

A SYSTEMATIC REVIEW OF IFRS SUSTAINABILITY STANDARDS

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Abstract: The establishment of the International Sustainability Standards Board (ISSB) by the IFRS Foundation represents a significant milestone in the global standardization of sustainability-related financial disclosures. Through the adoption of IFRS Sustainability Disclosure Standards S1 and S2, the ISSB has initiated efforts to support consistent and comparable sustainability reporting across jurisdictions. This study presents a systematic review of scholarly literature, focusing on stakeholder responses, debates surrounding materiality, implementation challenges, and emerging trends related to IFRS S1 and S2. The findings reveal that while the ISSB's investor-oriented approach enhances comparability and decision-usefulness for capital market participants, its narrow focus on financial materiality may limit the standards' effectiveness in addressing broader environmental and social objectives.

Keywords: IFRS S1 and S2, materiality, stakeholder response, sustainability reporting

ТОГТВОРТОЙ БАЙДЛЫН ТОДРУУЛГЫН СТАНДАРТЫН СИСТЕМ ТОЙМ СУДАЛГАА

Хураангуй: Олон улсын тогтвортой байдлын стандартын зөвлөл (ISSB)-өөс Олон улсын тогтвортой байдлын стандартын санг байгуулж Тогтвортой байдлын тодруулгын S1, S2 стандартуудыг батлаж, түүний хэрэгжилтэд дэмжлэг үзүүлж эхэлснээр олон улсын тогтвортой байдалтай холбоотой ил тод байдлын стандартчилалд томоохон дэвшил гарч байгааг олон судлаачид тэмдэглэж байна. Энэхүү судалгаа нь мэдээллийн санд нийтлэгдсэн бүтээлүүдийг системтэйгээр хянаж, оролцогч талуудын хариулт, материалаг байдлын хэлэлцүүлэг, хэрэгжилтийн асуудлууд болон IFRS S1 болон S2-той холбоотой ирээдүйн чиг хандлагын талаарх асуудлуудыг онцолсон болно.

Түлхүүр үгс: Тогтвортой байдлын тодруулгын стандарт S1, S2, материалаг байдал, оролцогч талуудын хариу үйлдэл, тогтвортой байдлын тайлан

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INTRODUCTION

The introduction of IFRS Sustainability Disclosure Standards marks a new era in global corporate reporting. In June 2023, the ISSB issued IFRS S1 (General Requirements for Sustainability-related Financial Disclosures) and IFRS S2 (Climate-related Disclosures), creating the first global baseline for sustainability reporting. Effective January 1, 2024, these standards require companies to report material sustainability risks and opportunities (IFRS S1) and provide climate-related disclosures (IFRS S2). By mid-2025, 36 jurisdictions representing over half of global GDP had begun adopting or aligning with these standards, reflecting growing demand from investors, regulators, and markets for high-quality, comparable sustainability information.

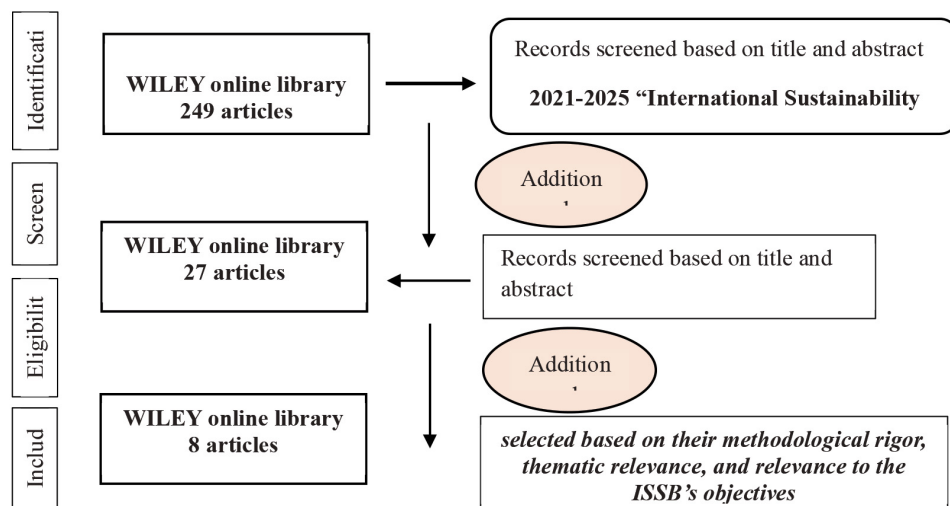
Mongolia, which has a long-standing commitment to IFRS financial reporting since the enactment of its 1993 Accounting Law, is now positioning itself to align with these new sustainability disclosure standards. The Sustainability Disclosure and Management Hub (SDMH) initiative, led by the United Nations Development Programme (UNDP) under the EU's Sustainable Finance Advisory Hub (SFAH) and in partnership with the Ministry of Finance, has identified Mongolia as a pilot country for IFRS S1 and S2 implementation and the development of a supporting regulatory framework. This readiness assessment is a key component of that initiative. (UNDP, 2025)

METHODOLOGY

This study used a systematic literature review approach to analyze the emerging body of research on IFRS S1, IFRS S2 and ISSB. The review was limited to peer-reviewed journal articles published in the Wiley database. A structured search query was used for the period 2021-2025, combining the keywords "International Sustainability Standards Board", "IFRS S1", and "IFRS S2" in the title and abstract. Boolean logic as specified in the PRISMA 2020 guidelines was used to refine the search results.

Wiley Online Library is a globally recognized academic database that provides access to high-quality, peer-reviewed journal articles across a wide range of disciplines. Wiley's coverage spans accounting, finance, sustainability, and corporate reporting, and provides researchers with access to cutting-edge developments in the field, such as IFRS sustainability standards and integrated reporting. These features make Wiley an important resource for scholars seeking reliable and comprehensive literature on sustainability and financial reporting, and we selected it as a research source for this study.

To ensure transparency and quality of reporting, the systematic literature review followed the PRISMA 2020 guidelines. PRISMA provides a structured approach to documenting study selection, screening, and inclusion. To categorize the included articles thematically, we adopted a classification framework based on the PRISMA reporting structure and supported by relevant theoretical sources. As a result, studies were grouped into four main research areas: Stakeholder, Relevance, Implementation, and Future. This classification allows for a more structured synthesis and analysis of the literature. (Matthew J. Page et al., 2021)

Figure 1. PRISMA diagram of research paper

The research initially identified 27 articles from the Wiley research site, from which eight studies were selected based on their methodological rigor, thematic relevance, and relevance to the ISSB's objectives. The four main research areas were: (1) stakeholder responses and legitimacy, (2) relevance debates, (3) implementation challenges, and (4) future developments. Analytical methods such as thematic content analysis, document review, and interpretive synthesis were used to assess the contribution of each study. (John & Richard, 2024); (Tharsika, 2025). This systematic review study aims to contribute to the academic work on sustainability reporting, identify areas of consensus, summarize insights from these studies, and identify areas for further research.

The purpose of this systematic review is to synthesize and critically analyze existing scholarly literature on IFRS Sustainability Disclosure Standards (S1 and S2) and the role of the International Sustainability Standards Board (ISSB). This systematic review aimed to answer four questions identified in the PRISMA report structure.

1. Stakeholder Responses & Legitimacy

RQ1: How do investors, auditors, and regulators influence the quality and assurance practices of sustainability disclosures under IFRS S1 and S2?

2. Materiality Debate

RQ2: To what extent does the investor-focused financial materiality approach of IFRS Sustainability Standards constrain the integration of broader environmental and social objectives?

3. Implementation Challenges

RQ3: What are the key regulatory, professional capacity, and cultural barriers to implement-

ing IFRS S1 and S2 in developing economies?

4. Future Directions

RQ4: How can the future development of IFRS Sustainability Standards align with Integrated Reporting and other global sustainability initiatives to enhance comparability and decision-usefulness?

RESULTS AND DISCUSSION

Stakeholder responses and legitimacy

(Albahlol et al., 2025) This study assessed the effectiveness of the Libyan audit office's oversight through a questionnaire and proposed four frameworks that reflect the potential for compliance with IFRS S1/S2 standards and cultural factors. It is based on the theoretical frameworks of IFRS Sustainability Standards, Islamic governance, and institutional theory. The Libyan audit office oversight is at an early stage due to persistent challenges such as regulatory gaps, weak implementation, insufficient professional standards, and cultural institutional barriers. Although international benchmarks such as International Financial Reporting Standards (IFRS) S1 and S2 are widely adopted worldwide, their implementation in Libya remains limited. The researchers concluded that policies are needed to improve the effectiveness of the Libyan audit office, including stakeholder rights, integration of Islamic principles, transparency mechanisms, conflict management, professional development, strengthening the legal framework, improving enforcement, addressing cultural issues, and raising awareness of governance and sustainability reporting.

(Ren, 2025) This study uses a stakeholder theory-based empirical model to examine the impact of sustainability reporting performance, as measured by companies' environmental, social, and governance performance, on accounting performance in a sample of China's Tier 1 listed companies. The results confirm that higher environmental, social, and governance performance is associated with higher financial performance as reflected in accounting. This relationship is found across all three ESG dimensions (environmental, social, and governance).

(Ibrahim et al., 2025) The study, which uses rational choice theory and stakeholder theory to conduct an online survey of 105 UK listed companies, analyses the results using a Partial Least Squares Structural Equation Model, and adds new insights to the study of sustainability assurance. The paper develops and tests a model that explains why some companies include external audits in their sustainability reports while others do not. The study finds that stakeholders of organisations that include external audits have a direct and positive impact on their decisions, depending on this assurance.

The materiality debate

(Yunice et al., 2025) This study conducted a comprehensive review of all studies on financial transparency related to climate change. It used the PRISMA methodology, content analysis, and three-stage SLR. The results of the study:

- The research space is lacking in theoretical depth, is sparse in empirical evidence, and is geographically limited.
- It identifies new opportunities for future research, which is important for both academic and policy.

(Keith et al., 2024) This study uses economic models to explain the feasibility and credibility of the “Net Zero” transition in 20 of the world’s largest industrialized and developing countries. It highlights the limitations of current valuations for investors and proposes innovative criteria. It opens up the possibility of measuring credibility through quantitative indicators such as the shape of the transition path (concavity). It suggests ways to use the TCFD framework as a credibility assessment tool. It is an innovative study that provides the first theoretical basis for systematically assessing future-oriented ESG commitments.

Challenges in implementing

(Roger et al., 2025) Companies listed on the Australian Stock Exchange will be required to include climate-related reporting and assurance in their annual reports from January 2025. This study was conducted to assess the readiness of Australian companies to comply with the new legislation, by analysing annual reports from 2018 to 2022.

The study assessed readiness using two key indicators:

- Whether climate-related information is included in annual reports
- The extent to which the information complies with the new requirements

The results: Of the 7,728 annual reports reviewed, 2,349 contained climate-related information, indicating that climate-related reporting by companies is relatively weak but steadily increasing, and that companies that are expected to report for the first time are well prepared or ready.

(Elmar et al., 2024) The study reviewed the recent literature on Extended external reporting (EER - Sustainability Reporting, Environmental, Social and Governance Reporting, Integrated Reporting, Social Impact Reporting, and Climate Risk Reporting) from 50 articles published in the International Journal of Financial Management and Accounting between 2020 and August 2023.

- Systematically synthesizes academic trends in EER assurance research from 2020 to 2023.
- Emphasizes the growing importance of qualitative research, despite the dominance of positivist research.
- Demonstrates that assurance is not just a technical check, but a tool to promote trust, accountability, and transparency.
- Identifies future research opportunities for standard-setters, regulators, and auditors.

Future directions

(Ajanthan et al., 2025) This study, which identifies the current status and future trends of Integrated Reporting (IR) as important for the development of accounting theory and practice, conducted a bibliometric review and content analysis of IR research in the field of

588 journal articles extracted from the Web of Science and Scopus databases from 2011 to March 2024. The results show that IR research increased steadily from 2011 to 2022, and then decreased significantly in 2023.

Table 1. Summary of studies on theme in IFRS sustainability standards

No	Author	Date	Objective	Journal	Index	Methodology	Theme
1	Alayat et al.	2025	“Corporate Governance and Sustainability Disclosure: Challenges and Opportunities for the Libyan Audit Bureau in the Oil Sector”	Business Strategy and the Environment	Scopus	Quantitative survey (questionnaire, 203)	Stakeholder Implementation
2	Ren	2025	Sustainable Development and Accounting Conservatism	Journal of Corporate Accounting & Finance	Scopus	Quantitative (11,193 firm-year ESG data)	Stakeholder Materiality
3	Alkhataybeh	2025	“Sustainability Reporting and External Assurance: Evidence From UK Listed Firms”	Business Strategy and the Environment	Scopus	Quantitative survey (UK listed firms)	Stakeholder Materiality Implementation
4	Tumewang	2025	“Task Force on Climate-Related Financial Disclosures: A Systematic Literature Review”	Business Strategy and the Environment	Scopus	Systematic Literature Review	Materiality Future
5	Chan	2024	An economic foundation for assessing the credibility of corporate net zero transition	Business Strategy and the Environment	Scopus	Theoretical framework	Materiality Future

6	Sim- nett, Tan, You & Zhou	2025	Australian Listed Entities’ Preparedness for Mandatory Reporting and Assurance of Climate-related Disclosures	Abacus	Web of Science	Quan- titative analysis + regression analysis	Imple- men- ta- tion
7	Ven- ter & Kraso- doms- ka	2024	Research on extended exter- nal reporting assurance: An update on recent developments”	Journal of International Financial Management & Accounting	Scopus	Literature Review (50 articles, 2020– 2023)	Imple- men- ta- tion Future
8	Alag- athurai et al.	2025	A Bibliometric Review of a Decade of Inte- grated Reporting Research	Accounting Perspectives	Scopus + WoS	Biblio- metric analysis + content analysis	Future

Sources: Researcher’s estimate

Results of a systematic review: The four questions posed in the survey were answered as follows.

RQ1: How do investors, auditors, and regulators influence the quality and assurance practices of sustainability disclosures under IFRS S1 and S2?

That systematic review shows that stakeholder pressure—especially from institutional investors and auditors—plays a critical role in shaping sustainability reporting and assurance practices. Studies from the UK and Libya highlight that external assurance decisions are strongly influenced by stakeholder expectations, while legitimacy concerns persist in developing economies due to regulatory gaps and cultural factors.

RQ2: To what extent does the investor-focused financial materiality approach of IFRS Sustainability Standards constrain the integration of broader environmental and social objectives?

The review finds that IFRS Sustainability Standards’ focus on financial materiality enhances comparability for investors but limits the integration of broader environmental and social objectives. Several studies emphasize the lack of theoretical depth and empirical evidence on double materiality, suggesting that current frameworks prioritize investor needs over societal impacts.

RQ3: What are the key regulatory, professional capacity, and cultural barriers to implementing IFRS S1 and S2 in developing economies?

The analysis identifies significant barriers to implementation, including weak regulatory frameworks, insufficient professional capacity, and cultural constraints in developing coun-

tries. Evidence from Australia shows gradual improvement in climate-related disclosures, but readiness remains uneven across jurisdictions, indicating that compliance will require substantial capacity building.

RQ4: How can the future development of IFRS Sustainability Standards align with Integrated Reporting and other global sustainability initiatives to enhance comparability and decision-usefulness?

The review highlights that future development of IFRS Sustainability Standards must align with Integrated Reporting and other global initiatives to maintain relevance and comparability. Bibliometric trends show a decline in IR research after 2023, suggesting a shift toward ISSB standards. Scholars recommend incorporating holistic sustainability perspectives and enhancing stakeholder inclusivity.

Conclusion

This systematic review synthesizes eight recent studies on sustainability reporting, extended external reporting (EER), assurance practices, and net zero transition. Using the PRISMA framework and content analysis, we identify key themes across materiality, stakeholder influence, implementation challenges, and future research directions.

Our findings reveal that ESG performance positively influences accounting conservatism, while stakeholder pressure—especially from institutional investors and auditors—plays a critical role in assurance decisions. The literature highlights a growing need for credible climate-related disclosures, with frameworks like TCFD and IR gaining traction. However, gaps remain in empirical evidence, cross-country comparisons, and assurance standardization.

Overall, the reviewed studies underscore the strategic importance of sustainability reporting and assurance in shaping transparent, accountable, and forward-looking corporate behavior. This review offers timely insights for academics, regulators, and practitioners navigating the evolving landscape of climate governance and financial disclosure.

Limitations and recommendations

This systematic review is subject to several limitations that should be acknowledged:

1. This study is limited to research papers from the Wiley database and does not include research from other academic databases, regulatory reports, or industry insights, thus limiting the scope of the study.
2. The review includes only eight peer-reviewed articles published between 2020 and early 2025, all written in English and sourced from high-quality academic journals. As a result, relevant studies published in other languages or formats (e.g., policy papers, practitioner reports) may have been excluded.
3. The analysis relied on content analysis and the PRISMA framework. While these methods are effective for thematic synthesis, they do not allow for meta-analysis or quantitative aggregation of findings, which could have provided deeper statistical insights.

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