Compliance & Risks

ESG 2024: A Year in Review

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01. About The Authors

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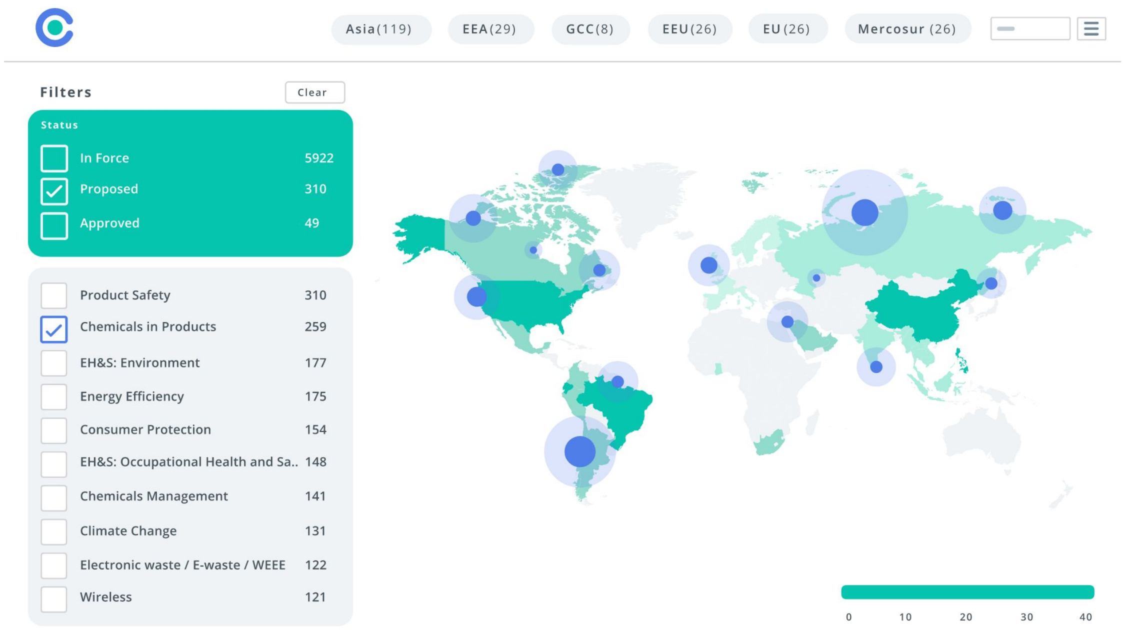

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03. Introduction

Following the 2023 transition from voluntary to mandatory corporate sustainability reporting, 2024 marked the implementation and advancement of numerous related initiatives.

Key developments included the enactment of the CSRD, CSDDD, the EU Forced Labor Ban, and the new Australian Illegal Logging Rules, as well as the national adoption of IFRS sustainability standards.

At the same time, voices to combine and possibly reduce some of the EU sustainability reporting requirements grew louder towards the end of 2024, with the EU Commission announcing a potential Omnibus Regulation to merge the sustainability disclosure requirements of several EU laws. The US is anticipated to see a move from federal to state-level sustainability regulations under the new administration, with numerous climate disclosure and due diligence bills already introduced at the state level in early 2025. These trends will make it more difficult, yet more important than ever to stay on top of regulatory developments.

This whitepaper provides an overview of the latest ESG regulatory developments for 2024. It covers key regulations proposed, published and/or that entered into force in the following countries/regions:

- European Union
- Switzerland
- United Kingdom
- United States
- Australia
- Japan
- South Korea
- China
- Hong Kong (China)
- Singapore
- Indonesia
- Malaysia
- Thailand
- Pakistan
- Sri Lanka
- Turkey
- Qatar
- Jordan
- Nigeria
- Ghana
- Kenya
- Tanzania
- Canada
- Brazil
- Chile
- Costa Rica
- Bolivia
- Mexico
- ISO and ISSA standards and guidelines

04. European Union

Sustainability Reporting

Status of CSRD Implementations

The Corporate Sustainability Reporting Directive (CSRD) came into effect on 5 January 2023, and large public companies are due to submit their first sustainability reports in 2025.

As an EU Directive, the CSRD needs to be formally incorporated into each member state's national law, including the laws of Iceland, Liechtenstein and Norway as part of the European Economic Area. While the deadline for this implementation was 16 July 2024, as of February 2025, only 21 member states have transposed at least parts of the directive. Six others (Austria, Cyprus, Germany, Luxembourg, Netherlands, and Spain) have published draft legislation or held consultations, while Iceland, Portugal, and Malta have yet to release first drafts. Consequently, on 26 September 2024, the European Commission initiated infringement proceedings against 17 member states for their delayed or incomplete transposition. The Commission has furthermore issued a reasoned opinion in December 2024 on Sweden's implementation of the CSRD, criticizing its deviation from the CSRD implementation timeline. The Swedish transposition requires companies to start reporting for financial years beginning on or after 1 July 2024, thereby delaying the application of sustainability reporting requirements by half a year.

While the incomplete or missing national transpositions create some uncertainty for large public companies that are due to submit their first report in 2025, authorities in several member states have issued recommendations on how to prepare in line with the CSRD before the national implementations become available. As an example, the Spanish Securities Market Commission recommends preparations in line with the CSRD despite Spain not having finalized its national implementation, explaining that sustainability reports prepared in line with the new European Sustainability Reporting Requirements will meet the requirements of the currently applicable non-financial reporting Law 11/2018.

CSRD FAQ and EFRAG ESRS Q&A Platform

The EU Commission issued a long-awaited [Frequently Asked Questions Document] on the CSRD in July 2024. The FAQ mainly addresses the scope and application dates of the CSRD as well as potentially applicable exemptions. Considering the complexity of the CSRD, it is likely that further FAQs on the interpretation of the Directive will be issued at the EU and national level.

At the same time, the European Financial Reporting Advisory Group (EFRAG), in its role as technical advisor to the European Commission, regularly answers questions on the European Sustainability Reporting Standards (ESRS) that are submitted through EFRAG's Q&A Platform. The ESRS, adopted in Delegated Regulation (EU) 2023/2772, specify the information that must be disclosed by companies subject to the CSRD. The most recent set of explanations was released in December 2024, addressing climate change mitigation and adaptation targets and biodiversity and ecosystems. They will be added to the Compilation of Explanations: January – November 2024 in Spring 2025.

Draft ESRS for Non-EU Groups (NESRS)

In October 2024, EFRAG began to prepare the European Sustainability Reporting Standards for non-EU groups subject to CSRD reporting (NESRS). The NESRS will be used by non-EU groups with a large branch or subsidiary in the EU and more than EUR 150 million of net turnover generated in the EU. These groups are obliged to submit their first sustainability report under the CSRD in 2029 for the financial year 2028. The NESRS do not apply to non-EU companies and groups with equity or debt listed on an EU market, which are already obliged to submit a sustainability report for the financial year 2024 in accordance with the first set of the ESRS.

EFRAG finalized the approval of the NESRS Exposure Draft for consultation on 15 January 2025. The draft NESRS are largely based on the first set of ESRS for European companies, but as a key difference, they only focus on the company's impact, while information on sustainability-related risks, opportunities or resilience is not required. In addition, there are options to exclude information on certain non-EU related impacts, i.e. the impact of sales or services outside the EU.

An official consultation on the NESRS is set to take place in Q1 of 2025.

Sector-specific ESRS

In addition to the sector-agnostic European Sustainability Reporting Standards, the EU Commission is required to adopt a set of sector-specific standards for the following high-impact sectors: Oil and Gas; Mining, quarrying and coal mining; Road transport; Textiles, accessories, footwear and jewellery; Financial institutions; Agriculture, farming and fishing; Motor vehicles; Energy production and utilities, and Food and beverage.

These sector-specific standards, together with the standards for non-EU groups, were originally planned to be adopted by 30 June 2024, but their adoption has now been postponed until 30 June 2026. In the meantime, EFRAG is tasked with preparing the sector-specific standards and will likely hold first exposure draft consultations in 2025.

Voluntary Standards for Unlisted SMEs (VSME)

While unlisted small and medium-sized companies are not required to submit a sustainability report under the CSRD, EFRAG prepared a set of voluntary reporting standards for those unlisted SMEs that wish to report on their sustainability initiatives i.e. in order to obtain green financing, thus replacing the often uncoordinated ESG questionnaires sent by banks or other investors.

The final text of the VSME Standard was published on 12 December 2024. EFRAG intends to complement the standard with a series of support guides and educational material to be issued in 2025.

ESRS and Article 8 XBRL Taxonomy

In 2024, EFRAG advanced its work on the digital tagging of sustainability information with the publication of ESRS Set 1 XBRL Taxonomy and Article 8 XBRL Taxonomy in August 2024. The CSRD requires the management report to be prepared in the Extensible Hypertext Markup Language (xHTML) format with Inline XBRL tags, as specified in Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation). The sustainability statement within the management report, including the disclosures provided for in Article 8 of the Taxonomy Regulation, must then be marked-up or tagged in accordance with the Digital Taxonomy. This aims to facilitate access to and comparability of reported sustainability information by making sustainability statements digitally accessible and machine readable.

Based on the XBRL, the European Securities and Market Authority (ESMA) will now develop Regulatory Technical Standards for the tagging of the ESRS sustainability statement. ESMA opened a public consultation on the Regulatory Technical Standards (RTS) in December 2024 and welcomes comments until 31 March 2025. Companies are not required to tag their sustainability statements until the digital tagging of ESRS is finalized as part of the ESEF RTS.

Draft Climate Transition Plan Guidance

A first draft of EFRAG's 'Guidance on Implementing Transition Plans for Climate Mitigation' was published in a meeting note on 4 November 2024.

The guide clarifies the climate transition plan disclosure requirements as outlined in ESRS E1 and connects the transition plan to other European frameworks, including the Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Taxonomy. Based on ESRS E1, companies are required to disclose their emission reduction targets and explain how they are compatible with the 1.5°C target set by the Paris Agreement.

EFRAG is expected to hold a public consultation on the draft guidance in Spring 2025.

Auditing and Assurance

The CSRD requires the EU Commission to adopt limited assurance standards by 1 October 2026 at the latest. These standards shall clarify what is expected from auditing practitioners when carrying out limited assurance regarding the sustainability information reported in accordance the ESRS. Before the EU Commission adopts standards at EU level, there will however be a gap period, during which Member States are allowed to adopt their own national standards. In order to avoid fragmentation and to ensure that practices are as consistent as possible, the Committee of European Audit Oversight Bodies (CEAOB) approved final guidelines on limited assurance on 30 September 2024. These guidelines will assist auditors and assurance providers with providing limited assurance engagements on sustainability reports, until EU standards become available in 2026.

Review of EU Taxonomy and Sustainable Finance Disclosure Regulation

The Platform on Sustainable Finance, an advisory body to the Commission, is currently working towards a revision of the EU Taxonomy Framework. The Taxonomy Framework consists of Regulation (EU) 2020/852, setting out a classification system for environmentally sustainable economic activities, as well as a number of implementing regulations containing screening criteria for these activities. In a report published in February 2025, the platform identified a number of key areas for simplification, including changes to the "do no significant harm" (DNSH) assessment and reporting obligations and the development of simplified and voluntary approaches for small and medium-sized enterprises. In a second report from January 2025, the platform furthermore sought feedback on potential updates to the criteria and Do No Significant Harm (DNSH) requirements.

At the same time, the review of the Sustainable Finance Disclosure Regulation, which commenced with a public consultation in 2023, is still ongoing. The aim of the review is to identify shortcomings of the regulation that have come to light since its commencement in 2021, and potentially adding product disclosures regarding decarbonization targets and further universal social indicators for the disclosure of principal adverse impact of investment decisions on the environment and society. In response to the consultation, the Platform on Sustainable Finance published a

briefing note for the Commission in December 2024, outlining how a categorization system for sustainable finance products could be set up and calibrated. The briefing note recommends establishing the product categories 'Sustainable', 'Transition' and 'ESG', and identifying all products that do not meet these requirements as 'unclassified products'. According to the EU's 2025 Work Programme, issued on 11 February 2025, the publication of the SFDR 2.0 proposal has now been pushed out to Q4 2025.

CSRD and IFRS - Interoperability Guidance

In order to ensure better alignment between the EU CSRD and the IFRS Standards S1 and S2 issued by the International Sustainability Standards Board, the IFRS Foundation and EFRAG have published guidance on the interoperability of the two frameworks in May 2024. The guidance material supports companies in understanding how to efficiently comply with both rules and describes the alignment of key concepts such as materiality, presentation of sustainability topics and climate-disclosure requirements.

Due Diligence

Corporate Sustainability Due Diligence Directive

The EU [Corporate Sustainability Due Diligence Directive] (EU) 2024/1760 (CSDDD), another key element of the EU's sustainability efforts, was published in the Official Journal of the European Union on 5 July 2024 and entered into force on 25 July 2024. Prior to its adoption, the Directive was subject to extensive discussions in February and March 2024, which resulted in a substantially weakened CSDDD compared to the 2022 proposal. Key alterations involved a reduced number of companies in scope and the withdrawal of the high-risk sector approach.

The CSDDD now applies to the following companies:

26 July 2027

- EU-based companies > 5000 employees and net worldwide turnover of in excess of EUR 1.5 billion in the last financial year (including parent companies) for financial years starting on or after 1 January 2028
- Non-EU companies > net turnover in excess of EUR 1.5 billion in the EU in the last financial year for financial years starting on or after 1 January 2028

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- EU-based companies > 3000 employees and net worldwide turnover in excess of EUR 900 million (including parent companies) in the last financial year (except Article 16) for financial years starting on or after 1 January 2029
- Non-EU companies > net turnover in excess of EUR 900 million in the EU in the last financial year for financial years starting on or after 1 January 2029

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- EU-based companies > 1000 employees and turnover > EUR 450 million in previous financial year (including parent companies) (except Article 16) for financial years starting on or after 1 January 2029
- Non-EU companies turnover > EUR 450 million in the EU for financial years starting on or after 1 January 2029

These companies must identify and assess potential and actual adverse impacts on human rights and the environment within their own operations, subsidiaries and value chain and implement due diligence into all their relevant policies and risk management systems. Companies are obligated to prevent or mitigate potential adverse impacts, take remedial measures where needed and install an effective complaints mechanism. To drive decarbonization, the CSDDD also requires companies to adopt climate transition plans that are aligned with the Paris Agreement's objective of limiting global warming to 1.5 degrees Celsius.

Companies in scope must publish an annual due diligence statement on their website, unless they already publish a sustainability report in accordance with the CSRD. From 1 January 2029, covered entities must also provide a statement to the relevant collection body for making this information accessible to the European single access point ESAP.

The Directive furthermore introduces extensive civil liability for companies that violate due diligence obligations, with potential fines of up to 5% of global net turnover.

Member states have time until 26 July 2026 to transpose the CSDDD into national law. As of February 2025, only the Netherlands have published a proposal for a national implementation.

In July 2024, the EU Commission issued a first Frequently Asked Questions document, providing guidance on the scope, requirements, limitations and enforcement of the CSDDD. In addition, the draft guidance document on climate transition plans issued by EFRAG in November 2024 helps to understand the relationship between CSRD reporting and the adoption of climate transition plans under the CSDDD. Both CSDDD and CSRD use the same definition for what a transition plan for climate change mitigation is. Companies that report a transition plan under the CSRD will be considered compliant with the requirement to adopt a transition plan under the CSDDD. Reporting on the implementation of the transition plan can then be included in the CSRD report based on ESRS E1.

EU Deforestation Regulation

The EU Deforestation Regulation (EU) 2023/1115 (EUDR) obliges companies placing relevant forest commodities on the European market to ensure that these are:

- Deforestation-free;
- Produced in accordance with the laws of the country of production; and
- Covered by a due diligence statement.

This affects the following commodities as well as the derived products listed in Annex I: cattle, cocoa, coffee, soy, oil palm, rubber and wood.

The EUDR entered into force on 29 June 2023, and while the due diligence and transparency requirements were set to become applicable for the majority of companies by 31 December 2024, it was decided in late 2024 to postpone the application of the EUDR by 12 months (amending Regulation (EU) 2024/3234). The new timeline for the application of the due diligence and transparency requirements will be as follows:

- 30 December 2025 for large enterprises;
- 30 June 2026 for operators already established as micro- or small companies.

In addition, the amendment provides the EU Commission with more time to adopt the country benchmarking system, which now needs to be published by 30 June 2025 at the latest. The system categorizes countries and regions into a low, standard and high risk of deforestation, with products produced in low-risk countries being subject to a simplified due diligence procedure.

To facilitate the application of the EUDR, the EU Commission has updated its guidance in 2024. The Frequently Asked Questions document, originally published in 2023, was updated with version 1.3 in October 2024, now containing more information on the scope of the EUDR and applicable penalties. An additional guidance document with practical scenarios on compliance timelines, definitions, maintenance of the due diligence system and the use of certification and third-party verification schemes was issued in November 2024.

Forced Labor Ban

Another key component of the EU's push for mandatory corporate responsibility is Regulation (EU) 2024/3015, which prohibits products that were made using forced labor at any point of their production from being placed on the EU market.

The Regulation entered into force on 13 December 2024, and the ban will become effective by 14 December 2027. The ban applies universally to all products and businesses placing products on the EU market, including small and micro-enterprises.

While the Regulation does not create any new due diligence obligations for economic operators, it is intended to sit alongside the due diligence obligations created by the CSDDD. In order to be able to ensure compliance, companies will however need detailed insights into their operations and supply chain, and it is recommended to install a due diligence system to this end. This is especially relevant for smaller companies that are not subject to the CSDDD.

The onus to prove that a product has been made using forced labor lies with the authorities, which for products imported from outside the EU will be the EU Commission. The authorities will conduct risk-based investigations, and, where it has been established that a product was made using forced labor, can order the following:

- Prohibit products from being placed on the market;
- Order products already placed on the market to be withdrawn (unless they have already reached the consumer);
- Order products to be disposed of or recycled.

By 14 June 2026 at the latest, the EU Commission will publish best practice guidance, particularly for SMEs. In addition, the EU is tasked with setting up an indicative database of high-risk products and geographies, intended to support both authorities and companies in making risk-based decisions.

Switzerland

Switzerland introduced non-financial reporting obligations for large public companies in the Code of Obligations with effect from 2022. As of 2024, companies in scope are furthermore required to be transparent on the climate impact of their activities as specified in the Swiss Climate Disclosures Ordinance. These disclosures must be made in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

On 26 June 2024, the Swiss Federal Council proposed a draft law, aiming to extend the Corporate Sustainability Reporting Obligations and further harmonize Swiss reporting obligations with the new European Corporate Sustainability Reporting Directive (CSRD). The Council justifies this decision by stating that many Swiss companies already fall within the scope of application of the CSRD due to their strong international integration, and that further harmonization would therefore be advantageous. If enacted, companies that reach two of the following three thresholds will be in scope of the reporting obligations:

- 250 employees;
- CHF25m in total assets; and
- CHF50m in turnover.

A key difference from the EU CSRD is that companies in Switzerland will be given the choice of either basing their sustainability reporting on the EU standards or choosing another equivalent standard as defined by the Federal Council.

To also align climate reporting with the current international developments, the Federal Council proposed amending the Swiss Climate Disclosure Ordinance on 6 December 2024. With the TCFD's disbandment in 2023, the proposal now directs companies to use international standards that build upon the work of the TCFD, namely the European Sustainability Reporting Standards (ESRS) and IFRS S1 and S2. The proposal furthermore establishes minimum requirements for net-zero roadmaps for the alignment of financial flows with the 2050 net-zero target. In addition, companies will be asked to submit their reports in a human and machine-readable form, enabling publication on international platforms. Interested parties are invited to submit comments on this proposal until **21 March 2025.**

United Kingdom

In the UK, listed and large non-listed companies as well as LLPs are required to disclose their climate-related impact in line with the TCFD recommendations. Similar to Switzerland, the UK is currently examining possibilities to further align the disclosure requirements with current international developments. When IFRS S1 and S2 were published in July 2023, the UK government conducted a first assessment and consultation of their prospective use in the UK. In December 2024, the Financial Reporting Council (FRC) published its recommendations, advising endorsement of the standards with minor amendments. The suggested amendments include extending the 'climate first' reporting relief from one to two years and suggesting the development of guidance on how entities can align IFRS S1 with existing sustainability-related disclosure requirements under the current UK legal framework. The recommendations will now be considered by the Secretary of State for Business and Trade, which is expected to hold an official consultation in Q1 of 2025. At the same time, the secretary is expected to consult on an amendment to the current climate disclosure rules in the UK in order to align them with the new standards.

05. IFRS Global Implementations

In June 2023, the International Sustainability Standards Board (ISSB) officially launched the IFRS Sustainability Reporting Standards S1 and S2, which cover general requirements for disclosure of sustainability-related information and climate-related disclosures, respectively.

Since then, governments around the world have proceeded with adopting the standards with indigenous modifications and adaptations or have pledged to align their sustainability reporting regimes with the IFRS standards. According to this IFRS report on global progress on corporate climate-related disclosures, published in November 2024, 30 jurisdictions have decided to utilize or strive for the introduction of ISSB standards for sustainability reporting by September 2024, and the momentum has certainly carried into the first months of 2025.

In 2024, the IFRS foundation also issued several publications with practical guidance for the standards' application. One document is the educational material on sustainability-related risks and opportunities and the disclosure of material information, which discusses more thoroughly the two central concepts of "sustainability-related risks" and "material information" in sustainability reporting as well as how sustainability reporting can be integrated with disclosures of financial information.

The guidance document on the voluntary application of ISSB standards furthermore sheds light on how preparers of sustainability reports can make use of the IFRS S1 and S2 in the absence of concrete regulatory contents. The IFRS foundation also offers guidance on interoperability considerations when applying the corresponding GRI and ISSB standards, which helps to clarify the common and divergent features between the two and prepare companies for a smooth transition to the IFRS standards. For stock exchanges, the IFRS foundation published this guidance document to help them educate and train entities in applying the IFRS standards. Recently, the IFRS foundation has published a

new guide to help companies execute the "climate-first" approach for applying IFRS S1 while reporting on climate-related disclosures in line with the requirements of IFRS S2.

Building on the early moves of 2023, we will cover key developments of the global spread of IFRS standards across geographies in 2024 in the following section. Further information on the legal texts can be found on our compliance platform C2P.

06. Asia Pacific

Australia

On 20 September 2024, the Australian Accounting Standards Board (AASB) approved the ISSB-aligned sustainability reporting standards during its meeting No. 209. At the meeting, the AASB Board formally voted to pronounce AASB S1 as a voluntary standard and AASB S2 as a mandatory standard for large and listed companies. This follows the passage of the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024 through the Federal Parliament, which empowered AASB to issue sustainability standards.

The Australian Sustainability Reporting Standards (ASRS) essentially comprise:

- ASSB S1 General Requirements for Disclosure of Sustainability-related Financial Information;
- ASSB S2 Climate-related Financial Disclosures.

ASSB 1 was developed using IFRS S1 as a baseline. While the exposure draft of ASSB 1 was limited to climate-related financial information, the finalized version is now aligned with IFRS S1 and encompasses the entire spectrum of sustainability disclosures.

ASSB 2 is a mandatory standard under the Corporation Act. It incorporates IFRS S2 Climate-related Disclosures and will come into effect from 1 January 2025. In order to create consistency with AASB S2, AASB S1 also has an effective date of 1 January 2025, despite its voluntary nature. Compared with IFRS S1, ASSB 2 removes references to Sustainability Accounting Standards Board (SASB) standards, including IFRS S2 industry-based standards.

ASSB 2 will apply progressively, affecting the following groups of companies for financial years:

- FY 2025: Group 1 companies - companies that fulfil two of the following criteria:
    - AU $1billion gross assets or more;
    - 500 employees;
    - AU $500m annual consolidated revenue.
- FY 2026: Group 2 companies - companies that fulfil at least two of the following criteria:
    - AU $200m annual consolidated revenue;
    - 250 employees;
    - AU $500m gross assets.
- FY 2027: Group 3 companies - companies that fulfil at least two of the following criteria:
    - AU $50m annual revenue;
    - 100 employees;
    - AU $25m gross assets.

In November 2024, the Australian Securities and Investments Commission (ASIC) proposed two documents on sustainability reporting and the implementation of the ASSB standards. The draft amendment of Instrument 20203/563 on financial reporting by stapled entities aims to extend the consolidation or combination of statements for staple entities to sustainability statements, while the draft guidance on sustainability reporting provides information on the scope of issuers to prepare sustainability reports, the interaction between the new regulatory framework and existing requirements and the approach the ASIC intends to take regarding the new obligations, including on granting relief.

Consultations have closed for both proposals and the final versions are yet to be published.

Hot off the press, the Australian Auditing and Assurance Standards Board (AUASB) adopted ISSA 5000 General Requirements for Sustainability Assurance Engagements in Australia on 28 January 2025, one day after its formal publication. The localized version ASSA 5000 will apply to sustainability assurance engagements for reporting periods beginning on or after 1 January 2025 as part of the sustainability reporting regime prescribed in the ASSB standards. Details of the timeline for different groups of entities can be found in the text of the announcement.

Illegal Logging:

The Illegal Logging Prohibition Amendment (Strengthening Measures to Prevent Illegal Timber Trade) Act 2024 was adopted by the Australian Parliament on 17 September 2024 and is set to enter into force on 3 March 2025. It applies to importers of regulated timber products and processors of raw logs, including partnerships, trusts, and unincorporated bodies and associations. By modernizing Australia's illegal logging laws, this Act aims to make Australia an even less attractive destination for illegally sourced timber and further protect its reputation in international markets as a supplier of sustainable and legally sourced timber products.

The Act introduces several important changes:

- Consolidation of offenses and civil penalty provisions for clarity and consistency;
- Alternative and more flexible enforcement options, including strict liability offenses and civil penalties for providing false or misleading information;
- Extended monitoring and investigation powers, including the ability to take, test, and analyze samples of regulated timber products;
- Requirement for notice to be given for regulated timber products brought into Australia and for processing of raw logs within Australia;
- Enhanced powers for inspectors to determine the species and harvest origin of products under biosecurity or customs control.

The Act strengthens enforcement mechanisms by:

- Extending the time period for issuing infringement notices to 24 months;
- Enabling the Secretary of the Department to require information or audits to determine compliance with due diligence requirements;
- Authorizing the publication of details of contraventions on the Department's website.

The Act is implemented by the Illegal Logging Prohibition Rules 2024, which were adopted in December 2024 and shall enter into force on 3 March 2025. They will introduce the following changes to some steps of the due diligence process:

- The three risk assessment methods in the current Regulation will be replaced with two distinct risk assessment pathways for certified or non-certified timber and timber products/raw logs;
- A new repeat due diligence exception is introduced for import or process of the same timber, timber products or raw logs from the same supplier within 12 months;
- An exception for processors who are also those who harvested the raw log is introduced.

More clarifications on how the new Act and Rules shall be implemented can be found in this guidance document, published in January 2025 by the Australian Government Department of Agriculture, Fisheries and Forestry. The Department also published guidance materials for importers and processors for them to navigate the new requirements ahead of 3 March 2025.

Japan

Japan has made the decision to incorporate IFRS-aligned sustainability disclosure requirements into its corporate reporting framework. Specifically, three exposure drafts of Japanese sustainability disclosure standards (SSBJ EDs) were issued on 29 March 2024. These include:

- Universal Sustainability Disclosure Standard Exposure Draft "Application of the Sustainability Disclosure Standards" (the Application ED);
- Theme-based Sustainability Disclosure Standard Exposure Draft No. 1 "General Disclosures" (the General ED);
- Theme-based Sustainability Disclosure Standard Exposure Draft No. 2 "Climate-related Disclosures" ("the Climate ED").

These exposure drafts are aligned with the IFRS standards S1 and S2. Requirements of IFRS S1 other than those included in the "core content" section are included in the Application ED, whereas those in the "core content" are included in the General ED. The Climate ED contains the requirements specified in IFRS S2. No mandatory timeline has been provided for the application of the SSBJ EDs, which would be later prescribed by laws and regulations. Voluntary disclosures of climate-related risks and opportunities in line with the Climate ED, however, may be completed as early as the annual reporting period ending on or after the date of publication.

The Climate ED also establishes a one year transition period, during which companies may omit disclosing comparative information and scope 3 emissions. This transition period would apply only during the first year of application of the standard. Likewise, the standard would authorize companies to use a different method than the GHG Protocol (2004) to measure their greenhouse gas emissions in the annual reporting period immediately preceding the first reporting period to which this standard applies. When an alternative calculation method is used, this choice and the reasons for it must be disclosed. Moreover, during the first year of application of the standards, companies may decide to only disclose information about climate-related risks and opportunities in accordance with the Climate Standard. This fact must however be stated in the report.

The SSBJ EDs also proposes to add jurisdiction-specific requirements not included in the IFRS standards, including specification of the units of presentation for GHG emissions, date of authorization for issue of the reports, publication of resilience assessment, disaggregated Scope 3 emissions, etc. More information on the SSBJ EDs' relationship with the IFRS standards can be found here and here in these English-language comparison tables published by the SSBJ Secretariat.

The consultation of the exposure drafts resulted in a high number of comments and the SSBJ proposed a revised draft of the

SSBJ EDs on 29 November 2024. The revised proposed text only entails limited changes mainly concerning the calculation period for the reporting of metrics. The revised exposure draft suggests that if the calculation period for reporting metrics differs from the reporting period of the sustainability-related financial disclosures and the corresponding financial statements, priority should be given to aligning the periods. Where this is the case, the calculation periods shall be aligned using a reasonable method as will be recommended by the Board. This proposal shall also apply where the entity reports its GHG emissions based on the Japanese Act on Promotion of Global Warming Countermeasures using a method other than the GHG Protocol (2004).

The consultation period for the revised draft ended on 10 January 2025 and the final versions of the SSBJ EDs are expected to be published by the end of March 2025 as per this information sheet on the revised proposals.

South Korea

On 30 April 2024, the Korea Sustainability Standards Board (KSSB) of the Korea Accounting Institute (KAI) published an exposure draft of the Korean Sustainability Disclosure Standards, shortly after South Korea published official Korean versions of the IFRS standards S1 and S2 back in 2023.

The proposed standards comprise mandatory disclosure standards (KSSB 1 and KSSB 2), which are based on IFRS standards S1 and S2, respectively, and an additional voluntary disclosure standard (KSSB 101) on additional disclosure aligned with policy objectives. KSSB 1 takes a climate-first approach and proposes that non-climate-related sustainability risks and opportunities shall be reported on a topic-by-topic basis as determined by reporting entities. It also proposes that the date of authorization for sustainability-related information as well as the person who granted the authorization shall be included in the final report to ensure greater transparency.

The draft mandatory standards shall impose obligations on companies to report their Scope 1, 2 and 3 emissions, although the specific timeline for Scope 3 disclosures shall be determined based on the result of the consultation by the relevant authorities. KSSB 101, on the other hand, aims to gather information that is nevertheless scattered in different reports according to Korean sustainability-related laws or regulations and facilitate the promotion of sustainability-enhancing governmental policies. More information can be found in this press release in English.

The consultation period for the draft standards ended on 31 August 2024. On 30 December 2024, the Korean Financial Services Commission (FSC) indicated in a press release that the final versions of the Korean Sustainability Disclosure Standards, alongside a roadmap for implementation, shall be published in the first half of 2025. Compliance & Risks will continue to monitor the expected release of the final publications.

China

Since April 2024, Stock Exchanges across China in Shanghai, Shenzhen, and Beijing issued the Sustainability Reporting Guidelines for Select Listed Companies (Trial), which require major issuers in China to disclose on a wide range of ESG/sustainable development topics. The issuers are among those of the 180 biggest companies on the Shanghai Stock Exchange (SSE), the 100 biggest companies on the Shenzhen Stock Exchange, the 50 biggest companies on the Shanghai Science and Technology Innovation Board Index, the 100 biggest companies on the Shenzhen Stock Exchange's ChiNext board, as well as companies simultaneously listed in China and overseas stock markets. Under these new guidelines, certain large issuers would have to publish their first sustainability report by 30 April 2026, covering the financial year 2025. Scope 1 and Scope 2 GHG emissions are to be included in the reports, whereas disclosures of Scope 3 emissions are encouraged.

Since then, China has also made progress towards integrating the IFRS S1 and S2 standards into its future sustainability reporting regime. Notably, the Chinese Ministry of Finance (MoF), along with several other ministries and agencies, released the text for the Sustainability Disclosure Standards for Business Enterprises - Basic Standards (Trial) on 17 December 2024.

The standard aims to establish an ISSB-aligned and unified mandatory sustainability reporting system by 2030. The standard also intends to introduce the basic sustainability-related and climate-related disclosure standards and the implementation of such standards by 2027.

Additionally, the reporting period for sustainability disclosures should coincide with the reporting timelines for financial statements, and enterprises should disclose sustainability information annually. Sustainability-related information must be disclosed in a stand-alone sustainability report. The report must be drafted in clear and structured language and may be disclosed to the public at the same time as the financial statement. Enterprises should ensure that their sustainability reports are accessible on their official websites or through other appropriate channels.

The MoF also published FAQs on the basic standards providing an overview of the standards and clarifying that they have been generally aligned with IFRS S1 on information quality characteristics, disclosure elements and related disclosure requirements.

Before specific regulations are made regarding the applicability and application requirements of the standards, companies in China can apply the basic standards on a voluntary basis.

Hong Kong (China)

Hong Kong has been a proactive champion of the IFRS standards. It has launched a consultation on ESG reporting with the aim to adopt the IFRS standards as early as April 2023. Results from the consultation were released in April 2024 and the Stock Exchange of Hong Kong Limited also published the revised Listing Rules on climate-related disclosures. All listed companies (i.e. LargeCap Issues, Main Board issuers and GEM issuers) will be required to disclose their Scopes 1 and 2 emissions from FY 2025 as the new rules enter into force on 1 January 2025. In addition to the above, the Hong Kong Stock Exchange also released a guidance document to help issuers meet their new climate reporting obligations. A vision statement on sustainability reporting ecosystem was also issued in March.

On 12 December 2024, the final texts of the HKFRS S1 and HKFRS S2, which are fully aligned with IFRS standards S1 and S2, were published by the Hong Kong Institute of Certified Public Accountants (HKICPA). The exposure draft of the standards was published on 16 September 2024 and the consultation period ended on 27 October 2024.

Referred to as HKFRS SDS, the Hong Kong sustainability reporting standards aim to provide complete convergence with the IFRS standards and will take effect on 1 August 2025.

According to the roadmap on sustainability disclosure in Hong Kong, published two days prior to the release of the final HKFRS SDS texts, large publicly accountable entities (PAEs) are to fully adopt the IFRS standards no later than 2028. Details are as follows:

- All Main Board issuers are required to disclose against the New Climate Requirements modelling on IFRS S2 on a "comply or explain" basis starting from FY 2025;
- Issuers that are Hang Seng Composite LargeCap Index constituents ("Large Cap Issuers") are required to disclose against the New Climate Requirements mandatorily starting from FY 2026;
- Sustainability reporting in line with IFRS S1/HKFRS S1 for listed PAEs will start from FY 2028 after consultation with the market in the previous year under a proportionate approach.

The roadmap also mentions that a proposed local regulatory framework for sustainability assurance is expected to be released for public consultation in 2025.

More information can be found in these FAQs and interested parties may also submit their implementation questions on HKFRS SDS on this online platform.

Singapore

Singapore already signaled its intention to adopt localized versions of the IFRS standards S1 and S2 back in July 2023, when the Accounting and Corporate Regulatory Authority (ACRA) and Singapore Exchange Regulation (SGX RegCo) launched a public consultation on the subject. On 7 March 2024, the SGX RegCo published another consultation document on enhancing consistency and comparability in sustainability reporting. The series of consultations eventually culminated in the SGX RegCo's final decision from 23 September 2024 to incorporate the IFRS standards into its sustainability reporting regime.

Beginning with FY 2025, all issuers are required to start reporting their Scope 1 and Scope 2 greenhouse gas (GHG) emissions, with the first reports due to be published in FY 2026. From this date, their climate-related disclosures must also start incorporating the climate-related requirements specified in IFRS S2. Disclosures of other non-climate-related issues (covered in IFRS S1) would however be delayed until FY 2026 to provide time for issuers to focus on their climate-related disclosures. The SGX RegCo noted the potential challenges faced by small issuers regarding Scope 3 emissions. Therefore, it has refrained from setting a definitive roadmap for reporting Scope 3 emissions and will instead focus on prioritizing larger issuers by market capitalization with the intention that they report Scope 3 GHG emissions from the accounting period of FY 2026.

Indonesia

On 17 December 2024, the Institute of Indonesia Chartered Accountants (IAI) Sustainability Standard Board endorsed the exposure drafts of DE PSPK 1 and DE PSPK 2 on sustainability reporting and disclosure of climate-related risks and opportunities, which are aligned with IFRS standards S1 and S2, respectively. Prior to this, the IAI also issued a consultation paper on a roadmap for sustainability disclosure standards in November 2024.

The DE PSPK 1 and 2 standards propose to be applied mandatorily for FY 2027 (first report due in FY 2028), and early adoption is permitted. The following transition reliefs are also proposed:

- Within a period of 3 years from when the entity first applies DE PSPK 1, the entity shall disclose information on climate-related risks and opportunities (climate first reporting);
- Within the first 3-year period since an entity first applies DE PSPK 2, entities are allowed to (a) use a method other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) to measure greenhouse gas emissions, and (b) not disclose scope 3 greenhouse gas emissions.

The exposure drafts are open for comments until 31 March 2025 and interested parties may submit their feedback by email to dsk@iaiglobal.or.id or iai-info@iaiglobal.or.id.

Malaysia

A significant step for corporate sustainability disclosures is the release of the National Sustainability Reporting Framework (NSRF) on 24 September 2024 by the Securities Commission Malaysia. It deals with the use of the IFRS standards S1 and S2 as the baseline for sustainability reporting and assurance in Malaysia.

The NSRF applies to listed issuers on Bursa Malaysia's Main and ACE Markets, as well as large non-listed companies (NLCos) with annual revenue of RM2 billion and above. It introduces a phased approach to the adoption of IFRS-compliant reporting requirements as follows:

- FY 2026: Main Market listed issuers with market capitalization (excluding treasury shares) of RM 2 billion and above (Group 1) to report on FY 2025 results;
- FY 2027: Main Market listed issuers, other than listed issuers in Group 1 (Group 2) to report on FY 2026 results;
- FY 2028: Listed issuers on the ACE Market as well as large Non-listed companies (NLCos) with annual revenue of RM2 billion and above (Group 3) to report on FY 2027 results.

Similarly, entities in different groups are given different, phased requirements on obtaining assurance.

A climate-first transition relief is offered to Group 1 and 2 entities for the first two reporting years, during which they are allowed to focus on climate-related risks and opportunities and can leave out Scope 3 emissions. Group 3 entities can make use of this relief for the first three reporting years.

Hot off the press, the Commission published a simplified guide on the NSRF on 21 January 2025. It is aimed at the board of directors and provides concise, actionable advice on how to fulfill the sustainability reporting requirements and embed sustainability in the processes of corporate decision-making.

Thailand

The Thai Securities and Exchange Commission (SEC) proposed [disclosure standards] to align Thai business disclosures with the IFRS standards S1 and S2 on 19 November 2024. According to the proposal, companies would be categorized based on Stock Exchange of Thailand (SET) indices: SET 50 - index of 50 largest and most liquid stocks, and SET 100 - index includes the SET50 and the next 50 largest and most liquid companies. SET50 would have to start reporting in FY 2027 (covering FY 2026 results), while those in the SET100 group would start reporting in 2028 (covering FY 2027 results). Smaller companies outside of the two SETs would begin reporting in 2030 (covering FY 2029 results).

The proposal contains significant transition reliefs, including:

- Comparative Reporting: for the first reporting year, no comparative data from the previous year will be required, since companies are not expected to have tracked this information;
- Climate-First Reporting: climate disclosures will be the priority for the first five (5) years using only the climate sections of IFRS S1 and the entire IFRS S2. After five years, companies would have to include all disclosures set out by IFRS S1;
- Report Timing: companies are not required to disclose sustainability information in conjunction with the publication of their financial reports for the first five (5) years;
- Greenhouse Gas (GHG) Protocol: for the first five (5) years, companies would be permitted to choose the GHG accounting standards, however, after this time, the GHG Protocol 2004 would be mandated;
- Delay for Disclosure of Scope 3 GHG Emissions: for the first five (5) years, companies would be required to report only Scope 1 (direct) and Scope 2 (indirect) GHG emissions. After this period in 2032, Scope 3 (other indirect emissions) would also be required to be disclosed.

The consultation concluded on 19 December 2024.

Pakistan

On 4 October 2024, the Pakistani Securities and Exchange Commission (SECP) launched a consultation on the country's intended adoption of the IFRS standards S1 and S2. The proposed reporting timeline is as follows:

- FY 2025 (first report due in 2026): all companies fulfilling any two criteria below:
  - Annual turnover greater than Rs. 25 billion in last two consecutive financial years as per their financial statements; or
  - Number of employees (permanent and contractual) greater than 1,000 as at last financial year-end; or
  - Total assets greater than Rs. 12.5 billion as at last financial year-end.

- FY 2026 (first report due in 2027): all companies fulfilling any two criteria below:
  - Annual turnover greater than Rs. 12.5 billion in last two consecutive financial years as per their financial statements; or
  - Number of employees (permanent and contractual) greater than 500 as at last financial year-end; or
  - Total assets greater than Rs. 6.25 billion as at last financial year-end.

- FY 2027 (first report due in 2028): all other listed companies.

The consultation ended on 18 October 2024.

Sri Lanka

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued two sustainability disclosure standards in 2024, namely SLFRS S 1 - General Requirements for Disclosure of Sustainability-related Financial Information and SLFRS S 2 - Climate-related Disclosures. These standards are localized versions of the IFRS standards S1 and S2 and have been developed through cooperation between the ISSB foundation and CA Sri Lanka to ensure local contexts are taken into account. The reporting timeline is as follows:

- First 100 listed entities of the Colombo Stock Exchange: first report for FY 2025 (due in FY 2026);
- All listed entities in the Main Board of the Colombo Stock Exchange: first report for FY 2026 (due in FY 2027);
- All listed entities on the Colombo Stock Exchange, except for those on the Empower Board: first report for FY 2027 (due in FY 2028);
- Entities listed on the Colombo Stock Exchange's Empower Board as of 1 January 2024: first report for FY 2030 (due in FY 2031);
- Companies that prepare their accounts based on Sri Lanka Accounting Standards, with the last two consecutive years' annual turnover exceeding LKR 10 billion: first report for FY 2028 (due in FY 2029);
- Companies that prepare their accounts based on Sri Lanka Accounting Standards, with the last two consecutive years' annual turnover exceeding LKR 5 billion but falling short of LKR 10 billion: first report for FY 2029 (due in FY 2030);
- All other Specified Business Enterprises (SBEs) as specified in the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the regulations issued thereunder: first report for FY 2030 (due in FY 2031).

More information on Sri Lanka's and more specifically CA Sri Lanka's plan to implement the SLFRS standards S1 and S2 can be found in this roadmap, published on 6 January 2025.

07. EMEA

Turkey

Back in December 2023, the Turkish Public Oversight, Accountability and Auditing Standards Authority Board issued mandatory Sustainability Reporting Standards (TSRS 1 and TSRS 2), which are largely aligned with the ISSB standards IFRS S1 and S2. Regulated banks, investment institutions and large companies meeting certain criteria are subject to reporting requirements for FY 2024 and will need to prepare their first report in FY 2025.

On 5 September 2024, the Board issued a Decision making assurance audits of the sustainability reports prepared in line with TSRS 1 and TSRS 2 mandatory for the same time frame. Nevertheless, the exact level of assurance and principles for delivering an assurance opinion will be determined at a later stage by the Board.

Qatar

On 17 December 2024, the Qatar Financial Centre Regulatory Authority (QFCRA) published a Consultation Paper on proposed amendments to General Rules on Corporate Sustainability Reporting. It proposes that authorized firms incorporated under the Companies Regulations as well as certain financial institutions shall prepare and submit to the QFCRA sustainability reports in line with the IFRS standards starting from FY 2027 (accounting period starting from FY 2026). Companies are exempted from including scope 3 emissions in their reports for the first two reporting periods, and an additional one-year relief is given for the provision of comparative information on Scope 3 emissions.

The consultation period ends on 25 March 2025 and interested parties may submit their comments to the QFCRA by email to consultationpapers@qfcra.com.

Jordan

In December 2024, Jordan's Amman Stock Exchange (ASE) issued a comprehensive Climate-Related Disclosure Guidance to implement climate-related disclosures aligned with IFRS standards S1 and S2.

It requires all companies listed on the ASE20 Index to report on climate-related information in line with the IFRS standards, whereas other listed companies are strongly encouraged to voluntarily adopt these reporting practices.

The first mandatory reporting period would be FY 2028, covering climate-related information for FY 2027, and the transition reliefs provided for in the IFRS standards are to be upheld.

Nigeria

On 22 April 2024, the Financial Reporting Council of Nigeria published a roadmap report for the adoption of IFRS disclosure standards in Nigeria. This signals Nigeria's further regulatory push towards alignment with the IFRS standards after officially announcing its intention to apply the standards at COP 27 in November 2022, before the standards were finalized. The roadmap suggests the following arrangements for Nigeria's adoption of the IFRS standards:

- Phase 1 - Early adopters: reporting starts in FY 2024 (covering accounting period in FY 2023);
- Phase 2 - Voluntary adopters: reporting starts in FY 2025 (covering accounting period in FY 2024) through to FY 2028;
- Phase 3 - Mandatory adoption: PIEs to report starting in FY 2029 (covering accounting period in FY 2028) and SMEs to report starting in FY 2031 (covering accounting period in FY 2028).

Ghana

The Ghana Institute of Chartered Accountants (ICAG) published a roadmap on IFRS sustainability disclosure adoption in June 2024.

Voluntary adoption for companies shall start from FY 2024 and companies wishing to take part shall complete a readiness assessment by 30 August 2024.

Mandatory adoption will be phased-in for Significant Public Interest Entities (SPIEs), who will need to adopt both IFRS S1 and S2 starting from FY 2027, and Other Mandatory Adopters (OMAs), which are essentially non-SME public interest entities in the private sector, who will adopt the standards starting from FY 2028.

The sustainability reporting timeline is intended to be aligned with the financial reporting timeframe, subject to the transition reliefs provided by the IFRS standards.

Kenya

The Institute of Certified Public Accountants of Kenya (ICPAK) published a roadmap for adoption of the IFRS standards in Kenya on 14 November 2024, following its decision to apply the standards back in September 2023. The roadmap suggests that voluntary adoption of the IFRS standards shall begin with FY 2024, whereas mandatory adoption for public interest entities (PIEs), non-PIEs that are large enterprises, and non-PIE SMEs shall begin with FY 2027, FY 2028, FY 2029, respectively.

Tanzania

On 1 July 2024, the National Board of Accountants and Auditors (NBAA) of Tanzania issued a technical pronouncement on the adoption and implementation of ISSB standards in the country. It requires mandatory adoption starting from FY 2025 for all Public Interest Entities (PIEs) as per the NBAA Technical Pronouncement No. 1 of 2018. According to this proposed roadmap, the disclosures shall include Scope 1 and Scope 2 emissions, whereas reporting of Scope 3 emissions shall be required on a phased-in basis starting from FY 2025, FY 2026, FY 2027 and FY 2028 for different categories.

08. North America and LATAM

Canada

On December 18, 2024, the Canadian Sustainability Standards Board (CSSB) announced the release of two landmark sustainability disclosure standards CSDS 1 and CSDS 2, which are based on IFRS standards S1 and S2, respectively.

In the initial Exposure Drafts, the CSSB introduced additional transition reliefs compared to IFRS S1 and IFRS S2. These included a one-year relief for the effective date of the standards, the start of reporting on sustainability matters beyond climate, and the start of reporting on Scope 3 GHG emissions. In finalizing CSDS 1 and CSDS 2, the CSSB maintained these transition reliefs and introduced further measures. These include:

- Two additional years of relief for aligned reporting, with reporting required within six months after the second- and third-year ends, respectively;
- Three years of relief for the quantitative aspects of scenario analysis data reporting, while qualitative aspects remain required; and
- An additional year of transition relief for Scope 3 GHG emissions reporting.

CSDS 1 and CSDS 2 and their accompanying Bases for Conclusions are now part of the CPA Canada Handbook – Sustainability. Subscriptions to this Handbook are available free of charge until 31 March 2025. It should also be noted that these standards are voluntary unless mandated by regulators or governments.

A summary table of the key changes to the final versions of CSDS 1 and CSDS 2 in comparison to the IFRS standards and the Canadian standards' exposure drafts can be found here. More details on the changes can be found here.

More recently on 7 January 2025, the CSSB published its proposed strategic plan for 2025-2028. The plan suggests that the CSSB puts the potential development of additional sustainability standards and/or guidance as a priority for the next three years to come. These may include separate standards for Canadian SMEs.

Supply Chain Due Diligence

Public Safety Canada published an updated version of its guidance for entities required to report on risks related to forced labor practices in their supply chain as per the Fighting Against Forced Labour and Child Labour in Supply Chains Act, which entered into force on 1 Janaury 2024. It clarifies key information regarding the reporting obligations, including companies in scope, reporting triggers and how to repurpose reports originally intended for reporting in another jurisdiction.

Brazil

On 29 October 2024, the Securities and Exchange Commission in Brazil published its final resolutions on sustainability disclosures, which are based on the feedback of two consultations held in April 2024 on adoption of IFRS standards S1 and S2.

The final rules consist of the following three resolutions:

- CVM Resolution 217: This resolution contains the final text on 'General Requirements for Disclosure of Sustainability-related Financial Information', based on IFRS S1. It mandates that publicly traded companies adopt the Technical Pronouncement No. 01 on sustainability, issued by the Brazilian Committee on Sustainability Pronouncements (CBPS), as specified in Annex "A";
- CVM Resolution 218: This resolution entails the final text on 'Climate-related Disclosures', based on IFRS S2. It mandates that publicly traded companies comply with the Committee Technical Pronouncement No. 02 as detailed in Annex "A";
- CVM Resolution 219: Resolution 219 amends Resolution CVM NO. 193 on the Preparation and Disclosure of the Sustainability Financial Information from 2023. The amendment defines new deadlines for the submission of financial information. During the period of voluntary disclosures before FY 2026, information shall be submitted within 9 months after the end of the financial year. As soon as disclosures become mandatory, sustainability information shall be submitted on the date of submission of the Reference Form. Starting from the second year of mandatory disclosures, sustainability information shall be submitted within three months after the end of the financial year.

Resolutions 217 and 218 entered into force on 1 November 2024. The disclosure requirements are applicable for fiscal years starting on or after 1 January 2026 with first reports due in FY 2027. More information on the resolutions can be found in this press release.

Chile

On 28 October 2024, the Chilean Financial Market Commission (CMF) published General Standard (NCG) No. 519, which amends NCG No. 461, among others.

While NCG No. 461 had already pushed forward IFRS reporting, the new Standard 519 mandates that companies must present reports based on IFRS standards S1 and S2, starting in FY 2026 with first reports due in FY 2027. A transition regime is available.

Companies can also choose to adopt these standards voluntarily before they come into effect, in which case they must explicitly state this in the report.

Costa Rica

On 10 January 2024, the Costa Rican College of Public Accountants (CCPA) published a circular on the adoption of IFRS S1 and S2. The adoption of the standards began on 1 January 2024, with reporting in line with the IFRS standards being voluntary for the financial year starting on this day.

The timeline for mandatory adoption is as follows:

- Companies with a public obligation to render accounts, supervised and regulated by CONASSIF, will report in FY 2026 the information for FY 2025;
- Companies classified as large taxpayers before the Tax Administration and outside of the previous subsection will report in FY 2027 the information for FY 2026;
- SMEs would not need to adopt the standards mandatorily until the Standard deems it so.

Bolivia

The Bolivian National Technical Council on Auditing and Accounting (CTNAC) and the Organic Body of the College of Auditors or Public Accountants of Bolivia (CAUB) published a resolution on 21 March 2024 announcing that Bolivia would adopt the current and coming IFRS standards by entities that carry out economic activities throughout the country as of 1 January 2027.

The resolution is set to enter into force on 1 March 2027, while early application is also permitted.

Mexico

Hot off the press, the Mexican National Banking and Securities Commission published a Resolution on 28 January 2025 approving the application of IFRS standards S1 and S2 and introducing new sustainability and climate disclosure obligations. According to the Resolution, issuers listed on the Mexican stock market shall adopt the IFRS standards S1 and S2 in their sustainability reports mandatorily. The first report is due in FY 2026, covering the FY 2025 period. One year later, third-party assurance reports shall become mandatory, starting with limited assurance and transitioning to reasonable assurance levels. Foreign issuers of securities listed in Mexico shall report as per IFRS Standards or the equivalent legislation of their home country.

09. Global Developments Outside of IFRS

USA

ESG Reporting

ESG reporting in the United States of America has undergone marked turbulence in 2024 and beyond. Originally proposed in April 2022, the Securities and Exchange Commission (SEC) adopted the Final Rule on climate disclosures on 6 March 2024. The Final Rule itself requires registrants to disclose:

- Material climate-related risks and their activities to mitigate/adapt to such risks;
- Details of the registrant's board of directors' oversight of climate-related risks and management's role in managing material climate-related risks; and
- Information on climate-related targets or goals that are material to the registrant's business, results of operations, or financial condition.

The SEC has dropped Scope 3 emissions from the Final Rule, which now requires disclosure of 'material' Scope 1 and/or Scope 2 GHG emissions only on a phased-in basis by certain larger registrants.

However, the Final Rule has been challenged in court immediately after its adoption, and SEC has since decided to voluntarily stay their application in April 2024. Those challenging the Rule alleged that the requirements would create excessive burdens and expenses for companies, that the requested information (such as GHG emissions data) is not reliable, and that the Rule exceeds the authority of the SEC. The petitions were ultimately consolidated in the Eighth Circuit court and resulted in the pause of the Rule's implementation, while SEC declared its intention to execute a vigorous defense of the new requirements.

The Trump presidency's 360-degree turn on climate-related issues, including its decision to withdraw from the Paris Agreement after former President Biden's move to rejoin the convention as well as stop funding United Nations-backed climate initiatives, has put a different spin on the Rule's fate going into 2025. On 9 January 2025, a bill was introduced in the US House of Representatives, aiming to ban the SEC from requiring issuers to "make climate-related disclosures that are not material to investors". A statement from the SEC's acting Chairperson Mark Uyeda suggests that he has directed the SEC's staff to notify the Court that the SEC shall not be in a position to provide arguments on the Rule's' behalf, since it "is deeply flawed and could inflict significant harm on the capital markets and [the American] economy." The SEC Commissioner Caroline Crenshaw, nevertheless, issued a statement on her behalf, in which she defended the SEC's authority to issue and implement the Rule and called the position of the acting Chairperson "unilaterally taken".

While the jury is formally still in the process of debating the Rule, state-level legislative efforts are already underway to address regulatory gaps in climate disclosures. California, for example, has enacted Senate Bill 219 (SB 219) on 27 September 2024, amending its two climate-related Acts enacted in 2023, the Climate Corporate Data Accountability Act (SB 253) and the Climate-Related Financial Risk Reporting Act (SB 261). SB 219 makes no changes to the compliance deadlines of both SB 253 and SB 261, but it offers reliefs to companies, as climate disclosure reports can now be consolidated at the parent company level. SB 219 also requires entities to disclose their Scope 3 emissions on a schedule specified by the California Air Resource Board (CARB), instead of no later than 180 days after disclosure of Scope 1 and Scope 2 emissions publicly for reporting entities under SB 253, which offers greater regulatory flexibility. As of February 2025, the CARB is soliciting feedback from the public on the implementation of the climate disclosure Acts with regards to the California Corporate Greenhouse Gas (GHG) Reporting and Climate Related Financial Risk Disclosure Programs.

In 2025, both New York and Colorado proposed mandatory climate disclosure bills in their state legislature, mirroring the California Acts. Introduced on 27 January 2025 by New York State Senator Hoylman-Siegel, Senate Bill 3456 "Climate Corporate Accountability Act" is a reintroduction of SB 897A, which was initially put on the floors in 2023 but failed to pass. The functioning of the New York Climate Accountability Act is very similar to the Californian Senate Bill 253 Enacted (Climate Accountability Act) in that it requires companies with total revenues in excess of one billion dollars doing business in New York State to disclose the following information:

- Scope 1 and 2 GHG emissions, starting in 2027 and annually thereafter;
- Scope 3 GHG emissions, starting in 2028 and annually thereafter.

The Colorado House Bill 25-1119 'Greenhouse Gas Emissions Act' was introduced on 28 January 2025. Similar to its Californian and New York counterparts, the bill seeks to require companies operating in the state (including subsidiaries) with revenues in excess of one billion dollars to disclose the following information:

- Scope 1 and 2 GHG emissions, starting in 2028 and annually thereafter;
- Scope 3 GHG emissions, partial disclosure for purchased goods, capital goods and product use starting in 2029 and additional categories in 2030 and 2031, and annually thereafter.

The bill also allows companies to refrain from disclosing certain information based on free speech grounds. Companies should notify the Attorney General in advance, if they do not wish to disclose.

Supply Chain Due Diligence

On 9 July 2024, the Department of Homeland Security published the 2024 Updates to the Strategy to Prevent the Importation of Goods Mined, Produced, or Manufactured with Forced Labor in the People's Republic of China. This is a document prepared pursuant to Section 2 of the Uyghur Forced Labor Prevention Act (UFPLA). The 2024 update includes additions under the following sections:

- Evaluation and Description of Forced-Labor Schemes and UFLPA Entity List;
- Additional Resources Necessary to Ensure No Goods Made with Forced Labor Enter at U.S. Ports;
- Coordination and Collaboration with Appropriate Nongovernmental Organizations and Private-Sector Entities.

Specifically, another 38 entities were added to the UFLPA Entity List during the reporting period. After the November 2024 and January 2025 updates, the UFLPA Entity List now has 144 entities listed to date. The 2024 update also adds polyvinyl chloride, aluminum and seafood to the list of high-priority sectors for enforcement where Uyghur forced labor is likely on top of apparel, cotton and cotton products, silica-based products (including polysilicon), and tomatoes and downstream products.

On 20 January 2025, the United States Trade Representative (USTR) Katherine Tai announced the publication of the landmark Trade Strategy to Combat Forced Labor. It highlights the UFPLA as a significant achievement of the USTR under the Biden administration and an important tool to combat forced labor abroad.

Along similar lines, Florida approved House Bill 1331 (HB 1331) on commodities produced by forced labor on 15 May 2024, which entered into force on 1 July 2024.

HB 1331 requires the Department of Management Services (DMS) to create and maintain a forced labor vendor list of companies that have been disqualified from public contracting for 365 days, and prohibits public contracts with companies on the list. Companies submitting false information on certification of absence of forced labor shall be penalized.

ISO and ISSA Standards and Guidelines

ISO/UNDP PAS 53002

The International Standards Organization (ISO) and the United Nations Development Programme (UNDP) released ISO/UNDP PAS 53002:2024 - Guidelines for contributing to the United Nations Sustainable Development Goals (SDGs) in September 2024.

The new guidelines aim to take organizations from SDG alignment to SDG action, showcasing different business models and new ways of working. Addressing organizations of all sizes across all sectors, the guidelines are particularly helpful for top level decision-makers who can use them as a practical tool to create positive change tailored to their specific situation. The guidelines help to identify relevant SDGs, integrate them into business strategies, measure and monitor progress, and engage stakeholders.

The guidelines complement existing sustainability standards such as ISO 14001, which focuses on environmental management systems and ISO's circular economy standards, including ISO 59020. Together, these standards enable organizations to enhance their sustainability performance across various dimensions.

IWA 48:2024 - ESG Implementation Principles

In an effort to promote global alignment in ESG reporting, the ISO furthermore took on the task of developing a framework for implementing environmental, social and governance principles. The framework was published as IWA 48:2024 in November 2024 and can be accessed free of charge.

IWA 48 provides a high-level structure for the implementation of ESG across all types of organizations and aims to serve as a globally understood language for ESG practices, which is complementary and interoperable with existing voluntary and regulatory reporting frameworks.

The implementation guide supports conducting an effective stakeholder engagement and materiality assessment, setting up a KPI measurement framework, communicating ESG efforts and creating a compliance and conformity assessment system.

Sustainability Assurance Standard ISSA 5000

On 12 November 2024, the International Auditing and Assurance Standards Board (IAASB) published the finalized version of the International Standard on Sustainability Assurance (ISSA 5000) - General Requirements for Sustainability Assurance Engagements. The Standard aims to provide a comprehensive framework for all types of sustainability assurance engagements under multiple frameworks, and can be used by both professional accountants and non-accountant assurance practitioners. To support the application of ISSA 5000, IAASB issued an implementation guide, fact sheet and FAQ document in January 2025.

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