Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

40th SESSION
17 – 19 October 2023

Wednesday, 18 October 2023

Agenda item 3. Review of practical implementation and recent developments in sustainability reporting requirements

Presented by

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President
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Item 3. Review of practical implementation and recent developments in sustainability reporting requirements:

Mexican Sustainability Reporting Strategy for SMEs
Issued in June 2023:

S1, General Sustainability-related Disclosures
S2, Climate-related Disclosures

Objective:

Require disclosure of material sustainability risks and opportunities which are useful to primary users of financial information when they are deciding whether to provide resources to the entity.

Core content of sustainability disclosures
## Mexican Sustainability Reporting Strategy

<table>
<thead>
<tr>
<th>Entities by Types of Information Users</th>
<th>Primary Users</th>
<th>Sustainability Information of Greatest Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Public Interest Entities (PIE)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Entities with public reporting obligations:</td>
<td>Investees, Creditors, Regulators</td>
<td>- Extensive disclosures on material sustainability risks</td>
</tr>
<tr>
<td>- Listed on a stock exchange</td>
<td></td>
<td>- Potential systemic impact</td>
</tr>
<tr>
<td>- Banks, insurance companies, pension funds</td>
<td></td>
<td>- Contribution to SDGs</td>
</tr>
<tr>
<td><strong>2 Non-PIE (SMEs)</strong></td>
<td>Value chain (customers and suppliers), Banks</td>
<td>Sustainability metrics (sustainability practices), Contribution to SDGs, Reduced disclosures on material sustainability risks</td>
</tr>
<tr>
<td>- They are the vast majority</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Mexican Sustainability Reporting Strategy for Non-PIE (SMEs)

1st Stage – 2025

Only requires to report:

Sustainability Metrics
without materiality assessment

Sustainability reporting will allow SMEs to:

- Know their sustainability status
- Provide Scope 3 sustainability information to companies in their value chain that apply IFRSs S1 and S2
- Remain in the value chains of which they are part
- Obtain investment and financing to drive their sustainable growth

Only requires to report:

Sustainability Metrics
without materiality assessment
**Mexican Sustainability Reporting Strategy for Non-PIE (SMEs)**

**Sustainability Metrics** *(Based on UNCTAD – Guidance on Core Indicators)*

### ENVIRONMENTAL AREA

1. **Greenhouse Gas Emissions Scope 1**
2. **Greenhouse Gas Emissions Scope 2**
3. **Greenhouse Gas Emissions Scope 3**
4. **Energy** consumption
5. **Renewable energy consumption**
6. **Sustainable Assets** – Mexican Taxonomy
7. **Water** consumption
8. **Water** optimization
9. **Wastewater discharge**
10. **Discharge of treated wastewater**
11. **Water entering from water-stressed areas**
12. **Land used adjacent to biodiversity** sensitive areas
13. **Dependence on ozone-depleting substances and chemicals**
14. **Waste** generation
15. **Waste optimization**
16. **Hazardous waste**

### SOCIAL AREA

17. **Equal Opportunity and Decent Work Management** *
18. **Wage gap** - Mexican Taxonomy
19. **Training hours**
20. **Performance evaluations and employee professional development** *
21. **Occupational health and safety management**
22. **Occupational accidents and illnesses that caused incapacity/death** *

### CORPORATE GOVERNANCE AREA

23. **Board of Directors**
24. **Independent Board Members**
25. **Women on the Board of Directors**
26. **Supervisory body** *
27. **Sustainability strategy** *
28. **Code of Ethics and Integrity** *
29. **Information security** *
30. **Third-party data protection and privacy** *
Mexican Sustainability Reporting Strategy for Non-PIE (SMEs)

2nd Stage – 2026/27

- **Governance**
- **Strategy**
- **Risk Management**
- **Metrics and Targets**

Requires:
- reduced disclosures vs. IFRS

Only requires to report:
- Sustainability Metrics without materiality assessment
2nd Stage

1. PIE

- Financial Statements and their notes
- Sustainability Metrics

2. NON-PIE

- Material sustainability risks and opportunities
- Sustainability Metrics

2026 Annual report

Reduced disclosures convergent with IFRS