulatory reports, and industry insights, so limiting the range of viewpoints. Although Emerald offers excellent peer-reviewed research, the lack of Elsevier, Scopus, Taylor & Francis, and other sources could cause possible gaps in fully reflecting the range of arguments on IFRS sustainability criteria. Furthermore, absent from this study is bibliometric analysis, which would help to clarify author impact, citation patterns, and new research topics.

Future research should incorporate bibliometric analysis to identify publication trends, influential studies, and research gaps in IFRS sustainability standards. Furthermore, research should investigate the organisational obstacles associated with the implementation of IFRS, through the lens of companies that have effectively addressed these challenges. Comparative research on IFRS harmonization across different countries would provide valuable policy implications, particularly examining differences between developed and emerging economies. Furthermore, research should assess strategies for enhancing stakeholder participation in standard-setting, ensuring diverse representation from SMEs, developing economies, and non-investor stakeholders. Addressing these gaps will contribute to a more comprehensive understanding of IFRS sustainability standards and support the development of a more inclusive and effective global reporting framework.

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