

Sustainability Reporting Developments

June 2023 | Monthly Update
EY Global Public Policy

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

June 2023 is expected to be a significant month in the transition toward global sustainability disclosure standards with the finalization of the initial standards developed by the International Sustainability Standards Board (ISSB).

At the close of the G7 Leaders Summit in Hiroshima, Japan last month, the Leaders – comprising the heads of state of the US, Canada, Japan, Germany, France, Italy, and the United Kingdom – expressed their support for the ISSB standards, noting their “commitment to consistent, comparable, and reliable disclosure of information on sustainability, including climate.”

In the US, the SEC continues to work to finalize climate disclosure standards for public companies, and also reportedly continues to work on a proposal to require human capital disclosures. The release date of both rules remains unclear. Meanwhile, in the California legislature, climate disclosure legislation took a major step forward in the state senate, though whether the bill passes both houses remains to be determined. In Europe, the European Commission is soon expected to issue a public consultation on its first set of sustainability disclosure standards.

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

In a major milestone, the **International Sustainability Standards Board (ISSB)** is expected to finalize its inaugural Standards for sustainability-related disclosures ([IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information \(S1\)](#)) and climate-related disclosures ([IFRS S2 Climate-related Disclosures \(S2\)](#)) by the end of this month, marking a major step forward for internationally-aligned sustainability disclosure standards.

In the meantime, the ISSB has two open public consultations. The first is regarding its agenda priorities to inform its 2024-2026 workplan. The second is regarding the international applicability, or suitability across the world’s jurisdictions, of the Sustainability Accounting Standards Board (SASB) standards.

The International Financial Reporting Standards (IFRS) Foundation published [new educational material](#) for **small and medium enterprises** on how and when to consider climate-related matters in their financial statements.

Meanwhile, **major standard-setters are continuing to turn their attention to biodiversity disclosures**. The Global Reporting Initiative (GRI) is expected to finalize its [Biodiversity Topic Standard](#) by the end of this year and, as reported in previous editions of this newsletter, the ISSB’s recent [consultation](#) identifies “biodiversity, ecosystem and ecosystem services” on the shortlist of potential future Standards topics. Concurrently, Taskforce for Nature-related Financial Disclosure (TNFD) wrapped up the [pilot testing](#) of its most recent beta [framework](#) on 1 June.

Asia-Pacific

In **Malaysia**, the Securities Commission (SC) has taken a significant step toward government-mandated sustainability reporting with the establishment of an [advisory committee](#) tasked with **implementing the forthcoming ISSB standards**.

Relatedly, the Financial Services Commission (FSC) in **Korea** has pledged resources to [assist domestic companies](#) (*in Korean only*) **disclose to international ESG disclosures standards** like those in development in the EU and US, and prepare its own domestic disclosure standards that are “globally consistent”.

Americas

In the **United States**, there continues to be much anticipation over the timing of the release of the Securities and Exchange Commission (SEC) final climate-related disclosure and draft human capital management rules. The timing of the release of both measures remains undetermined.

In **California**, legislation to mandate climate-related disclosure, [CA SB 253](#), was passed in the California Senate on 31 May. The legislation would apply to an estimated 5,400 companies doing business in the state (that is, companies generating more than \$1 billion in annual revenue) and would require, among other metrics, disclosure of Scope 3 greenhouse gas emissions. The bill now advances to the State Assembly for consideration.

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) will **launch a four-week consultation on the first set of European Sustainability Reporting Standards (ESRS) in June** (and as early as this week).

This consultation is the final opportunity for stakeholders to provide feedback on the first set of ESRS. With the announcement of the consultation, an updated draft of the Standards will be released that is expected to contain [significant changes](#) compared to the [initial package](#) of the Standards published by the European Financial Reporting Advisory Group (EFRAG) at the end of 2022.

Following the consultation, the Standards are expected to be adopted by the EU Commission in July and will become effective, pursuant to the Corporate Sustainability Reporting Directive (CSRD), in January 2024.

Separately, the Council of the European Union and the EU Parliament reached a [provisional agreement](#) on 23 May around **the European Single Access Point (ESAP)**, a set of proposals to establish a centralized EU repository for financial and sustainability-related information.

In the **United Kingdom**, listed issuers are preparing for their first public climate-related disclosures, in compliance with the Financial Conduct Authority’s (FCA) 2020 [reporting rule](#), before 30 June 2023. Meanwhile, the UK Department for Business and Trade (DBT) and Financial Reporting Council (FRC) have issued a [request for information](#) to inform “smarter” and fit-for-purpose regulations on non-financial reporting obligations for UK companies. The consultation period will close 16 August 2023.

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.

June 2023: The ISSB is expected to finalize its initial sustainability disclosure standards (S1 and S2).

June 2023: In the EU, EFRAG plans to launch a consultation on the first set of ESRS exposure drafts. The EU Commission is expected to adopt the ESRS draft by the end of July.

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

September 2023: The comment period for the ISSB’s 2024-2026 workplan consultation will close.

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

In case you missed it

Key Questions for Audit Committees Overseeing Sustainability-Related Disclosure
The International Federation of Accountants (IFAC) released new high-level guidance for audit committees overseeing sustainability-related disclosure. [Link](#).

For stakeholders to put faith in ESG Metrics, the ESG ‘information ecosystem’ needs to evolve
ESG is currently used interchangeably with “sustainability” or “environment,” which is wrong and contributes to wider confusion and distrust of ESG initiatives. [Link](#).

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