31 DECEMBER 2022 YEAR-END SUSTAINABILITY REPORTING UPDATE

INTERNATIONAL SUSTAINABILITY REPORTING BULLETIN

2023/01

BACKGROUND

The International Sustainability Standards Board (ISSB) and other standard setters and regulators in major jurisdictions have been very active during 2022, releasing exposure drafts in early 2022 and deliberating on the large volume of comment letters received in response to proposals. The ISSB aims to issue finalised sustainability reporting standards in the first half of 2023. The new Corporate Sustainability Reporting Directive (CSRD) and the first batch of ESRSs have been finalised in the EU, while the US Securities and Exchange Commission (SEC) continues to deliberate on its proposed climate reporting rule.

This publication provides a ‘snapshot’ of sustainability reporting developments as at 31 December 2022 for select jurisdictions with a focus on standards being developed by the ISSB, and those being developed for use by entities in the European Union and the United States.

EXECUTIVE SUMMARY

The ISSB, EU and the US SEC have all published proposals for sustainability reporting requirements, with the EU finalising their first set of requirements in late 2022.

While there are similarities in the approach taken, there are also some significant differences in the approach taken by the ISSB, the EU and the US to date.

Information in this ISR Bulletin is current as of 19 January 2023. BDO will issue quarterly ISR Bulletins 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.

MAJOR EVENTS IN SUSTAINABILITY REPORTING DURING 2022

The following is a summary of some of the key sustainability reporting events in 2022. This list is not exhaustive.

Date	Summary
January 2022	The Climate Disclosure Standards Board (CDSB) consolidated into the IFRS Foundation.
February 2022	The European Commission reached a decision on the general approach to the Corporate Sustainability Reporting Directive (CSRD), as proposed by the European Commission. The final negotiations of the European Council, the European Parliament and the European Commission started with an aim to finalise the CSRD later in the year.
March 2022	Issuance of the first exposure drafts by ISSB. See ISRB 2022/02 for a summary of the exposure drafts. On 31 March 2022, the ISSB issued two exposure drafts: • IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* • IFRS S2 *Climate-related Disclosures* The US Securities and Exchange Commission (SEC) issued proposed rules that would be applicable to both domestic and foreign registrants and would require significantly enhanced climate-related disclosures in registration statements and annual reports (e.g., on Form 10-K).
April 2022	The ISSB established a Jurisdictional Working Group to establish dialogue for enhanced compatibility between the ISSB's exposure drafts and ongoing jurisdictional initiatives on sustainability disclosures. Members of the working group are the Chinese Ministry of Finance, the European Commission, the European Financial Reporting Advisory Group, the Japanese Financial Services Authority, the Sustainability Standards Board of Japan Preparation Committee, the United Kingdom Financial Conduct Authority and the US Securities and Exchange Commission. The IFRS Foundation establishes the ISSB's presence in Montreal with the opening of a new office. Issuance of the first set of exposure drafts of European Sustainability Reporting Standards (ESRS) by the European Financial Reporting Advisory Group (EFRAG).
May 2022	The International Accounting Standards Board (IASB) Chair Andreas Barckow and ISSB Chair Emmanuel Faber communicated plans for the future role, governance and development of the Value Reporting Foundation's (VRF) Integrated Reporting Framework and Integrated Thinking Principles.
June 2022	ISSB was quorate with the appointment of its first 8 board members. Expected consolidation of VRF into IFRS foundation by August 2022. Work on collaboration of ISSB with Global Reporting Initiative (GRI) started. The European Council and European Parliament announced that they had reached a provisional political agreement on CSRD.
July 2022	Appointment of two more members in ISSB and first Board meeting held.
August 2022	IFRS Foundation completes consolidation with Value Reporting Foundation. ISSB receives global response on proposed sustainability disclosure standards as the comment period closed. Appointment of second Vice-Chair and three further members to the ISSB
September 2022	Seven organisations and representatives have been appointed to the new Sustainability Consultative Committee; first committee meeting was on 15 September. African ministers expressed support for ISSB's work in a communique published.
November 2022	EFRAG presented the first batch of European Sustainability Reporting Standards to the European Commission and the CSRD is finalised, significantly expanding the scope of corporate reporting for entities operating in the EU. See ISRB 2022/07 and the European Sustainability Reporting Standards section of this publication. G20 leaders met in Bali and expressed support for the standards being developed by the ISSB.
August - December 2022	The ISSB continues to deliberate feedback received to its exposure drafts, with deliberations expected to be completed in Q1 2023.
December 2022	ISSB announces plans to advance work on natural ecosystems and make progress on several topics relevant for the work of COP15 on Biodiversity. The ISSB plans to issue a Request for Information (RFI) on its two-year agenda later in 2023.

IFRS FOUNDATION DEVELOPMENTS

On 31 March 2022 the ISSB issued two exposure drafts:

- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*
- IFRS S2 *Climate-related Disclosures*

The deadline for comments on both proposals was 29 July 2022. BDO's comment letters may be accessed here. The ISSB is aiming to finalise the first two IFRS Sustainability Disclosure Standards in the first half of 2023.

See ISR Bulletin 2022/02 for a summary of these exposure drafts.

As of December 2022, the ISSB has continued to deliberate on the feedback received, including fundamental concepts such as the definition of materiality in general sustainability-related disclosures, greenhouse gas emissions and measurement methods. Refer below for a summary major tentative decisions taken with a focus on changes from the exposure drafts, as well as matters yet to be deliberated by the ISSB as at 31 December 2022.

IFRS S1 *General Sustainability-related Disclosures*

Topic of proposal	Tentatively decided/confirmed by ISSB
Scalability	To enable disclosure requirements to be scalable, in finalising the standard, consider how the following may be incorporated: - Certain disclosures not required based on a measure of scale; - If an entity is 'unable to provide' a disclosure, explain why; - Application support such as illustrations, educational materials; - Reference to other sustainability-related protocols, frameworks to support calculations and implementation regarding the extent to which disclosures are to be provided in the financial statements of entities of certain size. Factors to assess by the ISSB in incorporating scalability into the final standards: - Are challenges faced by entities temporary? - Can entities with specific challenges be identified specifically? - Does market guidance, methods, and industry-practice exist? - How mature are the underlying methods and techniques in a disclosure?
Fundamental concepts	- Purpose is for general purpose financial reporting - Definition of materiality same as IFRS Accounting Standards - Amend to remove the definition of 'enterprise value' from the objective and description of materiality
Use of four pillar framework and global baseline concept	- The use of the four pillars as described by the Financial Stability Board's Task Force on Climate-related Financial Disclosures - the meaning of the global baseline
Updated estimates and comparative information	- Only require an entity to revise comparative information to reflect updated assumptions if the information reported in previous reporting periods related to that previous period and not require such updates for forward-looking estimates disclosed in previous periods
Frequency of reporting	- Require entities to report sustainability-related financial disclosures at the same time as related financial statements - Introduce short-term transitional relief that would permit an entity to report its sustainability-related financial disclosures after its financial statements (the delay permitted by this transitional relief and the length of its availability are not yet known)

IFRS S1 *General Sustainability-related Disclosures* (continued)

The following decisions relating to IFRS S1 had yet to be made by the ISSB as at 31 December 2022. The ISSB staff recommendations for the January 2023 ISSB meet have been included, however, they are subject to Board approval:

Topic of proposal	ISSB staff recommendation for January 2023 Board meeting
Current and anticipated effects on financial performance, position and cash flows and connected information	- When sustainability-related risks and opportunities affect/are expected to affect information presented in the financial statements, require explanation of the connection - Require disclosure of quantitative information about current and anticipated effects unless the entity is unable to do so - No requirement to perform a resilience assessment, however, if if one is performed, require disclosure of how that assessment interacts with current and anticipated financial effects.
Disclosure of judgements and estimates	- Introduce disclosure requirement about judgements made in preparing disclosures (similar to IAS 1 requirements in IFRS Accounting Standards) - Clarify that estimation disclosures also apply to current and anticipated financial effects - Clarify that consistent assumptions between sustainability disclosures and the accounting framework are to be made to the extent permitted by the accounting framework - Explain differences between assumptions in sustainability disclosures and the financial statements if consistent assumptions are not permitted

IFRS S2 *Climate-related Disclosures*

Topic of proposal	Tentatively decided/confirmed by ISSB

Strategy and decision-making targets	With relation to emission targets:
	
	- To clarify an entity's net emission target(s) and intended use of carbon credits to be shown separately from gross emission reduction target(s)
	- To clarify the different types of targets:
	  - A climate-related target to address climate related risks and opportunities; and
	  - Emission-related target in transitioning to a low-carbon economy.
	
	With relation to climate-related targets:
	
	- Disclose assumptions an entity makes and dependencies in transition plans
	- Not required to disclose implications for transition plans if assumptions not met
	- Additional disclosures about climate related targets

Financial position, financial performance and cash flows	In relation to proposed requirements about current effects: - Disclosures about effects of climate-related risks and opportunities on the entity's financial statements - Separate disclosures not required for physical risks, transition risks and climate related opportunities except in certain cases - Require separate disclosure of assets subject to physical, transition risks and climate related opportunities.

Topic of proposal	Tentatively decided/confirmed by ISSB
Climate resilience	In relation to climate resilience: - To disclose results of its analysis of climate resilience and how it is conducted - How a climate related scenario analysis used by the entity is used to inform climate-related risks and opportunities. - ISSB to clarify the criteria for an entity to select a method of analysis. An entity is to assess its climate resilience using a method of climate related scenario analysis according to the circumstances - To remove references to alternative methods of assessing resilience - To develop guidance based on TCFD guidance - To amend the definition of 'climate resilience', to include its strategic and operational resilience - Annual disclosure necessary for information on climate resilience
GHG emissions	General decisions made: - Require use of the GHG Protocol Standards in force on the date that draft IFRS S2 was exposed. - Remove the requirement to disclose GHG emissions by intensity. - Require disclosure of information about the inputs, assumptions and estimation techniques used to measure GHG emissions. In relation to Scope 1 and Scope 2 GHG emissions: - To disclose absolute gross GHG emissions generated during the period - The approach chosen and the reasons for choosing that approach for the disclosure of Scope 1 and 2 GHG emissions for the unconsolidated investees i.e. associates, joint ventures, unconsolidated subsidiaries - Separate disaggregated disclosure for consolidated group and unconsolidated investees In relation to Scope 3 GHG emissions: - To disclose Scope 3 GHG emissions subject to relief addressing the data availability and data quality challenges. - Disclosure would include information about which of the 15 Scope 3 GHG emissions categories are included in the entity's measurement of Scope 3 emissions. - Introduce disclosure requirements about how Scope 3 emissions are measured, including the extent to which information about the entity's own specific activities are used ('primary data') and which inputs are verified. - Provide relief for Scope 3 emissions information in the entity's value chain such that this information may be obtained from periods not aligned with the entity's reporting period if conditions are met.
Industry-based requirements	In relation to the industry-based requirements, tentative agreement to: - Maintain requirement that entities provide industry-specific disclosures, however, Appendix B to IFRS S2, which comprises disclosures from the SASB standards will initially serve as illustrative examples, becoming mandatory in the future subject to further consultation.
Finance and facilitated emissions	- Confirm disclosure requirement for financed emissions for three industries - Asset Management & Custody Activities, Commercial Banks and Insurance. - Remove the requirement for entities in the Investment Banking & Brokerage Industry to disclose information about facilitated emissions. - Remove references to 'carbon-related industries' in financed emissions requirements. - Remove the proposed requirement for an entity to include derivatives when calculating its financed emissions.

The following decisions relating to IFRS S2 had yet to be made by the ISSB as at 31 December 2022. The ISSB staff recommendations for the January 2023 ISSB meet have been included, however, they are subject to Board approval:

Topic of proposal	ISSB staff recommendation for January 2023 Board meeting
GHG emissions	- Extension of relief relating to emissions information in the entity's value chain to include Scope 1 and 2 emissions as well.
Emissions targets	- Require disclosure of how an entity's emissions targets are informed by international targets (e.g. the Paris Agreement).

JURISDICTIONAL UPDATE – EUROPEAN UNION

The European Parliament has now published its final text of the CSRD. The EU Council is expected to adopt the CSRD by the end of November 2022, after which it will be published in the Official Journal. The CSRD will then enter into force 20 days after publication. EU members states then have 18 months to incorporate the CSRD into their national law. Separately, on 22 November 2022, EFRAG delivered the first batch of European Sustainability Reporting Standards to the European Commission.

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 Public interest entities are: • Listed companies • Banks and insurance companies	Listed companies (except for listed micro entities). All large companies, defined as those meeting two out of the following three criteria: • More than 250 employees • More than EUR 40m turnover • More than EUR 20m total assets This includes subsidiaries of non-EU groups. Insurance undertakings and credit institutions regardless of their legal form. Non-EU groups which generate more than EUR 150m turnover in the EU and which have a subsidiary or branch in the EU (if a subsidiary, either a large – as defined above – or a listed entity and, if a branch, one which generates more that EUR 40m turnover).

Requirement	NFRD	CSRD
When do the requirements apply?	Years ended 31 December 2018 onwards	**Year ending 31 December 2024** • Entities currently within the scope of the NFRD **Year ending 31 December 2025** • All other large entities **Year ending 31 December 2027** • Listed SMEs, small and non-complex credit institutions and captive insurance undertakings **Year ending 31 December 2028** • Non-EU undertakings
How many EU companies will need to comply with the requirements?	11,600	49,000
Scope of the requirements	• Environmental protection • Social responsibility and treatment of employees • Human rights • Anti-corruption and bribery • Diversity on company boards	NFRD requirements plus: • Disclosure of information about intangibles (including social, human and intellectual capital) • Additional forward looking information • Reporting that is consistent with the Sustainable Finance Disclosure Regulation and the EU Taxonomy • 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 • 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.

EUROPEAN SUSTAINABILITY REPORTING STANDARDS

Many companies will be required to report in accordance with European Sustainability Reporting Standards (ESRS), which have been developed at the European Financial Reporting Advisory Group (EFRAG). Refer below for a summary of the requirements.

Topic	Summary
Scope	▪ Scope wider than existing NFRD, extending to listed entities and all large entities. ▪ Listed SMES required to report in accordance with CSRD will be permitted to apply simplified sustainability reporting standards proportionate to the resources, scale and complexity of the SME ▪ Non-EU entities with significant activity in EU, having at least one subsidiary or branch in the EU and generating minimum EUR 150 million net revenue will be required to publish sustainability reports. More information about what to include in the reports will be published by 30 June 2024. ▪ Any unlisted subsidiary will be exempt if it is included in a consolidated group sustainability report prepared by its ultimate parent complying with CSRD. ▪ Exemption criteria for sustainability reporting is different from those applicable for financial reporting
Key requirements for reporting	▪ Brief description of business model and strategy ▪ Details about time bound targets like absolute greenhouse gas emissions reduction targets, how to achieve those targets a statement of whether the targets are based on conclusive scientific evidence ▪ Descriptions of roles of administrative, management and supervisory bodies and related expertise and skills ▪ Description of entity's policies relating to sustainability matters ▪ Information about any incentive scheme offered to members of these bodies, ▪ Due diligence processes implemented, information about actual or potential adverse effects connected with entity's own operations and value chain ▪ Principal risks to the entity associated with sustainability matters, and how these are managed ▪ Turnover, capex, opex in accordance with the Taxonomy Regulation
Assurance	The European Commission presented 12 standards and cover the following topics: Cross cutting • ESRS 1 General requirements • ESRS 2 General disclosures Topical standards - environment • ESRS E1 Climate change • ESRS E2 Pollution • ESRS E3 Water and marine resources • ESRS E4 Biodiversity and ecosystems • ESRS E5 Resource use and circular economy Topical standards - social • ESRS S1 Own workforce • ESRS S2 Workers in the value chain • ESRS S3 Affected communities • ESRS S4 Consumers and end-users Topical standards - governance • ESRS G1 Business conduct Additional set of sector specific standards and standards for SMEs will be developed, with the first additional set to be adopted by the European Commission no later than 30 June 2024.
Relationship with ISRS	CSRD to be cognisant on other existing standards on sustainability and to ensure consider those before coming with new requirements.
Assurance	The CSRD introduces requirements for the assurance of sustainability reports. The European Commission is to adopt assurance standards for limited assurance by October 2026, with assurance standards for reasonable assurance by October 2028.

See ISR Bulletin 2022/07 for further information about the proposals included in the current text of the CSRD.

JURISDICTIONAL UPDATE – UNITED STATES

On 21 March 2022, the US Securities and Exchange Commission (SEC) issued proposed rules that would be applicable to both domestic and foreign registrants and would require significantly enhanced climate-related disclosures in registration statements and annual reports (e.g., on Form 10-K). The proposed financial statement disclosures would be presented in a footnote to the consolidated financial statements, while the other disclosures enumerated below would be presented in a separately captioned section of the filing prior to management's discussion and analysis (MD&A). Registrants would be required to electronically tag both the qualitative and quantitative disclosures in Inline XBRL.

The comment period for the proposals has now closed. BDO's comment letter may be accessed here.

BDO's Insight

The SEC has observed that certain aspects of its proposed requirements are similar to the disclosure recommendations in the TCFD, which also forms the basis of many of the proposed disclosure requirements in the ISSB's climate exposure draft.

The SEC received thousands of comment letters in response to the proposed rules and they are continuing to deliberate before issuing a final rule in 2023. Refer below for a summary of these proposals.

QUANTITATIVE DISCLOSURES WITHIN THE FINANCIAL STATEMENTS	
Financial impact metrics	▪ Effect of severe weather and other condition and transition activities to be separately disclosed for each financial statement line items, unless the aggregate impact is <1% of total line item for that fiscal year
Expenditure metrics	▪ Expenses and capitalised amounts associated with climate-related events and transition activities to be separately disclosed, unless the aggregate impact is <1% of total line item for that fiscal year
Financial estimates and assumptions	▪ Estimates and assumptions used in the financial statements, if they were impacted by risks and uncertainties associated with, or known impacts from climate-related events

QUANTITATIVE DISCLOSURES OUTSIDE OF THE FINANCIAL STATEMENTS	
Scope 1 and Scope 2 GHG Emissions separately disclosed	▪ Direct GHG emissions (Scope 1) and indirect GHG emissions from purchased electricity and other forms of energy (Scope 2), to be separately disclosed
Scope 3 emissions to be disclosed if material or the registrant has set a GHG emission reductions target or goal that includes Scope 3 emissions.	▪ Significant inputs and assumptions used in the computation to be disclosed. ▪ Smaller reporting companies will be exempt from disclosure of Scope 3 emissions.

QUALITATIVE DISCLOSURES
▪ **How climate-related risks have material impact on business and consolidated financial statements over the short/medium/long term**
▪ **How identified climate related risks may affect registrant's strategy, business model and outlook.**
▪ **Registrant's process to identify, assess and manage climate related risks and whether they are integrated into the registrant's overall risk management system or processes.**
▪ **Has the registrant's transition plan, adopted as part of overall risk management strategy**
▪ **Information about publicly set climate related targets and goals**
▪ **Oversight and governance of climate related risks by registrant's board and management.**

Note that many of the proposals, including phase-in of Scope 3 disclosures and assurance on disclosures is based on the filing status of an entity. See BDO USA's detailed summary of the proposed rule and significant anticipated impacts here.

OTHER JURISDICTIONAL UPDATES

JURISDICTION	SUMMARY	MORE INFORMATION
China	China Securities Regulatory Commission (CSRC) requires companies and its subsidiaries being defined as Key Pollutant Discharge Units by the environmental protection authorities to make mandatory disclosure for its environmental information according to relevant laws and regulations. The Shanghai Stock Exchange and the Shenzhen Stock Exchange requires companies involved in areas such as thermal power generation, steel, cement, electroplated aluminium or mineral production to report on their resource consumption, pollution, pollution control measures and targets, etc. In January 2022, Ministry of Ecology and Environment released the *Rules on the Format of Corporate Environmental Information Disclosure* (effective from 8 February 2022) which specifies the content and format of companies' annual/ interim environmental disclosure reports. In June 2022, China Banking and Insurance Regulatory Commission issued the *Green Finance Guidelines for Banking and Insurance Sectors* which requires Banking and insurance institutions to incorporate the ESG requirements into their management processes and comprehensive risk management systems, strengthen ESG information disclosure and interaction with stakeholders, and improve relevant policy system and process management. The recent annual meeting held by the CSRC in January 2023, included discussion of 'gradually improving China's sustainability disclosure regime by adapting the best global experience to domestic realities' as one of the three topics included for the meeting.	
United Kingdom	Listed companies are required to include a statement in their annual financial report which sets out whether their disclosures are consistent with the recommendation of the TCFD, and to provide explanations where they are not consistent. The Financial Conduct Authority has indicated that it would ordinarily expect a company to be able to make disclosures consistent with the governance and risk management pillars as well as a) and b) under the strategy pillar (seven of the eleven recommended disclosures). TCFD disclosures applied to premium listed companies for periods beginning on or after 1 January 2021, and to issuers of standard listed shares, and issuers of equity shares represented by global depositary receipts (excluding investment entities and shell companies) for periods beginning on or after 1 January 2022. For periods beginning on or after 6 April 2022, Companies Regulations introduce a requirement for public interest entities (traded companies, banking companies, insurance companies) with more than 500 employees to publish TCFD aligned disclosures.	
Japan	The Japanese Financial Services Agency (JFSA) has stated publicly that both public and private sectors will be required to disclose climate-related information, starting with large companies. The requirements will apply first to 'prime' segments, with expansion to 'standard' and 'growth' segments over time. The initial disclosures will be in accordance with the TCFD, however, the JFSA has indicated that they will actively participate in the initiative to develop a comparable and consistent disclosure framework for sustainability, including climate change, by the ISSB. The JFSA has since published its strategic priorities for July 2022 – June 2023, which summarises its goals for sustainable financial growth.	JFSA Strategic Priorities
Canada	In October 2021, the Canadian Securities Administrators (CSA) issued a consultation document requesting comments on a proposed National Instrument *Disclosure of Climate-related Matters*, which would impose mandatory climate-related disclosures on reporting issuers in Canada with limited exceptions. The proposals are largely in compliance with the TCFD requirements. The CSA has expressed its support for the establishment of the ISSB. In May 2022, the Office of the Superintendent of Financial Institutions (OSFI) issued regulations that will apply to federally regulated financial institutions (banks, insurers, etc.). The regulations will require disclosures similar to the TCFD, including scope 1, 2 and 3 emissions, climate scenario analysis, etc. Disclosures will begin to become effective for fiscal periods ending on or after 1 October 2023. In June 2022, the Accounting Standards Oversight Council and Auditing and Assurance Standards Oversight Council mutually approved the formation of the Canadian Sustainability Standards Board. The Canadian Sustainability Standards Board is still in the early stages of formation and has not yet appointed a chair or other board members. The ongoing assessment of key international climate-related rule proposals is intended to inform a (CSA) rule that serves the needs of Canadian capital markets, has considered international consensus as observed from a news in October 2022. The CSA is actively considering international developments and how they may impact or further inform the proposed climate-related disclosure rule published in October 2021.	CSA Request for Comment – Proposed National Instrument 51-107 *Disclosure of Climate-related Matters* OSFI – Climate Risk Management Disclosures Canadian Sustainability Standards Board Formed

JURISDICTION	SUMMARY	MORE INFORMATION
India	The Securities and Exchange Board of India (SEBI) issued a circular in May 2021 announcing a new Business Responsibility and Sustainability Report (or BRSR). The BRSR will apply to the top 1,000 listed companies by market capitalisation, and will be voluntary for financial years ending 31 March 2022 and mandatory a year later. Although SEBI has developed its own set of requirements, these are intended to be interoperable with leading sustainability disclosure frameworks and there is specific reference to companies that already report in accordance with, for example, SASB, TCFD or Integrated Reporting to be able to cross reference existing disclosures to the requirements in the BRSR.	SEBI Circular - Business Responsibility and Sustainability Reporting by Listed Entities

WHAT TO EXPECT IN 2023

The overwhelming volume of comment letters received in response to the proposals issued by ISSB in 2022 led to delay in the issuance of the final versions of IFRS S1 and S2, which were originally expected in late 2022. These standards are expected to be issued in H1 2023.

Similar to IFRS Accounting Standards, while the IFRS Foundation does not have the ability to require any entities to apply IFRS Sustainability Accounting Standards, it is clear that many jurisdictions will require their use or will develop their own requirements that build upon their requirements, which is consistent with the ‘global base line’ concept.

Once the ISSB and US SEC finalise their standards in 2023, entities will begin to compare the requirements of these standards with ESRSs and begin assessing the data, personnel and other needs to begin applying sustainability reporting requirements.

TIMELINE FOR IMPLEMENTATION OF SUSTAINABILITY REPORTING

Proposals issued by the US SEC and ISSB have yet to be finalised, meaning that the effective dates for some proposals are subject to change, including the scope of the proposals both in terms of which entities may be required to apply them and the information to be disclosed. See the European Union section of this publication for a timeline relating to the implementation of the CSRD and ESRS requirements.

As currently proposed, set out below is a summary of the effective date of the various proposals:

Proposed requirements	Class of Entities	2023	2024	2025	2026	2027	2028
US SEC	Large accelerated filers	All proposed disclosures, but excluding scope 3	Scope 3 disclosure and limited assurance		Reasonable assurance		
	Accelerated filer and non-accelerated filer		All proposed disclosures, but excluding scope 3	Scope 3 disclosure and limited assurance		Reasonable assurance	
	Small reporting companies			All proposed disclosures; exempted from scope 3			
ISSB				**See note			

**The ISSB is expected to issue IFRS Sustainability Disclosure Standards based on the exposure drafts. However, the exposure drafts do not include a proposed effective date. Additionally, local standard setters, regulators and governments will need to decide whether to endorse or otherwise require IFRS Sustainability Disclosure Standards for use in their own jurisdictions. Consequently, IFRS Sustainability Disclosure Standards could become effective in different reporting periods around the world. Given the proposed effective dates for other sustainability standards, it is not expected that jurisdictions will require the use of IFRS Sustainability Disclosure Standards until at least 2025.

SUSTAINABILITY REPORTING RESOURCES

For further information and guidance on sustainability, please refer to BDO's Global IFRS Micro-site. Please refer to BDO's Sustainability Country Contacts for local resources.