

# Sustainability Reporting Developments

May 2023 | Monthly Update  
**EY Global Public Policy**

An update on regulatory and policy developments shaping the way companies communicate with stakeholders

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Last week, G7 Finance Ministers and Central Bank Governors met in Niigata, Japan, where they discussed a range of global challenges including their commitment to “consistent, comparable and reliable disclosure of information on sustainability, including climate.”

With the International Sustainability Standards Board’s (ISSB) initial sustainability disclosure standards expected next month, continued support from the G7 is an important signal as its work will soon turn to adoption.

Meanwhile, the ISSB is taking steps to consider the next phase of its work. To that end, the ISSB launched a public consultation on its standard-setting priorities for 2024-2026.

In the EU, the European Commission is expected to initiate this month a four-week public consultation on the first set of European Sustainability Reporting Standards (ESRS).

We encourage companies, investors, and other interested parties to participate in these and related consultations. It is an effective way for their voices to be heard as policymakers shape the future of corporate reporting.

Elsewhere, in the US, there is continued speculation about the timing and content of the Securities and Exchange Commission’s (SEC) climate disclosure rule.

A more complete rundown of global policy developments relating to sustainability reporting is below. For quick access to regional developments, use the following links: [Global](#); [Americas](#); [Europe, Middle East, India and Africa \(EMEIA\)](#); [Asia-Pacific](#).

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## Key developments

### Global

While the International Sustainability Standards Board (ISSB) works to **finalize its initial two standards** ([IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information \(S1\)](#) and [IFRS S2 Climate-related Disclosures \(S2\)](#)) **by the end of next month**, the Board [announced](#), as expected, **a public consultation on its agenda priorities to inform its 2024-2026 workplan**.

The [consultation](#) requests input on three areas: (i) the ISSB’s strategic direction and balance of activities, (ii) criteria for assessing new priorities, and (iii) a shortlist of proposed new research and standard-setting topics for the workplan. The shortlist includes: (i) biodiversity, ecosystem, and ecosystem services, (ii) human capital, (iii) human rights and (iv) integrated reporting of financial and non-financial – including sustainability-related – information.

The consultation will close on 1 September 2023 and the ISSB intends to discuss the feedback received in the fourth quarter.

The ISSB has its [monthly meeting](#) in London this week and is expected to approve **amendments to the climate-related Sustainability Accounting Standards Board (SASB) standards to align them with S2**. The [amendments](#) relate, primarily, to (i) revising the SASB standards to align them with the industry-based guidance in S2 and (ii) adding disclosure topics and metrics on the topic of financed emissions and referring directly to the respective guidance in S2.

In addition, the ISSB has also [published](#) **an exposure draft that explains the focused methodology for updating references to jurisdiction-specific laws and regulations in the**

**SASB Standards, in order to improve their international applicability.** The [consultation](#) is open until 9 August 2023.

Meanwhile, the **International Accounting and Auditing Standards Board (IAASB)** [announced](#) it would accelerate its development of a **global sustainability assurance standard**. The IAASB, which planned to launch a consultation on its proposed standard in October 2023, said it will launch a public consultation in late July or early August.

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## Asia-Pacific

In **Hong Kong**, the Stock Exchange of Hong Kong Ltd. (SEHK) [announced](#) the publication of a consultation paper on **proposed climate-related reporting requirements aligned with the ISSB for listed companies in Hong Kong**. These mandatory requirements are an upgrade from the current “comply or explain” approach. Submissions will be accepted until 14 July 2023.

Elsewhere, New Zealand’s External Reporting Board (XRB) has [published](#) additional guidance for its Climate-related Disclosures standards. This guidance follows the XRB’s release of the finalized standards in December 2022.

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## Americas

In the **United States**, there is continued speculation about when the Securities and Exchange Commission (SEC) will release its final climate-related change disclosure rule.

In January, the SEC’s rulemaking calendar indicated plans to vote on the final rule in April. While that date has come and gone, the SEC has not provided **an update on when it intends to release the rule**.

At a webinar last month, former SEC Commissioner Robert Jackson [suggested](#) that the rule could be published this fall. Some observers have suggested that a final rule could be released in as early as June (based on SEC Chair Gary Gensler’s March 2023 [comments](#) that SEC regulations take, on average, 12-15 months to finalize after they are proposed), while others have suggested that the rule could be published this fall. **The SEC must provide one week’s notice of any public meeting to vote on whether to approve the final rule.**

In his [testimony](#) before the House Financial Services Committee last month, **Chair Gensler reiterated his view that the SEC has the legal authority to regulate climate disclosure** to “ensure fair and transparent markets rather than to advance any climate-related agenda.”

Gensler also stated **that he hoped the EU would recognize the SEC climate rule as comparable to the EU’s standard through what is known as “substituted compliance.”** Such recognition by the EU would exempt from the Corporate Sustainability Reporting Directive (CSRD) firms that are complying with a comparable regulation in another jurisdiction.

However, according to [reporting](#) in the Wall Street Journal, if the SEC rule does not include disclosure of Scope 3 greenhouse gas emissions (GHG), the EU would be less likely to treat the US rule as comparable.

SEC Commissioner **Hester Peirce**, in [separate remarks](#), argued again in opposition to the agency’s sustainability disclosure rulemaking and raised concerns about the push for international convergence of disclosure standards.

Meanwhile, the Supreme Court of the United States [announced](#) it would review *Chevron vs Natural Resources Defense Council*, a 1984 opinion, that if overruled, or substantially narrowed, could have implications for the SEC’s authority including its work to mandate climate disclosure.

Nevertheless, **a [new survey](#) of senior US executives found that 70% are moving ahead and will “proceed with compliance” with the proposed US climate rule** regardless of when the rule becomes law (NB: It should be noted that there is a possibility the rule does not become law). **96% of those same executives said they will seek independent assurance over sustainability disclosures** regardless of whether assurance is required in the final rule.

In **Canada**, the Canadian Sustainability Standards Board (CSSB) [announced](#) that its first chair and initial members have been appointed. **The CSSB will partner with the ISSB by supporting the uptake of ISSB Standards in Canada.**

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## Europe, Middle East, India and Africa (EMEIA)

In the **European Union**, the European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA) announced **it will launch a four-week consultation on the first set of European Sustainability Reporting Standards (ESRS) in May**.

The consultation had been planned for mid-April. This delay is expected to slightly delay the adoption of the first set of ESRS (which had been planned for 13 June 2023).

The European Commission requested the European Financial Reporting Advisory Group (EFRAG) to postpone its work on the sector-specific ESRS potentially by one year and instead focus more immediately on developing additional guidance for companies to apply the first set of sector-agnostic ESRS.

In a [letter](#) to the European Commission, Accountancy Europe, a trade body, expressed concerns around what it believes is inadequate funding for EFRAG. **The letter called EFRAG “dramatically underfunded” and said that there is serious risk that the CSRD is “undermined”** given a lack of proper resourcing and due diligence.

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## On the horizon

Key dates to watch over the next 90+ days:

**TBC:** In the US, release of the SEC's final climate-related disclosure rule and draft human capital management rule.

**May 2023:** In the EU, DG FISMA plans to launch a four-week consultation on the first set of ESRS.

**June 2023:** In the EU, EFRAG plans to launch a consultation on the second set of ESRS exposure drafts.

**June 2023:** The ISSB is expected to finalize its initial sustainability disclosure.

**June 2023:** In the EU, the Commission plans to adopt the first set of final ESRS (sector-agnostic standards).

**July/August 2023:** The IAASB will launch a public consultation on its draft sustainability assurance standard.

**September 2023:** The comment period for the ISSB standard-setting consultation will close.

**Q3 2023:** IOSCO is expected to release its decision on the endorsement of the ISSB standards.

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## In case you missed it

### **Achieving Effective Internal Control Over Sustainability Reporting**

New supplemental guidance from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) is intended to help organizations achieve effective internal control over sustainability reporting using the COSO Internal Control-Integrated Framework (ICIF). [Link](#).

**How the climate-related disclosure proposals from the SEC, EFRAG and ISSB compare**  
EY has released a new video discussing the key differences among the major climate-related disclosure rules. [Link](#).

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