

# 31 December 2024 Sustainability Reporting Update

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## CONTENTS

### 1 Background

### 2 Major events in Sustainability Reporting During Q4 2024

### 4 EFRAG

### 6 Timeline for Implementation of Sustainability Reporting

### 3 IFRS Foundation developments

### 5 US SEC and state legislation

### 7 Sustainability Reporting Resources

## Background

This publication provides a 'snapshot' of sustainability reporting developments with a focus on the updates related to the International Sustainability Standards Board's (ISSB™) International Financial Reporting Standards (IFRS®) Sustainability Disclosure Standards - IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 *Climate-related Disclosures* (IFRS S2) - issued on 26 June 2023 and the European Sustainability Reporting Standards (ESRS) adopted by the European Commission (EC) on 31 July 2023 as well as other organisations.

BDO issues periodic ISR Bulletins as sustainability standards are evolving quickly.

BDO also issues a separate publication on jurisdictional updates on sustainability reporting developments for select jurisdictions.

Although it is comprehensive, this summary is not exhaustive and does not include all standard setting activities of the International Sustainability Standards Board (ISSB) and other organisations.

### EXECUTIVE SUMMARY

In December 2024, EFRAG added new non-authoritative technical explanations to help stakeholders implement the ESRS, bringing the total to 162.

EFRAG has released technical advice on the Voluntary Sustainability Reporting Standard for non-listed micro, small, and medium-sized undertakings (VSME) at the request of the EC.

In December 2024, EFRAG published an addendum to EFRAG IG 3 'ESRS Datapoints', which includes clarifications and corrections based on stakeholder feedback.

The International Auditing and Assurance Standards Board (IAASB) has issued the final version of ISSA 5000 '*General Requirements for Sustainability Assurance Engagements*'.

The International Public Sector Accounting Standards Board (IPSASB) has issued an exposure draft for its first sustainability reporting standard, SRS ED 1, which aligns with ISSB standards, and the comment period ends on 28 February 2025.

Despite ongoing legal challenges to SB-253 and SB-261, the California Air Resources Board (CARB) continues its efforts, as shown by its recent Enforcement Notice for the Climate Corporate Data Accountability Act (SB 253), indicating no enforcement action for incomplete Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions reporting for the first report due in 2026, provided companies make a good faith effort to retain relevant data.

## Major events in Sustainability Reporting During Q4 2024

### TNFD publishes discussion paper on nature transition planning

The Taskforce on Nature-related Financial Disclosures (TNFD) released a [discussion paper](#) outlining draft guidance on nature transition planning. The comment period for this paper ends on 1 February 2025.

The draft guidance targets corporations and financial institutions that develop and disclose transition plans in line with TNFD's recommended disclosures. A nature transition plan is proposed to be a part of an organisation's overall business strategy setting goals, targets, actions, accountability mechanisms, and resources to address and contribute to the Global Biodiversity Framework. This framework aims to halt and reverse biodiversity loss by 2030 and set nature on a recovery path by 2050.

The guidance builds on current market practices for climate transition planning, particularly the work of the Glasgow Financial Alliance for Net Zero (GFANZ) and the recommendations of the Transition Plan Taskforce (TPT) for climate transition plan disclosure.

### Final pronouncement of International Standard on Sustainability Assurance (ISSA) 5000 is published

The IAASB has released the final pronouncement of its [ISSA 5000](#), titled '*General Requirements for Sustainability Assurance Engagements*'. Based on the press release, this comprehensive, stand-alone standard is designed for any sustainability assurance engagements and can be used by both professional accountants and non-accountant assurance practitioners.

Tom Seidenstein, Chair of the IAASB, highlighted that ISSA 5000 establishes a global baseline, which is also compatible with the European Union (EU) Corporate Sustainability Reporting Directive (CSRD). The standard addresses both limited and reasonable assurance engagements and incorporates traditional and double materiality concepts. The IAASB plans to release guidance and support videos related to the standard.

Jean-Paul Servais, Chair of the International Organization of Securities Commissions (IOSCO), mentioned that IOSCO will evaluate whether the standard meets its expectations and, if so, will encourage jurisdictions to adopt it, considering national arrangements.

More information and documents are available at the links below:

- ▶ [Press release](#)
- ▶ [ISSA 5000](#)
- ▶ [Basis for conclusions](#)
- ▶ [Speech by IAASB Chair Tom Seidenstein](#)
- ▶ [Speech by Jean-Paul Servais](#)

### IOSCO report on Transition Plans Disclosures

The IOSCO has released a [report on Transition Plans Disclosures](#), developed by its Sustainable Finance Taskforce (STF). The report highlights how these disclosures can enhance investor protection and market integrity. It identifies challenges and key findings, suggesting coordinated actions for IOSCO and other stakeholders. The report focuses on four main areas: ensuring consistency and comparability of transition plan disclosures, promoting their assurance, enhancing legal and regulatory clarity and oversight, and building capacity.

Stakeholders have suggested that guidance on transition plan disclosures could help clarify expectations on disclosures and lead to more standardised information. They believe that aligning guidance on these disclosures is crucial for investors to understand and compare information across different jurisdictions, despite varying national requirements. IOSCO's report supports the IFRS Foundation's plan to develop educational material and, if necessary, application guidance to aid in transition plan disclosures. IOSCO also encourages the ISSB to ensure high interoperability of the IFRS Sustainability Disclosure Standards with key jurisdictional standards.

Additionally, IOSCO recommends that relevant standard setters provide markers for forward-looking information to help reporting entities manage potential liability risks while disclosing essential climate-related information.

### Accountancy Europe releases new papers on CSRD Readiness

Accountancy Europe has released a series of three papers titled 'CSRD Readiness', which cover the [limited assurance approach to double materiality assessment](#), [value chain information](#), and [transition plans](#) under the EU CSRD.

### Accountancy Europe releases CSRD transposition tracker

The CSRD mandates sustainability reporting for over 42,500 companies across the EU and beyond, bringing it to the same level as financial reporting. Effective from January 2023, it requires large companies, listed SMEs, and some non-EU companies to report on their sustainability impacts, with the first reports due in 2025.

Accountancy Europe has created a [platform](#) to track how EU Member States have integrated the directive into national law, providing stakeholders with insights into its implementation and application across Europe.

Despite the July 2024 deadline for transposition, the EC opened infringement procedures against 17 Member States in September 2024 for missing the deadline.

The platform also details national provisions, sanctions, and assurance requirements.

### IPSASB releases exposure draft for inaugural sustainability reporting standard

The IPSASB released an exposure draft for its inaugural sustainability reporting standard, [SRS ED 1](#), which is aligned with ISSB standards. The comment period for this draft ends on 28 February 2025.

The draft, titled '*Climate-related Disclosures*', aims to provide essential information for users of general-purpose financial reports, such as service recipients and resource providers. It focuses on:

- ▶ Climate-related risks and opportunities affecting an entity's operations, in line with public sector guidance.
- ▶ Climate-related public policy programs and their outcomes, addressing the dual role of governments.

The disclosure requirements are adapted from the four pillars of IFRS S2: governance, strategy, risk management, and metrics and targets, with additional proposed guidance for the public sector. The draft also includes proposals for conceptual foundations and general requirements based on IFRS S1.

Institute of Chartered Accountants in England and Wales (ICAEW) highlights potential issues such as the length of the standard, the risk of 'greenwashing', and the broad definition of public policy program outcomes.

More details are available in the [press release](#), the full [SRS ED 1](#) document, and an '[At a Glance](#)'.

### IOSCO's GEM Committee launches a Network to help its members adopt or other use of the ISSB standards

The IOSCO's Growth and Emerging Markets (GEM) Committee has launched a dedicated Network to support its members in adopting or using the ISSB standards.

This initiative is a significant step towards the adoption of the IFRS Sustainability Disclosure Standards in jurisdictions represented in IOSCO's GEM Committee.

The initial cohort includes 31 jurisdictions, representing the majority of emerging market jurisdictions' market capitalisation, with more members expected to join soon. At the launch event in Ankara, Türkiye, ISSB Chair Emmanuel Faber emphasized the importance of this milestone for global sustainability-related reporting and the benefits of aligning disclosure requirements with the global baseline.

### CDP and GRI to align disclosure requirements for enhanced interoperability

The CDP and the Global Reporting Initiative (GRI) achieved a memorandum of understanding with agreement to progress work to align their disclosure requirements. This includes a mapping exercise to enhance interoperability and an assessment of the CDP questionnaire and the GRI standards for climate change, water, and biodiversity.

### GRI establishes working group for new pollution standard

The GRI has established a [working group](#) of 17 experts from diverse stakeholder groups and jurisdictions to develop a [new standard on pollution](#). This group will review and potentially expand pollution-related disclosures within the GRI standards.

### Accountancy Europe releases new edition of ESRS Perspectives on interoperability

Accountancy Europe has released a new edition of its ESRS Perspectives, which discusses the [interoperability](#) of ESRS, the ISSB standards, and the GRI standards.

## **ESMA updates**

### **Enforcement priorities from ESMA for 2024 financial statements**

The European Securities and Markets Authority (ESMA) outlined the [European common enforcement priorities \(ECEP\) for listed companies' 2024 financial statements](#).

Financial Reporting Priorities:

- ▶ Liquidity considerations
- ▶ Accounting policies, judgments, and significant estimates.

Sustainability Reporting Priorities:

- ▶ Materiality considerations in reporting under ESRS
- ▶ Scope and structure of the sustainability statement
- ▶ Disclosures related to Article 8 of the Taxonomy Regulation.

The European Single Electronic Format (ESEF) Reporting Priorities:

- ▶ Common errors in the statement of financial position.

Additionally, the statement includes general remarks on the connectivity between financial and sustainability statements.

### **ESMA seeks feedback on proposals to digitalize sustainability and financial disclosures**

ESMA has started a [consultation](#) to amend the European Single Electronic Format (ESEF) requirements to include sustainability reporting and reduce financial reporting burdens.

The consultation document, which includes five appendices, suggests changes to the tagging of disclosures in the notes to IFRS consolidated financial statements and introduces new tagging rules for ESRS and Article 8 disclosures using XBRL taxonomies. A phased implementation approach is proposed, with not all sustainability disclosures being tagged immediately by all companies.

Stakeholders are encouraged to provide their feedback by 31 March 2025.

### **ESMA initiates a consultation on the digital tagging of ESRS statements**

ESMA has launched a [public consultation](#) to amend the European Single Electronic Format (ESEF) Regulatory Technical Standards (RTS) to digitize ESRS and Article 8 disclosures in XBRL format starting from financial year 2026 or financial year 2027.

This proposal includes a draft XBRL taxonomy based on EFRAG's digital taxonomy reflecting ESRS Set 1.

The consultation includes a draft XBRL taxonomy that combines the ESRS, Article 8, and IFRS XBRL Taxonomies, along with a detailed document outlining the draft amendments to the ESEF RTS and several survey questions. ESMA proposes that large Public Interest Entities (PIEs) or PIEs that are parent undertakings of a large group (including third-country issuers), begin digitizing their disclosures using Inline XBRL for the financial year 2026 or 2027. This means that these digital sustainability reports will be publicly available in 2027 or 2028, depending on the EC's adoption of the amended ESEF RTS. For large non-PIEs or non-PIEs that are parent undertakings of a large group (including third-country issuers), ESMA suggests an additional year before starting the digitization process. Furthermore, a phased approach is proposed, gradually extending the mandatory digital tagging scope based on different ESRS disclosures over two additional phases, with full digitization of ESRS Set 1 statements expected by 2031 or 2032.

The consultation is open until 31 March 2025.



## IFRS Foundation developments

### Main takeaways from Integrated Reporting and Thinking Conference 2024

The 2024 IFRS Foundation Integrated Thinking and Reporting Conference, held in Milan on 18 October in partnership with the Italian Foundation for Business Reporting (O.I.B.R.), brought together global stakeholders to discuss the value of integrated reporting and its support for IFRS S1 and IFRS S2. More than 35 speakers from 15 countries shared insights on enhancing the quality and value of integrated reporting.

[Key takeaways](#) included the effectiveness of the Integrated Reporting Framework in aiding the adoption of IFRS S1 and IFRS S2, the role of integrated thinking in breaking down silos and strengthening governance, and the benefits of using IFRS S1 and IFRS S2 for companies already publishing integrated reports.

### IFRS Foundation's report on global progress in both mandatory and voluntary corporate climate-related disclosures

The IFRS Foundation presented a detailed [progress report](#) to the Financial Stability Board (FSB) on 12 November 2024. The report highlights the status of 30 jurisdictions that are moving towards incorporating ISSB standards into their regulatory frameworks. It also provides insights into how companies are transitioning from using TCFD recommendations to ISSB standards, with over 1,000 companies referencing the ISSB in their reports.

The IFRS Foundation has released a [separate analysis](#) on some key features in 30 jurisdictional frameworks. This also covers the status of proposals by jurisdictions towards adoption of other uses of ISSB standards as of November 2024.

### The ISSB releases educational material for IFRS S1 and IFRS S2 implementation

The IFRS Foundation has released a [comprehensive guide](#) to help companies identify and disclose material information about sustainability-related risks and opportunities. This guide supports the implementation of the ISSB standards and focuses on how these risks and opportunities, described in IFRS S1, can impact a company's cash flows, access to finance, or cost of capital. It emphasises integrated thinking, considering the link between a company, its stakeholders, society, the economy, and the natural environment throughout its value chain. Investors and global capital markets increasingly demand this information for informed decision-making.

IFRS S1 explains that companies rely on and impact resources and relationships, such as human, intellectual, financial, natural, manufactured, and social, throughout their value chain. These dependencies and impacts can lead to sustainability-related risks and opportunities affecting a company's prospects. The guide also highlights how companies can benefit from existing processes for making materiality judgments, particularly when applying IFRS Accounting Standards. It aligns with the four-step process in the International Accounting Standards Board's *IFRS Practice Statement 2: Making Materiality Judgements*. Additionally, the guide provides considerations for connecting sustainability-related financial disclosures with financial statements and for those applying ISSB standards alongside other sustainability reporting standards like the ESRS or the GRI Standards.

### IFRS Foundation's Capacity Building Activity Report and 2025 plan

The IFRS Foundation has released an [activity report](#) detailing its capacity building efforts between COP28 and COP29 to support the adoption of the ISSB standards. The report also includes the IFRS Foundation's plans for 2025.

### Key takeaways from the Beijing International Sustainability Conference 2024 - 'Path to Global Baseline'

The Beijing International Sustainability Conference 2024, held on 21 November 2024 in Beijing, China, was hosted by the IFRS Foundation's Beijing Office.

The [highlights of the conference](#) include the following:

- ▶ Speakers at the conference highlighted that investors are increasingly seeking sustainability-related financial information alongside financial statements to provide a comprehensive financial reporting package, which benefits capital markets by offering decision-useful information for investments and resource allocation.
- ▶ The IFRS Foundation has made significant progress in advancing the adoption of its sustainability-related disclosure requirements globally, with the ISSB standards establishing a global baseline that enhances capital market transparency and investor confidence.
- ▶ In Asia, various markets are gradually introducing these standards into their legal and regulatory frameworks. Additionally, the Chinese Ministry of Finance and other relevant ministries are developing the Exposure Draft of Chinese Sustainability Disclosure Standards for Business Enterprises, based on the ISSB standards, marking an important step for China in providing high-quality, comparable information for the market.

## Connectivity between the financial statements and sustainability-related financial disclosures

The IASB and the ISSB emphasize the importance of connecting their standards to provide high-quality financial information, with a webcast series discussing how IFRS Accounting and Sustainability Disclosure Standards complement each other through practical examples.

The [first two episodes](#) are available, with the final two coming soon on a dedicated webpage along with related resources and updates.

## Comment letter from Accountancy Europe on the International Accounting Standards Board's (IASB®) Exposure Draft 'Climate-related and Other Uncertainties in the Financial Statements'

In the response to the IASB Exposure Draft on '*Climate-related and Other Uncertainties in the Financial Statements*', Accountancy Europe issued the [comment letter](#) where it has encouraged the International Accounting Standards Board (IASB) to broaden the scope and content of the proposed illustrative examples. Accountancy Europe pointed that the illustrative examples for the IFRS Accounting Standards alone would not meet the objectives of the exposure draft. As such, Accountancy Europe suggest grouping the examples into a single document, considering additional educational materials or an IFRS Practice Statement, and creating a consolidated webpage for all climate-related materials. Accountancy Europe also recommend expanding the examples to cover more IFRS Accounting Standards, include cases where recognition and measurement could be impacted, consider broader sustainability matters beyond climate, and better illustrate the connection between financial and sustainability reporting.

## ISSB podcasts and webinars

### October 2024 podcast from the ISSB on latest developments

The ISSB released a [podcast](#) hosted by ISSB Chair Emmanuel Faber and ISSB Vice-Chair Sue Lloyd, which covers the latest developments around the ISSB.

Key topics discussed include:

- ▶ The collaboration between the World Bank and the IFRS Foundation, focusing on the adoption of ISSB standards in emerging markets and developing economies.
- ▶ A guide designed to help preparers voluntarily apply ISSB standards.
- ▶ The IFRS Foundation Integrated Thinking and Reporting Conference 2024.

### The ISSB update and podcast available – November 2024

The ISSB released the latest episode of [podcast](#) featuring ISSB Chair Emmanuel Faber and Vice-Chair Sue Lloyd, where the following topics are discussed:

- ▶ [A report on global progress in both mandated and voluntary corporate climate-related disclosures.](#)
- ▶ [A guide to help companies identify sustainability-related risks and opportunities and disclose material information.](#)
- ▶ Key takeaways from the [ISSB meeting in Beijing](#).
- ▶ Updates from COP29 in Baku.

The podcast is also available on [YouTube](#) and [Spotify](#).

### December 2024 podcast on the ISSB's progress in 2024 and priorities for 2025

December 2024 [podcast](#) hosted by the ISSB Chair Emmanuel Faber and ISSB Vice-Chair Sue Lloyd covers ISSB's progress in 2024 and share their priorities for 2025.

## The ISSB's fifth episode in its sustainability reporting webcast series on the state of assurance for sustainability disclosure

The ISSB has announced the [fifth episode in its 'Perspectives on Sustainability Disclosure'](#) webinar series, covering the state of assurance for sustainability disclosure.

Topics to be discussed include:

- ▶ The status of sustainability assurance and other verification options worldwide
- ▶ International Standard on Sustainability Assurance (ISSA) 5000 *General Requirements for Sustainability Assurance Engagements*
- ▶ How consideration of assurance influenced the ISSB standards
- ▶ Similarities and differences between the assurance of financial statements and sustainability-related financial information, including those on greenhouse gas emissions
- ▶ Common challenges that preparers face when selecting assurance options
- ▶ Limited versus reasonable assurance
- ▶ Recommendations on how to prepare for the assurance of sustainability disclosures.

### IFRS Sustainability webinar series 'Perspectives on Sustainability Disclosure' – Episode six: 'Making the Transition from TCFD Recommendations to ISSB standards'

IFRS Sustainability released [webinar series 'Perspectives on Sustainability Disclosure' – Episode six: 'Making the Transition from TCFD Recommendations to ISSB standards'](#). In this episode, the ISSB presented their latest findings on global progress in disclosing climate-related risks and opportunities, continuing the work of the Task Force on Climate-related Financial Disclosures (TCFD). The webinar addressed how companies can prepare their disclosures to meet the ISSB standards. The discussion also covered how companies can transition from using TCFD recommendations to adopting the ISSB standards. This includes exploring transition reliefs and proportionality mechanisms that help companies gradually implement climate-related disclosures under the ISSB standards.

### IFRS Foundation Projects and Work Plan

PROJECT	SUMMARY	MORE INFORMATION
ISSB Consultation on Agenda Priorities	<p>In June 2024, the ISSB released its 2024–2026 work plan. The Feedback Statement was published which summarises the feedback from stakeholders to the ISSB's Request for Information Consultation on Agenda Priorities from November 2023 to April 2024, the ISSB's responses to that feedback, the strategic direction and balance of the ISSB's activities and new research projects were added to the work plan.</p> <p>Aligned with stakeholder feedback, the ISSB made decisions:</p> <ul style="list-style-type: none"> <li>▶ To have a high level of focus on supporting the implementation of IFRS S1 and IFRS S2; and</li> <li>▶ To have a slightly lower level of focus on enhancing the SASB Standards and beginning new research projects and to give these activities equal attention.</li> </ul> <p>After taking into consideration the stakeholder feedback and own capacity of the ISSB, the decision was to add to the ISSB's work plan research projects on the risks and opportunities related to:</p> <ul style="list-style-type: none"> <li>▶ Biodiversity, ecosystems and ecosystem services; and</li> <li>▶ Human capital.</li> </ul>	<p><a href="#">IASB project page</a></p> <p><a href="#">BDO comment letter on the RFI</a></p> <p><a href="#">Feedback statement</a></p>



PROJECT	SUMMARY	MORE INFORMATION
IFRS Sustainability Disclosure Taxonomy	<p>The ISSB has released the IFRS Sustainability Disclosure Taxonomy (SASB Standards Taxonomy) to reflect disclosure requirements arising from IFRS S1, IFRS S2 and their accompanying guidance. The SASB Standards Taxonomy allows companies to consistently tag information prepared using SASB Standards.</p> <p>In October 2024, the ISSB released updates to the SASB Standards Taxonomy to incorporate disclosure requirements from recent amendments to the SASB Standards. Specifically, these updates include the consequential amendments related to the issuance of IFRS S2 in June 2023, and the amendments from the ISSB's International Applicability of the SASB Standards project in December 2023.</p>	<p><a href="#">IASB project page</a></p> <p><a href="#">Presentation slides from the webcast</a></p> <p><a href="#">IASB project page on 'SASB Standards Taxonomy—2024 Updates'</a></p> <p><a href="#">IFRS Sustainability Disclosure Taxonomy Resources</a></p>
Enhancements to the SASB Standards	<p>The ISSB is currently developing exposure drafts for proposed amendments to a set of SASB Standards that have been prioritised as part of its work plan. The ISSB is also considering targeted amendments to other SASB Standards to ensure consistent measurement of common topics across various industries. Additionally, the ISSB is researching further enhancements to the SASB Standards and the Sustainable Industry Classification System, which could be prioritised in the next phase of their work.</p> <p>During the ISSB meeting on 24-25 July 2024 in Montreal, Canada, one of topics discussed was maintenance of the SASB Standards. The ISSB decisions was to use a phased approach and to start preparing exposure drafts of enhancements to all eight SASB Standards in the extractives and minerals processing sector, the electric utilities and power generators SASB Standard in the infrastructure sector and given the ISSB and its stakeholders has the capacity, three SASB Standards in the food and beverage sector. The ISSB will further consider making targeted amendments to other SASB Standards to make sure measurement of common topics stays consistent among industries, where appropriate. In addition, the ISSB decided to research priorities for the second phase of the project and how to enhance the Sustainable Industry Classification System.</p> <p>One of the topics during the ISSB meeting on 18 September 2024 in Frankfurt, Germany was a deep dive into SASB Standards for priority industries.</p> <p>During the Sustainability Standards Advisory Forum (SSAF) meeting on 21-22 October 2024, the ISSB technical staff provided update to SSAF members regarding future enhancements to the SASB Standards. Specifically, the ISSB technical staff was interested in the SSAF support to ensure the international applicability of the SASB Standards as part of the enhancement work.</p> <p>On 11 December 2024, the ISSB met to review its research on the 12 SASB Standards identified for enhancements and to discuss the recent stakeholder feedback on the project.</p> <p>Currently, the expected completion date for this project is Q2 2025.</p>	<p><a href="#">IASB project page</a></p> <p><a href="#">Mapping sector work</a></p>

PROJECT	SUMMARY	MORE INFORMATION
<p>Biodiversity, ecosystems and ecosystem services and Human Capital</p>	<p>As part of its 2024-2026 work plan, the ISSB plans to research risks and opportunities linked to sustainability topics other than climate for entities to meet the information needs of investors. The research projects are aimed to indicate whether the ISSB should pursue standard-setting for disclosure requirements on some or all of these topics.</p> <p>During the ISSB meeting on 24-25 July 2024 in Montreal, Canada, one of the topics discussed was the work plan in relation to embedding interoperability in the ISSB's ongoing activities as well as in relation to the design and approach for the new research projects on biodiversity, ecosystems and ecosystem services, and human capital.</p> <p>On 18 September 2024, the ISSB held a meeting to discuss the SASB Standards which are applicable to the risks and opportunities associated with biodiversity, ecosystems and ecosystem services and human capital.</p> <p>In October 2024, the SSAF meeting was held, the purpose of which was to provide SSAF members with an overview of the responses received on the jurisdictional survey conducted to inform the ISSB's research on Biodiversity, ecosystems and ecosystem services and Human Capital.</p> <p>On 24 October 2024, the ISSB staff held a meeting to provide the ISSB with an overview of the feedback received from the jurisdictional survey on the ISSB's research projects on biodiversity, ecosystems and ecosystems services (BEES) and human capital.</p> <p>In the months of November and December 2024, the ISSB met to receive an update on the research project. The update included the staff's preliminary findings on investor interest in information about risks and opportunities related to human capital, biodiversity, ecosystems, and ecosystem services, how these risks and opportunities impact entities' prospects, and other disclosure standards and frameworks.</p> <p>Currently, the expected completion date for these projects is Q2 2025.</p>	<p><a href="#">IASB project page on Human Capital</a></p> <p><a href="#">IASB project page on biodiversity, ecosystems and ecosystem services (BEES)</a></p>





## EFRAG

### EFRAG webinar on ESRS for Non-EU Groups

According to Article 40a of the CSRD, non-EU companies generating over EUR 150 million annually in the EU, and having either a branch with a turnover exceeding EUR 40 million or a subsidiary that is a large company or a listed SME, are required to report on their sustainability impacts at the group level of that non-EU company starting from the financial year 2028, with the first reports published in 2029. Separate standards, titled 'ESRS for Non-EU Groups' will be adopted for this purpose.

EFRAG held webinars on this project for stakeholders on 19 and 20 November 2024. According to the [press release](#), during the webinars, a representative from the EC presented the legal context for the standards 'ESRS for Non-EU Groups', focusing on Articles 40a to 40d of the CSRD. EFRAG then shared progress on the project, and it was followed by a Q&A session.

Access to the following resources is available at the links below:

- ▶ [Presentation slides](#)
- ▶ [Webinar recording](#).

### Progress in the GRI and EFRAG collaboration

[The GRI- the ESRS Interoperability Index](#), a collaborative effort between GRI and EFRAG, is now available for download. This index helps companies understand how GRI disclosure requirements align with the ESRS, preventing the need for double reporting. It reflects data points from the three ESRS Implementation Guidance documents, helping GRI reporters in meeting new EU requirements. The high degree of interoperability between GRI and ESRS ensures a smooth transition for GRI reporters to disclose with ESRS.

Additionally, the GRI Academy has launched a new course, '[Double Materiality Assessment under the ESRS](#)', as part of its ESRS Certification Program, providing comprehensive guidance on GRI-ESRS alignment.

The GRI and EFRAG teams are working together to align XBRL taxonomy efforts, facilitating a smooth transition from traditional reporting to digital platforms. This collaboration aims to enhance the accuracy and accessibility of sustainability data, making it comprehensive and easily interpretable for stakeholders.

The ESRS, applicable to over 42,000 companies as at January 2024, includes large EU companies and those listed on European stock exchanges.

[The GRI and Sustainability Reporting in the EU Q&A](#) further explores the implications of ESRS for GRI reporters.

### Compilation of Explanations on EFRAG ESRS Q&A Platform - December 2024

In December 2024, EFRAG announced the addition of new [non-authoritative technical explanations](#) to aid stakeholders in implementing the ESRS bringing the total to 162. These new explanations focus on climate change mitigation and adaptation targets, as well as biodiversity and ecosystems.

### Voluntary Sustainability Reporting Standard for non-listed SMEs (VSME) is available

EFRAG has released its technical advice on the VSME, following a request from the EC. The advice was developed after a public consultation held from 22 January to 21 May 2024, which gathered input from various stakeholders. The feedback led to additional simplifications, and the VSME was approved by EFRAG Sustainability Reporting Board (SRB) on 13 November 2024, and by EFRAG Sustainability Reporting Technical Expert Group (SR TEG) on 22 October 2024.

Stakeholders emphasized the need to support the VSME with digital tools, additional guidance, and complementary materials to facilitate its adoption by SMEs and ensure broad market acceptance. In 2025, EFRAG will launch several initiatives, including issuing support guides and educational materials, conducting outreach and awareness-raising events, and monitoring emerging tools and platforms.

Access to the VSME standard, together with a cover letter from EFRAG, basis for conclusions, cost-benefit analysis and feedback statement is available via the [press release](#).

## EFRAG launches educational videos on VSME

EFRAG is pleased to present [three educational videos on the Voluntary Sustainability Reporting Standard for non-listed SMEs \(VSME\)](#), delivered to the EC on 17 December 2024. The videos include an introduction to the VSME, a detailed look at the Basic Module, and an in-depth exploration of the Comprehensive Module and future plans for the VSME Ecosystem.

## EFRAG releases technical addendum to ESRS IG 3

In December 2024, EFRAG announced the publication of an [addendum to EFRAG IG 3 'ESRS Datapoints'](#). This addendum, part of EFRAG's non-authoritative implementation guidance on ESRS, includes clarifications and corrections based on stakeholder feedback. EFRAG IG 3, initially published in May 2024, provides all requirements in the first set of ESRS in an Excel format, detailing the types of requirements and any transitional provisions. An updated version reflecting these changes is planned for release in spring 2025, following the first cycle of ESRS reporting.

## US SEC and state legislation

### California Law Targets Carbon Offset Transparency

A California law, [AB-1305](#), mandates that companies marketing or selling voluntary carbon offsets in the state must disclose detailed information about the projects generating these credits. This includes explaining how the claims are achieved and whether third-party validation is involved. Effective 1 January 2025, the law also requires certain companies making 'net zero' or similar claims, and those purchasing or using voluntary carbon offsets, to provide these disclosures. An amendment bill, [AB 2331](#), was introduced in February 2024. However, it was not voted on in the Assembly before the legislative term concluded, and consequently, it was not signed into law.

### California Climate Legislation

In September 2024, the California Governor signed into law SB 219, which incorporates final amendments to two significant bills, the Climate Corporate Data Accountability Act (SB 253) and Greenhouse Gases: Climate-Related Financial Risk (SB 261).

[SB-253 Climate Corporate Data Accountability Act](#) requires companies with revenues greater than \$1 billion that do business in California to report annually on their Scope 1, Scope 2, and Scope 3 emissions in accordance with the GHG Protocol. [SB-261 Greenhouse Gases: Climate-Related Risk](#) requires companies with revenues greater than \$500 million that do business in California, to publish a biennial climate-related financial risk report in accordance with the TCFD framework.

The amendments for SB 253 allow climate reporting to be consolidated at the parent company level, instead of the prior requirement for subsidiary companies in scope of the law to provide separate reports. The amendments also slightly modify the Scope 3 emissions reporting requirement, which will begin in 2027 on a schedule specified by the CARB, instead of within 180 days of Scope 1 and Scope 2 disclosures.

The law maintains the initial 2026 date for companies to begin reporting, despite previous recommendations to delay the reporting deadline. The CARB is responsible for developing and adopting regulations to implement the Act. Initially, the CARB was required to complete this by 1 January 2025, but the amendments introduced in SB 219 extended the deadline to 1 July 2025. The shortened timeframe between the adoption of these regulations and the 2026 compliance date reduces the time available for companies to address the new regulations. Companies are encouraged to use this time to move toward full compliance. As we enter 2025 amid changes in the U.S. federal administration, states like California are poised to play a crucial role in shaping the future of climate disclosure regulations across the nation.

Although the regulations do not explicitly define 'doing business in California,' future legislation may provide clearer guidance. Meanwhile, companies operating in California and meeting the specified annual revenue thresholds are subject to these laws, regardless of where they are domiciled.

Legal challenges to SB-253 and SB-261 are ongoing. On 5 November 2024, the U.S. District Court for the Central District of California denied a motion to declare the regulation unconstitutional under the First Amendment. The court stated that more information is needed to make a final determination on whether these laws infringe upon companies' First Amendment rights. This leaves the door open for future challenges if new evidence comes to light. While the future of these rules remains uncertain, they will remain in effect during the litigation process.

Despite these challenges, the CARB is continuing its efforts, as evidenced by its recent Enforcement Notice for the Climate Corporate Data Accountability Act (SB 253). In this notice, the CARB indicated it will not take enforcement



action against a reporting entity for incomplete reporting of its Scope 1 and Scope 2 GHG emissions for the first report due in 2026 (for 2025 data), as long as the company makes a good faith effort to retain all data relevant to emissions reporting. Companies of all sizes, both private and public, will be affected by these mandatory disclosure rules.

AS COMPARED TO SB 253		
DESCRIPTION	SB 253	AS AMENDED BY SB 219
Scope 1 and Scope 2 emissions	Beginning in 2026	Beginning in 2026 on or by a date to be determined by the CARB, and annually thereafter
Scope 3 emissions	Beginning in 2027 and annually thereafter, no later than 180 days after public disclosure of its Scope 1 and Scope 2 emissions	Beginning in 2027 on a schedule specified by the CARB
Limited assurance for Scope 1 and Scope 2 emissions	Beginning in 2026	No change
Reasonable assurance for Scope 1 and Scope 2 emissions	Beginning in 2030	No change
Limited assurance for Scope 3	Beginning in 2027	Beginning in 2030*
Payment of annual fee	Upon filing disclosure	No specific deadline

\* During 2026, the state board shall review and evaluate trends in third-party assurance requirements for Scope 3 emissions. On or before 1 January 2027, the state board may establish an assurance requirement for third-party assurance engagements of Scope 3 emissions. The assurance engagement for Scope 3 emissions shall be performed at a limited assurance level beginning in 2030.

AS COMPARED TO SB 261		
DESCRIPTION	SB 261	AS AMENDED BY SB 219
Publication of the climate-related financial risk report in accordance with TCFD framework or IFRS Sustainability Disclosure Standards issued by the ISSB, on companies' website	On or before January 1, 2026, and biennially thereafter	No change
Payment of fee	On or before January 1, 2026, and biennially thereafter	No change

### SEC Climate disclosure rules

The U.S. Securities and Exchange Commission's (SEC) climate disclosure rules are on hold pending court challenges. While the implementation of the SEC Climate rules remains unknown, it is anticipated that the incoming Trump administration will reduce federal rulemaking or reverse some ESG policies. However, companies may be required to comply with other regulations, including California's Climate laws or the EU's CSRD which remain in force.

While federal climate action in the U.S. remains uncertain, states, such as New York, Illinois and Washington have introduced climate disclosure legislation with reporting requirements similar to California's climate laws. These state-level policies create a sense of inevitability for climate reporting in the US, independent of the outcomes of the California and SEC regulations. Moreover, as these states align their disclosure legislation with California's, reporting fragmentation is likely to decrease.

The following is a summary of the final rules:

QUANTITATIVE DISCLOSURES WITHIN THE FINANCIAL STATEMENTS	
Expenditure metrics	<ul style="list-style-type: none"> <li>▶ Expenses, losses, and capitalised amounts incurred as a result of severe weather events and other natural conditions to be separately disclosed, unless the aggregate impact is &lt;1% of the absolute value of income or loss before income tax expense or benefit for expenses and losses or stockholders' equity or deficit for capitalised amounts for that fiscal year and de minimis.</li> </ul>
Expenditure metrics	<ul style="list-style-type: none"> <li>▶ Expenses, losses, and capitalised amounts directly related to carbon offsets and renewable energy credits or certificates (RECs) if used as a material component to achieve climate-related targets or goals.</li> </ul>

QUANTITATIVE DISCLOSURES OUTSIDE THE FINANCIAL STATEMENTS	
Scope 1 and Scope 2 GHG emissions	<ul style="list-style-type: none"> <li>▶ Material direct GHG emissions (Scope 1) and indirect GHG emissions from purchased electricity and other forms of energy (Scope 2), to be separately disclosed by LAF and AF that are not otherwise exempted.</li> </ul>
Expenditure metrics	<ul style="list-style-type: none"> <li>▶ Material expenses directly related to climate-related activities as part of a strategy, transition plan and/or targets and goals.</li> </ul>

QUANTITATIVE DISCLOSURES	
	<ul style="list-style-type: none"> <li>▶ Climate-related risks identified that have had or are reasonably likely to have a material impact on the strategy, results of operations, or financial condition in the short-term (i.e. the next 12 months) and in the long-term (i.e. beyond the next 12 months).</li> </ul>
	<ul style="list-style-type: none"> <li>▶ Activities to mitigate or adapt to a material climate-related risk, and a description of direct material expenditures incurred and material impacts on financial estimates and assumptions.</li> </ul>
	<ul style="list-style-type: none"> <li>▶ Whether the estimates and assumptions used in the financial statements were materially impacted by exposures to risks and uncertainties associated with, or known impacts from, severe weather events and other natural conditions such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise, or any climate-related targets or transition plans disclosed by the registrant. If so, how the development of such estimates and assumptions were impacted by the events, conditions, and disclosed targets or transition plans identified above.</li> </ul>
	<ul style="list-style-type: none"> <li>▶ Identified actual and potential material climate-related risks on the registrant's strategy, business model and outlook.</li> </ul>
	<ul style="list-style-type: none"> <li>▶ Registrant's process to identify, assess and manage material climate-related risks and whether they are integrated into the registrant's overall risk management system or processes.</li> </ul>
	<ul style="list-style-type: none"> <li>▶ Activities such as transition plans, scenario analysis, or internal carbon prices used to mitigate or adapt to a material climate-related risk.</li> </ul>
	<ul style="list-style-type: none"> <li>▶ Climate-related targets or goals that have materially impacted or are reasonably likely to materially impact the business, results of operations, or financial condition.</li> </ul>
	<ul style="list-style-type: none"> <li>▶ Oversight and governance of material climate-related risks by the registrant's board and management.</li> </ul>



The final rules become effective 60 days after publication in the Federal Register and phase-in is as follows:

COMPLIANCE DATES UNDER THE FINAL RULES						
Registrant Type	Disclosure and Financial Statement Effects Audit		GHG Emissions/Assurance			Electronic Tagging
	All Reg. S-K and S-X disclosures, other than as noted in this table	Certain Items (Item 1502(d) (2), Item 1502(e) (2), and Item 1504(c)(2))	Scope 1 and Scope 2 GHG emissions	GHG emissions disclosures - Limited Assurance	GHG emissions disclosures - Reasonable Assurance	Inline XBRL tagging for subpart 1500
LAF	FYB 2025	FYB 2026	FYB 2026	FYB 2029	FYB 2033	FYB 2026
AFs (other than SRCs and EGCs)	FYB 2026	FYB 2027	FYB 2028	FYB 2031	N/A	FYB 2026
SRCs, EGCs, and NAFs	FYB 2027	FYB 2028	N/A	N/A	N/A	FYB 2027
'FYB' refers to any fiscal year beginning in the calendar year listed.						
'NAF' refers to non-accelerated filer.						

## Timeline for Implementation of Sustainability Reporting

As currently proposed, set out below is a summary of the effective date of the various proposals:

PROPOSED REQUIREMENTS	2023	2024	2025	2026	2027	2028
IFRS Sustainability Disclosure Standards **		IFRS S1 and IFRS S2				
ESRS		Entities currently within the scope of the Non-Financial Reporting Directive (NFRD)	All other large entities	Listed SMEs (with opt-out option until 2028)		Non-EU companies with branches/subsidiaries
US state legislation - California				SB-253 & SB-261		

\*\*The ISSB issued IFRS Sustainability Disclosure Standards in June 2023. Local standard setters, regulators and governments will need to decide whether to endorse or otherwise require IFRS Sustainability Disclosure Standards for use in their own jurisdictions. Consequently, IFRS Sustainability Disclosure Standards could become effective in different reporting periods around the world. Given the proposed effective dates for other sustainability standards, it is not expected that jurisdictions will require the use of IFRS Sustainability Disclosure Standards until at least 2025.

## Sustainability Reporting Resources

### International Sustainability Reporting Bulletin 2025/02 Q4 2024 Sustainability Reporting Jurisdictional Update

BDO has published [International Sustainability Reporting Bulletin 2025/02 Q4 2024 Sustainability Reporting Jurisdictional Update](#). This publication provides a 'snapshot' of sustainability reporting developments for selected jurisdictions, including those being developed for use by entities in the EU and the US.

### BDO published EU Reporting: Corporate Sustainability Reporting Directive – Summary of Scope and Requirements

2024 is the first year in which companies are required to report in accordance with the EU's CSRD, which replaces the NFRD. [EU Reporting: Corporate Sustainability Reporting Directive – Summary of Scope and Requirements](#) sets out an overview of key changes that have been introduced by the CSRD in comparison to the NFRD, together with a more detailed explanation of the very significantly expanded scope, the timing of adoption by different entities, and a high-level summary of what companies need to prepare for. It also includes an overview of the first batch of general sector-agnostic ESRS, and how (and the extent to which) the CSRD links these to IFRS Sustainability Disclosure Standards published by the ISSB at the IFRS Foundation.

### BDO published Corporate Sustainability Reporting Directive ('CSRD' for Non-EU Companies)

[Corporate Sustainability Reporting Directive \('CSRD' for Non-EU Companies\)](#) provides an executive summary of the CSRD, what is required by the CSRD, which non-EU entities are in scope of the CSRD and when as well as provides references to further resources available, making it a useful resource for those familiarising themselves with these new standards.

### Sustainability At a Glance - IFRS Sustainability Disclosure Standards

IFRS S1 and IFRS S2 set a 'global baseline' for disclosure of sustainability-related financial information and are expected to be endorsed and/or adapted by many jurisdictions worldwide. [Sustainability At a Glance - IFRS Sustainability Disclosure Standards](#) summarises IFRS S1 and IFRS S2 into a few pages, making it a useful resource for those familiarising themselves with these new standards.

### Sustainability At a Glance - European Sustainability Reporting Standards

BDO has published [Sustainability At a Glance - European Sustainability Reporting Standards \(ESRS\)](#). [Sustainability At a Glance - European Sustainability Reporting Standards \(ESRS\)](#) has been compiled to assist in gaining a high-level overview of the ESRS and summarises the disclosure requirements of each topical ESRS including certain definitions.

### Sustainability At a Glance – The Greenhouse Gas Protocol

[Sustainability At a Glance – The Greenhouse Gas Protocol](#) summarises measuring Scope 1, Scope 2 and Scope 3 emissions into a few pages, making it a useful resource for those familiarising themselves with this protocol.

For further information and guidance on sustainability, please refer to BDO's Global [Sustainability Reporting Micro-site](#).

For further information on the proposed SEC Climate Disclosure rule, please refer to BDO US's [Sustainability and ESG site](#).



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