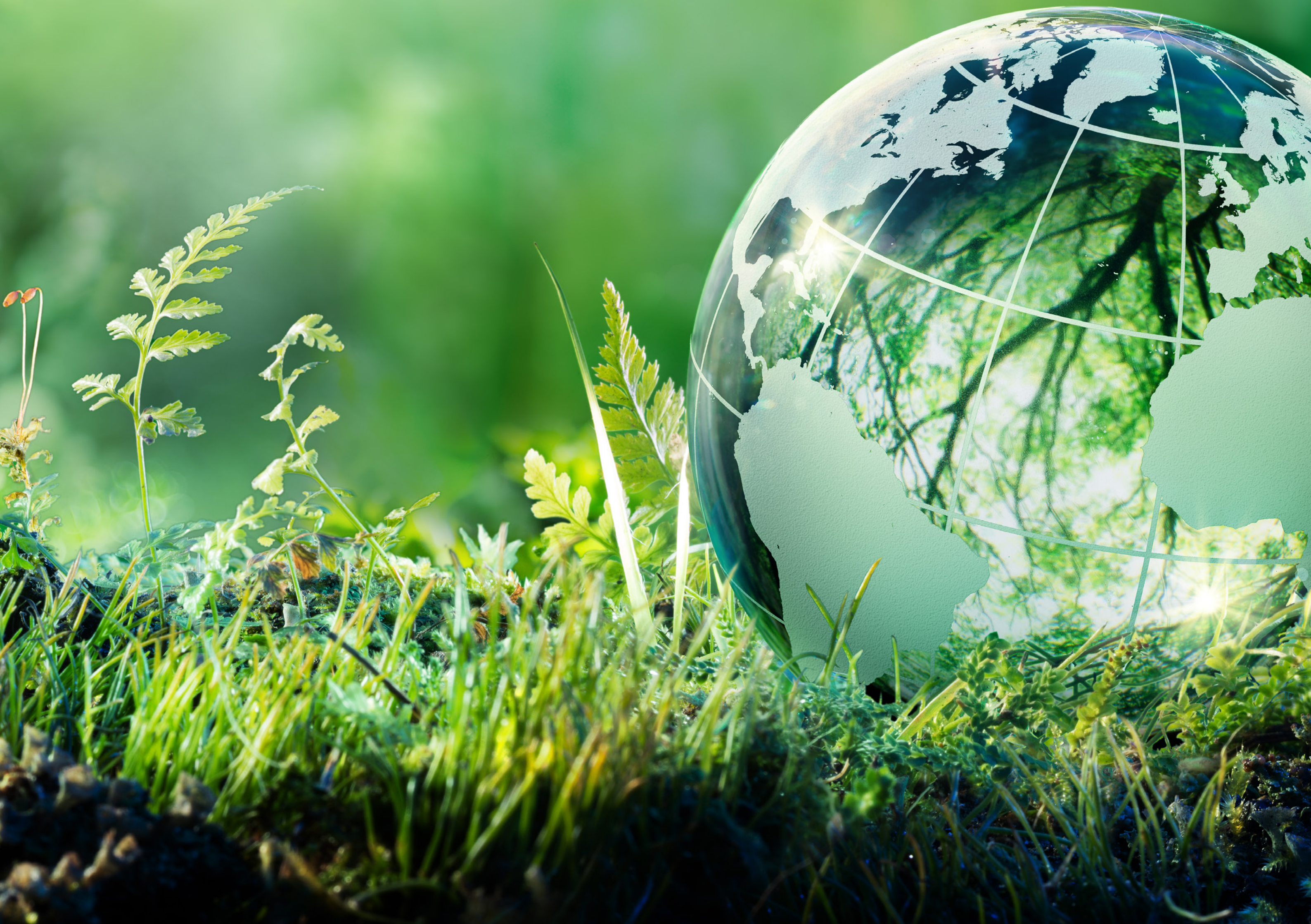
# Q2 2024 Sustainability Reporting Jurisdictional Update

International Sustainability Reporting Bulletin 2024/07

July 2024



# CONTENTS



## BACKGROUND

The International Sustainability Standards Board (ISSB) and other standard setters and regulators in major jurisdictions have been very active during 2023 and the first half of 2024 by beginning to bring sustainability reporting frameworks into laws and regulations and by planning to and publishing consultations on proposed requirements and/or a proposed roadmap. The United States (US) Securities and Exchange Commission (SEC) continues work on its climate-related disclosure rules. In addition, the European Parliament approved the Corporate Sustainability Due Diligence Directive.

This publication provides a 'snapshot' of sustainability reporting developments for selected jurisdictions, including those being developed for use by entities in the European Union (EU) and the US.

BDO also issues quarterly ISR Bulletin sustainability reporting updates as sustainability standards are evolving quickly.

Although it is comprehensive, this summary is not exhaustive and does not include all standard setting activities of the ISSB and other organisations.


### EXECUTIVE SUMMARY

The overview of recent developments in sustainability reporting and climate-related regulations at the International Financial Reporting Standards Foundation and in the EU and the US highlights a growing global momentum towards standardised and mandatory disclosure of environmental, social, and governance information by companies.

In the EU, the adoption of Corporate Sustainability Due Diligence Directive and release of two guidance documents from The European Securities and Markets Authority underlines the commitment to harmonising sustainability reporting practices across member states.

Jurisdictions on the adoption journey include but are not limited to Australia, Brazil, Canada, Hong Kong, Korea, Japan, Singapore, Sri Lanka, Switzerland and the UK.

Meanwhile, in the US, California has proposed trail bills that would delay the implementation of SB 253, SB 261 and AB 1305. While there have been fewer announcements about the SEC's Climate rule stay, that is expected to change with the Supreme Court's recent ruling to reverse Chevron deference. which may have downstream implications for the SEC's Climate Rules. This ruling is likely to increase the SEC's legal challenges and may further delay implementation. The continued SEC litigation continues to grow and now includes a recent bill (H.R. 8580), which proposes to reduce funding for the SEC and prohibit Federal agencies from funding climate change initiatives. The bill also includes provisions to stop the enforcement of beneficial ownership reporting rules from the Corporate Transparency Act. Meanwhile, the Democrats are preparing their own bill. Both bills will be voted on in the House and Senate between July and October, after which the two chambers will negotiate a final bill to be signed into law or vetoed by the United States President.

Lastly, some states of the US are not waiting for Federal climate regulations and are taking an innovative approach to climate action by implementing 'climate liability laws'. This new wave of climate regulations mandate compensatory payments from oil and gas companies to establish a climate cost recovery program within the state. The laws target companies who are accountable for more than 1 billion metric tons of GHG emissions as far back as January 1, 1995.

# Major recent events in jurisdictional sustainability reporting

The following is a summary of some of the key recent sustainability reporting developments in various jurisdictions. Note that this list is not exhaustive:

<table>
<tr><th>JURISDICTION</th><th>SUMMARY</th></tr>
<tr><td rowspan="5">European Union</td><td>The ESRS were formally brought into EU law and published in the Official Journal.</td></tr>
<tr><td>On 24 April 2024, European Parliament (EP) approved the Corporate Sustainability Due Diligence Directive (CSDDD or the Directive). The Directive needs to be formally endorsed by the European Council, signed, and published in the EU Official Journal. It will enter into force twenty days later. Member states will have two years to transpose the new rules into their national laws. The rules will apply in a phased manner from 2027 to 2029.</td></tr>
<tr><td>Adoption of sector-specific ESRSs for EU companies and general ESRSs for non-EU companies have been postponed by EP by two years, until 30 June 2026. The new rules do not impact the reporting timelines as required under the Corporate Sustainability Reporting Directive (CSRD), however will affect the extent of reporting for EU companies.</td></tr>
<tr><td>The first two papers in the series ‘ESRS perspectives’ from Accountancy Europe covering materiality assessment and value chain under ESRS are now available.</td></tr>
<tr><td>The European Securities and Markets Authority (ESMA) has released a ‘Final Report on the Guidelines on Enforcement of Sustainability Information (GLESI)’ and a ‘Public Statement on the first application of the European Sustainability Reporting Standards (ESRS)’.</td></tr>
<tr><td rowspan="3">United States</td><td>While there have been fewer announcements about the SEC's Climate rule stay, that is expected to change with the Supreme Court's recent ruling to reverse Chevron deference, which may have downstream implications for the SEC's Climate Rules. This ruling is likely to increase the SEC's legal challenges and may further delay implementation.<br><br>The continued SEC litigation continues to grow and now includes a recent bill (H.R. 8580) introduced by Republicans on the House Appropriations Committee, which proposes to reduce funding for the SEC and prohibit Federal agencies from funding climate change initiatives. The bill also includes provisions to stop the enforcement of beneficial ownership reporting rules from the Corporate Transparency Act. Meanwhile, the Democrats are preparing their own bill. Both bills will be voted on in the House and Senate between July and October, after which the two chambers will negotiate a final bill to be signed into law or vetoed by the US President.</td></tr>
<tr><td>The two state senate bills signed into California Law require certain public and private US entities, including foreign entities with US-based subsidiaries doing business in California to provide quantitative and qualitative climate disclosures. California has proposed trail bills that would delay the implementation of SB 253 and SB 261.<br><br>Amendment for SB 253 related to revised reporting and assurance timelines would allow entities to provide consolidated reporting at the parent company level of aggregate emissions data across a corporate group, consistent with the current language of SB 261.<br><br>Amendment for SB 261 related to revised reporting timeline.</td></tr>
<tr><td>California has proposed a trail bill that would delay the implementation of AB-1305 until January 2025. The proposed amendment to AB 1305, AB-2331 Voluntary carbon market disclosures, would exclude ‘renewable energy certificate’ (REC) from the definition of ‘voluntary carbon offset’.</td></tr>
</table>

| JURISDICTION | SUMMARY |
|---|---|
| **United States** | Some US states are not waiting for Federal climate regulations and are taking an innovative approach to climate action by implementing 'climate liability laws'. This new wave of climate regulations mandate compensatory payments from oil and gas companies to establish a climate cost recovery program within the state. The laws target companies who are accountable for more than 1 billion metric tons of GHG emissions as far back as January 1, 1995. |

## Jurisdictional update – European Union

The ESRS were formally brought into EU law and published in the Official Journal, marking a major step towards the implementation of the ESRS, with reporting set to begin for some companies as soon as the 2024 financial year.

The table below sets out an overview of key changes that will be introduced by the CSRD in comparison to the existing Non-Financial Reporting Directive (NFRD), based on the agreed compromise text, together with a more detailed explanation of the very significantly expanded scope, a summary of what companies need to prepare for, and when:

**Key Changes Introduced by the CSRD**

| REQUIREMENT | NFRD | CSRD |
|---|---|---|
| **Companies that are required to report** | Large public interest entities with more than 500 employees<br>Public interest entities are:<br>▶ Listed companies<br>▶ Banks and insurance companies. | Companies listed on an EU regulated market, both EU and non-EU (except for listed micro entities).<br>All large companies, defined as those meeting two out of the following three criteria **:<br>▶ More than 250 employees<br>▶ More than EUR 50m turnover<br>▶ More than EUR 25m total assets.<br>This includes subsidiaries of non-EU groups.<br>Insurance undertakings and credit institutions regardless of their legal form.<br>Non-EU groups which generate more than EUR 150m net turnover in the EU for each of the last two consecutive financial years and which have a subsidiary or branch in the EU (if a subsidiary, either a large – as defined above – or a listed on an EU regulated market entity (excluding micro entities) and, if a branch, one which generates more than EUR 40m turnover in the preceding financial year). |
| **When do the requirements apply?** | Years ended 31 December 2018 onwards | **Year ending 31 December 2024**<br>▶ Entities currently within the scope of the NFRD<br>**Year ending 31 December 2025**<br>▶ All other large entities<br>**Year ending 31 December 2026**<br>▶ SMEs listed on an EU regulated market, small and non-complex credit institutions and captive insurance and reinsurance undertakings<br>**Year ending 31 December 2028**<br>▶ Non-EU undertakings |

| REQUIREMENT | NFRD | CSRD |
|---|---|---|
| **How many EU companies will need to comply with the requirements?** | 11,600 | 49,000 |
| **Scope of the requirements** | ▶ Environmental protection<br>▶ Social responsibility and treatment of employees<br>▶ Human rights<br>▶ Anti-corruption and bribery<br>▶ Diversity on company boards | NFRD requirements plus:<br>▶ Disclosure of information about intangibles (including social, human and intellectual capital)<br>▶ Additional forward looking information<br>▶ Reporting that is consistent with the Sustainable Finance Disclosure Regulation and the EU Taxonomy<br>▶ Double materiality concept, which expands the consideration of sustainability beyond an entity's capital market value, to include the entity's wider effects on society and the environment. |
| **Assurance** | Not required | Mandatory<br>▶ Initially limited assurance, to be expanded to reasonable (audit) assurance in future. |

* Listed SMEs can defer application of the reporting requirements to years ending 31 December 2028 if a statement is included in their management report of why the sustainability information was not provided.

** A Commission Delegated Directive published by the EC in September 2023, was adopted. This resulted in increases in the financial thresholds in the Accounting Directive for determining the size category of a company. The increases were designed to account for inflation in the EU since the previous thresholds were put in place. As a result, there is an increase in the threshold for "large" entities of approximately 25%: the turnover threshold has increased from €40 million to €50 million and the balance sheet threshold from €20 million to €25 million. EU Member States are required to pass laws and regulations that are necessary to enable the application of the new thresholds for financial years beginning on or after 1 January 2024, with an option for each Member State to apply the new thresholds for financial years beginning on or after 1 January 2023.

**EP adopts CSDDD**

On 24 April 2024, EP approved CSDDD. CSDDD will apply to EU and non-EU companies meeting the specified thresholds of turnover and number of employees.

The Directive will require the firms within its scope and their upstream and downstream partners to prevent, end, or mitigate their adverse impact on human rights and the environment. Such impacts will include slavery, child labour, labour exploitation, biodiversity loss, pollution, or destruction of natural heritage. The scoped in firms will have to integrate due diligence into their policies, make related investments, seek contractual assurances from their partners, improve their business plan, or provide support to small and medium-sized business partners to ensure they comply with new obligations. They will also have to adopt a transition plan to make their business model compatible with the Paris Agreement global warming limit of 1.5°C.

Under the Directive, companies will be liable for damages caused by breaching their due diligence obligations and will have to fully compensate their victims. The directive also provides for fines on non-complying firms of up to 5% of the companies' net worldwide turnover.

As a next step, the Directive needs to be formally endorsed by the European Council, signed and published in the EU Official Journal. It will enter into force twenty days later. Member states will have two years to transpose the new rules into their national laws. The rules will apply in a phased manner from 2027 to 2029.

**EP postpones adoption of sector-specific ESRSs for EU companies and general ESRSs for non-EU companies CSDDD**

Adoption of sector-specific ESRSs for EU companies and general ESRSs for non-EU companies have been postponed by EP by two years, until 30 June 2026. The new rules do not impact the reporting timelines as required under the CSRD. Extension in adoption of sector-specific standards for EU companies impacts the extent of reporting for these companies. This is due to the reason that the sector-specific part about companies' particular impact on people and the planet in their area of activity will not be required before 2026.

Given that general reporting obligations for non-EU companies with turnover over 150 million euro and their branches in the EU with turnover over 40 million euro will commence to apply in 2028, adoption of sector-specific reporting obligations in 2026 will still provide them with sufficient time to prepare. Additionally, EP recommends that the European Commission (EC) publishes eight sector-specific reporting standards as they become available before the new deadline on 30 June 2026 (this compares to the original proposal for 42 sector standards to be adopted by June 2024).

**Accountancy Europe releases 'ESRS perspectives' publication series**

Accountancy Europe released a new publication series '*ESRS perspectives*' with the aim to provide further guidance and clarification on ESRS. The first two papers in the series cover materiality assessment and value chain under ESRS.

**Two ESMA documents released to ensure consistent sustainability reporting**

ESMA has released a '*Final Report on the Guidelines on Enforcement of Sustainability Information (GLESI)*' and a '*Public Statement on the first application of the European Sustainability Reporting Standards (ESRS)*'. GLESI provides guidance to build convergence on supervisory practices on sustainability reporting. Via the 'Public Statement on the first-time application of the ESRS', ESMA intends to support large issuers in progressing through the learning curve associated with the implementation of these new reporting requirements. ESMA plans to continue monitoring the sustainability reporting practices in the year 2025 as well as the application of the GLESI. ESMA is also going to translate the GLESI in all EU languages and to publish these translations on its website. Additionally, ESMA is going to publish in Q4 2024 recommendations in relation to the sustainability statements of listed companies in its Public Statement on the 2024 European Common Enforcement Priorities.

BDO summary related to the publications is available here.

## Jurisdictional Update – United States

**California Law Targets Carbon Offset Transparency**

A new California law, AB-1305, requires companies that market or sell voluntary carbon offsets in the state to disclose numerous details about the projects generating the credits — including location, timeline, and whether there is third-party validation. The law also mandates disclosures for certain companies that make 'net zero' or similar claims and for certain companies that purchase or use voluntary carbon offsets and make 'net zero' or similar claims.

California has proposed a trail bill that would delay the implementation of AB 1305 until January 2025. The proposed amendment to AB 1305, AB-2331 *Voluntary carbon market disclosures*, would exclude 'renewable energy certificate' (REC) from the definition of 'voluntary carbon offset'. The proposed amendment for AB 1305 has garnered nearly unanimous approval in the legislature.

The deadline for the California legislature to pass laws this year is the end of August 2024.

**California Climate Legislation**

In a bid to increase transparency and encourage standardised climate-related disclosure, the two state senate bills signed into California Law require certain public and private US entities, including foreign entities with US-based subsidiaries doing business in California to provide quantitative and qualitative climate disclosures.

- GHG emissions law. SB-253, the Climate Corporate Data Accountability Act, mandates the disclosure of GHG emissions.
- Climate risks law. SB-261, the Climate-Related Financial Risk Act, mandates the disclosure of climate-related financial risks and measures adopted to reduce and adapt to such risks.

California has subsequently proposed trail bills that would delay the implementation of SB 253 and SB 261. The proposed amendments for SB 253 and SB 261 have received mixed reactions from legislators since the original sponsors of the bills have voiced their opposition.

SB-253 *Climate Corporate Data Accountability Act* requires companies with revenues greater than $1 billion that do business in California to report annually on their Scope 1, Scope 2, and Scope 3 emissions based on the GHG Protocol. The revised timelines are the following:

- Disclosure obligations would begin in 2028 (2027 data) for Scope 1 and 2 emissions, and in 2029 (2028 data) for Scope 3 emissions
- The law would also require companies to obtain third party assurance for their emissions reporting, with a limited assurance beginning in 2028 for Scope 1 and 2 emissions, and reasonable assurance in 2032
- A limited assurance level for Scope 3 beginning in 2032.

The proposed amendment would allow entities to provide consolidated reporting at the parent company level of aggregate emissions data across a corporate group, consistent with the current language of SB 261.

SB-261 *Greenhouse Gases: Climate-Related risk* applies to companies that do business in California and according to the revised timelines with revenues greater than $500 million to prepare a climate-related report in accordance with the TCFD framework, beginning 1 January 2028 (2027 data), and biennially thereafter. There were no specific changes mentioned in the proposed trail bill, but the consolidated reporting approach in SB 253 aligns with the current language of SB 261.

The deadline for the California legislature to pass laws this year is the end of August 2024.

### Climate liability laws

New York and Vermont are the first states to pass a law requiring oil and gas companies to fund the cleanup of climate change-related damages through a Climate Superfund Act. The Acts establish a climate cost recovery program within each state which will require "compensatory" payments from companies engaged in the trade or business of extracting fossil fuel or refining crude oil, including coal, petroleum products, and fuel gases, and that are accountable for more than 1 billion metric tons of GHG emissions since January 1, 1995. Similar legislation has been introduced in California, Maryland, and Massachusetts.

State legislatures are increasingly stepping up to address climate change through innovative and impactful measures, including climate liability laws. Implementing climate adaptation and mitigation strategies across a range of remediation activities can help companies to adopt more sustainable practices and reduce their carbon footprint and the costs associated with climate-related damages.

### SEC Climate disclosure rules

While there have been no updates to the SEC's Climate rule stay, that is expected to change with the Supreme Court's recent ruling to reverse Chevron deference may have downstream implications for the SEC's Climate Rules. This ruling is likely to increase the SEC's legal challenges and may further delay implementation.

A group of Republicans on the House Appropriations Committee proposed a bill (H.R. 8580) which proposes to reduce funding for the SEC and to prohibit Federal agencies from implementing climate change initiatives. The bill also includes policy riders to repeal enforcement of beneficial ownership reporting rules from the Corporate Transparency Act.

In parallel, the Democrat-led Senate Appropriations Committee is preparing its own proposed spending bill. Both bills will then be voted on in the House and the Senate between July and October. The two chambers will then need to negotiate a final bill which will be signed into law or vetoed by the US President.

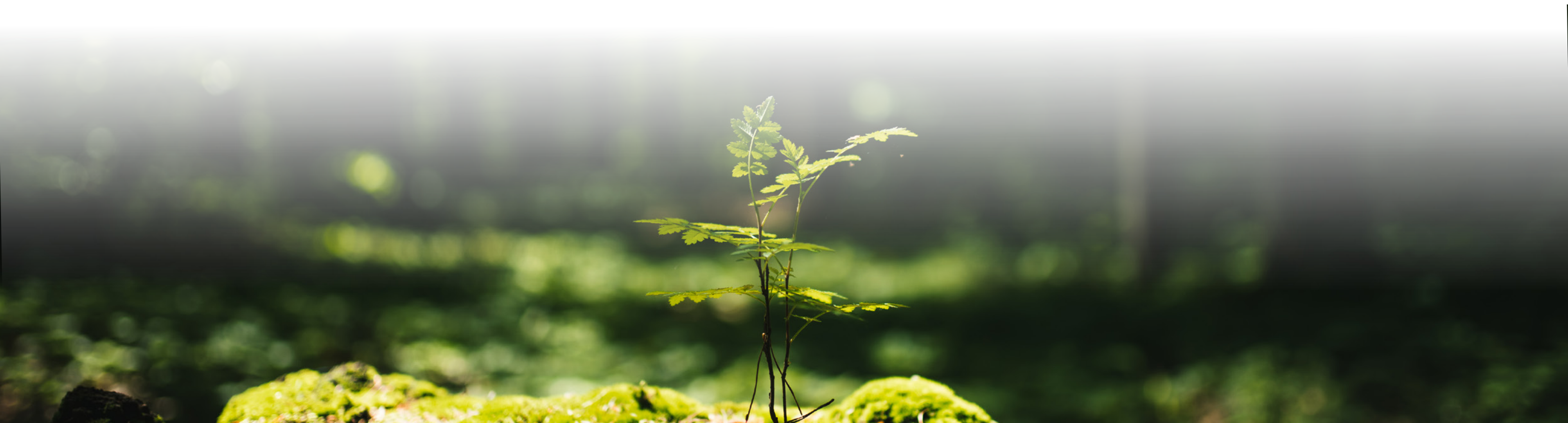
While the implementation of the SEC Climate Rules remains unknown, companies may be required to comply with other regulations, including the CA Climate Corporate Data Accountability Act or the EU's CSRD.

The following is a summary of the final rules:

| QUANTITATIVE DISCLOSURES WITHIN THE FINANCIAL STATEMENTS | |
|---|---|
| Expenditure metrics | ▶ Expenses, losses, and capitalised amounts incurred as a result of severe weather events and other natural conditions to be separately disclosed, unless the aggregate impact is <1% of the absolute value of income or loss before income tax expense or benefit for expenses and losses or stockholders' equity or deficit for capitalised amounts for that fiscal year and de minimis. |
| Expenditure metrics | ▶ Expenses, losses, and capitalised amounts directly related to carbon offsets and renewable energy credits or certificates (RECs) if used as a material component to achieve climate-related targets or goals. |

| QUANTITATIVE DISCLOSURES OUTSIDE THE FINANCIAL STATEMENTS | |
|---|---|
| Scope 1 and Scope 2 GHG emissions | ▶ Material direct GHG emissions (Scope 1) and indirect GHG emissions from purchased electricity and other forms of energy (Scope 2), to be separately disclosed by LAF and AF that are not otherwise exempted. |
| Expenditure metrics | ▶ Material expenses directly related to climate-related activities as part of a strategy, transition plan and/or targets and goals. |

| QUANTITATIVE DISCLOSURES |
|---|
| ▶ Climate-related risks identified that have had or are reasonably likely to have a material impact on the strategy, results of operations, or financial condition in the short-term (i.e. the next 12 months) and in the long-term (i.e. beyond the next 12 months). |
| ▶ Activities to mitigate or adapt to a material climate-related risk, and a description of direct material expenditures incurred and material impacts on financial estimates and assumptions. |
| ▶ Whether the estimates and assumptions used in the financial statements were materially impacted by exposures to risks and uncertainties associated with, or known impacts from, severe weather events and other natural conditions such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise, or any climate-related targets or transition plans disclosed by the registrant. If so, how the development of such estimates and assumptions were impacted by the events, conditions, and disclosed targets or transition plans identified above. |
| ▶ Identified actual and potential material climate-related risks on the registrant's strategy, business model and outlook. |
| ▶ Registrant's process to identify, assess and manage material climate-related risks and whether they are integrated into the registrant's overall risk management system or processes. |
| ▶ Activities such as transition plans, scenario analysis, or internal carbon prices used to mitigate or adapt to a material climate-related risk. |
| ▶ Climate-related targets or goals that have materially impacted or are reasonably likely to materially impact the business, results of operations, or financial condition. |
| ▶ Oversight and governance of material climate-related risks by the registrant's board and management. |



The final rules become effective 60 days after publication in the Federal Register and phase-in is as follows:

| COMPLIANCE DATES UNDER THE FINAL RULES | | | | | | |
|---|---|---|---|---|---|---|
| REGISTRANT TYPE | DISCLOSURE AND FINANCIAL STATEMENT EFFECTS AUDIT | | GHG EMISSIONS/ASSURANCE | | | ELECTRONIC TAGGING |
| | All Reg. S-K and S-X disclosures, other than as noted in this table | Certain Items (Item 1502(d)(2), Item 1502(e)(2), and Item 1504(c)(2)) | Scopes 1 and 2 GHG emissions | GHG emissions disclosures - Limited Assurance | GHG emissions disclosures - Reasonable Assurance | Inline XBRL tagging for subpart 1500 |
| LAF | FYB 2025 | FYB 2026 | FYB 2026 | FYB 2029 | FYB 2033 | FYB 2026 |
| AFs (other than SRCs and EGCs) | FYB 2026 | FYB 2027 | FYB 2028 | FYB 2031 | N/A | FYB 2026 |
| SRCs, EGCs, and NAFs | FYB 2027 | FYB 2028 | N/A | N/A | N/A | FYB 2027 |
| 'FYB' refers to any fiscal year beginning in the calendar year listed.<br>'NAF' refers to non-accelerated filer. | | | | | | |

For more information on the SEC's proposed and adopted climate-related disclosure rule, refer to BDO USA's Preparing for the Proposed SEC Climate Disclosure Rule.

## Other Jurisdictional Updates

| JURISDICTION | SUMMARY | MORE INFORMATION |
|---|---|---|
| **Brazil** | Comitê Brasileiro de Pronunciamentos de Sustentabilidade (CBPS), together with Conselho Federal de Contabilidade (CFC) has released two exposure drafts for sustainability reporting based on the International Sustainability Standards Board's (ISSB) IFRS® Sustainability Disclosure Standards - IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 Climate-related Disclosures (IFRS S2). The exposure drafts were open for comments until 13 June 2024 and the consultation is now closed. | |
| **Sri Lanka** | The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has published localised versions of the IFRS Sustainability Disclosure Standards issued by the ISSB. The standards will be effective from 1 January 2025.<br>CA Sri Lanka has also established Sustainability Disclosure Standards Committee to review and recommend best practices for corporate sustainability reporting in Sri Lanka, which helps to align with global trends and investor expectations. | Sri Lanka sustainability disclosure standards |

| JURISDICTION | SUMMARY | MORE INFORMATION |
|---|---|---|
| **United Kingdom** | The UK will make endorsed International Sustainability Standards Board's IFRS S1 and IFRS S2 standards available in Q1 2025. This announcement is ending speculation over timescales for new reporting requirements. | UK sustainability Disclosure Requirements: Implementation Update 2024 |
| **Japan** | The Sustainability Standards Board of Japan (the SSBJ) has published the following three Exposure Drafts of the Sustainability Disclosure Standards:<br>▶ Universal Sustainability Disclosure Standard Exposure Draft 'Application of the Sustainability Disclosure Standards';<br>▶ Theme-based Sustainability Disclosure Standard Exposure Draft No. 1 'General Disclosures'; and<br>▶ Theme-based Sustainability Disclosure Standard Exposure Draft No. 2 'Climate-related Disclosures'.<br>The Exposure Drafts includes all requirements in the IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) and add, when considered necessary, any jurisdiction-specific options the entity can choose to apply.<br>The Exposure Drafts are open for comments until 31 July 2024. | SSBJ website<br><br>Exposure drafts |
| **Korea** | The Korea Sustainability Standards Board (KSSB) of the Korea Accounting Institute (KAI) has issued the Exposure Draft of the 'Korean Sustainability Disclosure Standards' applicable to domestic companies. The proposed standards are based on IFRS S1 and IFRS S2 issued by the ISSB.<br>The proposed standards are the followings:<br>▶ Sustainability Disclosure Standard 1 (KSSB 1) General *Requirements for Disclosure of Sustainability-related Financial Information*: This is a mandatory standard based on IFRS S1<br>▶ Sustainability Disclosure Standard 2 (KSSB 2) *Climate-related Disclosure*: This is a mandatory standard based on IFRS S2<br>▶ Sustainability Disclosure Standard 101 (KSSB 101) *Additional Disclosure aligned with Policy Objectives*: This is a non-mandatory country-specific standard that allows companies to selectively disclose additional sustainability-related information as required by domestic laws or to meet the sustainability-related policy objectives.<br>The Exposure Draft is open for comments until 31 August 2024. | |

| JURISDICTION | SUMMARY | MORE INFORMATION |
|---|---|---|
| **Switzerland** | The Federal Council of Switzerland has launched a consultation on new provisions relating to the publication of information by companies under the Code of Obligations. The proposed rules provide that more companies will be required to report on the environmental, human rights and corruption risks associated with their business activities and on the measures they have taken to address them. The proposed amendments provide a choice to the companies subject to Swiss regulation to apply EU reporting standards or other equivalent standards, which the Federal Council will designate in an ordinance. The consultation will close on October 17, 2024. | The Federal Council website |
| **Canada** | In March 2024, the CSSB released its proposals for the first Canadian Sustainability Disclosure Standards (CSDSs) based on IFRS S1 and IFRS S2, which included certain exemptions. Ten major Canadian pension funds have reverted with a joint statement. Big Canadian pension funds proposed the Canadian Sustainability Standards Board (CSSB) to reconsider its proposals for reporting exemptions on sustainability-related disclosures, Scope 3 disclosures and scenario analysis. They noted that the pension funds 'support the ISSB's 'building block' approach, which allows for additions to the global baseline and limits modifications or deletions'.<br><br>Consultation process for comments on the exposure drafts for Canadian Sustainability Disclosure Standard (CSDS) 1, *General Requirements for Disclosure of Sustainability related Financial Information* and Canadian Sustainability Disclosure Standard (CSDS) 2, *Climate-related Disclosures* closed on 10 June 2024. | Joint statement from Canadian pension funds |
| **Singapore** | The Singapore Exchange Regulation (SGX RegCo) has released a consultation paper 'Sustainability Reporting: Enhancing Consistency and Comparability' which was open for comments until 5 April 2024. The consultation period is now closed. | Consultation paper<br><br>Press release |
| **Australia** | The Australian Accounting Standards Board (AASB) closed the consultation for ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*.<br><br>During the meeting held on 6-7 June 2024, the Australian Accounting Standards Board (AASB) made the decision not to continue with proposals to deviate significantly from the requirements of IFRS Sustainability Disclosure Standards, IFRS S1 and IFRS S2.<br><br>AASB decided on the following:<br>▶ Issuing ASRS 1 as a voluntary standard, covering all sustainability-related financial disclosures and aligning this standard with IFRS S1<br>▶ Issuing ASRS 2 as a mandatory standard that would cover climate only and aligning this standard with the baseline of IFRS S2.<br><br>More details are available in the meeting notes from AASB.<br><br>The timing for the entities to implement climate-related financial disclosures according to the consultation paper is available here. | BDO Australia<br><br>AASB meeting notes |

| JURISDICTION | SUMMARY | MORE INFORMATION |
|---|---|---|
| **Hong Kong** | ▶ On 25 March 2024, Financial Services and the Treasury Bureau (FSTB) of Hong Kong has released a vision statement on developing the sustainability disclosure ecosystem in Hong Kong with the aim of launching the roadmap within 2024.<br>▶ Hong Kong Institute of Certified Public Accountants (HKICPA), the standard setter in Hong Kong, published an update on sustainability disclosure developments on 5 March 2024. The HKICPA and relevant regulators plan to conduct detailed meetings to obtain understanding on the challenges expected to be encountered in applying the IFRS Sustainability Disclosure Standards requirements in order to identify areas where entities in Hong Kong may need more assistance in terms of guidance and infrastructure and/or time to get ready. The information collected will be used for the Working Group on Sustainability Disclosures' development of a comprehensive strategic roadmap for adopting the IFRS Sustainability Disclosure Standards in Hong Kong. Additionally, the HKICPA will launch a platform for local stakeholders to send implementation questions regarding IFRS S1 and S2.<br>▶ Hong Kong Exchange (HKEX) concluded consultation on climate disclosure requirements in April 2024. HKEX obtained broad-based market support to enhance listed issuers' climate-related disclosures. The enhanced climate disclosure requirements of the HKEX will be effective from 1 January 2025 with a phased approach and align more closely with IFRS S2. Implementation related reliefs will consider proportionality and scaling-in measures.<br>▶ HKEX published Implementation Guidance, which has references to IFRS S1 with the aim to help issuers' compliance with the new climate disclosure requirements.<br>**Note**: Refer to the Table 1 below for timeline of the disclosure obligation of the new climate requirements according to the Implementation Guidance published by HKEX. | Vision statement<br><br>Update from HKICPA<br><br>Press release from HKEX<br><br>Implementation guidance |

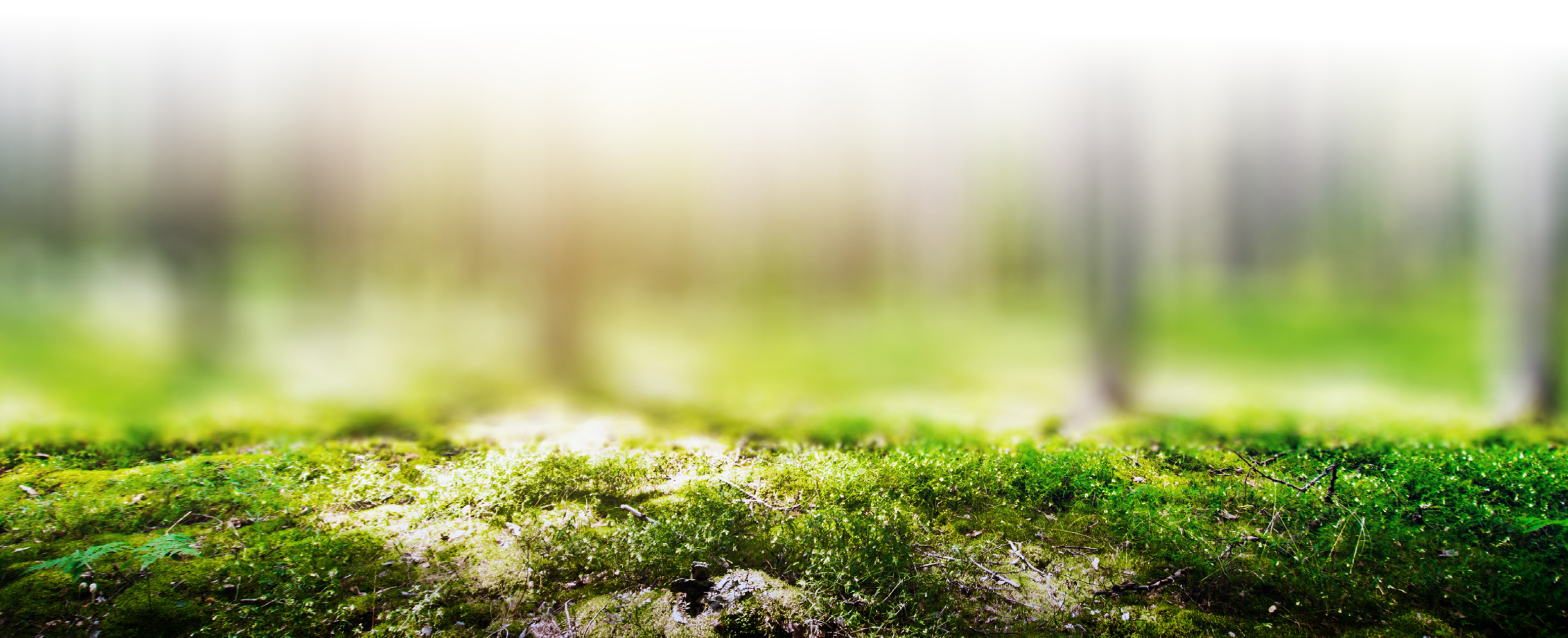


**Table 1:**

| NEW CLIMATE REQUIREMENTS EFFECTIVE DATE | | |
|---|---|---|
| | DISCLOSURE ON SCOPE 1 AND SCOPE 2 GREENHOUSE GAS EMISSIONS | DISCLOSURE OTHER THAN SCOPE 1 AND SCOPE 2 GREENHOUSE GAS EMISSIONS |
| **Large Cap Issuers** | Mandatory disclosure (Financial years commencing on or after 1 January 2025) | 'Comply or explain': in financial years commencing on or after 1 January 2025<br>Mandatory disclosure: in financial years commencing on or after 1 January 2026 |
| **Main Board Issuers (other than Large Cap Issuers)** | | 'Comply or explain' (Financial years commencing on or after 1 January 2025) |
| **GEM issuers** | | Voluntary disclosure (Financial years commencing on or after 1 January 2025) |

## Sustainability Reporting Resources

**International Sustainability Reporting Bulletin 2024/06 30 June 2024 Sustainability Reporting Update**

BDO has published International Sustainability Reporting Bulletin 2024/06 30 June 2024 Sustainability Reporting Update. This publication provides a 'snapshot' of sustainability reporting developments with a focus on the updates following the International Sustainability Standards Board's issue of two IFRS Sustainability Disclosure Standards on 26 June 2023 and the EC's adoption of the ESRS on 31 July 2023.

**BDO published EU Reporting: CSRD – Summary of Scope and Requirements**

2024 is the first year in which companies are required to report in accordance with the EU's CSRD, which replaces the NFRD. *EU Reporting: Corporate Sustainability Reporting Directive – Summary of Scope and Requirements* sets out an overview of key changes that have been introduced by the CSRD in comparison to the NFRD, together with a more detailed explanation of the very significantly expanded scope, the timing of adoption by different entities, and a high level summary of what companies need to prepare for. It also includes an overview of the first batch of general sector-agnostic ESRS, and how (and the extent to which) the CSRD links these to IFRS Sustainability Disclosure Standards published by the ISSB at the International Financial Reporting Standards (IFRS) Foundation.

**BDO published Corporate Sustainability Reporting Directive ('CSRD' for Non-EU Companies)**

*Corporate Sustainability Reporting Directive ('CSRD' for Non-EU Companies)* provides an executive summary of the CSRD, what is required by the CSRD, which non-EU entities are in scope of the CSRD and when as well as provides references to further resources available, making it a useful resource for those familiarising themselves with these new standards .

**Sustainability At a Glance - IFRS Sustainability Disclosure Standards**

IFRS S1 and S2 set a 'global baseline' for disclosure of sustainability-related financial information and are expected to be endorsed and/or adapted by many jurisdictions worldwide. *Sustainability At a Glance - IFRS Sustainability Disclosure Standards* summarises IFRS S1 and S2 into a few pages, making it a useful resource for those familiarising themselves with these new standards.

**Sustainability At a Glance - European Sustainability Reporting Standards**

BDO has published *Sustainability At a Glance - European Sustainability Reporting Standards (ESRS)*. Sustainability At a Glance - European Sustainability Reporting Standards (ESRS) has been compiled to assist in gaining a high-level overview of European Sustainability Disclosure Standards (ESRS) and summarises the disclosure requirements of each topical ESRS including certain definitions.

### Sustainability At a Glance – The Greenhouse Gas Protocol

*Sustainability At a Glance – The Greenhouse Gas Protocol* summarises measuring scope 1, 2 and 3 emissions into a few pages, making it a useful resource for those familiarising themselves with this protocol.

For further information and guidance on sustainability, please refer to BDO's Global Sustainability Reporting Micro-site.

For further information on the proposed SEC Climate Disclosure rule, please refer to BDO US's Sustainability and ESG site.

www.bdo.global

**FOR MORE INFORMATION:**

Sustainability Reporting Policy Committee