United Nations | TD/B/C.II/ISAR/109

United Nations Conference on Trade and Development

Distr.: General
27 August 2024

Original: English

Trade and Development Board
Investment, Enterprise and Development Commission
Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting
Forty-first session
Geneva, 6–8 November 2024
Item 3 of the provisional agenda

Review of progress in harmonization and practical implementation of sustainability reporting, assurance and ethical considerations

Note by the UNCTAD secretariat

Summary

A review of developments in the practical implementation of sustainability reporting requirements, assurance, ethics and related professional development and training needs is presented in this note. Key initiatives that global, regional and national standard setters in sustainability reporting have taken since the previous session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting are highlighted; an overview is presented of the current state of implementation of sustainability reporting requirements in different regions worldwide; and different approaches that jurisdictions are taking in implementing sustainability reporting requirements are discussed, along with the main challenges arising in the practical implementation of standards. A series of measures are presented for consideration by policymakers, regulators and authorities responsible for the implementation of sustainability reporting requirements; and the need to provide small and medium-sized enterprises with sustainability reporting standards proportionate to their needs is addressed. Finally, a series of issues are presented that delegates at the forty-first session of the Intergovernmental Working Group of Experts may wish to consider for further deliberation.

I. Introduction

1. For over four decades, the United Nations has been contributing to efforts aimed at promoting globally comparable reporting on the financial and sustainability-related performance of enterprises worldwide. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting has served as a global forum for the consideration of financial and sustainability reporting standards and requirements; and addressing challenges arising in the practical implementation process. Following the adoption of the 2030 Agenda for Sustainable Development, the Intergovernmental Working Group of Experts played a pioneering role in harmonizing such standards and requirements. Since the adoption of the Sustainable Development Goals, sustainability reporting has been a recurrent theme at sessions of the Intergovernmental Working Group of Experts, which provides a global platform for key actors, including policymakers, regulators, standard setters and representatives of professional accountancy organizations and firms, as well as academics, to deliberate on harmonizing fragmented reporting frameworks and standards. UNCTAD and the United Nations Environment Programme are co-custodians of indicator 12.6.1 (number of companies publishing sustainability reports) under the Goals.

2. A key contribution of the Intergovernmental Working Group of Experts to harmonization efforts is the UNCTAD *Guidance on Core Indicators for Entity Reporting on Contribution towards Implementation of the Sustainable Development Goals*, issued in 2019 and revised in 2022. The main objectives are to provide a reliable set of universal and quantitative core indicators and guidance for entities on measurement methodology, implementation and practical application; assist Governments in the design of policies and in building institutional mechanisms to support Goals-related reporting by the private sector; and serve as a stepping stone towards broader sustainability reporting and as a basis for technical assistance purposes.

3. The work undertaken by the Intergovernmental Working Group of Experts and outputs such as the *Guidance on Core Indicators* serve to highlight the need for further harmonization in standard-setting. In 2021, the International Financial Reporting Standards Foundation presented the decision to establish the International Sustainability Standards Board. In June 2023, the Board issued two sustainability disclosure standards, namely, general requirements for the disclosure of sustainability-related financial information; and climate-related disclosures. Following a series of consultations, the International Public Sector Accounting Standards Board aimed to advance sustainability reporting by public sector entities, by prioritizing work on climate-related disclosures and non-financial disclosures related to natural resources. In addition, the European Financial Reporting Advisory Group has issued standards applicable from 2024 on the preparation of sustainability reports by companies based in the European Union.

4. Over the past few years, sustainability reporting has emerged as a mainstream reporting element among a range of entities worldwide, including small and medium-sized enterprises. Member States are addressing challenges arising in the practical implementation of standards and requirements. In line with the recommendations of the Intergovernmental Working Group of Experts and responding to member State requests, UNCTAD has been supporting regional partnerships for the promotion of sustainability reporting that have provided implementation support in Africa, Asia and Latin America. The partnerships in Africa and Latin America have been operational for over three years and have provided substantive support to countries in the regions, including by providing feedback on sustainability-related exposure drafts issued by global standard setters.

5. In concluding deliberations at the fortieth session of the Intergovernmental Working Group of Experts, delegates proposed, as a first main agenda item, a review of progress in harmonization and practical implementation of sustainability reporting, assurance and ethical considerations. Accordingly, the UNCTAD secretariat has prepared this background document to facilitate deliberations on the agenda item. A review of recent developments in sustainability reporting standards and related requirements is provided in chapter II, work being undertaken by member States on implementing sustainability reporting requirements

is detailed in chapter III and a series of issues are presented in chapter IV that delegates at the forty-first session may wish to consider for further deliberation.

II. Recent developments in sustainability reporting standards and requirements

6. Since the fortieth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, global and regional standard setters have made advances in supporting the implementation of existing standards or issuing new standards on related topics such as assurance, ethical considerations and the education and training of professional accountants. The main developments are highlighted in this chapter.

A. International Sustainability Standards Board

7. Following the issuance of the two sustainability disclosure standards in June 2023, the International Sustainability Standards Board mainly focused on: identifying agenda priorities to inform the workplan for 2024–2025; providing support in the implementation of the two sustainability disclosure standards and engaging with stakeholders; developing and issuing a digital sustainability taxonomy; enhancing the global applicability of Sustainability Accounting Standards Board standards; pursuing connectivity between the requirements under the two sustainability disclosure standards and the accounting standards; and ensuring that the two standards are interoperable with other sustainability standards.[1] The Board issued a request for information on agenda priorities and, following consultations with stakeholders initiated in May 2023, the Board considered adding two research projects (which do not necessarily mean that standard-setting work will be undertaken) to the agenda, on the following: biodiversity, ecosystems and ecosystem services; and human capital. In June 2024, the Board presented the outcomes of the consultations, along with a feedback statement.[2] The Board continues to focus on supporting countries and companies in adopting and implementing disclosure regimes based on the model standards of the Board. In May 2024, the Board issued an inaugural jurisdictional guide, intended to help jurisdictions align with the Board standards and assist regulators as they consider strategies for incorporating the Board standards into regulatory frameworks.[3] As part of its capacity-building programme, the Board has continued to focus on measures to help stakeholders interpret and adopt Board standards, including by launching a sustainability knowledge hub and translating implementation guidance into various languages. The digital reporting of sustainability information is essential for various users, including regulators and investors.[4] In April 2024, the Board issued a digital taxonomy for the two sustainability disclosure standards, designed to facilitate digital reporting prepared in accordance with the standards in a consistent manner; the taxonomy does not create new requirements and is aimed at facilitating interoperability with sustainability standards issued by other standard setters.[5]

8. The International Financial Reporting Standards Foundation houses both the International Accounting Standards Board and the International Sustainability Standards Board, which promulgate standards on the financial and sustainability performance of entities, respectively. Achieving connectivity and consistency between the two is desirable. In 2024, the boards held an inaugural joint technical meeting, centred on feedback on the priorities of the International Sustainability Standards Board for the next two years and focused on potential projects in integrating financial and sustainability reporting.

[1] See https://www.ifrs.org/news-and-events/updates/issb/2024/issb-update-march-2024/.
[2] See https://www.ifrs.org/news-and-events/news/2024/06/issb-delivers-further-harmonisation-of-the-sustainability-disclosure-landscape-new-work-plan/.
[3] See https://www.ifrs.org/content/dam/ifrs/supporting-implementation/adoption-guide/inaugural-jurisdictional-guide.pdf.
[4] See TD/B/C. II/ISAR/110.
[5] See https://www.ifrs.org/news-and-events/news/2024/04/issb-publishes-its-digital-sustainability-taxonomy/.

9. In developing the two sustainability disclosure standards, the International Sustainability Standards Board has encouraged preparers to consider industry-specific guidance issued by the Sustainability Accounting Standards Board that were originally intended for use by preparers in the United States of America; in December 2023, the Board issued amendments to the taxonomy, to enhance their international applicability, assisting preparers in applying the standards regardless of jurisdiction.[6] Since 2022, the International Sustainability Standards Board, as well as the European Commission and European Financial Reporting Advisory Group, have aimed to achieve a high degree of alignment between their respective sustainability reporting standards. In May 2024, the two standard-setters issued joint interoperability guidance material that "describes the alignment of disclosure requirements and information that an entity starting with each set of standards needs to know to enable compliance with both sets of standards, ensuring interoperability between them".[7]

B. Global Reporting Initiative

10. The Initiative and its standard-setting entity, the Global Sustainability Standards Board, issue sustainability reporting standards. Studies show that Global Reporting Initiative standards are widely used by companies as the basis for the preparation of sustainability reports.[8] Since 2022, the Initiative has aimed to achieve interoperability between its standards and those of the International Sustainability Standards Board, as well as with the European Sustainability Reporting Standards. In May 2024, the International Sustainability Standards Board and Global Sustainability Standards Board "committed to jointly identify and align common disclosures that address information needs under the distinct scopes and purposes of their respective standards, for both thematic and sector-based standard-setting".[9] In 2023, the Initiative issued a draft interoperability index of its standards with the European Sustainability Reporting Standards, to serve as a mapping tool to help entities understand the commonalities between the two sets of standards.[10] In March 2024, the Initiative issued guidance on double materiality and the corporate sustainability reporting directive.[11]

C. Task Force on Nature-Related Financial Disclosures

11. In 2023, after two years of development, the Task Force issued final recommendations and guidance for organizations on reporting and acting on evolving nature-related dependencies, impacts, risks and opportunities. The Task Force uses a similar approach as that under the Task Force on Climate-Related Financial Disclosures framework, requiring entities to disclose relevant information under the four pillars of governance, strategy, risk management and metrics and targets. In 2024, the Task Force began to track, on an annual basis, the voluntary adoption of the recommendations.[12] In a report issued in March 2024, the Task Force noted that nearly 320 entities from over 46 jurisdictions had committed to begin making nature-related disclosures as part of annual corporate reporting, including over 100 financial institutions, including some of the largest asset owners and managers globally, representing $14 trillion in assets under management,

[6] See https://www.ifrs.org/content/dam/ifrs/meetings/2023/december/issb/ap7-changes-to-proposed-ifrs-sustainability-disclosure-taxonomy.pdf.
[7] See https://www.efrag.org/en/news-and-calendar/news/ifrs-foundation-and-efrag-publish-interoperability-guidance.
[8] See https://www.ifac.org/knowledge-gateway/audit-assurance/publications/state-play-sustainability-disclosure-assurance-2019-2022-trends-analysis.
[9] See https://www.ifrs.org/news-and-events/news/2024/05/gri-and-ifrs-foundation-collaboration-to-deliver-full-interoperability/.
[10] See https://www.globalreporting.org/news/news-center/efrag-and-gri-enhance-collaboration-with-deeper-ties/.
[11] See https://www.globalreporting.org/news/news-center/shaping-the-future-of-sustainability-policy/.
[12] See https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/.

as well as banks, insurers and other leading market intermediaries such as stock exchanges and accountancy firms.[13]

D. International Public Sector Accounting Standards Board

12. The need for sustainability reporting standards for entities in the public sector was the subject of consultations conducted in 2023, including at a symposium held in October, organized by the International Public Sector Accounting Standards Board, in cooperation with UNCTAD and the Association of Chartered Certified Accountants. In addition, at the fortieth session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, delegates shared perspectives on the need for public sector-specific sustainability reporting standards. The International Public Sector Accounting Standards Board has initiated work on this topic, prioritizing standard-setting on climate-related disclosures, and has established a sustainability reference group, to provide inputs on the development of sustainability reporting standards for the public sector, as well as on relevant emerging environmental, social and governance-related trends and issues. The Board aims to approve an exposure draft for public comment by the third quarter of 2024.[14]

E. International Auditing and Assurance Standards Board

13. The Board has developed a globally applicable sustainability assurance standard, “International standard on sustainability assurance 5000: General requirements for sustainability assurance engagements”, which was issued for public comment in August–December 2023. The Board is reviewing the feedback received and aims to issue the final standard before end-2024. The standard addresses both limited assurance and reasonable assurance engagements across any sustainability topic and is aimed at providing consistent quality in sustainability assurance engagements, regardless of the type of practitioner; builds upon existing standards of the Board; and has been designed to be applicable across a wide range of sustainability reports prepared under different standards and frameworks.[15]

F. International Ethics Standards Board for Accountants

14. In January 2024, the Board issued two exposure drafts for new standards on ethical considerations in sustainability disclosures and assurance, respectively, providing a framework of expected behaviours and ethics provisions for use by all sustainability assurance practitioners regardless of professional background; and proposing an ethical framework for the evaluation of external experts engaged in providing sustainability assurance. The consultation process on the two standards has concluded and the Board is expected to approve the new version of the International Code of Ethics for Professional Accountants in December 2024.[16] In addition, the Board and the International Accreditation Forum have formed a “strategic partnership to advance the use of a common framework of high standards of ethical conduct to underpin trust in the assurance of sustainability information”.[17]

[13] See https://www.moodysanalytics.com/regulatory-news/mar-18-24-nearly-25-g-sibs-commit-to-adopting-tnfd-nature-related-disclosures.
[14] See International Public Sector Accounting Standards Board, 2024, Presentation March 2024, available at https://www.ipsasb.org/consultations-projects/sustainability-climate-related-disclosures.
[15] See https://www.iaasb.org/focus-areas/understanding-international-standard-sustainability-assurance-5000.
[16] See https://www.ethicsboard.org/news-events/2024-01/iesba-launches-public-consultation-new-ethical-benchmark-sustainability-reporting-and-assurance.
[17] See https://www.ethicsboard.org/news-events/2024-02/iaf-and-iesba-join-forces-support-growth-market-high-quality-sustainability-information.

G. International Federation of Accountants

15. In April 2024, the Federation released proposed changes to the international education standards that embed sustainability, from analysis to reporting to assurance, in the training of professional accountants. The proposals include an enhanced emphasis on working with experts and with multidisciplinary teams; introduce key sustainability reporting concepts; reference relevant sustainability reporting and assurance standards; and create a new assurance competence area and learning outcomes. The public comment period ended in July 2024.

16. In 2023, the Federation issued a small business sustainability checklist, to help small and medium-sized enterprises maximize the benefits of incorporating sustainability into strategies and business operations. The checklist is a diagnostic tool designed to be tailored by each business according to its circumstances, including the industry sector, life cycle and products and services provided, and lists a range of initiatives and actions to be considered in terms of environmental, social and governance-related factors; not all actions are relevant to each enterprise, but the checklist is aimed at helping all enterprises take the first steps.[18]

H. European Union

17. European Union member States are beginning the transposition process to establish the laws, regulations and administrative provisions necessary to comply with the corporate sustainability reporting directive that establishes the European Sustainability Reporting Standards. Czechia, France, Finland, Hungary and Romania have completed the process. Belgium, Germany, Italy, the Kingdom of the Netherlands and Spain are reviewing draft laws through ongoing or recently closed public consultations. The process allows for variation between States in implementing the directive. Under European Union law, member States must conclude transposition measures by 6 July 2024.[19] Large European Union companies currently covered under the non-financial reporting directive (adopted in 2014) will be required to comply with the corporate sustainability reporting directive when reporting in 2025 for financial year 2024, and are defined as European Union-listed companies with over 500 employees and designated European Union public-interest entities, such as banks and insurers, with over 500 employees.[20] In 2024, the Council of the European Union and the European Parliament agreed to delay adoption of the sector-specific and third-country European Sustainability Reporting Standards by two years, which supports the objectives of the European Commission proposal in October 2023 to postpone the timelines; the provisional agreement needs to be formally endorsed by the Council and the Parliament.[21]

18. The European Financial Reporting Advisory Group, following an announcement in 2023 to prioritize the development of sustainability reporting guidance for small and medium-sized enterprises, in January 2024, issued two exposure drafts aimed at offering a proportionate conceptualization of the European Sustainability Reporting Standards to be applied to such enterprises. The first draft standard is designated for listed enterprises and will be effective as of 1 January 2026 and the second draft standard is for non-listed enterprises and will be voluntary. The consultation periods for both exposure drafts closed in May 2024. In February 2024, the Advisory Group closed four-week consultations on various European Sustainability Reporting Standards and implementation guidance on the corporate sustainability reporting directive, namely, draft guidance on assessing materiality, draft guidance on interpreting the definition of "value chain" under the directive and a draft spreadsheet tool for European Sustainability Reporting Standards data points. In 2024, the

---

[18] See https://www.ifac.org/news-events/2023-11/ifac-releases-sustainability-checklist-small-businesses.

[19] See https://enterprise.gov.ie/en/publications/proposed-policy-response-to-the-public-consultation-on-the-corporate-sustainability-reporting-directive.html.

[20] See https://fticommunications.com/the-csrd-will-have-far-reaching-sustainability-reporting-requirements-for-companies-in-europe-beyond/.

[21] See https://www.consilium.europa.eu/en/press/press-releases/2024/02/07/council-and-parliament-agree-to-delay-sustainability-reporting-for-certain-sectors-and-third-country-companies-by-two-years/.

European Sustainability Reporting Board approved and issued the draft European Sustainability Reporting Standards XBRL[extensible business reporting language] taxonomy, and the public comment period ended in April 2024. Digital taxonomies enable the tagging of sustainability reporting in a machine-readable format. Once finalized, the taxonomy will form the basis of the draft regulatory technical standards for tagging sustainability reports using the European Sustainability Reporting Standards, to be developed by the European Securities and Market Authority. The technical standards then need to be adopted by the European Commission.[22]

19. In the European Union, the directive on corporate sustainability due diligence entered into force in July 2024, applicable to companies with over 1,000 employees and €450 million in annual revenue.[23] This new legislation outlines the requirements for businesses to implement due diligence measures across the global chain of activities and operations, to prevent, mitigate and remedy adverse impacts on human rights and the environment. The directive will enter into force on the twentieth day following its publication in the third quarter of 2024 and member States will have a two-year period to transpose it to national law.

I. United States Securities and Exchange Commission

20. In March 2024, the Commission voted to release the final rule on the disclosure of climate-related risks, which requires public companies to report on material climate-related risks that affect their business and, for some large companies, greenhouse gas emissions, if material. The rule requires public companies to disclose information about material climate-related risks in filings, to elicit comparable, decision-useful information for investors; disclose information about the impact of climate-related risks on company strategy, business model and outlook, if material; report on the governance of climate-related risks, risk management and climate targets and goals; and disclose financial information about climate-related risks faced by the company, including costs, expenditures and losses related to severe weather events. A subset of large companies is required to disclose scopes 1 and 2 greenhouse gas emissions, if material. The rule does not include disclosure requirements for scope 3 emissions. The required disclosures will be phased in over time, beginning with large accelerated filers making most non-emissions–related disclosures in 2026 for fiscal year 2025. Enforcement of the rule is currently on hold.[24]

III. Status of adoption and challenges arising in the practical implementation of sustainability reporting requirements

21. The number of jurisdictions committing to the implementation of sustainability reporting standards is increasing (see annex I). In May 2024, the International Financial Reporting Standards Foundation stated that over 20 jurisdictions had decided to use or were in the process of taking steps to introduce International Sustainability Standards Board standards in legal or regulatory frameworks.[25] As noted, the United States Securities and Exchange Commission has issued a rule on the disclosure of climate-related risks. The European Sustainability Reporting Standards serve as the basis for the preparation of sustainability reports by listed and other public interest entities in European Union member States. Finally, a number of companies have been applying the standards of the Global Reporting Initiative for over two decades, on a voluntary basis.

22. A review of the approaches taken by various jurisdictions to implement sustainability reporting standards, as noted in this chapter, shows that most have opted to

[22] See https://www.efrag.org/News/Public-486/Public-consultation-on-the-Draft-XBRL-Taxonomy-for-ESRS-Set-1.
[23] See https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence_en.
[24] See https://esgnews.com/us-sec-pauses-climate-disclosure-rule-pending-court-challenge/.
[25] See https://www.ifrs.org/news-and-events/news/2024/05/jurisdictions-representing-over-half-the-global-economy-by-gdp-take-steps-towards-issb-standards/.

establish boards or committees to address implementation, such as Brazil, Canada, India, Japan, Malaysia, the Republic of Korea and Singapore. Almost all of the jurisdictions reviewed have opted to issue their own versions of the two sustainability disclosure standards; some jurisdictions may have chosen this option to allow for flexibility with the implementation timelines given to different segments of entities. A staggered implementation approach, starting with listed and large entities, is a common element. Some of the implementation efforts undertaken in earlier years may have been in response to the recommendations of the Task Force on Climate-Related Financial Disclosures. Adapting rather than directly adopting the standards of the International Sustainability Standards Board gives space for discrepancies among reports prepared under the different national versions of the standards, hindering direct comparisons by users, including investors wishing to compare investment options across regions globally. This approach could significantly decrease the benefits of having a common set of standards.

1. Jurisdictional examples

23. In Australia, in January 2024, the Treasury issued draft legislation on corporate climate-related financial disclosures. The exposure draft follows consultations in 2022 and 2023 and sets out measures, such as on scope, timing and assurance requirements under the law, to mandate corporate climate-related disclosures in Australia.[26]

24. In Bahrain, in line with the commitment to transparency, strong corporate governance and the pursuit of social and climate-related objectives, the Central Bank released an environmental, social and governance-related requirements module in 2023, directed at all listed companies, banks, financing companies, insurance firms and category 1 and 2 investment firms, and providing guidelines on reporting requirements.[27]

25. Bangladesh has introduced guidelines for banks and finance companies on sustainability and climate-related financial disclosures.[28]

26. In the Plurinational State of Bolivia, in March 2024, a resolution was adopted that stated that, in the absence of country-specific technical pronouncements or local regulations on particular matters, the two sustainability disclosure standards of the International Sustainability Standards Board would be adopted, for full application, by entities carrying out economic activities in the country, as of 1 January 2027, allowing for early application. In addition, the National Technical Board of Auditors and Accountants is monitoring progress on the proposed international standard on sustainability assurance 5000, for eventual adoption in the Plurinational State of Bolivia.[29]

27. In Brazil, the Ministry of Finance and the Securities and Exchange Commission have stated that the two sustainability disclosure standards of the International Sustainability Standards Board will be incorporated into the regulatory framework, setting out a road map to move from voluntary use starting in 2024 to mandatory use by 1 January 2026, along with a requirement for reasonable assurance in sustainability reports beginning in 2026. The two public authorities have stated that the International Sustainability Standards Board standards can help strengthen capital markets in Brazil by enhancing transparency with regard to sustainability-related risks and opportunities and facilitating company efforts to attract capital and global investments. Brazil has required the use of International Financial Reporting Standards accounting standards since 2010.[30] The Central Bank launched public consultations on a proposal to broaden the disclosures required by financial institutions in annual social, environmental and climate-related risks and opportunities reports, to include new quantitative requirements associated with

[26] See https://treasury.gov.au/consultation/c2024-466491.

[27] See https://www.cbb.gov.bh/media-center/central-bank-of-bahrain-issues-new-environmental-social-and-governance-reporting-framework/.

[28] Prepared as part of an International Finance Corporation project supported by the State Secretariat for Economic Affairs of Switzerland. See https://www.ifcbeyondthebalancesheet.org/news/bangladesh-achieves-milestone-sustainable-finance-pioneering-guidelines.

[29] See https://www.ifac.org/knowledge-gateway/discussion/bolivia-s-adoption-international-sustainability-standards-how-accounting-profession-leading-way.

[30] See https://www.ifrs.org/news-and-events/news/2023/10/brazil-adopts-issb-global-baseline/.

environmental, social and governance-related risks and opportunities and suggesting closer alignment with the International Sustainability Standards Board standards. In addition, the Commission, in October 2023, stated that the Board standards would be adopted for publicly held companies, securitization companies and investment funds, beginning in 2026.

28. In Canada, the Sustainability Standards Board, focused on setting up operations and advancing the adoption of sustainability disclosure standards in Canada, is developing the first set of Canadian sustainability disclosure standards, issued for public comment in March 2024, and closely aligned with the two sustainability disclosure standards of the International Sustainability Standards Board. The voluntary standards would become effective for annual reporting periods beginning on or after 1 January 2025. Following finalization of the Canadian standards, the Canadian Securities Administrators will determine whether and how they will be incorporated into a final mandatory rule for public companies in Canada.[31]

29. In China, the three major stock exchanges, the Beijing Stock Exchange, the Shanghai Stock Exchange and the Shenzhen Stock Exchange, have finalized sustainability disclosure requirements for listed companies. The final requirements include updates from the previously issued draft, clarifying that only issues of financial materiality need to be disclosed in line with the four-pillar disclosure framework (governance, strategy, risk management and metrics and targets). For matters of impact materiality only, a less stringent standard is applied, whereby they can be disclosed in accordance with the pertinent general disclosure requirements. The new disclosure requirements are effective as of 1 May 2024 and companies must publish their first reports in 2026 for fiscal year 2025.[32]

30. In Hong Kong, China, a new working group reported to the Green and Sustainable Finance Cross-Agency Steering Group on progress in developing a road map on the adoption of the two sustainability disclosure standards of the International Sustainability Standards Board, which will comprise the four key areas of sustainability reporting, assurance, data and technology and capacity-building. The working group will begin engaging with stakeholders on identifying the domestic circumstances that should be considered when implementing international reporting standards.[33]

31. India has a sustainability standards board and has been implementing standards and requirements. In 2024, the Reserve Bank released draft requirements for the disclosure of climate-related financial risks, which will apply to certain commercial banks and large financial institutions in the country. The new framework consists of four types of disclosures, namely, governance, strategy, risk management and metrics. Feedback on the new requirements was requested by end-April 2024.[34] In addition, the Central Consumer Protection Authority has issued proposed mandatory guidelines on preventing and regulating greenwashing, which apply to all companies and prescribe various disclosure requirements for companies making claims on sustainability matters.[35]

32. In Japan, in April 2024, the sustainability standards board issued three exposure drafts that propose national sustainability disclosure standards and incorporate all requirements of the two sustainability disclosure standards of the International Sustainability Standards Board and add, where necessary, jurisdiction-specific options that entities can elect to apply. In a deviation from the approach of the Board, Japan will divide the content of the general requirements for the disclosure of sustainability-related financial information into two standards, as follows: requirements other than those included in the core content section are included in a proposed application of sustainability disclosure

[31] See https://www.frascanada.ca/en/sustainability.
[32] See https://www.iasplus.com/en/news/2024/02/china-sustainability.
[33] See https://www.hkma.gov.hk/eng/news-and-media/press-releases/2024/01/20240108-5/.
[34] See https://www.thehindubusinessline.com/money-and-banking/rbi-unveils-draft-guidelines-on-climate-related-financial-disclosures/article67946469.ece.
[35] See https://pib.gov.in/PressReleasePage.aspx?PRID=2007403.

standard; and requirements in the core content section are included in a proposed general disclosures standard.[36]

33. In Malaysia, the Securities Commission intends to adopt the two sustainability disclosure standards of the International Sustainability Standards Board and will consider tailoring the standards to align with local requirements. The Commission proposes a staggered approach to the adoption of the standards, by groups of market participants, with transition reliefs in 2025–2028, followed by full standards in 2027–2029.[37] In December 2023, the Malaysia stock exchange launched an environmental, social and governance-related reporting platform for listed issuers to submit disclosures under the enhanced sustainability reporting requirements of the exchange.[38]

34. In New Zealand, the Financial Markets Authority has issued final guidance for relevant entities on maintaining proper records confirming that climate-related statements comply with national disclosure standards.[39]

35. In Nigeria, in April 2024, the Financial Reporting Council issued a road map for the adoption of sustainability reporting standards in the country, which envisages four phases of implementation, as follows: early adopters, on or after 1 January 2024; voluntary adopters, on or before 31 December 2027; mandatory adoption, on or after 1 January 2028; and adoption by Governments and government organizations, date to be determined when International Public Sector Accounting Standards Board standards become available.[40]

36. In the Philippines, in October 2023, the Securities and Exchange Commission issued for public comment draft revised sustainability reporting guidelines for listed companies, aimed at updating the rules for such reporting. One update concerns the submission of a sustainability reporting form, through an online platform to enable data capture and analysis, which comprises three major sections, namely sustainability and climate-related opportunities and risk exposures; cross-industry standard metrics; and industry-specific metrics. The draft considers the latest global advancements in sustainability reporting frameworks, notably two sustainability disclosure standards of the International Sustainability Standards Board. In March 2024, the Securities and Exchange Commission launched the nationwide Small and Medium Industries and Large Enterprises Embracing Sustainability Roadshow, to promote sustainability reporting and practices.[41]

37. In the Republic of Korea, the Financial Services Commission aimed to make environmental, social and governance-related disclosures mandatory. This requirement would be implemented in phases, starting in 2025 with companies with an asset size over ₩2 trillion listed in the composite stock price index and, by 2030, applicable to the rest of the companies listed in the index. In October 2023, the Commission stated that it would postpone mandatory disclosures until after 2026, to align with global regulatory timelines, and the scope of required disclosures has not yet been announced.[42]

38. In Singapore, in December 2023, the Monetary Authority issued a code of conduct for environmental, social and governance-related rating and data product providers, aimed at establishing baseline industry transparency standards for rating methodologies and data sources, governance and the management of conflicts of interest. In February 2024, Singapore stated that it would require mandatory disclosures of climate-related information. The Accounting and Corporate Regulatory Authority states that the new reporting requirements are aligned with the International Sustainability Standards Board standards. Annual disclosures will be required for listed issuers and large non-listed companies, beginning with listed issuers in fiscal year 2025. For the benefit of listed issuers, the

[36] See https://www.iasplus.com/en/news/2024/04/ssbj-eds.
[37] See https://www.iasplus.com/en/news/2024/02/malaysia.
[38] See https://www.bursamalaysia.com/bm/about_bursa/media_centre/bursa-malaysia-to-launch-platform-for-mandatory-esg-reporting.
[39] See https://www.buddlefindlay.com/insights/mandatory-climate-related-disclosures-in-new-zealand/.
[40] See https://frcnigeria.gov.ng/2024/04/22/frc-releases-roadmap-report-for-adoption-of-ifrs-sustainability-disclosure-standards-in-nigeria/.
[41] See https://www.sec.gov.ph/newsecletter-2024/issue-no-4/#gsc.tab=0.
[42] See https://insights.issgovernance.com/posts/esg-regulation-in-south-korea-disclosure-guidance/.

Singapore Exchange Regulation is expected to issue clarifications on the particular provisions of the two sustainability disclosure standards that will be leveraged to achieve a climate-first approach to adopting the Board standards.[43]

39. In Switzerland, the Federal Council has issued key guiding principles for amending corporate sustainability reporting obligations, including the intention to align standards with those under the European Union corporate sustainability reporting directive. A draft of the proposed changes was issued at end-June 2024.[44]

40. Türkiye will adopt the International Sustainability Standards Board standards beginning in 2024, require reporting under the standards beginning in 2025 and begin to require mandatory assurance on sustainability reports in 2026.[45] The national public oversight authority has issued exposure drafts of Turkish sustainability reporting standards that are based on the two sustainability disclosure standards.[46]

41. In the United Kingdom of Great Britain and Northern Ireland, in January 2024, the Financial Conduct Authority issued its final policy statement on sustainability disclosure requirements and investment labels, following consultations that closed in January 2023. The policy statement introduces a set of environmental, social and governance-related measures aimed at preventing greenwashing, enhancing transparency and comparability and facilitating informed consumer choice in the sustainability investment market.[47]

2. Challenges

42. A variety of practical implementation challenges arise in the current scenario of sustainability reporting requirements worldwide, including discrepancies among major standards negatively impacting the interoperability of standards and the comparability of reports (see annex II); institutional and governance gaps; the absence of corporate champions; gaps in technical skills; the lack of awareness of capabilities and recognition of the need for standards developed for small and medium-sized enterprises; and the lack of comprehensive and reliable sustainability-related data.

43. Over 20 countries have committed to the adoption of the International Sustainability Standards Board standards, yet it is not realistic to expect complete homogeneity globally across sustainability reporting regimes. The standards serve as a baseline, and jurisdictional reporting requirements need to be adapted to local needs. For reporting entities, the demands of complying with reporting obligations may vary across jurisdictions. The standards can enhance the comparability of disclosures by entities in the same industry, particularly through industry-specific disclosures. It is incumbent upon each entity to consider the full range of climate-related risks and opportunities faced and to determine the industry-based metrics that are material, yet there may be unique aspects of an entity’s business model or circumstances that give rise to particular risks or opportunities, and only a subset of the full range of disclosure topics and metrics is therefore likely to apply to any entity.

44. Given the inherent lack of reliable and verifiable data on greenhouse gas emissions, the requirement to disclose scope 3 emissions under International Sustainability Standards Board standards is perceived as a significant challenge for financial institutions in particular. Future regulatory interventions may be aimed at addressing uncertainty regarding the methodologies used to generate and report on scope 3 emissions.

---

43 See https://www.iasplus.com/en/news/2024/02/singapore.

44 See https://www.newsd.admin.ch/newsd/message/attachments/88435.pdf and https://www.newsd.admin.ch/newsd/message/attachments/88437.pdf.

45 See https://www.kgk.gov.tr/Portalv2Uploads/files/Duyurular/v2/Diger/duyuru-05_12_2023%20-%202.pdf and https://www.iasplus.com/en/news/2023/12/turkey-issb.

46 See https://www.kgk.gov.tr/Portalv2Uploads/files/Duyurular/v2/Surdurulebilirlik/Duyuru/Turkiye_Surdurulebilirlik_Raporlama_Standartlari_ve_TSRSlerin_Uygulama_Kapsami_Resmi_Gazetede_Yayimlanmistir.pdf.

47 See https://www.reedsmith.com/en/perspectives/2024/01/fca-publishes-uk-sustainability-disclosure-requirements-investment-labels.

The International Foundation for Valuing Impacts has issued an exposure draft on greenhouse gas emissions topic methodology; comments were due by 30 April 2024.[48]

45. The International Sustainability Standards Board aims to meet investor needs and therefore takes a single materiality perspective, which requires an entity to disclose how sustainability issues impact the entity ("outside-in"). However, jurisdictions may approach the issue of materiality in different ways. For example, the European Sustainability Reporting Standards apply the double materiality perspective, that is, requiring an entity to disclose impacts on people and the environment ("inside-out"), in addition to outside-in disclosures. Differentiating between both types of impacts is challenging, since they are often interrelated. This interconnectedness has been recognized by the Task Force on Nature-Related Financial Disclosures, which recommends that, irrespective of the approach to materiality, reporting entities should identify and assess an entity's dependencies and impacts on nature and the nature-related risks and opportunities for the entity and detail the links between them.[49]

46. A crucial component of the sustainability reporting architecture is to establish an authoritative body responsible for overseeing sustainability reporting. Jurisdictions have the option to either establish a new standard-setting entity dedicated to this task or expand the jurisdiction of an existing organization, to encompass sustainability matters. Such an entity needs to receive adequate staffing and financial resources to effectively fulfil its role. Many jurisdictions have established boards or committees designated to deal with the implementation of sustainability reporting requirements. These may be approaches that member States could consider in filling institutional gaps. At the current stage of implementation of sustainability reporting requirements, early adopters or champions are lacking. A challenge arises from the limited prevalence of leadership roles in entities dedicated to sustainability reporting. Regulators may consider providing model sustainability reports and encouraging raising to leadership level the profile and role of officers responsible for preparing sustainability reports.

47. Current standard-setting efforts are primarily focused on listed companies or large companies. Policymakers and regulators need to enhance awareness, develop capabilities and advocate for standards tailored to the needs of small and medium-sized enterprises. This is critical, to ensure the competitiveness of such enterprises and their sustained access to global value chains. Small and medium-sized enterprises constitute the majority of businesses in developing countries and it is therefore essential to note that, while International Sustainability Standards Board standards primarily target listed companies, small and medium-sized enterprises serving as suppliers to multinational corporations will also be impacted by spillover effects. Such enterprises therefore also need to initiate the provision of sustainability data, particularly concerning greenhouse gas emissions. Recent regulatory developments such as the European Union carbon border adjustment mechanism could potentially impact small and medium-sized enterprises that export certain goods into the European Union by requiring them to provide emissions information on products.

48. Policymakers could consider the following as responses to such challenges: integration, that is, incorporating small and medium-sized enterprise sustainability disclosures into a holistic approach to sustainable finance and as part of a national development strategy; proportionality, that is, defining and sequencing the scope of implementation for small and medium-sized enterprises relative to multinational enterprises, while considering the country context; engagement, that is, involving all stakeholders along the supply and investment chains, to create an enabling ecosystem; and convergence, that is, aiming for a workable global sustainability disclosure baseline applicable to all countries and entities.[50]

49. For example, in Mexico, in May 2024, the Financial and Sustainability Reporting Standards Board issued a simplified sustainability reporting standard for non-listed

[48] See https://ifvi.org/research/methodology-development/greenhouse-gas-ghg-emissions-topic-methodology/.

[49] See https://www.aoshearman.com/en/insights/issb-sustainability-disclosure-standards-challenges-in-global-regulatory-implementation-and-market.

[50] See https://unctad.org/publication/tackling-sustainability-reporting-challenge-policy-guide.

companies and small and medium-sized enterprises. The standard is based on the *Guidance on Core Indicators* and is consistent with the two sustainability disclosure standards of the Board.

50. One of the critical components needed for the successful implementation of sustainability reporting requirements is the availability of adequate professional skills and expertise in the area of sustainability reporting. One of the main gaps is in the measurement of indicators on environmental performance, particularly scope 3 emissions. Assurance and ethics standards and codes have been revised to make them more suitable for sustainability reporting purposes, and such developments indicate the need to expeditiously increase competency among staff and leadership engaged in sustainability reporting and assurance, in order for them to successfully discharge their duties.

51. The reliability and availability of comprehensive data is an essential foundation of any reporting initiative. Policymakers and regulators need to consider how such data fall under existing data governance models. Data sources need to be identified, to inform the oversight of climate-related risks and the measurement of financial impacts of severe weather events and scope 1, 2 and 3 greenhouse gas emissions. With the likely development of standards on biodiversity, ecosystems and ecosystem services, Governments also need to build inventories of natural assets and measure natural asset conditions, as done for physical infrastructure. Rigorous, comprehensive data are crucial in shaping and reporting on government metrics and targets with integrity. Thorough data sets and the ability to project and forecast from data are also key enablers of the scenario analysis required under sustainability reporting standards.

52. Given the broad range of stakeholders, strong governance needs to be in place to support the alignment of stakeholder objectives and the linkage of such objectives with sustainability reporting. Senior governance bodies and central government agencies need to fully invest in sustainability reporting. Corporate board education and the prioritization of sustainability reporting on the agendas of such boards and audit committees, as well as comprehensive policies, are key starting points.

IV. Conclusion and issues for further discussion

53. The availability of meaningful, reliable and globally comparable reports on the sustainability performance of entities is essential in attracting investment from domestic and foreign investors, as well as to sustain access to global value chains. Over the past few years, progress has been made in developing sustainability reporting and related requirements. However, as highlighted in this note, challenges remain. International sustainability reporting standards can have significant spillover effects for companies in developing markets, making it a priority to develop and implement technical assistance capacity-building, for entities to be able to comply with the new requirements. There is a need to avoid growing resistance to sustainable investment strategies in financial markets and, more broadly, to sustainability and disclosure requirements. Therefore, it is essential for policymakers to find a balance between promoting transparency and avoiding undue burdens on businesses. Recent developments in sustainability reporting and related requirements such as assurance, ethics and education and training needs are highlighted in this note, and the different approaches that jurisdictions are taking to implement requirements and with regard to practical implantation challenges arising in the process have been detailed.

54. In addition to the issues presented in this note, delegates at the forty-first session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting may wish to consider the following questions:

(a) Despite efforts made by different standard setters to achieve interoperability among respective standards, discrepancies remain. What needs to be done on the side of policymakers and regulatory authorities in order to achieve equivalency?

(b) How can the identification and sharing of good practices among member States on the implementation of sustainability reporting be facilitated?

(c) What are some approaches that policymakers and regulators could adopt to increase the knowledge and skills of regulatory and enforcement authorities on sustainability reporting matters?

(d) What considerations do policymakers need to make to encourage small and medium-sized enterprises to prepare meaningful reports on sustainability performance?

(e) How can policymakers and regulators facilitate the implementation of the new assurance and ethics standards and codes that the International Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants are finalizing?

(f) How can standard setters define sustainability reporting standards for small and medium-sized enterprises?

(g) What needs to be done to prepare public sector entities to implement sustainability reporting requirements being developed by the International Public Sector Accounting Standards Board?

(h) What could global forums such as the Intergovernmental Working Group of Experts and the regional partnerships for the promotion of sustainability reporting do to further promote global harmonization and the practical implementation of sustainability reporting requirements?

Annex I

Status of adoption of the two sustainability disclosure standards of the International Sustainability Standards Board, as at June 2024

Jurisdiction	*Status*	*Implementation date*
Australia	Consulting on standards until March 2024 (currently only adopting the climate-related disclosures standard)	Staggered implementation from January 2025
Bangladesh	Mandatory requirements introduced for banks and finance companies	January 2024
Plurinational State of Bolivia	Resolution adopted for full application for entities carrying out economic activities in the country	January 2027
Brazil	Adopting in full, and reasonable assurance	January 2026; early adoption on a voluntary basis encouraged for 2024 and 2025
Canada	Consulting on draft standards in March–June 2024	January 2025
China	Consulting on draft standards	n/a
Hong Kong, China	Developing adoption road map	n/a
Costa Rica	Adopted in full in 2024	Phased mandatory adoption for public companies (January 2025) and companies classed as large taxpayers (January 2026)
India	Exposure draft by reserve bank on disclosure framework for climate-related financial risks for commercial banks and other regulated financial institutions	2025–2026, governance, strategy and risk management 2027–2028, metrics and targets Business responsibility and sustainability reporting applicable since 2022–2023
Japan	Consulting on standards	March 2025
Kenya	Developing a road map	n/a
Malaysia	Consulted on standards	Phased mandatory adoption for listed and unlisted companies December 2025–December 2027
Morocco	Reviewing disclosure and target-setting requirements	Early 2025 (currently only for banks)
Nigeria	Consulted on adoption road map	Phased mandatory adoption for listed companies and small and medium-sized enterprises 2027–

Jurisdiction	Status	Implementation date
		2030
Pakistan	Consulting on adopting both standards	Phased mandatory reporting January 2025–January 2027
Philippines	Revising existing sustainability reporting guidelines for listed companies, to consider adopting both standards	January 2025
Republic of Korea	First draft standards in April; standards to be finalized by June 2024	January 2026 or later
Singapore	Mandatory climate-related disclosures officially introduced (currently only adopting general requirements for the disclosure of sustainability-related financial information, for climate reporting)	January 2025 for listed companies; January 2027 for unlisted companies with over $1 billion
Türkiye	Adopted in full	January 2024
United Kingdom of Great Britain and Northern Ireland	Consulting on standards until July 2024	n/a

Source: UNCTAD. See https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/jurisdiction-consultations-on-sustainability-related-disclosures/ and UNCTAD, 2024, *World Investment Report 2024: Investment Facilitation and Digital Government* (United Nations publication, sales No. E.24.II.D.11, Geneva).

Annex II

Sustainability reporting requirements: Comparison of general and climate disclosure standards and rules

Basis	*International Sustainability Standards Board*	*European Commission*	*United States of America Securities and Exchange Commission*
Applicability	Left to discretion of authorities in jurisdiction that adopts standards	All entities with securities listed in European Union-regulated markets, large undertakings and insurance entities and credit institutions regardless of legal form	Registrants, including foreign private issuers, smaller reporting companies, emerging growth companies and companies entering the United States capital markets for the first time by conducting initial public offerings
Types of disclosures	One standard covers general requirements for all sustainability topics and another covers climate-related disclosure requirements	Includes disclosures for climate-related and other environmental, social and governance-related matters	Includes disclosure only for climate-related matters
Disclosure thresholds and materiality	Definition of materiality aligns with that of International Financial Reporting Standards and considers primary users of general-purpose financial reports; applies to all disclosure requirements under the standards	Uses concept of “double materiality,” i.e. disclosure required if information is material from an “impact” perspective, a financial perspective or a combination of both; materiality is the threshold for all disclosure requirements, except those under European Sustainability Reporting Standard 2.	Disclosures threshold based on definition of materiality by the Supreme Court
Scope 1 and 2 greenhouse gas emissions disclosure thresholds	Disclosures required if information is material to primary users of general-purpose financial reports	Disclosures required if general materiality threshold limit is met	Disclosures required only for large accelerated and accelerated filers, subject to general materiality threshold
Scope 3 greenhouse gas emissions disclosure thresholds	Disclosures required if information is material to primary users of general-purpose financial reports	Disclosures required of scope 3 emissions under each significant scope 3 category if general materiality threshold limit is met	Disclosures of scope 3 emissions not required
Scenario analysis	Entities required to use climate-related scenario analysis to assess climate resilience, using an approach commensurate with their circumstances, considering level of exposure to climate-	Entities required to use climate-related scenario analysis, with at least one scenario in line with the Paris Agreement, to assess resilience of business strategy	Registrant not required to use scenario analysis to assess impact of climate-related risks

Basis	*International Sustainability Standards Board*	*European Commission*	*United States of America Securities and Exchange Commission*
	related risks and opportunities and the skills, resources and capabilities available		
Location of disclosures	Requires entity disclosures to be included as part of general-purpose financial reports or a cross reference to be made to disclosures that meet the requirements in another report issued by the entity	Requires European Union entities to present required sustainability information in management reports	Disclosures required in annual reports and registration statements
Industry-specific requirements	Industry-specific disclosures not required, but entities required to refer to and consider applicability of industry-based disclosure topics in standards previously issued by the Sustainability Accounting Standards Board	A second set of European Sustainability Reporting Standards will include sector-specific requirements (not yet proposed)	Industry-specific requirements not included
Effective dates	Standards effective for annual reporting periods beginning on or after 1 January 2024; jurisdictions that choose to apply them can set own effective dates	Fiscal year 2024 for entities currently subject to non-financial reporting directive and for other listed entities that meet non-financial reporting directive thresholds; adoption by other entities ranges between financial years 2025 and 2028	Large accelerated filers need to make first required disclosures in fiscal year beginning 2025; accelerated filers (other than smaller reporting companies and emerging growth companies) need to make first required disclosures in fiscal year beginning 2026.

Source: UNCTAD.