



Q3 2022 SUSTAINABILITY REPORTING UPDATE

INTERNATIONAL SUSTAINABILITY REPORTING BULLETIN

2022/06

BACKGROUND

The third quarter of 2022 has included significant progress by standard setters, regulators and some jurisdictions in the development and future application of sustainability reporting standards.

The International Sustainability Standards Board (ISSB), and standard setters and regulators in major jurisdictions, are working actively to complete the due process steps necessary in order to issue finalised sustainability reporting standards in the near term. Due to the volume of comment letters received to proposals in the United States and international proposals by the ISSB, final standards may not be issued until 2023.

This publication provides a ‘snapshot’ of sustainability reporting developments as at 30 September 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.

Information in this ISR Bulletin is current as of 18 October 2022. 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.

EXECUTIVE SUMMARY

The ISSB, EU and the US SEC have all published proposals for sustainability reporting requirements.

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.

Standard setters have received a significant response to proposals to date, which may delay the publishing of some final standards until 2023.



TIMELINE FOR IMPLEMENTATION OF SUSTAINABILITY REPORTING

Proposals issued by the US SEC, the EU and ISSB have yet to be finalised, meaning that the effective dates for all 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.

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			
EU CSRD	Companies already subject to the NFRD		ESRS and EU Taxonomy; limited assurance				EU to develop standards for reasonable assurance by October 2028
	Companies not subject to the current NFRD, which meet certain size criteria			ESRS and EU Taxonomy; limited assurance			
	Listed SMEs, small and non-complex credit institutions and captive insurance undertakings				ESRS and EU Taxonomy; limited assurance		
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.

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 by the end of 2022.

See [ISR Bulletin 2022/02](#) for a summary of these exposure drafts.

As of 30 September 2022, the ISSB was quorate with [14 members](#). In Q3 2022, the ISSB appointed a second vice-chair, Jingdong Hua, former vice president of the World Bank. Mr. Hua will have a particular focus on emerging and developing economies.

The ISSB has begun holding board meetings with its activities in Q3 2022 being focused on:

- Initial general feedback received in response to exposure drafts: the ISSB received approximately 700 responses to its exposure drafts. Although the analysis of these comment letters is not yet fully complete, significant work has been completed and the ISSB has begun substantive redeliberations of its proposals. Many respondents asked for greater clarity in the requirements, including illustrative examples, as well as consistency and interoperability with other sustainability reporting standards.
- Initial feedback received relating to the scope of the exposure drafts: the ISSB has also discussed the scope of the proposals, including particular requirements such as disclosure around financed and facilitated emissions. Many respondents, particularly those from emerging and developing economies, raised concerns relating to data availability, complexity and timeline for transition.
- Agenda priorities: the ISSB intends to publish a Request for Information (RFI) in H2 2022, which will assist in the development of its work programme. The RFI will seek stakeholder's views on the strategic direction of the board, a list of potential priority matters (e.g. new sustainability topics), etc.

Into October 2022, the ISSB has continued to discuss feedback received, including fundamental concepts such as the definition of materiality in general sustainability-related disclosures, greenhouse gas emissions and measurement methods.

JURISDICTIONAL UPDATE - EUROPEAN UNION

In April 2021, the European Commission published a proposed new Corporate Sustainability Reporting Directive (CSRD). The proposals were designed to revise and strengthen the existing requirements of the Non-Financial Reporting Directive (NFRD) to ensure that companies report reliable and comparable sustainability information that investors and other stakeholders need.

As part of the legislative process, the European Commission's proposals were subject to review by the European Parliament and the European Council (which is made up of representatives from each EU Member State). Both the Parliament and the Council proposed amendments to the Commission's proposals.

In the second quarter of 2022, the so-called Trilogue discussions took place. These are discussions among the European Parliament, the European Council and the European Commission at which a compromise is sought, in order to finalise the text which will form the basis of the requirements of the new legislation.

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	<p>Large public interest entities with more than 500 employees</p> <p>Public interest entities are:</p> <ul style="list-style-type: none"> • Listed companies • Banks and insurance companies 	<p>Listed companies (except for listed micro entities).</p> <p>All large companies, defined as those meeting two out of the following three criteria:</p> <ul style="list-style-type: none"> • More than 250 employees • More than EUR 40m turnover • More than EUR 20m total assets <p>This includes subsidiaries of non-EU groups.</p> <p>Insurance undertakings and credit institutions regardless of their legal form.</p> <p>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 than EUR 40m turnover).</p>
When do the requirements apply?	Years ended 31 December 2018 onwards	<p>Year ending 31 December 2024</p> <ul style="list-style-type: none"> • Entities currently within the scope of the NFRD <p>Year ending 31 December 2025</p> <ul style="list-style-type: none"> • All other large entities <p>Year ending 31 December 2027</p> <ul style="list-style-type: none"> • Listed SMEs, small and non-complex credit institutions and captive insurance undertakings <p>Year ending 31 December 2028</p> <ul style="list-style-type: none"> • Non-EU undertakings
How many EU companies will need to comply with the requirements?	11,600	49,000
Scope of the requirements	<ul style="list-style-type: none"> • Environmental protection • Social responsibility and treatment of employees • Human rights • Anti-corruption and bribery • Diversity on company boards 	<p>NFRD requirements plus:</p> <ul style="list-style-type: none"> • 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	<p>Mandatory</p> <ul style="list-style-type: none"> • Initially limited assurance, to be expanded to reasonable (audit) assurance in future.

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). EFRAG will need to deliver the first batch of ESRSs to the European Commission by mid-November 2022, to enable the European Commission to complete the legislative process for their adoption by 30 June 2023.

See [ISR Bulletin 2022/05](#) 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](#).

The SEC received thousands of comment letters in response to the proposed rules. It is not expected that the SEC will be able to finish reviewing the comment letters received by the end of calendar 2022.

A detailed summary of the proposed rule and significant anticipated impacts may be accessed on BDO USA’s SEC page [here](#). See [ISR Bulletin 2022/02](#) for a summary of these proposals.

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.

OTHER JURISDICTIONAL UPDATES

JURISDICTION	SUMMARY	MORE INFORMATION
China	<p>China Securities Regulatory Commission 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.</p> <p>In January 2022, Ministry of Ecology and Environment released the <i>Rules on the Format of Corporate Environmental Information Disclosure</i> (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 <i>Green Finance Guidelines for Banking and Insurance Sectors</i> 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.</p>	
United Kingdom	<p>Premium listed companies have been required to apply the requirements of the TCFD for years ended 31 December 2021, with the scope widening from 2022 onwards. The UK is expected to endorse ISSB Sustainability Disclosure Standards as a baseline of requirements and to add jurisdictional requirements (the so-called ‘building blocks’ approach).</p>	<p>How will the UK become a World Leader in Green Finance?</p>

JURISDICTION	SUMMARY	MORE INFORMATION
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	<p>In October 2021, the Canadian Securities Administrators (CSA) issued a consultation document requesting comments on a proposed National Instrument <i>Disclosure of Climate-related Matters</i>, 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.</p> <p>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.</p> <p>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.</p>	<p>CSA Request for Comment - Proposed National Instrument 51-107 Disclosure of Climate-related Matters</p> <p>OSFI - Climate Risk Management Disclosures</p> <p>Canadian Sustainability Standards Board Formed</p>
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

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.

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Neither BDO IFR Advisory Limited, and/or any other entity of BDO network, nor their respective partners, employees and/or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

The BDO network (referred to as the 'BDO network' or the 'Network') is an international network of independent public accounting, tax and advisory firms which are members of BDO International Limited and perform professional services under the name and style of BDO (hereafter 'BDO member firms'). BDO International Limited is a UK company limited by guarantee. It is the governing entity of the BDO network.

Service provision within the BDO network in connection with corporate reporting and IFRS Accounting Standards (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board and IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board, is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by Brussels Worldwide Services BV, a limited liability company incorporated in Belgium.

Each of BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and the BDO member firms is a separate legal entity and has no liability for another entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BV, BDO IFR Advisory Limited and/or the BDO member firms. Neither BDO International Limited nor any other central entities of the BDO network provide services to clients.

BDO is the brand name for the BDO network and for each of the BDO member firms.