

[View in your browser](#)

# Sustainability Reporting Developments

April 2023 | Monthly Update  
**EY Global Public Policy**

An update on regulatory and policy developments shaping the way companies communicate with stakeholders

---

**As effective dates for some of the most anticipated sustainability disclosure standards near, standard-setters and policymakers are taking measures to focus their efforts and to provide further transitional relief for companies as they prepare to disclose for the first time.**

Last week, the International Sustainability Standards Board (ISSB) [announced](#) that its soon-to-be-finalized standards will provide companies with a one-year relief when applying its general sustainability disclosure standard for the first time. This one-year grace period effectively means that, in countries that adopt the ISSB's standards, companies would only be required to provide climate-related disclosures in the first year.

Meanwhile, in Europe, Mairead McGuinness, European Commissioner for Financial Stability, Financial Services and the Capital Markets Union, has [instructed](#) those developing the EU's sustainability disclosure standards to prioritize their attention on providing additional guidance on its first-set of standards in lieu of preparatory work for its second-set of planned standards.

In the United States, the Securities and Exchange Commission (SEC) has been expected to publish both a final climate-related disclosure standard and draft human capital management standard before the end of the month.

A more complete rundown of global policy developments relating to sustainability reporting is below. For quick access to regional developments, use the following links: [Global](#); [Americas](#); [Europe, Middle East India and Africa \(EMEIA\)](#); [Asia-Pacific](#).

Was this message forwarded to you? [Click here](#) to subscribe.



## Key developments

### Global

In February, the ISSB announced plans to release its initial sustainability disclosure standards, [IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information \(S1\)](#) and [IFRS S2 Climate-related Disclosures \(S2\)](#) by the end of June. The release could coincide with the [International Financial Reporting Standards \(IFRS\) Foundation Conference 2023](#) on **26-27 June** in London.

The ISSB's [decision](#) last week to allow companies a **one-year transition relief when applying S1 for the first time** is a significant one. It reflects both stakeholder feedback about the potential burden on companies that could be required to simultaneously implement two major sustainability rules, as well as a "climate-first" approach, which has been a consistent theme for the ISSB.

In countries that adopt S1 and S2, and that opt to simultaneously implement both standards, the [relief](#) would allow a company to provide only S2 -- i.e., climate-related -- disclosures in its first year of implementing the standards. Starting in the second year after implementation, the company would then be required to provide full reporting on sustainability-related risks and opportunities. This exception does not change the application date for S1 and S2 (annual reporting periods beginning on or after 1 January 2024).

Upon finalization of S1 and S2, **the International Organization of Securities Commissions (IOSCO)**, the body of securities regulators representing 95% of the world's securities markets, will begin a **process to consider endorsement of the standards**. Last week, IOSCO published its [latest workplan](#) highlighting its efforts to improve the "completeness, consistency, and comparability" of sustainability reporting and reaffirming its aim to decide on an endorsement before the end of the year.

The work plan comes on the heels of IOSCO's 28 March [report](#) on the **development of a global assurance framework**, which outlines the priorities international standard-setters should consider as they build out assurance and ethics standards over sustainability-related corporate reporting. IOSCO's report received public praise and support from the International Ethics Standards Board for Accountants (IESBA) and International Auditing and Assurance Standards Board (IAASB).

In the meantime, the **ISSB** is expected to [decide this month](#) whether to release an

exposure draft of a methodology for integrating the SASB standards with the ISSB standards. It is also **preparing to launch a consultation on agenda priorities to inform its two-year workplan**. The ISSB plans to seek feedback on the workplan primarily through an electronic survey rather than traditional open comment letters; staff have [recommended](#) a **120-day comment period beginning in May**.

The ISSB's sister organization, the **International Accounting Standards Board (IASB)**, recently initiated a project to [explore](#) how companies can provide better information about climate-related risks in their financial statements (i.e., versus in sustainability-related financial disclosures). In an [article](#) for IFRS.org, ISSB Chair Emmanuel Faber and IASB Chair Andreas Barckow outlined their vision for – and the benefits of – greater **connectivity between sustainability-related financial disclosures and financial statements**.

On March 28, the **Taskforce on Nature-related Financial Disclosures (TNFD)** achieved a major milestone with the [release](#) of its final beta framework. The release reveals, for the first time, the full framework and sheds light on its proposed approach for disclosure metrics. The TNFD is on track to publish its final recommendations in September 2023.

## Americas

In the **United States**, the SEC's regulatory calendar indicates that it will release a final climate-related disclosure rule and propose another on human capital management disclosures this month. However, there is speculation that the release of one or both rulemakings **will be delayed**.

**SEC Chair Gary Gensler continues to face pressure from opposing sides of the debate about the agency's climate disclosure rulemaking**. Last week, Republican lawmakers [criticized](#) Gensler's efforts, calling his climate rulemaking "hasty". Similarly, fellow Commissioner Hester Pierce continues to [vocally oppose](#) the climate rulemaking, warning the rule would be a distraction to businesses. On the other side of the debate, the Sierra Club, an environmental justice group, [wrote](#) to the SEC urging it to keep mandatory scope 3 greenhouse gas (GHG) emissions disclosure in its final climate-related disclosure rule.

Chair Gensler is scheduled to testify before the House of Representatives Financial Services Committee next week (18 April), with climate disclosure rulemaking likely the subject of the questions asked at the hearing.

At the state level, **California's** proposed legislation to mandate climate-related disclosure ([SB253](#) and [SB261](#)) continues to move through the state's legislative process. The legislation would apply to an [estimated 5,400](#) companies doing business in the state and

generating more than \$1b in annual revenue.

The US-based Center for Audit Quality (CAQ) has released a new [publication](#) addressing the role of an auditor in climate-related information. The publication addresses the factors and skillsets that enable auditors to perform attestation engagements over climate-related information.

In **Latin America**, 30 March marked the first deadline for large, listed companies in **Chile** to [disclose](#) (Spanish only) their sustainability reports to the Chilean Financial Market Commission (CMF).

### **Europe, Middle East, India and Africa (EMEIA)**

In the **European Union**, the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) plans to launch a **four-week consultation in mid-April on the first set of European Sustainability Reporting Standards (ESRS)**, which are being developed pursuant to the EU's Corporate Sustainability Reporting Directive (CSRD).

As noted above, EU Commissioner McGuinness has requested the European Financial Reporting Advisory Group (EFRAG), the body developing the ESRS, to prioritize the provision of additional guidance on the first-set of ESRS (sector-agnostic) and to delay preparatory work on the second-set of ESRS (sector-specific, as well as a specific standard for listed small- and medium-enterprises).

**This delay is expected to slow the timing of EFRAG's public consultation on the exposure drafts for this second-set, which had been planned for April or May 2023.**

Recent [reporting](#) from the Wall Street Journal highlighted that at least **10,000 foreign-headquartered companies will likely be required to disclose in accordance with the CSRD**. However, in a [recent speech](#), European Commission President Ursula von der Leyen announced an initiative to reduce reporting requirements by 25% across the EU block. The practical implications of this announcement remain to be seen.

In the **United Kingdom**, the government [committed](#), in its 2023 Green Finance Strategy to launch a formal assessment mechanism to vet the suitability of the ISSB standards in the UK "as soon as the final standards are published" and to decide on whether to endorse those standards no later than 12 months after their publication.

This decision indicates the strength of support for the ISSB within the UK government and positions the country to be a leader the formal adoption of the international standards. Additional announcement coming out of the 2023 Green Finance Strategy include: the

government's future ambition to introduce mandatory corporate disclosures against the UK Green Taxonomy; a consultation requiring companies to disclose transition plans; and an exploration of how to incorporate the TNFD framework as policy in the UK.

In **India**, the comment period for the Securities and Exchange Board (SEBI) [proposal](#) for additional requirements to its Business Responsibility and Sustainability Reporting (BRSR) for top-listed companies closed in March.

## Asia-Pacific

In **Japan**, the mandatory sustainability [disclosure rules](#) (Japanese only) of the Financial Services Agency (FSA) went into effect at the end of last month. These rules apply to roughly 4,000 companies across Japan. In the meantime, the Sustainability Standards Board of Japan (SSBJ) is moving forward with plans to develop more prescriptive sustainability disclosure standards which are likely to be modeled on the ISSB sustainability disclosure standards.

Elsewhere in Asia-Pacific, **Bursa Malaysia** [announced](#) a centralized sustainability reporting for listed companies, and in **New Zealand**, a new [proposal](#) from the Financial Markets Authority (FMA) has introduced climate reporting exemptions for foreign exempt issuers without significant business operations or investments in New Zealand.

Across **Southeast Asia**, recent reporting by the Global Reporting Initiative (GRI) and KPMG [identified](#) the **ASEAN region as an emerging global leader for sustainable business**, with companies increasingly likely to publicly disclose their impacts.

In particular, **Singapore** and **Malaysia** are among the countries with the highest sustainability reporting rates for large companies, with a majority of the top 100 companies in these countries using the GRI Standards for reporting. Leading firms in the **Philippines** are also quickly catching up, with 87% of the top 100 companies using the GRI Standards for reporting.

[Go to top](#)



## On the horizon

Key dates to watch over the next 90+ days:

- **April 2023:** In the US, scheduled release of the SEC's final climate-related disclosure rule and draft human capital management rule (However, the release of one or both initiatives may be delayed).

- ▶ **April 2023:** In the EU, DG FISMA plans to launch a four-week consultation on the first set of ESRS.
- ▶ **April / May 2023:** In the EU, EFRAG plans to launch a consultation on the second set of ESRS exposure drafts.
- ▶ **May 2023:** The ISSB is expected to issue a consultation related to its standard-setting priorities.
- ▶ **June 2023:** The ISSB is expected to finalize its initial sustainability disclosure standards.
- ▶ **June 2023:** In the EU, the Commission plans to adopt the first set of final ESRS (sector-agnostic standards).
- ▶ **Q3 2023:** IOSCO is expected to release its decision on the endorsement of the ISSB standards.

[Go to top](#)

## In Case You Missed It

**Intergovernmental Panel on Climate Change's (IPCC) Sixth Assessment Report (AR6).** The IPCC released its sixth assessment report on the climate crisis, urging immediate action. The report details the devastation caused by climate change and warns of the need to limit global temperature rises to 1.5°C to avoid irreversible damage. [Link](#).

### What's next for global sustainability disclosure standards?

Following the ISSB Symposium in Montreal in February, EY Global Vice Chair for Public Policy, Shawn Maher reflects on the ISSB's ambition and efforts to release two standards for sustainability standards over the past year. Shawn highlights the importance of achieving interoperability between the ISSB standards and those of other jurisdictions and the implications of a global baseline standard. [Link](#).

[Go to top](#)

Was this message forwarded to you? [Click here](#) to subscribe.

For more information, including questions related to the content of this newsletter, please reach out to your usual EY contact or the individuals listed below:

[Shawn Maher](#)

[Katie Kummer](#)

[Kyle P Lawless](#)



**Unsubscribe from this newsletter | Unsubscribe from all marketing communications**

### **EY | Building a better working world**

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform, and operate.

Working across assurance, consulting, law, strategy, tax, and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). For more information about our organization, please visit [ey.com](https://ey.com).

© 2023 EYGM Limited. All Rights Reserved | 2104-3756124 | ED None..

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

[ey.com/publicpolicy](https://ey.com/publicpolicy)