



Compliance & Risks

ESG 2023: A Year in Review

Authors: Célia Le Lièvre, Senior Regulatory Compliance Specialist, Compliance & Risks
Hannah Janknecht, Regulatory Analyst, Compliance & Risks

23 January, 2023

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01. About The Authors



Célia Le Lièvre, Senior Regulatory Compliance Specialist, Compliance & Risks

Célia Le Lièvre is a Senior Regulatory Compliance Specialist and has six years experience in the regulatory compliance field and research sector for offshore renewable energy. Célia holds a Masters in Maritime Law from the University Institute of Research for the Sea (Brest, France) and a LLM in International Commercial Laws from the University of Aberdeen (Scotland). She also completed a PhD on risk-based consenting for marine renewables in University College Cork, Ireland.

Célia joined Compliance & Risks in January 2020. A key aspect of her role requires monitoring and analyzing industry regulations globally and supporting clients with their compliance obligations in the fields of Environmental Health and Safety and ESG reporting. She is also the SME for Climate Change, Climate Disclosures and Supply Chain Due Diligence.



Hannah Janknecht, Regulatory Analyst, Compliance & Risks

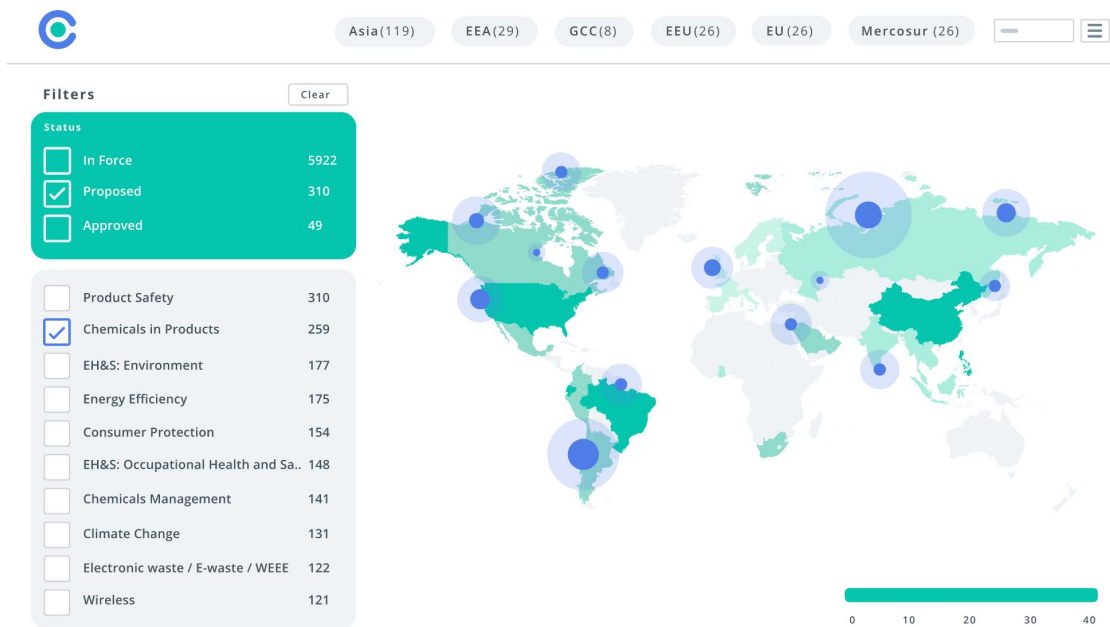
Hannah Janknecht joined the Global Regulatory Compliance team in Compliance & Risks as a Regulatory Analyst in September 2022.

She is responsible for the monitoring of regulatory developments in German-speaking countries and helps clients with questions on Climate Change Regulations, ESG Reporting, Supply Chain Due Diligence and Ecolabelling.

Hannah studied law in Germany (University of Bonn) and holds an LL.M. in Environmental and Natural Resources Law from University College Cork.

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03. Introduction

Few topics have gathered more momentum in such a short period of time than the topic of ESG, as evidenced by image 1 below.

2023 saw a huge shift from voluntary corporate sustainability initiatives towards mandatory requirements, most notably with regard to sustainability reporting and supply chain due diligence.

A significant number of important regulatory initiatives in this area has been introduced in 2023.

This whitepaper summarizes the latest ESG regulatory developments for 2023.

It covers the key regulations proposed, published and/or that entered into force this year, globally and in the following countries/regions:

- European Union
- Germany
- France
- Luxembourg
- United Kingdom
- Switzerland
- Norway
- Turkey
- USA
- Canada
- Brazil
- Colombia
- Japan
- China
- Hong Kong
- Taiwan
- South Korea
- Philippines
- Singapore
- Sri Lanka
- Australia
- New Zealand

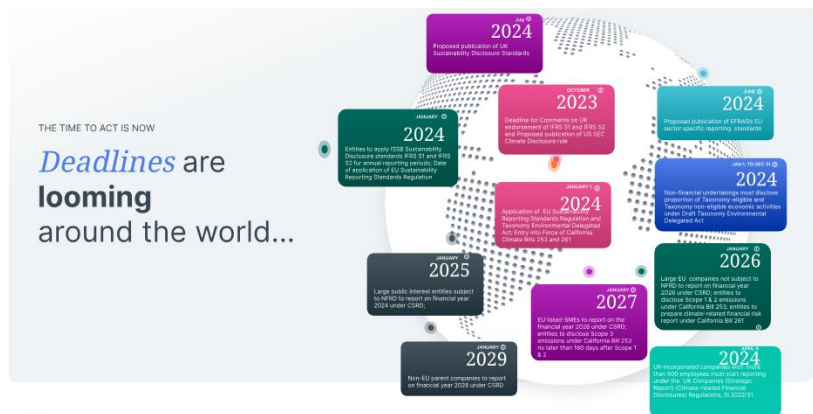


Image 1: Looming global ESG deadlines
Source: C2P Platform by Compliance & Risks

04. European Union

4.1. European Sustainability Reporting Standards



On 22 December 2023, the EU Commission published the final and approved version of Delegated Regulation (EU) 2023/2772 supplementing Directive 2013/34/EU as regards sustainability reporting standards.

These standards specify the information and data that must be disclosed by companies subject to the Corporate Sustainability Reporting Directive (CSRD).

By way of reminder, the CSRD requires EU and non-EU companies meeting certain thresholds to file annual sustainability reports alongside their financial statement.

The Directive came into effect on 5 January, 2023.

The CSRD and Delegated Regulation approving the ESRS cover the full range of environmental, social, and governance issues and provide information for investors to understand the sustainability impact of the companies in which they invest.

The Delegated Regulation approving the final ESRS came into force on 25 December 2023 and was applicable from 1st January 2024.

4.2. Size Thresholds of Companies Subject to Sustainability Reporting

On 17 October 2023, the EU Commission issued a Delegated Directive amending the size thresholds for medium-sized and large companies subject to sustainability reporting under the CSRD.

The size criteria to bring companies within the scope of reporting requirements have been adjusted to account for inflation and reduce the reporting burden for smaller businesses.

The revision increases the balance sheet and net turnover thresholds by 25% thereby reducing the number of large and medium-size companies subject to mandatory reporting.

The thresholds for micro-undertakings, small, medium-size and large undertakings respectively are as follows:

Micro-undertakings:

- Total balance sheet: EUR 450 000 (instead of EUR 350 000);
- Net turnover: EUR 900 000 (instead of EUR 700 000).

Small companies:

- Total balance sheet: EUR 5 million (instead of EUR 4 million);
- Net turnover: EUR 10 million (instead of EUR 8 million);
- Max 50 employees.

Large and medium-size companies (in scope of CSRD):

- Total balance sheet: EUR 25 million (instead of EUR 20 million);
- Net turnover: EUR 50 million (instead of EUR 40 million);
- Max 250 employees (unchanged).

The revised thresholds apply to the financial year beginning as of January 1st, 2024. The size criteria for non-EU companies remain unchanged.

For non-European companies, the requirement to provide a sustainability report applies to all companies generating a net turnover of EUR 150 million in the EU and which have at least one subsidiary or branch in the EU.

The EU Commission has committed to further reduce the burden of reporting requirements for businesses.

Whilst not specific to the CSRD, the Commission published a [call for evidence](#) to simplify, rationalize and potentially eliminate redundant reporting requirements under various EU legislation.

The consultation ended on 1 December 2023.

Based on the results of this call for evidence, the Commission will prepare concrete rationalization plans for 2024.



4.3. Timelines for Adoption of Sustainability Reporting Standards for Certain Sectors and Third-Country Undertakings

A draft Decision was published on 17 October 2023 by the EU Parliament and Council to amend the Corporate Sustainability Reporting Directive (CSRD) as regards the time limits for the adoption of sustainability reporting standards for certain sectors and for certain third-country undertakings.

Specifically, the draft proposes to delay both the date of adoption of the sector-specific ESRS and the date of adoption of the ESRS for certain non-EU companies with business in the EU by a **further two years**.

If enacted, this means that these compliance deadlines would be extended from **30 June 2024 to 30 June 2026**.

4.4. Draft Voluntary Standards for Unlisted and Listed SMEs

Whilst non-listed SMEs are excluded from the reporting requirements, these undertakings may still be required to provide certain information if they are part of the value chain or a larger company subject to the CSRD.

The recitals of the CSRD encourage Member States to consider measures to support voluntary reporting in accordance with the CSRD.

Against this backdrop, on 29 November and 13 December 2023 respectively, EFRAG [issued](#) two exposure draft standards on sustainability reporting for non-listed SMEs (voluntary) and listed SMEs (mandatory).

EFRAG is currently seeking participants amongst SMEs and other users to test the exposure drafts.

Communication of interest to participate in the test must be submitted by 31 January 2024.

4.5. European Single Access Point

On 20 December 2023, the EU published a [Regulation](#) and an [omnibus Directive](#) establishing the European Single Access Point (ESAP).

The ESAP will provide a centralized and digital access point for public financial and sustainability-related information about EU companies and EU investment products.

The ESAP does not impose any additional reporting obligation on companies. However, it provides a single digital platform where the sustainability-related disclosures mandated by the CSRD and supporting ESRS will be made publicly accessible. The ESAP platform is expected to be available from July 2027.

Announcement of Draft ESRS XBRL Taxonomy

The Draft ESRS XBRL Taxonomy was pre-approved by EFRAG in November 2023 and then officially issued for public consultation on 10 January 2024.

The Draft ESRS XBRL Taxonomy reflects the Delegated Act of 31 July 2023 approving the European Sustainability Reporting Standards. The standard will enable digital tagging (with XBRL software) of sustainability reports, thereby making them "machine readable" in accordance with the CSRD.

Once finalized, the Draft ESRS XBRL Taxonomy will be handed over to the European Commission and ESMA, which will be working on the Regulatory Technical Standards (RTS) on European Single Electronic Format (ESEF).

ESEF will specify the electronic reporting format for ESRS disclosures. At the time of writing, Draft ESRS XBRL Taxonomy is confidential and not published yet. The draft Taxonomy and the explanatory note are expected to be released shortly for a 60 days consultation period.



Draft Amendment to Sustainable Finance Disclosure Regulation

On 12 April 2023, the three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) launched a [public consultation](#) to suggest amendments to the Delegated Regulation of the Sustainable Finance Disclosure Regulation (SFDR).

The proposal intends to address issues that have emerged since the introduction of SFDR.

Proposed amendments would:

- Extend the list of universal social indicators for the disclosure of principle adverse impact of investment decisions on the environment and society;
- Add product disclosures regarding decarbonisation targets;
- Refinement of content of some indicators for adverse impact, and their respective definitions, applicable methodologies, metrics and presentation;
- Improving the disclosures of how sustainable investments “do not significantly harm the environment and society.”

Corporate Sustainability Due Diligence

European Union

On 14 December 2023, the European Parliament and the European Council reached a [provisional agreement](#) on the new draft directive on corporate sustainability due diligence (CSDD).

Without affecting the substance of the draft Directive, the agreement clarifies its scope of application, strengthens the obligation of large companies to adopt a Climate Transition Plan, reinforces provisions on civil liability and completes the lists of rights and prohibitions which constitute adverse human rights impacts if abused or violated (Annex I).

By way of reminder, the draft CSDD requires certain companies to integrate due diligence in their policies and management systems to mitigate their negative impacts on human rights and the environment.

Affected companies will be obliged to identify, assess, prevent, remedy and account for their negative impacts and that of their upstream and downstream partners.

In-scope companies would include EU companies and parent companies over 500 employees and a worldwide turnover above 150 million euros as well as companies with over 250 employees and with a turnover exceeding 40 million if at least 50% of that turnover is generated in at least one of the listed high risk sectors.

All non-EU companies with equivalent size thresholds and net turnover generated in the EU are also in scope.

The negotiations on the draft directive are now reaching the finish line.

However, the CSDD needs to be formally endorsed by the Parliament and EU Council before it can enter into force.

In addition to the more general Supply Chain Due Diligence Draft Directive, the EU has brought regulatory frameworks concerning specific products into place.

The [EU Deforestation Regulation](#) entered into force in June 2023 and companies need to ensure compliance with the core due diligence requirements set out in the Regulation by 30 December 2024.

This includes ensuring that the covered forest commodities and derived products that are placed on the market in the EU are:

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

The new [EU Regulation on Batteries and Waste Batteries](#), which came into force in August 2023, inter alia requires operators to introduce a battery due diligence policy with effect from 18 August 2025.

The policy must address the social and environmental risks that are inherent to the extraction, processing and trading of certain raw materials and secondary raw materials used in the manufacturing of batteries.

4.6. EU Member States and Other European Jurisdictions

Germany

The [German Act on Corporate Due Diligence in Supply Chains](#) requires in-scope companies to adequately comply with human rights and environmental due diligence requirements in order to prevent or minimize human rights and environmental risks. To this end, the Act incorporates a list of international conventions on human rights and the environment, most notably standards from the International Labor Organization. Environmental damage is only considered under the Act if it leads to human rights violations.

The Act entered into force on 1 January 2023. In scope are companies that have either their head office, their principal place of business, their administrative seat or their statutory seat in Germany, and usually employ at least 1,000 people (originally this was set to 3,000 people, but the threshold was lowered to 1,000 people with effect from 1 January 2024).

Under the Act, “supply chain” covers all steps that are required to produce the products and provide the services of the concerned company. While this mainly affects direct suppliers and business partners of the companies in scope, indirect suppliers are covered by the Act in a less strict form. It is however important to note that business partners and suppliers themselves are not liable under the Act.

Companies must adhere to the following list of due diligence obligations:

- Establish a risk management system;
- Define internal responsibility (i.e. by appointing a human rights officer);
- Implement regular risk analyses;
- Submit a declaration of principles, describing the cornerstones of the company's human rights strategy;
- Introduce preventive measures regarding the company's own business as well as its direct suppliers;
- Install remedial measures for imminent or actual violations;
- Establish a complaints procedure, which must be designed in a way that also enables complaints regarding human rights or environmental violations caused by indirect suppliers; and
- Implement due diligence obligations with regard to the risks of indirect suppliers.

The implementation of the due diligence procedures must be continuously documented and the companies in scope must submit an annual report on the fulfilment of their obligations.

It is important to understand that businesses are only responsible for addressing risks that they have caused or contributed to.

Another unique element of the Act is its comparatively extensive liability scheme. Companies violating their obligations under the Act face fines of up to eight million euros or up to two percent of their annual turnover (turnover-based fines are however only applicable to enterprises with more than 400 million euros in annual turnover). They can furthermore be excluded from public procurement. The Act does however not introduce any civil liabilities in addition to the general German civil law.

As discussed above, businesses are only required to apply the measures to an extent appropriate in their individual context, taking into consideration i.e. the size and nature of the business. If human rights violations occur despite all appropriate efforts, the business is not liable. In addition, it is important to highlight that businesses are only responsible for their own violations, which means they cannot be held liable for breaches committed by their suppliers.

The European Union's work towards a Supply Chain Due Diligence Directive will most likely lead to amendments to the German Act in 2025 or 2026.

France

France became the first country to implement the EU Corporate Sustainability Reporting Directive (CSRD) when it published Ordinance No. 2023-1142 on the publication and certification of information regarding sustainability and the environmental, social and corporate governance obligations of commercial companies.

The Ordinance, which amends Book II of the Commercial Code, came into force on 1 January 2024. While the Ordinance appears at first glance to be largely aligned with the provisions of the CSRD, it does not specify the size thresholds for companies subject to mandatory reporting. The precise thresholds and mandatory information to be disclosed by companies are established under Decree No. 2023-1394, which came into force on January 1, 2024. The size thresholds for small, medium-size and large companies subject to mandatory sustainability reporting appears to be as follows:

- Small enterprises: balance sheet total: $\geq 6,000,000$ euros, net turnover: $\geq 12,000,000$ euros and the average number of employees during the financial year ≥ 50 ;
- Medium and large enterprises: The balance sheet total equal or above 20,000,000 euros, the net turnover equal or above 40,000,000 euros; 250 average number of employees during the financial year.

Besides France, a number of EU countries, including [Denmark](#), [Finland](#), [Liechtenstein](#), [Slovakia](#), the [Netherlands](#) and [Spain](#) have introduced draft legislation to transpose the CSRD into their legal frameworks. At first glance, these proposals do not divert from the provisions of the CSRD.

They appear to embrace the scope of application and requirements of the Directive. Member States have until 6 July 2024 to finalize the transposition of the Directive.

Luxembourg

The Luxembourg Parliament tabled a draft law in May 2023, proposing to introduce new duty of care requirements for companies.

If enacted, the law would apply to companies that meet at least two of the following thresholds:

1. At least 250 employees
2. An annual turnover > 50 million euros
3. A total balance sheet > 43 million euros.

The duty of care requires companies to:

- Assess whether their activities, the activities of their subsidiaries or the supply chain have or are likely to have a negative impact on human rights and the environment outside Luxembourg;
- Draw up an inventory of identified actual and potential impacts;
- Take all necessary measures to prevent or end actual impacts;
- Mitigate any impacts that cannot be fully eliminated and adopt measures to remedy any adverse consequences;
- If, despite the above remedial measures, these impacts cannot be sufficiently mitigated to avoid serious harm to people, climate or the environment, immediately stop the activity concerned or terminate the business relationship within a reasonable period of time.

In-scope companies also have an obligation to establish and implement a vigilance plan based on a public consultation with stakeholders and employees' representatives.

United Kingdom

The UK is maintaining momentum in ESG reporting obligations, following the enactment of the Companies Strategic Report Climate-related Financial Disclosure Regulations in January 2022 which made sustainability reporting in accordance with the Task Force for Climate-Related Financial Disclosures (TCFD) compulsory for a number of UK companies.

In August 2023, the UK Government announced, in a call for evidence, its intention to endorse the ISSB's Sustainability Disclosure Standards including IFRS 1 on General Disclosures and IFRS S2 Climate-related Disclosures. IFRS S1 and S2 will be used as a global baseline for the preparation of UK Sustainability Disclosure Standards (UK SDS) which will only divert from that baseline if absolutely necessary. The UK government aims to finalize and publish UK SDSs by the end of **July 2024**.

A second [call for evidence](#) on the costs, benefits and practicalities of Scope 3 greenhouse gas emissions reporting was organized later during the year to help inform the government's decision on whether to endorse the ISSB standards.

Interestingly, shortly after its announcement to develop UK SDS, the UK Government withdrew draft Regulations which, if passed into law, would have imposed additional reporting obligations (including annual resilience statements and triennial audit and assurance policy statements) on large UK companies (defined in the regulations as companies with 750 employees or more, and an annual turnover of £750 million or more). The *Draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations* were withdrawn on 16 October 2023. This U-turn occurred after a consultation during which companies raised concerns about imposing additional reporting requirements.

In October 2023, the UK Transition Plan Taskforce published its best practice disclosure framework for climate transition plans along with a summary of its recommendations in conjunction with the London Stock Exchange Group.

The TPT also published a Sector Summary to complement the Disclosure Framework and supports preparers and users to navigate transition plans.

The Sector Summary outlines decarbonization levers, metrics and targets for 40 sectors including:

- Consumer goods
 - apparel and textiles;
 - consumer discretionary products (which includes companies involved in appliance manufacturing, building products & furnishing, household & personal products industries);
 - consumer retail goods (which includes multiline and speciality retailers & distributors and in e-commerce industries).
- Renewable resources and alternative energy
 - fuel cells and industrial batteries;
 - solar;
 - forestry and paper.
- Resource transformation
 - industrials (including companies which enable resource transformation for aerospace and defence, containers and packing, electrical and electronic equipment, industrial machinery and goods);
 - chemicals.
- Technology and communications including
 - technology;
 - semiconductors.
- Transportation including
 - automobiles.

The TPT will also publish Sector Deep Dive guidance for consultation which will cover the following sectors: Asset Managers, Asset Owners, Banks, Food & Beverage, Electric Utilities & Power Generators, Metals & Mining, and Oil & Gas.

In addition, the TPT published a technical mapping guidance document which identifies the TPT Disclosure Recommendation(s) that an entity may wish to consider as a source of guidance for each TCFD provision.

Switzerland

In Switzerland, the new Ordinance on Climate Reporting came into force on 1st January 2024.

The Ordinance details the climate-related disclosures which must be included by certain large companies in the annual report on non-financial matters.

The Ordinance is more limited in scope than the CSRD in that it only applies to large public interest entities namely, public companies, banks, insurance companies with 500 or more employees, at least CHF 20 million in total assets and more than CHF 40 million in turnover.

On 22 September 2023, the Swiss Federal Council [announced](#) its plan to prepare, by the second half of 2024, a new proposal to expand the scope of mandatory sustainability disclosures.

Again, a public consultation should take place next year around July.

At first glance, the proposal would:

- Expand the scope of mandatory disclosures to include companies with 250 or more employees;
- Provide Swiss businesses with the option to apply either the European standard or another equivalent standard (e.g. the OECD standard);
- Establish audit requirements in line with the CSRD; affected businesses would need to engage external auditors to audit their non-financial disclosures.

Turkey

On 29 December 2023, the 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.

The standards apply to regulated banks, investment institutions and large companies that meet at least two of the following thresholds:

- Total assets of 500 million Turkish liras;
- Annual net sales revenue of 1 billion Turkish liras;
- 250 employees or more.

These companies must prepare their first sustainability reports in accordance with TSRS 1 and 2 for the fiscal year beginning on or after 1 January 2024. A grace period of one year is provided for the inclusion of comparative information and two years for the reporting of scope 3 emissions. The decision of the Board approving the standards can be found [here](#).

Norway

In May 2023, Norway launched a consultation of a draft proposal to incorporate the CSRD into Norwegian law.

The implementation of the CSRD would require amending the Norwegian Accounting Act and Transparency Act, which are the main pieces of legislation governing due diligence and sustainability reporting for Norwegian companies. The Ministry of Finance aims to present the proposal to the Storting in time to introduce the timelines of the CSRD. The deadline for consultation expired on 4 September 2023.



05. The Americas

USA

2023 was a turbulent year for ESG in the United States.

A number of Bills and political initiatives proposed throughout the year aimed to prevent the introduction of ESG reporting and investment requirements. This includes a policy statement signed in March 2023 by 18 predominantly Republican-led states, vowing to lead state-level efforts to protect "taxpayers from ESG influences across state systems" and to protect "citizens from ESG influences in the financial sector".

Despite these tensions, we saw a huge shift in reporting requirements in California in October 2023, and further progress has been made regarding the SEC proposal on climate disclosure. Unlike in Europe, the US initiatives however largely focus on the disclosure of climate-related risks as opposed to covering environmental, social and governance requirements in one place.

a) California Bills on Climate Disclosure

Two Bills on Climate Disclosure were signed into law in California in October 2023.

SB 253 (Climate Corporate Data Accountability Act) requires companies with a revenue greater than 1 billion dollars doing business in California to disclose their scope 1, 2 and 3 greenhouse gas emissions. The Californian law applies equally to public and private companies.

The most notable element of SB 253 is the requirement to disclose scope 3 greenhouse gas emissions, which are defined as 'indirect upstream and downstream greenhouse gas emissions, other than scope 2 emissions, from sources that the reporting entity does not own or directly control and may include, but are not limited to, purchased goods and services, business travel, employee commutes, and processing and use of sold products'. Regarding the format and content of their report, companies are obliged to follow the guidance and standards issued by the **Greenhouse Gas Protocol (GHG Protocol)**, a framework that many companies already use on a voluntary basis.

The reporting obligations as well as the requirement to provide independent third-party verification will be **phased in between 2026 and 2030**. Beginning in 2026, companies will have to disclose their scope 1 and 2 emissions for the prior fiscal year and provide 'limited' assurance for this information. 'Reasonable' assurance will be required for these emissions from 2030 onwards. Reporting of scope 3 emissions will begin in 2027, and limited assurance for scope 3 emission reporting will most likely be required from 2030 on, depending on a decision to be made by the California Air Resources Board (CARB).

The second Bill, **SB 261 (Climate Corporate Data Accountability Act)**, furthermore obliges public and private companies with a revenue greater than **500 million dollars** that are doing business in California to prepare a report on their climate-related financial risks **every two years**. In their report, companies must disclose their climate-related financial risks in accordance with the final **Task Force on Climate-Related Financial Disclosures** recommendations or their successor (taken over by the ISSB in June 2023) and the measures they have adopted to reduce and adapt to the disclosed climate-related financial risk.

Shortly after the finalization of the rules, Gavin Newsom, Senator of California, announced that he is aware of the costs and looming deadlines and advised the legislature to consider changes to these requirements in 2024. In addition, the reporting obligations and further details must be implemented in a regulation by the California Air Resources Board (CARB) in 2024. Companies are therefore strongly advised to look out for the implementing regulations as well as potential changes to the Bills themselves.

AB 1305 is another Californian Bill that has gotten less attention so far. Alongside SB 253 and SB 261, the Bill was adopted in October 2023 and entered into force on 1 January 2024. In summary, AB 1305 requires companies marketing or selling voluntary carbon offset as well as companies advertising the use of such carbon offset to disclose information on the success, progress and monitoring of the projects that are used as a base for the carbon offset on their websites.

b) SEC Proposal on Climate Disclosure

The Securities and Exchange Commission proposed their enhanced Climate Reporting Rules in **March 2022**. Since then, the adoption date for the proposed rules has been pushed out several times and changes to the proposal have been discussed extensively.

If enacted, the rules would require registrants to disclose information on the following aspects:

- The registrant's governance of climate-related risks and relevant risk management processes;
- Impact of the identified climate-related risks on the registrant's business and consolidated financial statements over the short, medium, or long-term;
- Effects or likely effects of climate-related financial risks on the registrant's strategy, business model, and outlook; and
- The impact of climate-related events and transition activities on the line items of a registrant's consolidated financial statements (including assumptions used in the statement).

One of the main points of contention and subject of consultation has been the requirement to disclose **scope 3 emissions**. Disclosure of scope 3 emissions is only required where they are considered material for the company or where the company has set its own reduction target. Many of the comments submitted to SEC during the last consultation however noted that disclosure of this type of information will be costly and is not as well developed yet.

In a statement made on 6 December 2023, SEC Chair Gensler announced that the new rules will be adopted in **April 2024 at the earliest**. Two days before, he explained the agency's intention to engage in conversation with the EU to suggest using the upcoming Climate Disclosure rules - once finalized - as a substitute for US company's compliance with the Corporate Sustainability Reporting Directive (CSRD). The requirements of the CSRD and supporting ESRS standards will apply to US companies that generate over €150 million in the EU. Substituting the European rules with the US rules could potentially lead to less stringent rules for US companies, and therefore it remains to be seen whether the EU would accept such a deal.



c) Supply Chain Due Diligence and Human Rights

Further ESG developments in the United States concern new proposals on Supply Chain Due Diligence. Several US States, including [Washington](#) and [New York](#), proposed supply chain due diligence requirements for the **textiles industry**.

In addition, a Bill on **deforestation-free products** has been reintroduced in the Senate in November 2023 (SB 3371, FOREST Act), after a similar Bill failed to gain sufficient support in 2021.

If enacted, the Bill would prohibit the import of products made from certain commodities (including palm oil, soybeans, cocoa, cattle and rubber), produced on illegally deforested land.

The close connection between ESG reporting requirements and supply chain due diligence can furthermore be seen in the proposed [Transaction and Sourcing Knowledge Act \(TASK Act\)](#) (SB 864) from March 2023.

The Bill proposes obligations for publicly traded companies to disclose inter alia the sourcing of products imported into the United States that are utilizing forced labor from Xinjiang, the application of due diligence procedures in such production processes and transactions with companies on the Department of Commerce's trade restriction list.

Canada

a) ESG Reporting

Currently, there is no comprehensive framework for ESG and climate reporting in Canada, a fact that has been criticized by many as Canada seems to be lagging behind other major economies.

While the Canadian Securities Administrator (CSA) announced first plans to make climate reporting mandatory in Canada in October 2021, the proposed rules are currently under review in order to align them with the new ISSB Standards that were published in June 2023.

In addition, the newly founded Canadian Sustainability Standards Board (CSSB) is working together with ISSB to facilitate the application of the ISSB Standards in Canada and provide interoperability with potential future CSSB Standards.

There are however several frameworks with limited applicability in Canada.

From 1 April 2023, [major suppliers](#) are obliged to disclose their greenhouse gas emissions and set reduction targets according to the commitments set out in the Greening Government Strategy.

Furthermore, federal distributing corporations are obliged to disclose information on the [diversity](#) of their board.

This concerns the representation of four designated groups, namely:

- Women;
- Indigenous peoples;
- Persons with disabilities; and
- Members of visible minorities.

b) Fighting Against Forced Labor and Child Labor in Supply Chains Act

The Canadian ['Fighting Against Forced Labor and Child Labor in Supply Chains Act'](#), which entered into force on 1 January 2024, requires certain public institutions and companies to report on the measures taken to prevent and reduce the risk that forced labor or child labor is used by them or in their supply chains.

The first report under this Act for the financial year 2023 is due in May 2024.

Entities covered under the Act are those listed on the Canadian Stock Exchange, certain large corporations with at least \$20 million in assets, at least \$40 million in revenue and at least 250 employees and those entities prescribed by regulation.

It is however noteworthy that the Act does not entail any actual supply chain due diligence requirements, but merely obliges companies to disclose on existing risks and efforts.

Colombia

Since 2021, the Colombian Financial Superintendency has issued several legal instruments to encourage the disclosure of ESG information and promote sustainable investment.

In November 2023, [a new Circular](#) entered into force, obliging companies under the supervision of the agency to elaborate and present reports regarding their business activities, practices, sustainability risks, and impacts on environmental, social and governance (ESG) issues.

The reports must be based on a recognized international standard chosen by the company (the Circular explicitly mentions IFRS S1 and S2). Regardless of the standard used, the report shall contain the following minimum information:

- Indication of International Reporting Standard;
- Index of content;
- Information about the company (corporate name, address, sector, commercial activities, size, income, and others);
- Company's sustainability strategy;
- Disclosure of activities' risks and impacts and measures adopted to prevent them in accordance with the International Reporting Standard chosen.

The reporting obligations apply to large companies in the manufacturing, mining-energy, construction, tourism, telecommunications and new technologies sector (those under the supervision of the agency).

Brazil

On 20 October 2023, the Ministry of Finance and the Comissão de Valores Mobiliários (CVM) announced that the International Sustainability Standard Board (ISSB) IFRS Sustainability Disclosures Standards will be incorporated into the Brazilian regulatory framework.

Shortly after, the Brazilian Securities Commission adopted a Resolution ([CVM No. 193](#)) governing the preparation and disclosure of sustainability-related financial information by publicly traded companies, investment funds and insurance companies.

Disclosures of sustainability-related information by these companies remain optional as of January 1, 2024.

However, disclosures in accordance with the ISSB standards will become mandatory for publicly traded companies from the fiscal year beginning on or after January 1, 2026.

The Resolution came into force on November 1, 2023, making Brazil the first country to officially adopt the ISSB standards.



06. Asia-Pacific

Japan

On 31 January 2023, the Japanese Ministry of Finance passed an [amendment](#) to the Cabinet Office Order on Disclosure of Corporate Affairs to require listed companies to describe their corporate “initiatives” in the field of sustainability in a new section of their Securities Registration Statement and Annual Securities Report. The disclosure requirements reflect the TCFD pillars and include “governance”, “risk management” “strategy” and “indicators and targets” in the list of mandatory items. The changes apply to annual securities reports and registration statements for fiscal years ending on or after 31 March 2023.

Hong Kong

The Hong Kong Stock Exchange [launched a consultation](#) on potential changes to the ESG Reporting Code in April 2023. The new proposal concerns the disclosure of information on the company’s governance, strategy, risk management and targets related to climate change. Following the publication of the ISSB Sustainability Disclosure Standards in June 2023, the Stock Exchange announced its intention to take the new standards as well as the available ISSB Adoption Guide into account when finalizing the update to the ESG Reporting Code. In order to give issuers sufficient time to familiarize themselves with the ISSB Standards, the deadline for issuers to implement the new listing rules has been pushed out to **1 January 2025**.

China

With the publication of the voluntary ‘Guidance for enterprise ESG disclosure’ issued by CERDS (China Enterprise Reform and Development Society) in 2022, China began to streamline the disclosure of ESG information for all industries, which could form the basis for further mandatory requirements.

In May 2023, CERDS published an [announcement](#) asking Chinese enterprises to report on model ESG management cases, aiming to promote the implementation of ESG concepts, and strengthen the exchange of knowledge. In addition, CERDS is working towards [a new standard for ESG management systems](#), which would also include disclosure on the implementation of such a system.

Furthermore, China enhanced its requirements for the reporting of GHG emissions from enterprises in certain high-emitting sectors such as petro-chemical and chemical industry, steel industry, construction and aviation in 2023. An [announcement](#) issued in November 2023 requires enterprises in these key industries to annually disclose their GHG emissions by 31 March of each year. A [second announcement](#) from February 2023 covers the energy-generating sector. In general, major polluting enterprises in China are obliged to report on their environmental impact, including carbon emissions, under [Order No. 24](#) which entered into force in February 2022.

Taiwan

Under the [Taiwan Stock Exchange \(TWSE\) Corporation Rules](#), listed companies are required to annually submit an ESG Report based on the guidelines set out by the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD). The rules were last amended in 2022, by adding new ESG performance indicators according to which companies must assess and lay out their material topics. The rules contain indicators for 14 different industries. Furthermore, the reports shall contain a section dedicated to GHG emissions, which must include data on the company's scope 1 and scope 2 emissions. Companies shall explain in their report whether the disclosed information has been verified by a third party. According to an Order adopted in 2023, the requirements regarding the disclosure of climate change-related information and assurance will be [phased in](#) until 2029.

The [Regulations Governing Information to be Published in Annual Reports of Public Companies](#), as amended in November 2023, require the timely publication of a listed company's carbon reduction targets, strategies and specific action plans. Large TWSE or TPEX listed companies must upload their annual reports 14 days prior to the day of the shareholders' meeting at the latest.

In August 2023, the Taiwan Financial Supervisory Committee (FSC) released a "[Roadmap for Taiwan listed companies to align with IFRS Sustainability Disclosure Standards](#)". According to the roadmap, FSC intends to adopt the IFRS Standards with effect from financial year 2026. The initial adoption shall include IFRS S1 and S2, after which FSC will closely monitor further developments at the international level. The application of the ISSB Standards will be phased in until 2029, depending on the size and revenue of the company.

South Korea

A [Bill on Human Rights and Environmental Protection for Corporate Sustainable Management](#) was submitted to the National Assembly of South Korea on 1st September 2023.

The Bill may be considered as the equivalent of the EU Corporate Sustainability Due Diligence Directive (CSDDD). Similar to CSDDD, the Bill will oblige certain companies to respect human rights and the environment throughout their supply chain by conducting due diligence.

In terms of scope, the due diligence obligations would apply to South Korean companies with at least 500 employees or a revenue equal to or greater than 200 billion KRW.

In-scope companies include those that have their headquarters in South Korea as well as foreign private undertakings that have established a business office in the country in accordance with Article 614 of the Commercial Act.

SMEs are currently out of scope but may well be included by Presidential Decree in the future. If passed into law, this Bill will be the first of its kind to establish mandatory human rights and environment due diligence obligations in Asia.

Shortly after, on 25 September 2023, the Accounting Standards Board of South Korea launched a [consultation](#) to support the official translation of the ISSB Sustainability Disclosure Standards, IFRS S1 and IFRS S2.

The initiative gathered feedback from domestic stakeholders to inform the development of national sustainability disclosure standards. The [Korean versions](#) of IFRS S1 and S2 were finalized and made publicly available on 26 December 2023.

Philippines

The Securities and Exchange Commission of the Philippines issued [guidelines](#) on sustainability reporting for publicly listed companies in 2019. According to the guidelines, publicly listed companies are obliged to submit the reporting template in Annex A together with the company's annual report. This includes information on climate-related risks and opportunities, procurement practices, anti-corruption, environmental impact management, employee management, workplace conditions, supply chain management and impact on local communities. A [Bill](#) proposed in the Senate in January 2023 now seeks to extend these reporting obligations and aims to make the reports publicly available, thereby increasing transparency and accountability of the reported information.

Sri Lanka

The Colombo Stock Exchange amended its Listing Rules with regard to the disclosure of ESG information in October 2023. [Listing Rules Section 9](#), which came into effect on 1 October 2023, now require all listed companies to establish and maintain policies on the following subjects:

Matters relating to the Board of Directors; Board Committees; Corporate Governance, Nominations and Re-election; Remuneration; Internal Code of Business conduct and Ethics for all Directors and employees; Risk management and Internal controls; Relations with Shareholders and Investors; Environmental, Social and Governance Sustainability; Control and Management of Company Assets and Shareholder Investments; Corporate Disclosures; Whistleblowing and Anti-Bribery and Corruption.

The above listed policies as well as any changes that are being made to these policies must be disclosed on the entity's website as well as in the entity's annual report (referencing the official website of the entity).

In collaboration with the Global Reporting Initiative, the Stock Exchange published a [report](#) on the application of the GRI Standards in Sri Lanka, aiming to assist corporates in determining material topics (November 2023).

Singapore

On 6 July 2023, the Accounting and Corporate Regulatory Authority (ACRA) and Singapore Exchange Regulation launched a [public consultation](#) to enhance the scope of mandatory climate-related financial disclosures in Singapore.

The proposal would culminate with the adoption of local standards that mirror the ISSB IFRS standards. Their finalization is expected in 2024.

In short, listed issuers who are already subject to TCFD-aligned climate reporting requirements would be required to report on ISSB-aligned climate disclosures from fiscal year 2025.

Listed issuers include those incorporated overseas as well as business trusts and real estate investment trusts. Non-listed companies with at least \$1 billion in revenues would be required to report from fiscal year 2027. A review will be conducted in 2027 to impose similar reporting obligations on unlisted companies with revenues of at least \$100 million (to less than \$1 billion) from 2030.

The disclosure requirements will be introduced incrementally to facilitate compliance. The proposal grants the same temporary reliefs as those specified in the ISSB standards. As such, listed issuers may omit to provide comparative information during the first year of implementation of ISSB-aligned standards.

Likewise, with respect to scope 3 GHG emissions, large non-listed companies will be required to make these disclosures two years after the entry into force of mandatory reporting requirements.

Listed issuers will need to obtain [external] limited assurance in respect of their scope 1 and 2 GHG emissions from January 1, 2027. Limited assurance will then apply to disclosures prepared by non-listed entities (with annual revenue of at least \$1 billion) as of January 1, 2029.

Australia

In December 2022 and June 2023, the Australian Department of Treasury conducted two consultations on the proposed implementation of the ISSB Standards, thereby working towards mandatory climate reporting requirements in Australia. The Australian Standards aim to take the ISSB Standards into account as much as possible, with certain adaptations to the Australian context concerning for example the incorporation of Australia's national greenhouse gas emissions estimation methodologies and international climate change commitments. After receiving broad support from stakeholders, [3 draft Australian Sustainability Reporting Standards](#) were published in October 2023 (*ASRS 1 General Requirements for Disclosure of Climate-related Financial Information (based on IFRS S1)*; *ASRS 2 Climate-related Financial Disclosures, based on IFRS S2*; *ASRS 101 References in Australian Sustainability Reporting Standards*).

If adopted, the Standards will be applicable to companies that already report under the Corporations Act. The reporting requirements will be phased in between 2024 and 2028, depending on the size and revenue of a company. Large entities with over 500 employees, revenues of over \$500 million and assets of over \$1 billion will be covered by the Standards starting in 2024-2025. Medium-sized entities with 250+ employees, \$200 million+ revenue and \$500 million assets will follow suit in 2026 and smaller entities (100+ employees, \$50 million+ revenue, \$25 million+ assets) in 2027-2028. In addition to these phasing-in periods, the Draft Standards give entities time to prepare for the reporting of scope 3 emissions and the implementation of scenario analysis and transition planning. Comments on the Draft Standards can be submitted until 1 March 2024.

Hot from the press, the Australian treasury published a [draft law](#) on climate-related financial disclosure on 15 January 2024. The draft law proposes to amend the Australian Securities and Investment Commission Act 2001 and the Corporations Act 2001 (Cth) by incorporating mandatory requirements for large businesses and financial institutions to disclose their climate-related risks and opportunities.

This mainly entails the obligation for large companies to publish an annual sustainability report, consisting of:

- The climate statement for the year;
- Further notes and statements specifically prescribed by regulation; and
- The directors' declaration about the compliance of the statements with the relevant sustainability standards.

The climate statement must be prepared based on the new (draft) sustainability reporting standards issued by the AASB as discussed above. In addition, the draft law requires in-scope companies to provide assurance for the disclosed information similarly to the assurance that is presently needed for financial information. Details of the required assurance will be set out in a Standard to be developed by AUASB.

New Zealand

In 2021, New Zealand passed an [amendment to the law on Financial Reporting](#), making climate reporting mandatory for large publicly listed companies, insurers, banks, non-banking deposit takers and investment managers. The amendment mandated that reporting would take place against one or more standards to be issued by the NZ External Reporting Board, which would be based on the TCFD recommendations. The Board subsequently released 3 standards in December 2022 (*Climate-Related Disclosures Standard [CS1](#)*, *Adoption of Climate Standard [CS2](#)* and *General Requirements for Climate Disclosures Standard [CS3](#)*). The Standards entered into force on 1 January 2023. Further guidance on [scenario analysis](#) and the correct maintenance of [climate-disclosure records](#) was published throughout 2023. In addition, the Board adopted a temporary voluntary standard on [assurance](#) of GHG disclosures in August 2023, stating that the assurance standard will be updated as soon as more information is available on international assurance standards. The reporting board committed to a general in practice [review of all standards until 2025](#), and will keep a close eye on climate disclosure developments in other jurisdictions.

07. Global Regulatory Developments

7.1. International Sustainability Disclosure Standards

On 26 June 2023, the [International Sustainability Standards Board \(ISSB\)](#) released the much anticipated IFRS Sustainability Reporting Standards: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.

These standards serve as a comprehensive global baseline of sustainability disclosures for the capital markets.

IFRS S1 requires both public and private companies to disclose information about the "sustainability-related risks and opportunities" that may affect the entity's cash flow, its access to finance or cost of capital over the short, medium and long-term.

IFRS S2 sets out specific climate-related disclosures and is designed to be used in conjunction with IFRS S1. This information is intended to help investors make informed decisions about providing financial resources to private and public entities.

The standards are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is nonetheless permitted as long as IFRS S1 and S2 are applied simultaneously.

Note that IFRS S1 and IFRS S2 are voluntary standards. Companies are not obliged to apply these standards unless jurisdictional authorities specifically require them to do so.

Transition periods are provided for the first year of application of these standards.

In particular, in the first annual reporting period, entities are not required to disclose comparative information and Scope 3 greenhouse gas (GHG) emissions information.

Moreover, in the first annual reporting period, entities may also choose to only disclose information about climate-related risks and opportunities in accordance with IFRS S2.

In addition, entities do not have to disclose sustainability-related financial information at the same time as their related financial statement.

Sustainability disclosures, including climate-related disclosures under IFRS S2, may be reported after publication of the financial statement issued for the first reporting period.

In addition to the above, in September 2023, the International Accounting Standard Board launched a new project - entitled *Climate-related and Other Uncertainties in the Financial Statements* - to explore actions to improve the reporting of climate related and other uncertainties in financial statements.

According to IASB, the initiative may result in further educational materials or revision of existing IFRS Standards.

The project compiles all materials to help companies report on the effects of climate-related and other uncertainties in their financial statements.

7.2. Taskforce on Nature-related Financial Disclosures

The Taskforce on Nature-related Financial Disclosures (TNFD) has developed disclosure recommendations to help companies assess and report on their nature-related dependencies, impacts, risks and opportunities.

The recommendations, officially published on 19 September 2023, are accompanied by a series of tools and sector-specific guidance documents, including the so-called Locate-Evaluate-Assess-Prepare (LEAP) approach.

The LEAP approach provides organizations with a step-by-step due diligence process to make disclosures in line with the TNFD recommendations.

Whilst not legally binding, the recommendations and accompanying sectoral guidance provide businesses and other organizations with a framework to reduce their negative impacts and better integrate nature into strategic decision-making.



7.3. Draft International Standards on Requirements for Sustainability Assurance Engagements

In August 2023, the International Auditing and Assurance Standards Board (IAASB) issued a proposed International Standard on Sustainability Assurance (ISSA) 5000, [General Requirements for Sustainability Assurance Engagements](#).

This standard will serve as a global baseline to conduct sustainability assurance engagement over reported sustainability information, including disclosures mandated by the IFRS S1 and S2.

A period of public consultation took place until 1st December 2023.

IAASB also issued a [FAQ document](#) to support the application of materiality by entities and assurance practitioners reporting or performance sustainability assurance engagement under the recently proposed ISSA 5000.

OUR NUMBERS

300+

CUSTOMERS WORLDWIDE

195

COUNTRIES COVERED

90,000

REGULATIONS