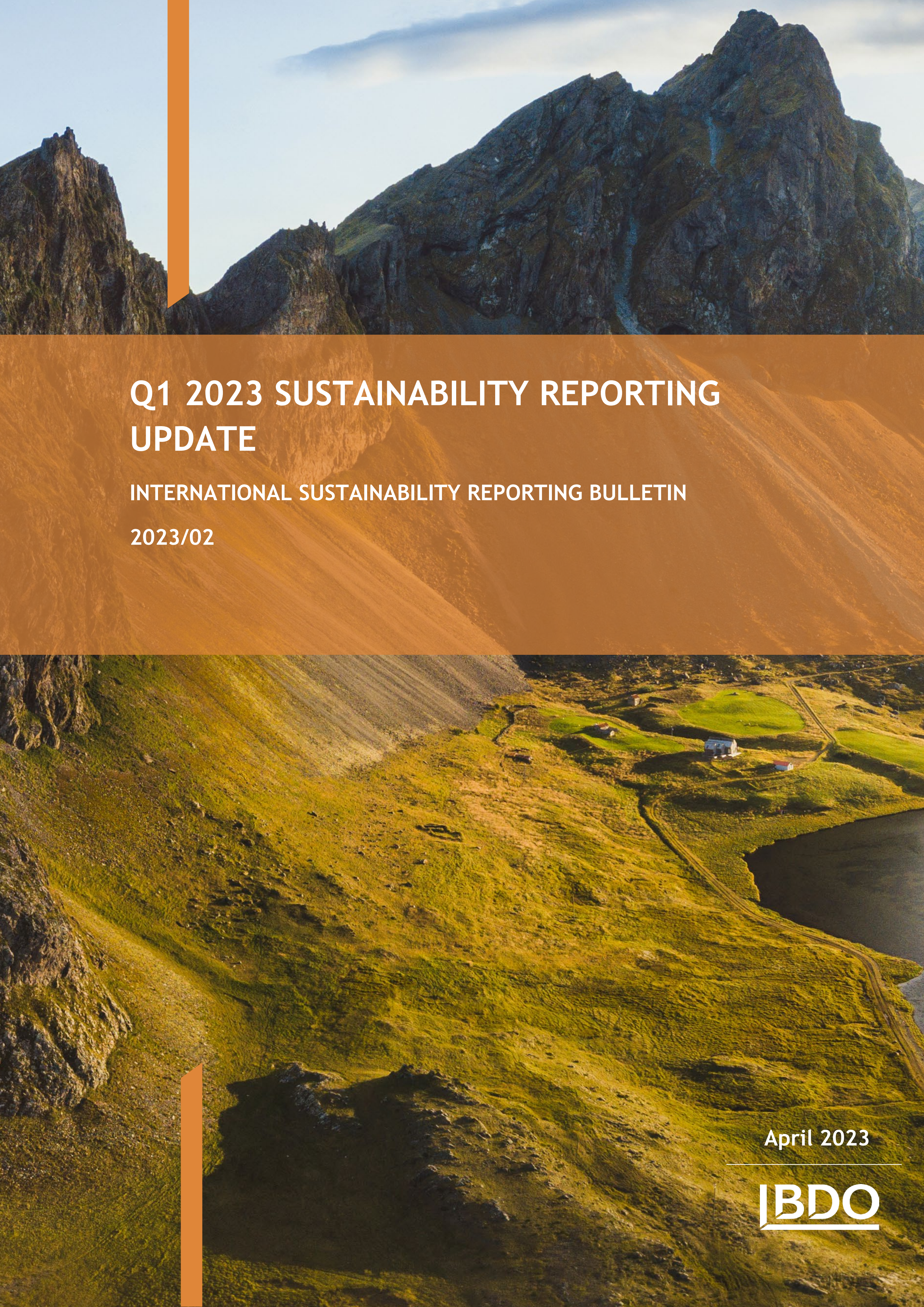

Q1 2023 SUSTAINABILITY REPORTING UPDATE

INTERNATIONAL SUSTAINABILITY REPORTING BULLETIN

2023/02

April 2023

BDO

BACKGROUND

The first quarter of 2023 witnessed important developments by the International Sustainability Standards Board ('ISSB') and other standard setters, consistent with the momentum built over the last year or so.

While the ISSB is finalising the development of the first set of IFRS Sustainability Disclosure Standards, the European Commission has called on the European Financial Reporting Advisory Group ('EFRAG') to prioritise implementation support for the first set of European Sustainability Reporting Standards ('ESRSs') over the preparatory work for sector-specific standards.

This publication provides a 'snapshot' of sustainability reporting developments as at 31 March 2023 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 is preparing to issue its first IFRS Sustainability Disclosure Standards in June 2023.

While the ISSB has introduced additional transitional relief permitting entities to focus on climate related sustainability disclosures in the first year of adoption, EFRAG is aiming to provide implementation support for its first set of ESRSs ahead of sector-specific standards.

Information in this ISR Bulletin is current as of 25 April 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.

IFRS FOUNDATION DEVELOPMENTS

The ISSB has finalised all decisions on IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* as it prepares to issue their first two standards in June 2023. The initial sustainability standards will become effective starting from 1 January 2024, however, jurisdictions must first endorse the requirements in order for them to become effective, and they may choose a later effective date. Considering sustainability disclosures are new for many companies globally, the ISSB has stated that they will provide guidance and introduce programmes that support those applying its standards as market infrastructure and capacity is built.

At its recent meeting on 4 April 2023, the ISSB decided that it will complement its package of transitional reliefs to support companies applying S1 and S2 by permitting entities that apply the standards to only make disclosures about climate related risks and opportunities, with disclosure of all sustainability-related risks and opportunities beginning in the second year of adoption.

This relief will enable companies to focus initial efforts on ensuring that they meet investor information needs around climate change, prioritising to provide high-quality, decision-useful information about climate-related risks and opportunities in the first year using the ISSB Standards.

In summary, in the initial year that an entity applies the ISSB Standards, companies need not:

- Provide disclosures about sustainability-related risks and opportunities beyond climate-related information;
- Provide annual sustainability-related disclosures at the same time as the related financial statements (this relief may be extended beyond the initial year of application);
- Provide comparative information;
- Disclose Scope 3 greenhouse gas emissions; and
- Use the Greenhouse Gas Protocol to measure emissions, if they are currently using a different approach.

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

Refer below for a summary of major tentative decisions taken with a focus on changes from the exposure drafts.

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.

Topic of proposal	Tentatively decided/confirmed by ISSB
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. - This relief would require entities to publish sustainability-related financial disclosures: • at the same time as its next second-quarter or half-year interim report, if the entity is required to provide such an interim report; • at the same time as its next second-quarter or half-year interim report, but within nine months of the end of its annual reporting period, if the entity voluntarily provides such an interim report; or • within nine months of the end of its annual reporting period, if the entity is not required to and does not voluntarily provide an interim report. It is not yet clear how long the ISSB will permit this relief to be applied by an entity.
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 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 - Require an entity to identify the sources of guidance it has used in preparing its sustainability-related financial disclosures, in the absence of an IFRS Sustainability Disclosure Standard, including the industry source of guidance used. - To provide guidance on disclosure of judgements, assumptions and estimates made in applying Sustainability Disclosure Standards, such as illustrative guidance and educational materials.
Metrics and targets objective	- Clarify that the objective is to require an entity to disclose information about both the metrics the entity uses to measure, monitor and manage sustainability-related risks and opportunities and the metrics required by IFRS Sustainability Disclosure Standards (even if the entity does not use these metrics).

Topic of proposal	Tentatively decided/confirmed by ISSB
Reasonable and supportable information available at the reporting date without undue cost or effort	- Apply the concept of 'reasonable and supportable information' when: • Identifying sustainability related risks and opportunities; • Applying value-chain related requirements, specifically the scope of the entity's value chain and the measurement of Scope 3 emissions; • Determining anticipated effects on entity's financial performance, financial position and cash flows; • Applying climate-related scenario analysis; • Calculating the amount and percentage of assets or business activities subject to climate risks in accordance with IFRS S2.
Commercially sensitive information about opportunities	- In limited circumstances, permit an entity to exclude information from its disclosure of its sustainability-related opportunities when that information is commercially sensitive. The exemption would only apply when: • The entity has a reason for non-disclosure, such that keeping the information from being publicly available would translate into a competitive advantageous; • Disclosure of the information could be expected to prejudice seriously the economic benefit the entity is able to realise in pursuing the opportunity; and • The entity determines it is not possible to disclose the information in a manner or at a level of aggregation that would resolve the entity's concerns about commercial sensitivity. - The exemption would not be applicable to information that is already publicly available and would not permit an entity to not disclose information about risks.
Current and anticipated financial effects and connected information	- Clarify that if any information in an entity's financial statements has been affected by sustainability related risks and opportunities, the entity would be required to disclose quantitative and qualitative information explaining the connections between those risks and opportunities and their current and anticipated financial effects. - The entity would apply judgement in applying these requirements on current and anticipated financial effects.
Sources of guidance to identify sustainability-related risks and opportunities and disclosures	- Permit, but not require preparers to consider 'the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting' in identifying sustainability-related risks and opportunities and in identifying disclosures. - Permit, but not require an entity to consider the Global Reporting Initiative Standards and the European Sustainability Reporting Standards in identifying disclosures about sustainability related risks and opportunities.

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.
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 to: - 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.

Topic of proposal	Tentatively decided/confirmed by ISSB
	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.
Financed 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.
Reasonable and supportable information available at the reporting date without undue cost or effort	- Apply this concept while identifying sustainability related risks and opportunities, while applying value-chain related requirements, specifically scope of entity's value chain and measurement of its scope 3 gas emissions. Also, while determining anticipated effects on entity's financial performance, financial position and cash flows and applying climate-related scenario analysis. This may also be relevant in calculating the amount and percentage of assets or business activities.
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).
Using scenario analysis to assess climate resilience	- Require entities to disclose information about resilience to climate-related changes or uncertainties and to prepare these disclosures using a method of climate related scenario analysis considering all reasonable and supportable information available at the reporting date without undue cost or effort.

In March and April 2023, the ISSB discussed the process to maintain, enhance and improve the Sustainability Accounting Standards Board ('SASB') standards, including improving the international applicability of the SASB Standards. The ISSB expects to issue an Exposure Draft in May 2023. The ISSB also expects to issue a request for information on its two-year work plan in May 2023.

In response to the feedback received from its recent Agenda Consultation, the International Accounting Standards Board ('IASB') has added a project to its work plan to explore whether and how companies can provide better information about climate-related risks in their financial statements.

In undertaking the project, the IASB will consider the work of the ISSB to ensure any proposals work well with IFRS Sustainability Disclosure Standards and that any information required by the two boards would be complementary.

The project will research to what extent the educational material published in 2020 is helping companies reflect the effects of climate related risks in the financial statements, and what actions, if any, the IASB could take to further improve information about these matters.

JURISDICTIONAL UPDATE – EUROPEAN UNION

The European Financial Reporting Advisory Group ('EFRAG') submitted the first set of draft ESRS to the European Commission late 2022. Over the first quarter of 2023, the European Commission called on EFRAG to prioritise its efforts on capacity building for the implementation of the first set of ESRS over the preparatory work for the draft sector-specific standards. As noted by Commissioner for Financial Services, Financial Stability and Capital Markets Mairead McGuiness in her speech on 21 March 2023, this will avoid overlapping consultations and ease the burden on all stakeholders.

Consequently, EFRAG is adjusting its workplan and discussing how to put in place, with a high priority, an ESRS implementation support function. Work on sector-specific standards and standards for SMEs will be undertaken on a modified timetable.

ESMA recently published enforcement actions against companies based on sustainability related information disclosed

Background

The European Securities and Markets Authority (ESMA) publishes extracts from its confidential database of enforcement decisions on financial statements, with the aim of providing issuers and users of financial statements with relevant information on the appropriate application of the International Financial Reporting Standards (IFRS).

In order to fulfil these responsibilities, ESMA organises the European Enforcers Coordination Sessions (EECS), a forum of 38 European enforcers from all European Economic Area (EEA) countries with responsibilities in the area of enforcement of financial information.

Through EECS, European enforcers discuss and share their experience on the application and enforcement of IFRS. In particular, they discuss significant enforcement cases before and/or after decisions are taken in order to promote a consistent approach to the application of IFRS.

The following are two fact patterns involving the interaction between sustainability-related risks and opportunities and financial statements as noted by ESMA's recent 27th Extract from the EECS's Database of Enforcement.

Fact pattern 1

Description of the issuer's accounting treatment: The issuer manages airports in several locations. According to the issuer's annual financial report, the issuer's operations are highly exposed to climate change because they entail significant CO_2 emissions. In the non-financial section of its annual financial report, the issuer included detailed information on how climate change affects its business and provided information regarding its commitments to reduce CO_2 emissions by 2025.

The enforcement decision: The enforcer concluded that the issuer's disclosures related to impairment tests and its exposure to climate risks were not sufficient to meet the requirements of IAS 36. The issuer should have disclosed more information on how climate change and CO_2 reduction commitments were factored into the test (IAS 36.134).

Rationale for the enforcement decision: The enforcer required the issuer to specify that the costs of the carbon emission commitment are considered in its free cash flows projections; along with other information.

Fact pattern 2

Description of the issuer's accounting treatment: The issuer is an international shipping company operating in the transportation of refined oil products. The issuer operates a fleet of owned and leased vessels. In its non-financial statement included in the 2021 annual financial report, the issuer presented 'Climate change related risks and opportunities', including: (1) future environmental regulations and directives, (2) supply and demand disruptions for transported commodities, and (3) re-routing risks.

The enforcement decision: The enforcer concluded that the disclosures did not meet the requirements of IAS 1 RE: significant accounting policies, judgements and sources of estimation uncertainty.

Rationale for the enforcement decision: The issuer was required to disclose: (1) the use of any climate-related factors as sources of estimation uncertainty or causes for significant judgements regarding the assets in the scope of IAS 16; and (2) information as to whether (i) the issuer considered climate change when assessing whether the expected useful lives of non-current assets and (ii) their estimated residual values should be revised and why. The issuer did not provide any further information in relation to climate-related matters in the notes to the financial statements.

EUROPEAN SUSTAINABILITY REPORTING STANDARDS

On 5 January 2023, the Corporate Sustainability Reporting Directive ('CSRD') entered into force. This new directive modernises and strengthens the rules concerning the social and environmental information that companies must report. See ISR Bulletin 2023/01 for a summary of the requirements.

The CSRD will soon apply to large companies listed in the European Union where these companies will be required to disclose their business strategy on sustainability, any sustainability targets that have been set and progress made towards meeting them.

In order to be more reliable and comparable information and to also rule out greenwashing, this information disclosed by companies has to undergo assurance.

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

JURISDICTIONAL UPDATE – UNITED STATES

In 2022, the U.S. Securities and Exchange Commission (SEC) published a proposed rule requiring publicly traded companies disclosure information about climate-related risks and opportunities. The proposed rules drew over numerous comments and SEC had indicated that it plans to finalise the rule in April.

It is understood that SEC is still considering the scope of the rule, particularly whether to include scope 3 (supply chain) emissions in reporting requirements.

The 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., in 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 is closed. BDO's comment letter may be accessed here.

BDO's Insight

The SEC is planning to finalise a rule requiring public companies to disclose climate related information. Certain 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 standard IFRS S2.

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 to ISR Bulletin 2023/01 for a summary of these proposals.

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

US SEC recently published enforcement actions against companies based on sustainability related information

The US SEC recently published enforcement actions against companies based on sustainability related information disclosed (e.g. MD&A, management reports, etc.). Below is a brief summary of the fact pattern and the verdict of the regulator in relation to the enforcement actions. The full press release may be accessed on the SEC's website.

Fact Pattern:

Vale S.A., a publicly traded Brazilian mining company and one of the largest iron ore producers in the world, agreed to pay $55.9 million to settle charges brought last April stemming from the company's allegedly false and misleading disclosures about the safety of its dams.

The SEC's complaint alleged that, for years, the dam did not meet internationally-recognized safety standards even as Vale's public sustainability reports assured investors that all of its dams were certified as stable.

OTHER JURISDICTIONAL UPDATES

<table>
<tr><th>JURISDICTION</th><th>SUMMARY</th><th>MORE INFORMATION</th></tr>
<tr><td>China</td><td>China Securities Regulatory Commission (‘CSRC’) is reportedly planning to make ESG disclosures mandatory for all firms listed on domestic markets. 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.

Voluntary ESG disclosure guidelines for local enterprises have already been developed and implemented since 1 June last year. Last May, the China Securities Regulatory Commission proposed revised disclosure rules for listed companies, including requirements to disclose penalties arising from environmental issues.

In January 2022, the 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.</td><td></td></tr>
<tr><td>United Kingdom</td><td>On 30 March 2023, the UK Government published an updated Green Finance Strategy (the ‘Strategy’). This is an update to the UK’s 2019 Green Finance Strategy. The strategy delivers five key objectives to achieve UK Government’s goal of emerging world leader on green finance and investment.

The Financial Conduct Authority (‘FCA’) has released its highly anticipated Sustainability Disclosure Requirements (‘SDR’) Consultation Paper. This is a development expected to bring clarity on how the regulator will approach greenwashing, while also increasing transparency and trust in sustainable investing.

While there will be some divergences, the FCA has sought to achieve international coherence with other regimes as much as possible, namely the European Commission’s Sustainable Finance Disclosure Regulation (‘SFDR’) and the approach taken by the US Securities and Exchange Commission (‘SEC’).

Currently, 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 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.</td><td>FCA updates on the Sustainability Disclosure Requirements ('SDR') consultation paper</td></tr>
<tr><td>Japan</td><td>The Financial Services Agency requires the following disclosures beginning with the Annual Report for the fiscal year ending March 31, 2023:
1. Disclosure on overall sustainability is required for the ‘Governance’ and ‘Risk Management’ pillars. ‘Strategy’ and ‘Metrics and Targets’ should be disclosed, depending on the importance. The details of disclosure are left to the company.
2. Disclosure of human capital and diversity is required. Human capital development policy, Internal environment development policy, and Targets and Results related to the policy are required.

The Sustainability Standards Board of Japan (SSBJ) plans to publish Japanese Sustainability Disclosure Standards. Based on the IFRS Sustainability Disclosure Standard, they will be customized to consider Japanese circumstances.</td><td></td></tr>
</table>

JURISDICTION	SUMMARY	MORE INFORMATION
	Assuming that ISSB S1 and S2 standards will publish by the end of June 2023, the SSBJ targets the following timing for the Japanese S1 and S2 Sustainability Disclosure Standards: • Target timing of the exposure drafts: By March 31, 2024 at the latest. • Target date for publication of the standards: By March 31, 2025 at the latest.	
Canada	As of March 2023, the Canadian Securities Administrators ('CSA') does not currently require any mandatory ESG disclosure from issuers, however, the agency plans to start requiring specific ESG reporting and climate disclosures from large Canadian banks, insurance companies, and federally regulated financial institutions starting in 2024. In October 2021, the 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 (CSSB). 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 CSSB was constated in April 2023 with the appointment of its inaugural chair Charles-Antoine St-Jean.	CSA Request for Comment - Proposed National Instrument 51-107 *Disclosure of Climate-related Matters* OSFI – Climate Risk Management Disclosures Canadian Sustainability Standards Board Formed
India	In line with the goal to achieve net zero emissions by 2070, the Securities and Exchange Board of India ('SEBI') issued a circular in May 2021 announcing the Business Responsibility and Sustainability Report (or 'BRSR'). The BRSR applies to the top 1,000 listed companies by market capitalisation and was voluntary for financial years ending 31 March 2022 which resulted in only 175 company disclosures. This is being made mandatory from 2022-2023 onwards. According to SEBI's proposed timeline, the largest listed 250 Indian companies will be required to seek mandatory assurance for a limited number of key and measurable ESG metrics from the next financial year starting July 2023. This requirement will be gradually broadened on a staggered basis from the 2024-2025 onwards. 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 THE COMING MONTHS

The final versions of IFRS S1 and IFRS S2 are expected to be issued at the end of the second quarter of 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**			IFRS S1 and IFRS S2				
ESRS			Entities currently within the scope of the NFRD	All other large entities		Listed SMEs, small and non-complex credit institutions and captive insurance undertakings	Non-EU undertakings

**The ISSB is expected to issue IFRS Sustainability Disclosure Standards based on the exposure drafts. 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.