

30 June 2024 Sustainability Reporting Update

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Background

This publication provides a ‘snapshot’ of sustainability reporting developments with a focus on the updates related to 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) - issued on 26 June 2023 and the European Sustainability Reporting Standards (ESRS) adopted by the European Commission on 31 July 2023 as well as other organisations.

BDO issues periodic ISR Bulletins as sustainability standards are evolving quickly.

BDO also issues a separate publication on jurisdictional updates on sustainability reporting developments for select jurisdictions.

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

International Financial Reporting Standards Foundation and EFRAG published interoperability guidance.

The ISSB released IFRS Sustainability Disclosure Taxonomy and its 2024 - 2026 work plan.

The ISSB commenced research projects about nature and human capital.

EFRAG published new ESRS Q&A Technical Explanations as well as the implementation guidance for ESRS.

Taskforce on Nature-related Financial Disclosures and EFRAG released correspondence mapping.

New publication series on the Corporate Sustainability Reporting Directive from the Global Reporting Initiative are available.

Taskforce on Nature-related Financial Disclosures released new sector guidance.

California has proposed trail bills that would delay the implementation of SB 253, SB 261 and AB 1305.

Major events in Sustainability Reporting During Q2 2024

IESBA's consultation on the Proposed International Ethics Standards for Sustainability

On 10 May 2024, the International Organisation of Securities Commissions (IOSCO) congratulated the International Ethics Standards Board for Accountants (IESBA) on reaching a significant milestone by publishing for consultation their Proposed International Ethics Standards for Sustainability Assurance (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting.

IOSCO will continue to play a crucial role in promoting global consistency in the assurance of sustainability-related disclosures by market issuers. It will also support its members and other stakeholders in enhancing trust in corporate sustainability-related reporting.

As part of its updated [2024 Work Plan](#), IOSCO will establish a new workstream on green finance to identify trends and potential emerging risks associated with new green products. It will maintain its engagement with the ISSB, finalise its work on voluntary carbon markets, and review the proposed assurance and ethics standards by the International Auditing and Assurance Standards Board (IAASB) and IESBA.

IPSASB develops the first climate-related disclosure standard for the public sector

The International Public Sector Accounting Standards Board (IPSASB), with support from the World Bank, is developing the first climate-related disclosures standard for the public sector. A draft IPSASB Sustainability Reporting Standard (IPSASB SRS) for public comment is expected in Q4 2024.

IFAC issues publication Sustainability Assurance: What to Expect

The International Federation of Accountants (IFAC) has released a publication Sustainability Assurance: What to Expect. The publication provides an overview of different levels of assurance and types of modified assurance conclusions.

The publication may be accessed [here](#).

New publication series on the CSRD from GRI

The Global Reporting Initiative (GRI) has released a publication series '[CSRD Essentials](#)'. In the series, GRI considers the EU mandatory sustainability reporting requirements under the Corporate Sustainability Reporting Directive (CSRD).

The aim of the CSRD Essentials is to simplify main aspects of the CSRD. The series are addressed to policymakers and sustainability reporters and will comprise of eleven editions of the publication series.

The CSRD Essentials series will cover:

- ▶ Scope, timing and interactions with existing standards
- ▶ Reporting format
- ▶ Legal interconnections, auditing rules and internal supervision
- ▶ Small and Medium Enterprises (SMEs), implementation procedures and penalties.

GRI releases updated analysis tool on the SDGs and underlying targets

GRI has released an updated [analysis tool on the UN Sustainable Development Goals \(SDGs\) and underlying targets](#). The purpose of the tool, titled Business reporting on the SDGs: An analysis of the Goals and Targets, is to help entities to improve reporting on global goals. The tool covers a comprehensive inventory of potential disclosures at the targets level for each of the SDGs. The tool includes a wide range of disclosures, based on recognised international frameworks and standards and has new research options. It will be regularly revised to include up-to-date information.

GRI releases guidance documents on double materiality, due diligence and CSRD

GRI has released three new documents titled '[Guides for Policy Makers](#)', which cover double materiality, due diligence and the CSRD.

The guidance documents the following topics:

- ▶ Double materiality. This covers the interconnectedness of an entity's impacts on society and the environment with its financial performance
- ▶ Due diligence. This covers how a business prevents, mitigates and accounts for its impacts
- ▶ CSRD. This is in relation to implications for companies outside the EU. Specifically, setting out the benefits for policymakers in harmonising their sustainability disclosure regulations with the EU.

GHG Protocol releases

Greenhouse Gas Protocol (GHG Protocol) released [Scope 3 Survey Draft Summary Report and Proposal Summary](#) which provides a detailed overview of stakeholder feedback from the Scope 3 Survey. The GHG Protocol Secretariat reviewed all comments provided during the review period and then released the [Corporate Standard Survey Final Summary Report and Proposal Summary](#). The Scope 3 Survey Final Survey Report and Final Proposal Summary are aimed to support the development of future work plans as well as support discussions on updates to the Scope 3 Standard and related GHG Protocol standards.

Additionally, GHG Protocol released [Market-based Accounting Approaches Survey Draft Summary Report](#) which provides a detailed overview of this stakeholder feedback on market-based accounting approaches. The Market-based Accounting Approaches Survey Draft Summary Report is aimed to support the development of future work plans as well as support discussions related to main revisions to GHG Protocol's standards and guidance.

Q2 2024 ISSB Implementation Insights podcast

A new episode of [the ISSB Implementation Insights podcast for the Q2 2024](#) has been released to discuss the key points from the June Transition Implementation Group on IFRS S1 and IFRS S2 (TIG) meeting.

Questions covered arise from [the June TIG meeting](#), including those related to the requirement for companies to revise estimates in sustainability-related disclosures when new information becomes available. The meeting summary from the June 2024 meeting can be accessed [here](#).

ISSB Vice-Chair Sue Lloyd and ISSB Member Veronika Pountcheva join host and IFRS S1 and IFRS S2 Implementation Lead, Dianora Aria De Marco, for this episode.

IFRS Foundation developments

IFRS Foundation and EFRAG publish interoperability guidance

In May 2024, the International Financial Reporting Standards (IFRS) Foundation and EFRAG have released [guidance material](#) to illustrate the alignment between the ISSB's IFRS Sustainability Disclosure Standards and the ESRS.

The purpose of the guidance:

- ▶ To describe the alignment of general requirements including on key concepts such as materiality, presentation and disclosures for sustainability topics other than climate; and
- ▶ To provide information about the alignment of climate disclosures and what a company starting with either set of standards needs to know to enable compliance with both sets of standards.

The guidance includes the sections outlined below:

Section 1 covers the general reporting requirements in the Sustainability Accounting Standards Board Standards (SASB Standards) and ESRS as well as the extent to which the standards are compatible with each other in terms of materiality, presentation and disclosures on non-climate-related sustainability topics.

Section 2 outlines a paragraph-by-paragraph analysis of the climate-related disclosure requirements of the SASB Standards and the ESRS in a tabular form.

Section 3 covers reporting elements and areas for which ESRS preparers may be required to provide additional disclosures to comply with the climate-related disclosure requirements in the SASB Standards.

Section 4 includes reporting elements and areas for which entities applying SASB Standards may be required to provide additional disclosures to comply with the climate-related disclosure requirements in ESRS.

The IFRS Foundation has released a [webcast](#) discussing an overview of the ESRS-SASB Standards Interoperability Guidance. This webcast covers the following with the purpose of helping to explain the interoperability between the SASB Standards and ESRS:

- ▶ The background to the publication of the Interoperability Guidance;
- ▶ Common disclosures and the high degree of alignment of climate-related disclosures between the SASB Standards and ESRS;
- ▶ Elements of the disclosures that companies will need to approach in a specific way to comply with both sets of standards; and
- ▶ Incremental disclosures in ESRS.

In addition, the webcast discussion covers how companies applying both sets of standards can use the guidance material to comply with both set of standards.

IFRS Foundation announces new webinar series ‘Perspectives on sustainability disclosure’

The IFRS Foundation has announced a new series of [webinars](#) with the aim to support preparers and other market participants explore topics linked to sustainability and disclosure.

ISSB releases first episode of new podcast series on ‘ISSB Implementation Insights’

The ISSB has released the first episode of the new podcast series ‘*the ISSB Implementation Insights*’. The podcast series is aimed to share insights from Transition Implementation Group meetings, and reflects on questions from preparers as well as those using the SASB Standards, and may be accessed [here](#).

New webcasts from the IFRS Foundation on current and anticipated financial effects

The IFRS Foundation has released two new [webcasts](#) with the purpose to explain the International Sustainability Standards Board’s (ISSB) disclosure requirements related to the current and anticipated effects of sustainability-related risks and opportunities on a company’s financial position, financial performance and cash flows. In the webcasts, it is explained how, through the requirements, companies can provide useful information about the effects of sustainability-related risks and opportunities, including their strategy for managing them.

Sustainability reporting guide for SMEs based on SASB Standards from ACCA

The Association of Chartered Certified Accountants (ACCA) has released a document ‘[Sustainability Reporting - SME Guide](#)’ and [13 short explainer videos](#). The purpose of the guide is support to small- and medium-sized entities (SMEs) in relation to disclosure of sustainability-related information that regulators and stakeholders increasingly demand.

CDP launches new disclosure platform which aligns with the ISSB (IFRS S2)

CDP has launched its new disclosure platform, which is aimed to facilitate faster action, harmonize global standards and make disclosure more efficient. According to the press release, the new corporate questionnaire is aligned with IFRS S2 as the global baseline on climate disclosures and brings forests, water, biodiversity and plastics issues together in one questionnaire and dataset. CDP has also advanced in alignment with other key standards like the Taskforce on Nature-related Financial Disclosures (TNFD) and the ESRS. In addition, CDP has released a standalone questionnaire for small- and medium-sized entities, which is tailored to their resources and needs.

Further details are available [here](#).

IFC and IFRS Foundation agree on strategic partnership to improve sustainability reporting in emerging markets

The International Finance Corporation (IFC), a member of the World Bank Group, and the IFRS Foundation have signed a Memorandum of Understanding. All parties agreed on strategic partnership to strengthen sustainable capital markets by improving sustainability and climate reporting in emerging markets and developing economies (EMDEs).

The purpose of the partnership is to focus on implementing programmes to promote and build capacity for the consistent application of the IFRS Sustainability Disclosure Standards across EMDEs. The effort in this area includes developing toolkits and research publications and conducting training programmes to support sustainability reporting as well as providing technical assistance and tailored support to help jurisdictions adopt and implement these standards effectively.

GRI and IFRS Foundation collaboration to deliver full interoperability that enables seamless sustainability reporting

In response to market demand, the two organisations plan to work together to optimise how GRI and SASB Standards can be used together. Specifically, the International Sustainability Standards Board (ISSB) and the Global Sustainability Standards Board (GSSB) made a commitment to jointly identify and align common disclosures that address information needs under the distinct scopes and purposes of their respective standards, for both thematic and sector-based standard-setting.

First outcome of the collaboration will include building a methodology pilot on the recently published [GRI 101 Biodiversity Standard](#) and the ISSB's upcoming project on Biodiversity, Ecosystems and Ecosystem Services.

Jurisdictions representing over half the global economy by GDP advance towards SASB Standards

Major economies based on gross domestic product (GDP) have announced steps to use the SASB Standards or to fully align their sustainability disclosure standards with those of the ISSB. More than 20 jurisdictions have decided to use or are taking steps to introduce SASB Standards in their legal or regulatory frameworks. The IFRS Foundation has released the '[Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards](#)' to support jurisdictions in designing and planning their adoption or other use of SASB Standards. The publication is aimed to help the establishment of the global baseline of sustainability disclosures for capital markets. The IFRS Foundation has also published its [Regulatory Implementation Programme](#), summarising the tools, educational materials and capacity building the IFRS Foundation intends to provide to support the growing number of jurisdictions seeking to make policy decisions and design and execute their roadmaps for the adoption or other use of SASB Standards.

The first 'Perspectives on sustainability disclosure' webinar

The IFRS Foundation released a recording of its first '[Perspectives on sustainability disclosure](#)' webinar. The first episode was named 'The business case for early adoption' and covered the benefits of early adoption of IFRS S1 and IFRS S2 to investors, companies and capital markets, and included a group of speakers, which included the Vice-Chair of the ISSB Sue Lloyd. The aim of the webinar series is to support preparers and other market participants in understanding topics connected to sustainability and disclosure. Registration for upcoming webinars is available at [the link](#).

ISSB releases podcast on latest developments (June 2024)

In the June 2024 [podcast](#) from the ISSB, ISSB Chair Emmanuel Faber and ISSB Vice-Chair Sue Lloyd were discussing the latest developments from the ISSB.

The topics discussed on the podcast are the following:

- ▶ Collaboration between IFRS Foundation and GRI with the aim to deliver full interoperability between ISSB and GRI standards;
- ▶ Launch of the CDP disclosure platform, aligned with IFRS S2 Climate-related Disclosures;
- ▶ An agreement with the African Development Bank (AfDB) on advancing sustainability-related disclosure practices in Africa;
- ▶ Major economies move towards SASB Standards;
- ▶ Update on the Sustainability Standards Conference 2024 in Frankfurt;
- ▶ The ISSB meeting in June 2024; and
- ▶ ISSB consultative body meetings.

TNFD releases new sector guidance

TNFD has released its first set of Additional Sector Guidance covering eight real economy sectors and Additional Guidance for Financial Institutions and Additional Guidance on Value Chains. This sector guidance covers recommended sector-specific metrics for disclosure in accordance with the TNFD disclose recommendations released in September 2023.

The sector guidance includes the real economy sectors such as:

- ▶ [Aquaculture](#)
- ▶ [Biotechnology and Pharmaceuticals](#)
- ▶ [Chemicals](#)
- ▶ [Electric Utilities and Power Generators](#)
- ▶ [Food and Agriculture](#)
- ▶ [Forestry and Paper](#)
- ▶ [Metals and Mining](#)
- ▶ [Oil and Gas](#).

The [Additional Guidance for Financial Institutions](#) provides guidance on the TNFD recommended disclosures and disclosure metrics for banks, re/insurance companies, asset managers and owners, and development finance institutions.

The [Additional Guidance on Value Chains](#) outlines how organisations can approach analysis of their upstream and downstream value chains.

Sustainability assurance standard is due to be delivered by IAASB in September 2024

The International Audit and Assurance Standards Board (IAASB) Vice-Chair, Josephine Jackson, gave a progress report on ISSA 5000, an ambitious project to develop a globally-accepted overarching standard for sustainability assurance. Speaking at ICAEW's recent Audit and Assurance conference, Josephine Jackson mentioned the IAASB was on track to approve the standard in September 2024. However, as a critical message received from stakeholders was the need for educational materials and illustrative examples to bring practical application of the standard to life, a first-time implementation guide will for the first time be released at the same time as the standard. The standard, which will supersede ISAE 3410 (the standard for assurance engagements on greenhouse gas statements) for all sustainability-related engagements, will address limited assurance and reasonable assurance engagements.

GHG Protocol and IFRS Foundation launch official partnership

In June 2024, GHG Protocol and the IFRS Foundation made an announcement on signing a memorandum of understanding (MoU) to guide future work and collaboration between GHG Protocol and the ISSB. The measurement and disclosure requirements of IFRS S2 set by the ISSB apply the framework for measuring greenhouse gas emissions developed by GHG Protocol through the use of the GHG Protocol Corporate Standard (2004). In addition, a requirement of IFRS S2 is for companies to use the categories of Scope 3 as set out in the Corporate Value Chain (Scope 3) Standard (2011). The purpose of the MoU is to set forth the general principles for cooperation and strengthened relations between the parties on the development of new standards and guidance with the aim to help minimise the cost and effort required of standard users and reporting organisations, while ensuring that the information needs of users of general-purpose financial reports are met.

Updated guide on using the Integrated Reporting Framework while considering IFRS Sustainability Disclosure Standards

The IFRS Foundation has updated guide to help companies use the Integrated Reporting (IR) Framework while considering IFRS Sustainability Disclosure Standards, which are complementary tools for investor-focused communications. The updated guide '[Transition to integrated reporting: A guide to getting started](#)' outlines a phased approach for implementing the IR Framework. It aims to help preparers understand how IFRS Sustainability Disclosure Standards can be taken into account in their reporting.

IFRS Foundation Projects and Work Plan

PROJECT	SUMMARY	MORE INFORMATION
<p>ISSB Consultation on Agenda Priorities</p>	<p>In June 2024, the ISSB released its 2024-2026 work plan. The Feedback Statement was published which summarises the feedback from stakeholders to the ISSB’s Request for Information Consultation on Agenda Priorities from November 2023 to April 2024, the ISSB’s responses to that feedback, the strategic direction and balance of the ISSB’s activities and new research projects added to the work plan.</p> <p>Aligned with stakeholder feedback, the ISSB made decisions:</p> <ul style="list-style-type: none"> ▶ To have a high level of focus on supporting the implementation of IFRS S1 and IFRS S2; and ▶ To have a slightly lower level of focus on enhancing the SASB Standards and beginning new research projects and to give these activities equal attention. <p>After taking into consideration the stakeholder feedback and own capacity of the ISSB, the decision was to add to ISSB’s work plan research projects on the risks and opportunities related to:</p> <ul style="list-style-type: none"> ▶ Biodiversity, ecosystems and ecosystem services; and ▶ Human capital. 	<p>IASB project page</p> <p>BDO comment letter on the RFI</p> <p>Feedback statement</p>



PROJECT	SUMMARY	MORE INFORMATION
<p>IFRS Sustainability Disclosure Taxonomy</p>	<p>The ISSB has released the IFRS Sustainability Disclosure Taxonomy (SASB Standards Taxonomy) to reflect disclosure requirements arising from IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information, IFRS S2 Climate-related Disclosures and their accompanying guidance. The ISSB Taxonomy allows companies to consistently tag information prepared using SASB Standards.</p> <p>In the webcast, ISSB Vice-Chair Sue Lloyd and ISSB Technical Staff Tim Kasim introduce the ISSB Taxonomy, highlighting its key features and the benefits to investors, companies and regulators.</p> <p>During the meeting between the IFRS Foundation and the Sustainability Standards Advisory Forum (SSAF) held on 11 June 2024, the ISSB shared its digital financial reporting priorities and activities the ISSB could undertake to support these priorities in the future, which are the following:</p> <ul style="list-style-type: none"> ▶ Support use of the ISSB Taxonomy as follows: <ul style="list-style-type: none"> • Updating the ISSB Taxonomy for changes to SASB Standards and common practice; • Supporting regulators that are considering using the ISSB Taxonomy; • Raising awareness about digital financial reporting and the ISSB Taxonomy; • Collaborating with partners to develop capacity building materials; ▶ Interoperability with ESRS Digital Taxonomy via the following: <ul style="list-style-type: none"> • Building on ESRS-ISSB Interoperability Guidance • Collaborating with partners to develop a mechanism to support digital interoperability; ▶ Enhancing the SASB Standards Taxonomy by making updates to reflect the improved international applicability of the SASB Standards. 	<p>IASB project page</p> <p>ISSB Taxonomy Webcast</p> <p>Presentation slides from the webcast</p>
<p>International Applicability of SASB Standards</p>	<p>In December 2023, the ISSB released amendments to the SASB Standards to enhance their international applicability. These amendments were aimed to help preparers apply the SASB Standards regardless of the jurisdiction in which they operate or the type of generally accepted accounting principles they use without substantially altering the SASB Standards' structure or intent. The SASB Standards facilitate the implementation and application of IFRS S1 for preparers.</p> <p>The amendments will be effective for annual reporting periods beginning on or after 1 January 2025, with early application permitted.</p>	<p>IASB project page</p> <p>SASB Standards</p>

PROJECT	SUMMARY	MORE INFORMATION
Enhancements to the SASB Standards	<p>During the meeting between the IFRS Foundation with the Sustainability Standards Advisory Forum (SSAF) held on 11 June 2024, the ISSB shared initial staff view on the project approach, which included the following:</p> <ul style="list-style-type: none"> ▶ Prioritising industries that overlap with those prioritised by other standard-setters (e.g. EFRAG and GRI sector standards); ▶ Supplement this group of industries with other high-value projects with high likelihood of feasible solutions (investor need / strongest feedback). 	<p>Mapping sector work</p>
Biodiversity, ecosystems and ecosystem services and Human Capital	<p>As part of its 2024-2026 work plan, the ISSB plans to research risks and opportunities linked to sustainability topics other than climate for entities to meet the information needs of investors. The research projects are aimed to indicate whether the ISSB should pursue standard-setting for disclosure requirements on some or all of these topics.</p> <p>During the meeting between the IFRS Foundation with the Sustainability Standards Advisory Forum (SSAF) held on 11 June 2024, the ISSB shared initial research on Biodiversity, ecosystems and ecosystem services and Human Capital. Initial research areas are the following:</p> <ul style="list-style-type: none"> ▶ Horizon scanning: further understanding the existing disclosure landscape including in jurisdictions; ▶ Detailed understanding: further understand the detail of existing requirements and how this may inform the ISSB's ongoing research. <p>Currently, the expected completion date for these projects is H1 2025.</p>	<p>IASB project page on Human Capital</p> <p>IASB project page on biodiversity, ecosystems and ecosystem services (BEES)</p>

EFRAG

EFRAG publishes new ESRS Q&A Technical Explanations

EFRAG published [25 new technical Explanations from the ESRS Q&A Platform and the Compilation of all the Explanations](#) produced so far. This compilation of 93 Explanations is available now (of which 68 have already been published previously) responding to questions received on the ESRS Q&A Platform. This release allows stakeholders to easily navigate through questions by following a new structure based on Disclosure Requirements and by using a new 'key terms' index. The purpose of the EFRAG ESRS Q&A Platform is to help users navigate through both guidance and explanations regarding the implementation of ESRS as well other ESRS topics.

EFRAG releases implementation guidance for ESRS

EFRAG released its first three ESRS Implementation Guidance documents: EFRAG IG Materiality Assessment, EFRAG IG 2 Value Chain and EFRAG IG 3 ESRS Datapoints. These documents are non-authoritative and are aimed to support implementation as follows:

- ▶ [IG 1: Materiality Assessment Implementation Guidance](#) provides an illustrative materiality assessment process for undertakings, and it develops the concept of impact and financial materiality with a number of examples, including how these two concepts interplay. It also contains FAQs on the double materiality assessment to provide practical implementation guidance on disclosing material impacts, risks and opportunities.

- ▶ [IG 2: Value Chain Implementation Guidance](#) outlines the reporting requirements for the value chain from materiality assessment to policies and actions to metrics and targets. It illustrates the reporting boundary of the group for sustainability reporting, including the concept of operational control in environmental standards. The IG also includes FAQs for further information and a ‘value chain map’ summarising value chain implications per disclosure requirement across all ESRS.
- ▶ [IG 3: List of ESRS Datapoints](#) covers the complete ESRS Set 1 list of detailed requirements in each Disclosure Requirement and related Application Requirements and translates these in Excel format. The file contains additional information, such as the types of requirement (for example, quantitative or qualitative) or whether these are subject to transitional provisions.

In addition, the feedback statements published EFRAG demonstrate how the feedback received during the consultation period has been reflected in the final documents.

The feedback statements and explanatory note can be accessed at the links below:

- ▶ [EFRAG IG 1 feedback statement](#)
- ▶ [EFRAG IG 2 feedback statement](#)
- ▶ [EFRAG IG 3 feedback statement](#)
- ▶ [EFRAG IG 3 explanatory note](#).

TNFD and EFRAG release correspondence mapping

TNFD and EFRAG have jointly released a [mapping](#) of the correspondence between the ESRS and the TNFD’s recommended disclosures and metrics. The high level of correspondence between the ESRS environmental standards beyond climate change (E2-E5) and the TNFD recommendations and core metrics is reflected, in addition to others, via the following:

- ▶ **Concepts and definitions:** Both the TNFD and ESRS recommend the need for disclosure of nature-related impacts, risks and opportunities.
- ▶ **Approach to materiality:** The ESRS require disclosures to be based on a double materiality principle. The TNFD approach enables different approaches to materiality. This includes the double materiality approach required by the ESRS.
- ▶ **The LEAP approach:** The TNFD developed the LEAP approach for market participants the purpose of which is to identify and assess their nature-related issues. The ESRS specifies that companies may conduct their materiality assessment on the sustainability matters of pollution, water, biodiversity and ecosystems, and circular economy (all ESRS environmental standards beyond climate change) using the LEAP approach.
- ▶ **Reporting pillars:** Both the TNFD recommended disclosures and the ESRS reporting areas are arranged around the four disclosure pillars of the Task Force on Climate-related Financial Disclosures (TCFD): Governance, Strategy, Risk Management, and Metrics and Targets.
- ▶ **Recommended disclosures and metrics:** All 14 disclosures advised by the TNFD are reflected in the ESRS.

EFRAG publishes paper on connectivity and boundaries of annual report sections

The European Financial Reporting Advisory Group (EFRAG) has released a paper ‘[Connectivity considerations and boundaries of different Annual Report sections](#)’. The paper outlines the conceptual foundations, categories and benefits of connectivity. The paper also provides analysis of reporting boundaries across different Annual Report sections and points to several grey areas on the location of information. It provides steps to enhance connectivity and lessen the expectation gaps around reporting boundaries, including leveraging XBRL-tagged technology, the development of a sustainability reporting conceptual framework, and enhanced management commentary guidance. EFRAG has also released a [short version of the report](#).



US SEC and state legislation

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.	

QUANTITATIVE DISCLOSURES

- ▶ 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	
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
<p>‘FYB’ refers to any fiscal year beginning in the calendar year listed.</p> <p>‘NAF’ refers to non-accelerated filer.</p>						

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](#).

Timeline for Implementation of Sustainability Reporting

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

PROPOSED REQUIREMENTS	2023	2024	2025	2026	2027	2028
IFRS Sustainability Disclosure Standards **		IFRS S1 and IFRS S2				
ESRS		Entities currently within the scope of the Non-Financial Reporting Directive (NFRD)	All other large entities	Listed SMEs (with opt-out option until 2028)		Non-EU companies with branches/subsidiaries
US state legislation - California						SB-253 & SB-261

**The ISSB issued IFRS Sustainability Disclosure Standards in June 2023. 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

International Sustainability Reporting Bulletin 2024/07 Q2 2024 Sustainability Reporting Jurisdictional Update

BDO has published International Sustainability Reporting Bulletin 2024/07 Q2 2024 Sustainability Reporting Jurisdictional Update. This publication provides a ‘snapshot’ of sustainability reporting developments for selected jurisdictions, including those being developed for use by entities in the EU and the US.

BDO published EU Reporting: Corporate Sustainability Reporting Directive - 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 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 the 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](#).



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