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Overview and Comparison of Jurisdictional Uptake of International Sustainability Reporting Standards

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01. About The Author

Célia Le Lievre
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Célia is a Senior Regulatory Compliance Specialist with seven years experience in the regulatory compliance field and research sector for offshore renewable energy.

After graduating with a Bachelor of Law (LLB) and a Masters in Maritime Law and International Commercial Law (LLM), Célia completed a PhD on risk-based consenting for offshore renewables and worked as a compliance specialist, project manager and paralegal for a broad range of stakeholders including Government agencies, research centers and private companies.

Célia joined Compliance & Risks in January 2020. A key aspect of her role requires monitoring and reviewing regulations globally, conducting legal research and preparing customized reports to support corporate clients with their compliance obligations in the fields of ESG reporting and Environmental Health and Safety.

Prior to joining Compliance & Risks, Célia worked as a project manager in the research sector for marine renewable energy. As a project manager, she provided regulatory expertise on EU projects supporting government agencies in the implementation of EU Directives. This involved monitoring, assessing and reporting on policy and regulations affecting the commercial development of offshore wind as well as making recommendations to shape supportive policies for renewables in Ireland and the EU.

01. About The Author

Alex Li
Regulatory Compliance Specialist, Compliance & Risks

Alex is the primary Subject Matter Expert for Climate Change, Carbon Footprint and Climate Disclosures. He also oversees ESG and Sustainability Reporting as an Associate Subject Matter Expert, monitors regulatory developments in several Asian countries, and contributes regulatory content to the C2P platform regularly.

Before joining Compliance & Risks, Alex had gained experience working in government relations and market research in China where he advised clients on a broad range of issues including US-China relations, China's industry policy, and global product trends across industries including Cosmetics, Semiconductors, Consumer Electronics, Consumer Appliances, Tissue & Hygiene, and Toys & Games.

Alex graduated from Fudan University in Shanghai, China with a Bachelor of Laws in Politics and Public Administration in 2019 and McGill University in Montreal, Canada with a Master of Arts in Political Science in 2021.

He has studied and worked in China, the United States, Canada and Ireland and is proficient in English and Chinese (Mandarin).

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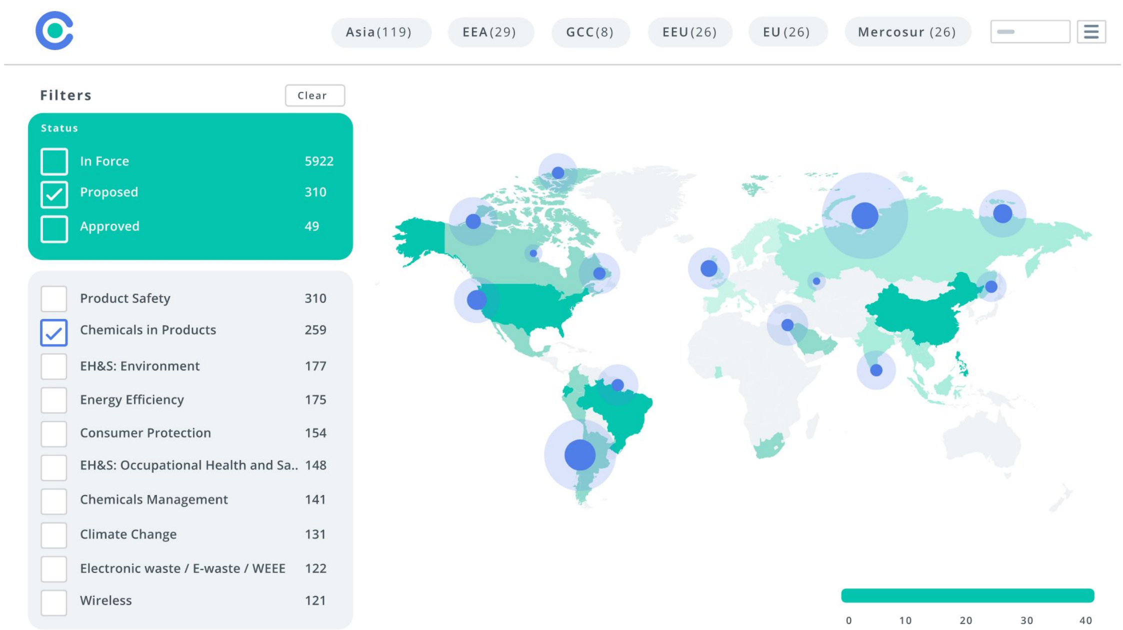

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03. Introduction

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 IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate related Disclosures* (hereafter: IFRS standards).

According to this jurisdiction profile issued by IFRS on 12 June 2025, **36 jurisdictions** have decided to adopt or strive for the introduction of ISSB standards for sustainability reporting into their regulatory frameworks. This announcement highlights the ongoing global momentum to adopt ISSB-based sustainability requirements over recent months. A prior report from November 2024 identified an early wave of 30 countries that had already embraced the IFRS sustainability standards, underscoring the accelerating pace of global adoption.

Brazil was the first country to legally adopt IFRS S1 and S2, while other jurisdictions, such as the European Union, are working toward aligning the standards with their own frameworks.

This whitepaper provides a tabular overview of the global rollout of the IFRS sustainability reporting standards in **2025**, highlighting key differences and the degree of interoperability between the IFRS standards and reporting frameworks in **selected jurisdictions**. Most importantly, it explores how the revised draft ESRS standards, issued in July 2025, will affect interoperability with their IFRS counterparts.

04. Selected examples of how jurisdictions have adopted or aligned their sustainability-related disclosure (SRD) requirements with IFRS S1 and S2 (2025)

Jurisdiction	Name of Standards	Effective Date	Status and Reporting Entities	Disclosures and Materiality	Location	Assurance	Divergence from IFRS Standards
Australia	[Australia Sustainability Reporting Standard (ASRS) AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information (Voluntary)] [ASRS AASB S2 Climate-related Disclosures] [[DRAFT] Amendments to Greenhouse Gas Emissions Disclosures Proposed amendments to AASB S2]	AASB S1: voluntary. AASB S2: 1st January 2025 (one year after effective date of IFRS S1 and S2).	Group 1 - meets two criteria out of the following three: revenue ≧ AUD 500M, gross assets ≧ AUD 1B, employees ≧ 500: first report on or after 1 January 2025 (for fiscal year 2024). Group 2 - meets two criteria out of the following three: revenue ≧ AUD 200M, gross assets ≧ AUD 500M, employees ≧ 250: first report in 1 July 2026 (for fiscal year 2025). Group 3 - meets two criteria out of the following three: revenue ≧ AUD 50M, gross assets ≧ AUD 25M, employees ≧ 100: first report on 1 July 2027 (for fiscal year 2026).	Material information about the climate-related risks and opportunities that could reasonably be expected to affect a reporting entity's cash flows, its access to finance or the cost of capital over the short, medium or long term in accordance with AASB S2. The materiality concept of IFRS S2 applies to all disclosures.	SRD to be one of the four reports required for a reporting entity annually along with financial report, directors' report and auditors' report.	Phased assurance timeline for all groups of reporting entities, starting with limited or no assurance requirements, according to the amended *Corporations Act 2001*. Mandatory reasonable assurance is required for all groups regarding all disclosed information by year 4. More information can be found [here].	Australia takes a "climate-first, but not only" approach to sustainability disclosures, which renders AASB S1, which is based on IFRS S1, voluntary. Nevertheless, AASB S2 incorporates the parts of IFRS S1 that are relevant to climate-related financial disclosures to ensure alignment with IFRS standards' overarching climate reporting goals. AASB S2 also does not include a requirement to provide industry-specific disclosures. Transition reliefs provided in AASB S2 are IFRS-aligned: • Comparative information not required for the first reporting period; • Not required to use the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) for measuring GHG emissions in the first reporting period if other methods were used previously; • Not required to disclose Scope 3 emissions in the first reporting period. The AASB proposed additional transition reliefs in line with ISSB ED/2025/1 regarding GHG associated with derivatives, investment banking and insurance underwriting, application of the Global Industry Classification Standard; use of Greenhouse Gas Protocol measures and the use of global warming potential values (GWP).

Jurisdiction	Name of Standards	Effective Date	Status and Reporting Entities	Disclosures and Materiality	Location	Assurance	Divergence from IFRS Standards
Canada	CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information CSDS 2 Climate-related Disclosures	1st January 2025 (one year after effective date of IFRS S1 and S2).	All entities on a voluntary basis only (unless mandated by relevant regulatory authority and/or incorporated into Canadian securities legislation). The CSA had planned to release a mandatory climate-related disclosure proposal in 2025 but paused this initiative in April 2025 to allow Canadian markets and issuers time to adapt to recent U.S. and global developments.	Material information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects, including climate-related risks and opportunities. The materiality concept of IFRS S1 and S2 applies to all disclosures.	SRD to be included as part of the general-purpose financial reports.	Not applicable - assurance requirements may be established in future regulations.	Transition reliefs: **A total of three years** (vs. one year in IFRS S1) allowing entities to report sustainability disclosures separately from their financial statements. In the first reporting year, sustainability-related disclosures can be made within nine months of the end of the annual reporting period. In the second and third reporting periods, the entity can report sustainability-related disclosures within six months of the end of the annual reporting period. **A total of two years** (vs. one year in IFRS S1) allowing entities to report only on climate-related risks and opportunities in line with IFRS S2. **A total of three years** (vs. one year in IFRS S2) during which reporting entities are not required to report on Scope 3 greenhouse gas emissions. **Canada-specific transitional relief (CSDS 2):** entities not required to use quantitative climate-related scenario analysis to assess climate resilience or to report on the quantitative aspects of scenario analysis in the first three annual reporting periods (until financial years beginning on or after 2028).

Jurisdiction	Name of Standards	Effective Date	Status and Reporting Entities	Disclosures and Materiality	Location	Assurance	Divergence from IFRS Standards
Thailand	Draft Notifications regarding the Regulatory Amendment related to the Sustainability-Related Information Disclosure Requirements of the Listed Companies (ISSB standards) Consultation on the Principle of Thailand Sustainability Disclosure Roadmap (ISSB Roadmap)	Not effective yet - subject to public consultation until **22 October 2025.**	Listed companies categorized in the SET50 Index: to report in 2027 (for fiscal year 2026). Listed companies categorized in SET100 Index to report in 2028 (for fiscal year 2027). All listed companies in SET including its IPO to report in 2030 (for fiscal year 2029). All listed companies in mai including its IPO, REIT, Infra Trust, PF, and IFF to report in 2031 (for fiscal year 2030). Any listed company is eligible to early disclosures on a voluntary basis.	The materiality concept of IFRS S1 and S2 applies to all disclosures.	SRD to be included in the annual 56-1 One Report (Form 56-1 One Report).	Limited assurance of greenhouse gas emission information.	**IFRS-aligned transition reliefs:** Climate-related comparative information not required in the first reporting period. Comparative information on other sustainability-related topics, such as environment, human rights, and social development, will remain optional during the same transition period. For the **first five years of reporting (v.s first reporting period in IFRS S1 and S2)**, entities may: • Adopt a climate-first approach by disclosing information only on climate-related risks and opportunities. Disclosure of other sustainability-related information is required on a 'comply or explain' basis. • Calculate GHG emissions using existing national or international standards or methods, rather than the 2024 GHG Protocol. IFRS S2 also provides initial relief, allowing entities in their first reporting year to use the same methodology applied in the preceding year. • Disclose only Scope 1 and Scope 2 GHG emission and omit the disclosure of Scope 3 GHG emission. • Publish their annual sustainability statement separately from their financial statements.

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China	Sustainability Disclosure Standards for Business Enterprises—Basic Standard (Trial) Sustainability Disclosure Standards for Business Enterprises No.1—Climate (Trial) (Exposure Draft)	Not specified - the basic standard is in the trial phase and it is not yet clear how companies should apply it whereas the climate standard is still in the proposal stage.	Not specified - companies are encouraged to adopt the standards voluntarily and it is expected that when the standards are finalized and their implementation rules adopted they will first apply to publicly listed companies and then gradually apply to large non-listed companies. The standards are designed to be applied by all companies.	Stresses the reporting of material information in relation to both sustainability-related risks and opportunities **as well as sustainability impact**. The definition of material information about sustainability-related risks and opportunities aligns with the materiality requirements in IFRS S1, focusing on what is decision-useful to existing and potential investors and lenders. This definition is used as a basis for requiring that material information for investors and lenders is provided on an unobscured basis.	SRD to be submitted in a stand-alone sustainability report and published publicly at the same time as the annual financial report.	No mandatory assurance requirements. However, the basic standard mandates that the information disclosed should be verifiable and encourages the submission of independent verification reports for the sustainability report. The climate standard encourages companies to utilize internal audit departments for oversight of climate-related risks and opportunities and to engage third-party verification agencies for climate-related information.	Both the basic standard and the climate standard are not strictly modelled on IFRS S1 and S2. Instead, they are designed to be IFRS-aligned in principle but also cater to domestic situations. Comparative information is not required for the first reporting period. Companies are exempted from reporting state secrets, information prohibited from disclosure by laws and regulations, intellectual property or innovation information, and commercially sensitive sustainable opportunity information in their sustainability reports. The climate standard does not require specific methods of calculating greenhouse gas emissions. **Does not provide additional transition reliefs.**

Jurisdiction	Name of Standards	Effective Date	Status and Reporting Entities	Disclosures and Materiality	Location	Assurance	Divergence from IFRS Standards
Japan	The Sustainability Standard Board of Japan (SSBJ) Standards, including: Universal Sustainability Disclosure Standard "Application of the Sustainability Disclosure Standards" Theme-based Sustainability Disclosure Standard No. 1 "General Disclosures" Theme-based Sustainability Disclosure Standard No. 2 "Climate-related Disclosures"	To be determined - the SSBJ standards can be applied for annual reporting periods ending on or after 5 March 2025. However, SSBJ standards do not prescribe when entities would be required to apply SSBJ standards.	To be determined - the standards themselves do not contain provisions on what companies need to comply with. However, the standards were developed with the intention that they will become mandatory one day. Current discussions held by the Financial Services Agency indicate that the standards may become required by entities on the Prime Market of the Tokyo Stock Exchange on a phased-in basis.	The materiality concept of IFRS S1 and S2 applies to all disclosures.	To be determined - the SSBJ explicitly relieves entities from the requirements of submitting their SRD along with concurrent financial reports if laws or regulations permits such.	To be determined. The FSA has not yet made any decision about a mandatory assurance framework. However, in a December 2024 meeting of the Working Group, FSA discussed that limited assurance would be required for sustainability-related information.	While the IFRS standards are divided into S1 and S2, the corresponding standards in Japan are provided as three separate standards. This is because IFRS S1 was divided into two standards. The portion of IFRS S1 that outlines the fundamental requirements for preparing sustainability-related financial disclosures has been established as a separate standard, referred to as the "universal standard." Meanwhile, the portion detailing the disclosure of sustainability-related risks and opportunities (referred to as "core content") has been incorporated into the Japanese version of S1. The SSBJ standards incorporate all the requirements in IFRS S1 and S2. Additionally, it added, when necessary, jurisdiction-specific alternatives that entities can apply in lieu of the IFRS requirements and some requirements not mandated by the IFRS standards. **Alternatives in lieu of IFRS requirements include:** • Market-based Scope 2 GHG emissions instead of information about contractual instruments necessary to explain the entity's Scope 2 emissions. • Expanded definitions about financed emissions and related activities for calculating Scope 3 GHG emissions. • Reporting information about the magnitude of the assets or business activities vulnerable to climate-related transition risks, physical risks and opportunities permitted instead of the amount and percentage of assets or business activities.

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Japan							**Requirements not included in IFRS standards:** • Disclosure of the unit of presentation in relation to the amounts reported in SRD. • Using units such as thousands, millions, billions etc. when they add clarity. • Disclosure of how financial statements can be obtained if companies choose not to report financial results together with sustainability information. • Disclosure of date of authorization for SRD issuance. • Disclosure of disaggregated GHG emissions when using a method other than GHG Protocol 2004 standard. • Scope 3 GHG emissions must be disaggregated when being reported.
Indonesia	General Requirements for Disclosure of Sustainability-Related Financial Information, Sustainability Disclosure Standard PSPK 1, 2025 Climate-Related Disclosures, Sustainability Disclosure Standard PSPK 2, 2025	1 January 2027 (three years after effective date of IFRS S1 and S2).	To be determined.	The materiality concept of IFRS S1 and S2 applies to all disclosures.	SRD to be reported separately from annual financial reports.	To be determined.	Additional transition reliefs: **Climate first reporting**: entities may only disclose climate-related financial risks and opportunities as per PSPK 2 for the **first three reporting periods**. **Comparative information:** comparative information is not required during the first reporting period if the company applies the climate-first relief. **Scope 3 emissions**: For a period of three years from the first annual reporting period when PSPK 2 is applied, the entity is not required to disclose its Scope 3 GHG emissions. **Methods for measuring GHG emissions**: Companies are permitted to use methods other than GHG Protocol Standard 2004 for three years if they used alternative methods prior to the first mandatory reporting year.

Jurisdiction	Name of Standards	Effective Date	Status and Reporting Entities	Disclosures and Materiality	Location	Assurance	Divergence from IFRS Standards
Nepal	Public Consultation Document For the Development of Nepal Sustainability Reporting Standards (NSRS) aligned with IFRS S1 and IFRS S2 (closed on 16 August 2025)	Not effective yet - ASB Nepal plans to finalize the NSRS by the end of 2025.	All entities on a voluntary basis. Sustainability-related disclosures are partially required under the Companies Act, 2063 (2006). Under the Act, all public companies and private companies with an issued capital > NPR 10 million or an annual turnover > NPR 100 million shall disclose significant risks and opportunities in their directors' reports. These include: Impacts on company transactions from national and international situations (environmental, social and political). Achievements in the current year as at the date of report and opinions of the board of directors on matters to be done in the future (forward looking information that will impact companies cash flow). The entity's industrial and business relationships (essentially, value chain disclosures).	To be determined.	To be determined.	To be determined.	Similar reliefs to those in IFRS S1 and S2, including: **Scenario Analysis:** IFRS S2's application guidance allows for an approach to climate related scenario analysis that is commensurate with an entity's circumstances, skills, capabilities, and resources, ranging from qualitative narratives to sophisticated quantitative modeling, enabling gradual adoption. **"Reasonable and Supportable Information without undue cost or effort"**: This concept, embedded in IFRS S1 and S2, means entities are not required to undertake exhaustive searches for information if the cost or effort is disproportionately high, allowing for a phased capability building. Additional transition Reliefs: • Entities are not required to provide comparative information in the first annual reporting period of IFRS S1 application. • Entities are exempted from disclosing Scope 3 GHG emissions in their first year of IFRS S2 application to address data availability challenges, allowing time to build internal systems and engage value chain partners. • Entities can report sustainability-related financial disclosures after publishing financial statements in the first year of adoption.

Jurisdiction	Name of Standards	Effective Date	Status and Reporting Entities	Disclosures and Materiality	Location	Assurance	Divergence from IFRS Standards
Nepal			Major things affecting the company's transactions.				
Philippines	Draft Memorandum Circular on the Adoption of Philippine Financial Reporting Standards (PFRS) on Sustainability Disclosures and Issuance of Reporting Guidelines for Publicly-listed Companies and Large Non-listed Entities Professional Regulatory Board of Accountancy Resolution No. 11 Series of 2024: Adopting the Financial and Sustainability Reporting Standards Council Amendments and Pronouncements	Not effective yet - the draft memorandum circular on PFRS standards implementation will need to be approved first.	Phased reporting: **Tier 1** (first reporting in 2027 for FY beginning on or after 1 January 2026): Public listed companies (PLCs) with market capitalization of more than PHP 50 billion. **Tier 2** (first reporting in 2028 for FY beginning on or after 1 January 2027): PLCs with market capitalization of more than PHP 3 billion up to PHP 50 billion. **Tier 3** (first reporting in 2029 for FY beginning on or after 1 January 2028): PLCs with market capitalization of less than PHP 3 billion and Large Non-listed Companies (LNLs) with annual revenue of more than PHP 15 billion.	The materiality concept of IFRS S1 and S2 applies to all disclosures.	SRD to be submitted as an attachment to the annual financial report.	Mandatory limited assurance on Scope 1 and 2 GHG emissions shall be required two years after the mandatory PFRS implementation deadlines for each tier: **Tier 1:** first mandatory limited assurance required for reporting in 2029 for FY 2028. **Tier 2:** first mandatory limited assurance required for reporting in 2030 for FY 2029. **Tier 3:** first mandatory limited assurance required for reporting in 2031 for FY 2030.	**Transition reliefs and exemptions:** **Climate-first reporting**: Companies are permitted to disclose only information on climate-related risks and opportunities for 1 year (Tier 1 and 2) or 2 years (Tier 3). **Delayed publication of sustainability reports**: Companies may submit its sustainability report along with the next second-quarter/half year financial statements or within nine months if there's no such statement for the first reporting year. **No comparative information**: the first report is exempted from reporting comparative information. **Alternative method**: Companies may use methods other than that of the Greenhouse Gas Protocol for the first report. **Scope 3 emissions phase-in**: The first mandatory report including scope 3 emissions would be for the third reporting year. **Exemptions for child LNL**: An LNL is not subject to mandatory reporting requirements provided that its sustainability-related information is to be disclosed in the report of its parent company in the Philippines.

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United Kingdom	Exposure Draft of UK Sustainability Reporting Standards Draft UK SRS S1 General requirements for disclosure of sustainability-related information Draft UK SRS S2 Climate-related Disclosures	To be determined (final standards expected to be published in autumn 2025).	To be determined; The Government has indicated that the UK SRS would be applicable for UK-listed companies and that consideration will be given to applicability for other economically significant companies.	To be determined. The materiality concept of IFRS S1 and S2 would apply to all disclosures.	To be determined.	To be determined; an initial consultation on a proposal to introduce a registration regime for assurance providers took place between 25 June and 17 September 2025; the UK government has indicated that future consultations will cover proposals on sustainability assurance.	The UK Government proposes six amendments within the draft UK SRS S1 and draft UK SRS S2: **Amendment 1** - Removal of IFRS transitional relief that permits reporting entities to publish SRD at a later time than their financial statement in the first year of reporting. **Amendment 2** - Extension of the transition relief in IFRS S1 that permits a 'climate-first' approach" by an additional year (two years in total). In the first two years of application of the standards, entities may choose to only disclose climate-related risks and opportunities excluding scope 3 emissions (year 1), and climate-related risks and opportunities including scope 3 emissions (year 2). **Amendment 3** - removal of the requirement to use the Global Industry Classification Standard (GICS) in IFRS S2. **Amendment 4** - removal of the 'effective date' clauses in IFRS S1 and IFRS S2; the effective date of UK SRS S1 and S2 to be determined by the UK Sustainability Disclosure Policy and Implementation Committee (PIC). **Amendment 5** - References to the SASB materials in IFRS S1 and IFRS S2: removal of the requirement that entities "shall refer to and consider the applicability of" the standards published by the SASB; draft UK SRS S1 and S2 state that entities "may refer to and consider the applicability of" SASB standards. **Amendment 6** - Treatment of transition reliefs; the commencement of transition reliefs in draft UK SRS S1 and S2 would be explicitly linked to the introduction of mandatory reporting requirements.

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Switzerland	Consultation on draft amendments to Code of Obligations (CoOs) (ended on 17 October 2024) Consultation on draft amendment to Climate Disclosures Ordinance (ended on 21 March 2025)	To be determined.	***Current scope:*** Public Interest Entities (PIEs) as defined in Article 2(c) of the Auditor Oversight Act. Non-listed companies exceeding two of the following criteria for two consecutive financial years: (a) CHF 20 million balance sheet total; (b) CHF 40 million in turnover; and/or (c) 500 or more employees. ***Proposed scope:*** PIEs (above). Non-listed companies exceeding two of the following criteria for two consecutive financial years: (a) Balance sheet > CHF 25 million; (b) Annual turnover > CHF 50 million; and/or (c) Global average of 250 or more full-time employees.	Draft amendments to the Code introduce a double materiality approach (requiring information that is financially material to the company and information about the company's impacts on sustainability matters).	Draft amendments require electronic publication of the sustainability report and audit report immediately after approval of the annual financial statements; the reports must remain publicly accessible for at least ten years.	Mandatory assurance proposed to be required from the first year of reporting.	Proposed amendments will give companies the option to adopt either the ESRS or the IFRS standards, in conjunction with other frameworks such as the Global Reporting Initiative (GRI). Companies must apply the chosen standards in full and reference them in their sustainability statements. Transition reliefs in IFRS S1 and S2 may apply to entities that choose the ISSB standards. Proposed amendments adopt the double materiality concept of the ESRS (see EU section below). Note: the Federal Council has paused the revision of the Climate Disclosure Ordinance pending further progress on the EU's Simplification Omnibus Package and adoption of proposed amendments to the CoOs.

Jurisdiction	Name of Standards	Effective Date	Status and Reporting Entities	Disclosures and Materiality	Location	Assurance	Divergence from IFRS Standards
Mexico	Sustainability Information Standards (NIS), known as NIS A-1 and NIS B-1 (applicable to public and private companies that issue financial statements under the Mexican Financial Reporting Standards) Resolution amending the general provisions applicable to securities issuers and other participants in the securities market (General Securities Provisions) applicable to public securities issuers supervised by the National Banking and Securities Commission (CNBV)	1st January 2025 (first report due in 2026).	**Mandatory** Public and private companies required to prepare financial statements under Mexican Financial Reporting Standards (i.e. NIS framework). Public securities issuers to report using the IFRS S1 and S2 standards (i.e General Securities Provisions).	*NIS framework:* 30 basic sustainability indicators *General Securities Provisions:* Material information about sustainability-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, its access to finance or the cost of capital over the short, medium or long term (include info on governance, strategy and management of such risks and opportunities, as well as related metrics and objectives).	*NIS framework:* SRD to be included in a note of the annual financial statements. *General Securities Provisions:* SRD to be included in separate annual sustainability report.	*NIS framework:* Assurance not mandatory but advisable. *General Securities Provisions:* **External assurance optional** for reports issued in 2026 (for FY 2025). **External (limited) assurance mandatory** for reports issued in 2027 (for FY 2026). **External (reasonable assurance) mandatory** for reports issued in 2028 (for FY 2027).	The NIS framework is partially aligned with ISSB standards. Entities must report on a list of 30 specific sustainability indicators including: Scope 1, 2, and 3 emissions, energy consumption, water use, waste management etc. No materiality assessment is required for the 30 indicators. The scope and timelines of SRD disclosures in the amended General Securities Provisions are aligned with IFRS S1 and S2.

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Rwanda	Rwanda's IFRS Sustainability Disclosure Standards Adoption Roadmap (May 2025) Guidelines No 040/2024 of 25/11/2024 on the Disclosure and Reporting of Sustainability-Related Financial Information for Financial Institutions Rwanda Stock Exchange ESG Reporting Guidelines	FY starting **on or after January 1, 2025** (with first reporting due in 2026) for Group 1 entities. FY starting **on or after January 1, 2026** (with first reporting in 2027) for Group 2 entities. FY starting **on or after January 1, 2027** (with first reporting in 2028) for Group 3 entities. FY starting **on or after January 1, 2028** for Group 4 entities.	**Mandatory** **Group 1:** Listed entities and Tier I Financial Institutions (includes banks and insurance companies). **Group 2:** Public utility companies and Tier II (includes deposit taking microfinance, micro insurers) and Tier III Financial Institutions (includes non-deposit taking financial service providers, mutual insurers). **Group 3:** Other entities that prepare financial statements using IFRS Accounting Standards and Tier IV Financial Institutions. **Group 4:** Entities that prepare financial statements using the IFRS for SMEs Accounting Standard.	The materiality concept of IFRS S1 and S2 applies to all disclosures. However, in their Initial Phase of Reporting, designated entities do not need to assess whether climate-related items are financially material (i.e., they may in this phase include items that may significantly affect the environment or stakeholders but might not have a direct financial impact on the reporting entity).	SRD to be included in general purpose financial reports. Entities shall publish their SRD at the same time as their related financial statements.	Entities are permitted to obtain limited assurance for up to two years, after which they shall obtain reasonable assurance.	All transition reliefs in IFRS S1 and S2 apply. The timing of reporting is phased over four years, which comprises an initial phase and an intermediate phase (as described in section 2.3 to section 2.5 of the roadmap). The IFRS-transition relief allowing entities to publish sustainability disclosures after their related financial statements has been extended by two additional years (3 years in total) for all reporting entities. In addition to the IFRS Sustainability Disclosure Standards, listed entities are required to comply with RSE ESG Guidelines.

Jurisdiction	Name of Standards	Effective Date	Status and Reporting Entities	Disclosures and Materiality	Location	Assurance	Divergence from IFRS Standards
European Union	Corporate Sustainability Reporting Directive (CSRD) 'Stop-the-clock" Directive ESRS Standards	5 January 2023.	**Mandatory** Public Interest Entities (PIEs) (listed companies, banks, or insurance companies) > 500 employees - from 1 January 2024 (first report due in 2025). Large EU undertakings / parents of large group (other than PIEs) with > 500 employees - from 1 January 2027 ((first report due in 2028). Large EU companies/ parents of large EU groups (> €50 million in net turnover; > €25 million in assets *and/or* 250 or more employees) - from 1 January 2027 (first report due in 2028). Listed SMEs, small credit institutions, captive insurers - from 1 January 2028 (first report due in 2029). Non-EU companies with net turnover of €150 million or more in the EU and at least one subsidiary (meeting the EU criteria for large company or listed	Double materiality (a sustainability matter is material when it meets the criteria defined for impact materiality or financial materiality, or both (ESRS 1, para. 28). Financial materiality assessment in ESRS 1 aligned with IFRS S1.	Sustainability statement included in a dedicated section of the management report. SRD must be tagged in the XBRL format.	Limited assurance engagement.	**Use of ESRS is only mandatory for undertakings in scope of the CSRD.** **Double materiality as the basis for sustainability disclosures:** CSRD/ESRS 1 require companies to assess sustainability matters from both a "financial" and "impact" perspective. In contrast, IFRS S1 applies a single-financial materiality approach (i.e. information must be disclosed only if its omission, misstatement, or obscuration could reasonably be expected to influence the decisions of primary users of general-purpose financial reports by affecting the company's financial position). IFRS S1 states that entities do not need to disclose information that is not financially material. By contrast, the general disclosures of ESRS 2 must always be disclosed regardless of the materiality assessment. **"Undue cost and effort**" relief mechanism in ESRS **currently** limited to value chain information (including scope 3 GHG emissions). **Multi-stakeholder focus:** Sustainability statements not only intended for investors but for a wider group of stakeholders, including regulators, civil society and employees. IFRS targets primary users of general-purpose financial reports (i,e, investors, lenders, creditors). IFRS S1 refer to the SASB sector-specific guidance; ESRS sector-specific standards will be developed at a later stage. ESRS sustainability disclosures must be presented within an identifiable part of the management report.

Jurisdiction	Name of Standards	Effective Date	Status and Reporting Entities	Disclosures and Materiality	Location	Assurance	Divergence from IFRS Standards
European Union			SME) *or* an EU branch with a turnover of €40 million in the EU. **Note that the scope of the CSRD and content of ESRS are currently under review as part of the** Omnibus I Simplification Package				

05. European Union: Simplification of ESRS standards for enhanced interoperability with IFRS standards

The nature and complexity of the draft simplified ESRS standard requires a separate section.

The EU Commission's Omnibus proposals to streamline sustainability reporting, particularly through the revised ESRS standards, have sparked debate but hold the potential to enhance interoperability with IFRS standards.

The original European Sustainability Reporting Standards (ESRS), adopted under Regulation (EU) 2023/2772, have been effective since 2023. As part of the Omnibus simplification package launched in February 2025, the European Commission tasked EFRAG with developing a streamlined version of the ESRS.

Subsequently, on 31 July 2025, EFRAG released exposure drafts for the revised ESRS.

5.1. Simplification levers: Towards greater interoperability with IFRS standards?

As discussed in our August 2025 blog on the proposed simplification of the ESRS, EFRAG identified six simplification levers designed to strengthen alignment with the IFRS Sustainability Disclosure Standards and make sustainability reporting more practical for companies. Although elements such as the "undue cost or effort" relief and the "fair presentation" requirement are consistent with IFRS principles, the proposed simplification of the double materiality assessment (DMA) risks weakening interoperability with IFRS S1 and S2. Let's explore the key changes introduced in the revised ESRS.

5.2. Broad use of the "undue costs and effort" principle

One of these simplification levers includes the expansion of the so-called "undue cost and effort" (UCE) relief mechanism, already present in IFRS S1 and S2, to all metrics in the ESRS standards, including metrics relating to an entity's own operation. This exemption enables companies to use only "reasonable and supportable information" that is available to them at the time of reporting provided that acquiring it does not involve excessive cost or effort. The IFRS standards already apply the same relief mechanism to the specific disclosures:

A. Climate-related risks and opportunities (IROs) that could affect the entity's prospects (IFRS S2 para. 11 and IFRS S1, para B6(a));
B. Information about the anticipated financial effects (IFRS S1, para. 37 and IFRS S2 para. 18);
C. Determining the scope of the value chain (IFRS S2, para. B36 and IFRS S1, para. B6(b));
D. Preparation of information on climate-related transition risks, physical risks and opportunities (IFRS S2, para 30);
E. Approach to climate-related scenario analysis (IFRS S2, Appendix B, B1);
F. Measurement of Scope 3 emissions (IFRS S2, para. 39).

Unlike the IFRS standards, where the UCE relief is limited to specific disclosures, the revised draft ESRS 1 proposes to extend the application of this principle to the materiality assessment (for the identification of IROs), coverage of the value chain and to all metrics in the ESRS, including those related to the entity's own operations (ESRS 1, paras. 47 and 87). The broad application of UCE does not exempt entities from providing disclosures.

However, it recognises data quality challenges in reporting metrics and allows reporting entities to report a partial scope while outlining their plans to increase coverage and data quality in future reporting periods (ESRS 1, para. 91). The determination of what constitutes UDE is left to each undertaking, as this assessment depends on the specific facts and circumstances relevant to that entity (EFRAG's Value Chain Implementation Guidance). Variations in the scope of ESRS disclosures that may be omitted or partially disclosed due to the lack of reasonable and supportable information (accessible without incurring undue cost or effort) will certainly weaken the interoperability and comparability of reports prepared under IFRS standards. What is more, the broader use of the UDE exemption may also undermine the CSRD's aim of improving transparency, as it could allow companies to withhold information deemed too costly or of limited benefit to disclose.

5.3. Double materiality assessment process

5.3.1. Introduction of an "information materiality" filter for all data points

Additional proportionality mechanisms have been introduced to better align with the IFRS standards. Notably, the concept of "materiality of information" has been refined to serve as a more effective filter, ensuring that only relevant information is reported across all data points in ESRS 2 and topical standards. Assessing whether an information is "material" is now clearly tied to the users' needs and must be understood as information that could influence decision-making by users of sustainability statements or information that is essential to understand the entity's significant impacts, risks, opportunities (IROs), and how they are managed. This filter will apply to all data points in draft ESRS 2 and topical standards.

In addition, the overall complexity of the DMA process is also reduced by clarifying that the DMA follows a top-down approach (beginning with an analysis of the business model to identify the most evident topics) and that the supporting evidence for conclusions should be reasonable and proportionate.

5.3.2. "Double" materiality: An existing barrier to interoperability with IFRS standards

The difference in materiality perspective between the ESRS and IFRS standards has not changed. Materiality in the ISSB standards takes an "outside-in perspective" focusing exclusively on how environmental social and governance matters creates risks and opportunities on a company's cash flow and financial position (i.e. financial impact). Information is judged "material" if omitting, misstating or obscuring that information could reasonably be expected to influence decisions of primary users of general purpose financial reports, which provide information about a specific reporting entity (para. 28 of IFRS S1). By contrast, the current ESRS standards apply the principle of double materiality, requiring companies to report not only on sustainability matters that influence their financial performance, but also on areas where their operations have significant impacts on society or the environment, even if those impacts do not translate into financial value. The two sets of standards share the same definition of financial materiality. Similar to IFRS S1, the financial materiality assessment under ESRS 1 requires identifying information that is material to the primary users of general-purpose financial reports in making decisions relating to providing resources to the entity (para. 48 of ESRS 1). However, the double lens of "financial" and "impact" materiality in the ESRS only allows partial interoperability with the ISSB standards: entities applying the ESRS materiality test will be able to identify disclosures that are (financially) material in accordance with the IFRS standards, but not vice versa.

5.3.3. Net-based approach to materiality assessment

In the revised draft ESRS, EFRAG proposes to solve the so-called "gross versus net" conundrum by allowing remediation, mitigation and prevention measures to be considered in the assessment of material impacts. This revision may further weaken interoperability with the IFRS standards which take a "gross approach" in the assessment of financial impacts.

EFRAG proposes to factor mitigation and remediation measures in the assessment of material impact ("net impact assessment"). As pointed out by GRI, this new approach will add a layer of complexity and create additional filters for determining what is "material" which may become inconsistent with the assessment of financial materiality in the IFRS standard. This divergence, especially regarding the assessment of IROs, creates different reporting scopes, potentially leading to inconsistent financial and sustainability reporting and reducing comparability between the two frameworks.

This new approach adds complexity by introducing an additional filter for determining what is considered material. The materiality of an impact will ultimately depend on how companies incorporate mitigation into their assessments and on the effectiveness of those mitigation or remediation measures. As a result, sustainability reports may become less comparable and further diverge from other global reporting frameworks, such as GRI.

5.4. Additional adjustments to ESRS standards

5.4.1. Concept of "fair presentation"

In addition, the revised ESRS expects to achieve greater interoperability with the IFRS standards by placing more emphasis on "**fair presentation**". This concept requires a "faithful" representation of sustainability-related risks and opportunities. Fair presentation means that sustainability reporting is not a simple compliance exercise: it requires entities to carry out a "quality check" to ensure information is relevant, comparable, verifiable, timely, understandable and fairly presented for all stakeholders.

The language used in ESRS 1 General requirements, ESRS 2 General disclosures and ESRS E1 Climate change has been revised to adopt the same wording as in IFRS S1 and IFRS S2.

5.4.2. Boundary of GHG emissions reporting

The discrepancy in the reporting boundary for GHG emissions has been resolved by adopting the "financial control" approach of the GHG Protocol, consistent with IFRS S2. According to EFRAG, the alignment with the GHG Protocol is expected to "remove one of the main interoperability differences" with IFRS S2. Currently, ESRS E1 (Climate Change) requires entities to report the sum of emissions from entities over which the reporting undertaking has financial control, including the parent company and its subsidiaries, as well as emissions from associates, joint ventures, and unconsolidated subsidiaries over which the undertaking exercises operational control. This reporting should include all Scope 1 and 2 emissions for non-financial corporations, and relevant Scope 3 emissions.

The draft ESRS E1 proposes to eliminate the current dual reporting boundary based on both financial and operational control. Instead, it establishes the consolidated financial statements boundary (reflecting financial control) as the sole perimeter for reporting gross GHG emissions. This aligns the ESRS boundary with the approach of the 2004 GHG Protocol, simplifying reporting by focusing exclusively on entities under financial consolidation. Additional disclosures of Scope 1 and Scope 2 GHG emissions based on the operational control boundary would still be required if they "convey a fair presentation of emissions" of the undertaking's overall emissions.

If the above "financial control" approach is retained, the final standard ESRS E1 will also eliminate the need to separately disclose Scope 1 and Scope 2 emissions between the consolidated group and other investees, as this disaggregation becomes unnecessary once the reporting boundary aligns with the perimeter of the consolidated financial statement. This would result in new interoperability differences with IFRS S2 which requires entities to disaggregate their scope 1 and scope 2 emissions between: (1) the consolidated accounting group (including the parent and its consolidated subsidiaries) and (2) other investees such as associates, joint ventures and unconsolidated subsidiaries. EFRAG has clarified that emissions of associates and joint ventures would be treated as Scope 3 and therefore excluded from this disaggregation.

5.4.3. Disclosures of anticipated financial effects

The revised draft ESRS embrace the **IFRS reliefs applicable to anticipated financial effects** (albeit with limited exclusions for commercially sensitive information and Scope 3 GHG emissions). In line with the IFRS standard, companies applying current ESRS standards must provide both **qualitative and quantitative** information about the anticipated financial effects of climate and other sustainability-related risks and opportunities. However, unlike the IFRS S1 and S2 - which allow companies to report only qualitative information in certain cases (e.g. when the effects are not separately identifiable, or high level of measurement uncertainty) - current ESRS demand more comprehensive disclosures. As currently drafted, the ESRS allow a company to omit:

A. Information about anticipated financial effects for the first year of preparation of the sustainability report;
B. Quantitative information for the first three years of palpation of the report if it is impracticable to prepare quantitative disclosures.

In the revised draft ESRS, EFRAG proposes to either a) remove the obligation to report quantitative information about anticipated financial effects or b) require both qualitative and quantitative information but **applying the IFRS exemption**, which allows reporting only qualitative information when estimation uncertainty is so high that the resulting information would not be useful (para. 38 of IFRS S1 and 18 of IFRS S2).

5.4.4. Permanent References to IFRS Industry-based Guidance

The references to IFRS Industry-Based Guidance, which includes the IFRS S2 Climate-related Disclosures industry guidance and the SASB Standards, have been formally established as a permanent component when entities report entity-specific disclosures.

5.4.5. Additional reliefs not provided in the IFRS standards

The revised ESRS contains additional reliefs that are not provided in IFRS S1 and IFRS S2. These include:

- The possibility for undertakings to report on a partial scope only when data quality is insufficient or when obtaining data involves UCE (except for GHG emissions). This relief concerns both metrics concerning material IROs in the company's own operations and value chain. Companies should, in this case, provide transparency on this circumstance and on actions to increase data availability over time (ESRS 1, para. 91);
- The extension of the UCE relied to all the metrics, including metrics in own operations (ESRS 1, para. 87);
- The introduction of a one-year relief related to business acquisitions and disposals, allowing reporting entities to defer the inclusion of newly acquired subsidiaries or businesses in their materiality assessment and sustainability statements until the next reporting period (following the acquisitions) (draft ESRS 1, paras. 71-72);
- Introduction of a relief allowing entities to exclude from the calculation of metrics activities which, due to their nature, are not a significant driver of IROs (ESRS 1, para. 90);
- Exclusion of joint operations over which the entity does not have operational control from the calculation scope of environmental metrics (other than climate change) (ESRS 1, para. 92);
- Reduction in disclosure requirements about the resilience of undertakings' strategies business models: only qualitative information on resilience to material risks will be required, while disclosures on impacts and opportunities are no longer included (see ESRS 2, paragraph 24, and ESRS E1, paragraph 21).

EFRAG acknowledged that these reliefs could potentially "negatively affect" interoperability by introducing additional differences compared to IFRS standards.

5.4.6. Next steps

EFRAG is currently reviewing the feedback received during the consultation and plans to present its technical advice to the EU Commission by the end of **November 2025.**

06. Conclusion

The actual divergence observed from the tabular comparison seems insignificant overall. Most jurisdictions have adopted or facilitated interoperability with IFRS S1 and S2 with little reservation.

The main elements of divergence observed are the extension of available transition reliefs and timing for disclosing climate-related disclosures, with most countries applying the "climate-first" approach mandated under IFRS S1 and S2. With the exception of the European Union and Switzerland and, to some extent, China, all selected countries have embraced the concept of financial materiality as defined in IFRS S1. Reporting entities would thus be required or expected to provide information that are directly relevant to investors, particularly when such information is likely to affect the company's financial prospects.

In sum, the dual structure of IFRS-aligned indigenous sustainability standards coupled with different implementing laws and regulations seems promising in that it boosts interoperability without sacrificing tailored solutions to sustainability reporting. The momentum referred to in the introduction has indeed materialized in significant progress. On the other hand, the latest simplification of ESRS exudes mixed signals for interoperability with IFRS-aligned disclosures.

Greater interoperability with IFRS standards will be partially achieved through adopting IFRS-aligned language and transition reliefs, such as the "undue cost and effort" principle, redefining the GHG emission reporting boundary, and reinforcing the "fair presentation" concept that requires companies to provide a "complete, neutral, and accurate" portrayal of sustainability risks and opportunities. These adjustments aim to enhance global comparability in sustainability disclosures. However, a fundamental difference in the materiality concept remains: ESRS continues to apply the double materiality perspective whereas IFRS S1 and S2 embed the concept of financial materiality relevant to investors. Additionally, some proposed changes concerning the inclusion of remediation, mitigation and prevention measures in the DMA diverge from the ISSB standards and may come with new challenges for companies reporting under both frameworks. EFRAG notes the revision of the ESRS, in particular the reduction of datapoints, was necessary to meet the simplification objectives but may, at the same time, negatively affect interoperability as they constitute additional points to consider by companies applying the two sets of standards.

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