



Global PwC sustainability reporting newsletter

Your source of news from the Global PwC network

May 2023

Welcome to the May 2023 edition of our global newsletter.

Since our last newsletter, there have been multiple announcements from various standard-setters and regulators across the world.

Let's start with the International Sustainability Standards Board (ISSB) which released its request for information (also referred to as its agenda consultation exposure draft) on 4 May 2023. The responses to this should help to structure the ISSB work plan for the next two years. The agenda consultation comment period (120 days) will overlap with the issue of the General Sustainability-related Disclosure Requirements (IFRS S1) and the Climate-related Disclosures (IFRS S2). The Board also recently published another exposure draft regarding the proposed methodology for improving the international applicability of the SASB standards, with a 90 day comment period. We are also expecting the proposed IFRS Sustainability Disclosure Taxonomy (expected later in 2023). The final texts of IFRS S1 and IFRS S2 are expected to be issued in June 2023.

From a European perspective, the European Sustainability Reporting Standards (ESRS) will be adopted as delegated acts by the European Union after a final four-week request for comment period expected in June 2023. The date of this request is still unknown, but the Corporate Sustainability Reporting Directive (CSRD) requires the publication of the delegated acts before the end of August 2023. After completion of this milestone, the ESRS will face scrutiny from the European Parliament and Council of the European Union before going into effect for fiscal year 2024 (however, there is some speculation about the potential timing of these standards). Separately, having taken stock of the request from Commissioner McGuinness, the European Financial Reporting Advisory Group (EFRAG) is prioritising guidance on sector-agnostic standards over the development of sector-specific

standards and standards for listed small or medium-sized entities (SMEs). As a consequence, EFRAG is currently working on a renewed timetable, but this means that the public consultation on the second set of ESRS (that is, sector-specific standards and standards for listed SMEs) will not be issued in Q2 2023 as initially planned.

The United States Security and Exchange Commission (SEC) proposed rule on climate-related disclosures has still not been finalised. The SEC has also planned to issue a proposal on human capital management disclosures and a final rule on the reporting of material cybersecurity events, both of which are expected in the first half of 2023. If these continue as expected, the remainder of the year will prove busy for SEC registrants.

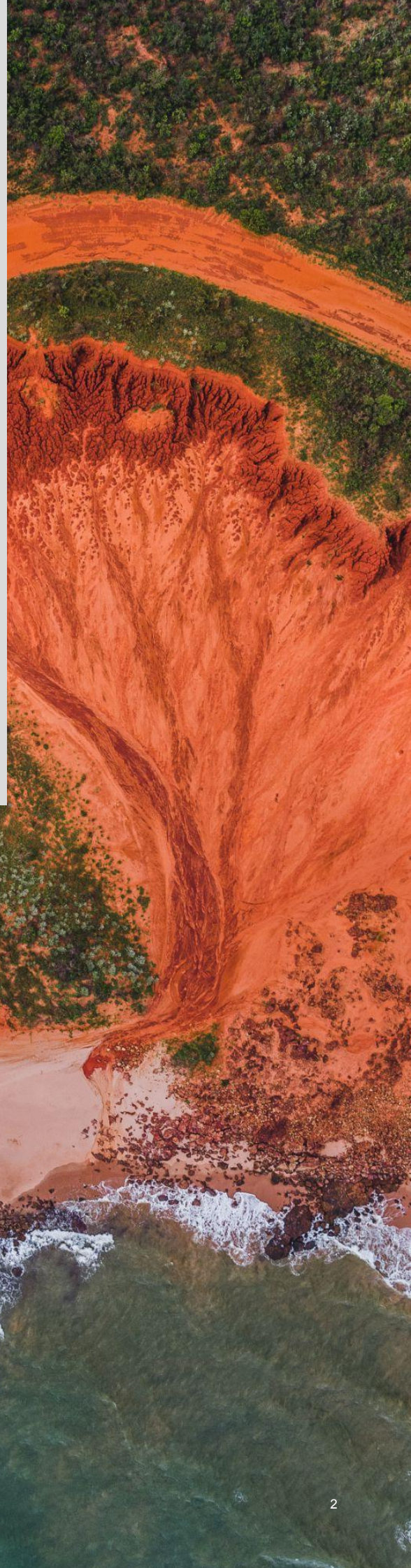
Interestingly, the Securities and Exchange Board of India (SEBI) announced a requirement for mandatory reporting on a number of sustainability topics, and mandatory reasonable assurance on those disclosures. The SEBI is proposing a staggered approach, with a number of listed entities being impacted as early as 2024. The regulation requires additional value chain disclosures and assurance on a 'comply or explain' basis from 2025. These requirements are likely to result in obtaining information from subsidiaries, customers and suppliers headquartered outside of India. Similar to the CSRD in Europe, entities operating in other countries might be impacted by the proposed requirements issued by SEBI.

As some territories are considering mandatory assurance on sustainability reporting and understanding the value that various stakeholders attach to disclosures that have been externally verified, the International Federation of Accountants, the American Institute of Certified Public Accountants and the Chartered Institute of Management Accountants recently issued a study, 'The state of play in reporting and assurance of sustainability information' (available [here](#)). The study indicated that 95% of entities disclosed some level of sustainability data but that only 64% obtained assurance of the information and, for 80% of those, it was limited assurance – that is, in the form of negative assurance: *“Nothing has come to our attention ... to cause us to believe the subject matter information is materially misstated”*. These findings contrast with current stakeholder expectations and result in an increasing trust gap between what entities are reporting and the level of assurance they are obtaining.

To assist in closing this trust gap, the International Auditing and Assurance Standards Board (IAASB) is currently working on a [project](#) to develop an overarching standard for assurance on sustainability reporting. The IAASB has also indicated that it envisages that a suite of standards for assurance on sustainability reporting will likely need to be developed over time.

As these and other regulatory requirements ramp up, and decision-useful sustainability reporting continues to be increasingly important to investors and other stakeholders, the lines of traditional reporting responsibilities within an entity begin to blur. As a result, audit committees are likely to see sustainability reporting and assurance oversight moving into their sphere of responsibility. Only time will tell...

– Andreas Ohl



Latest news from the standard setters and regulators

ISSB



ISSB update February 2023 in Montreal

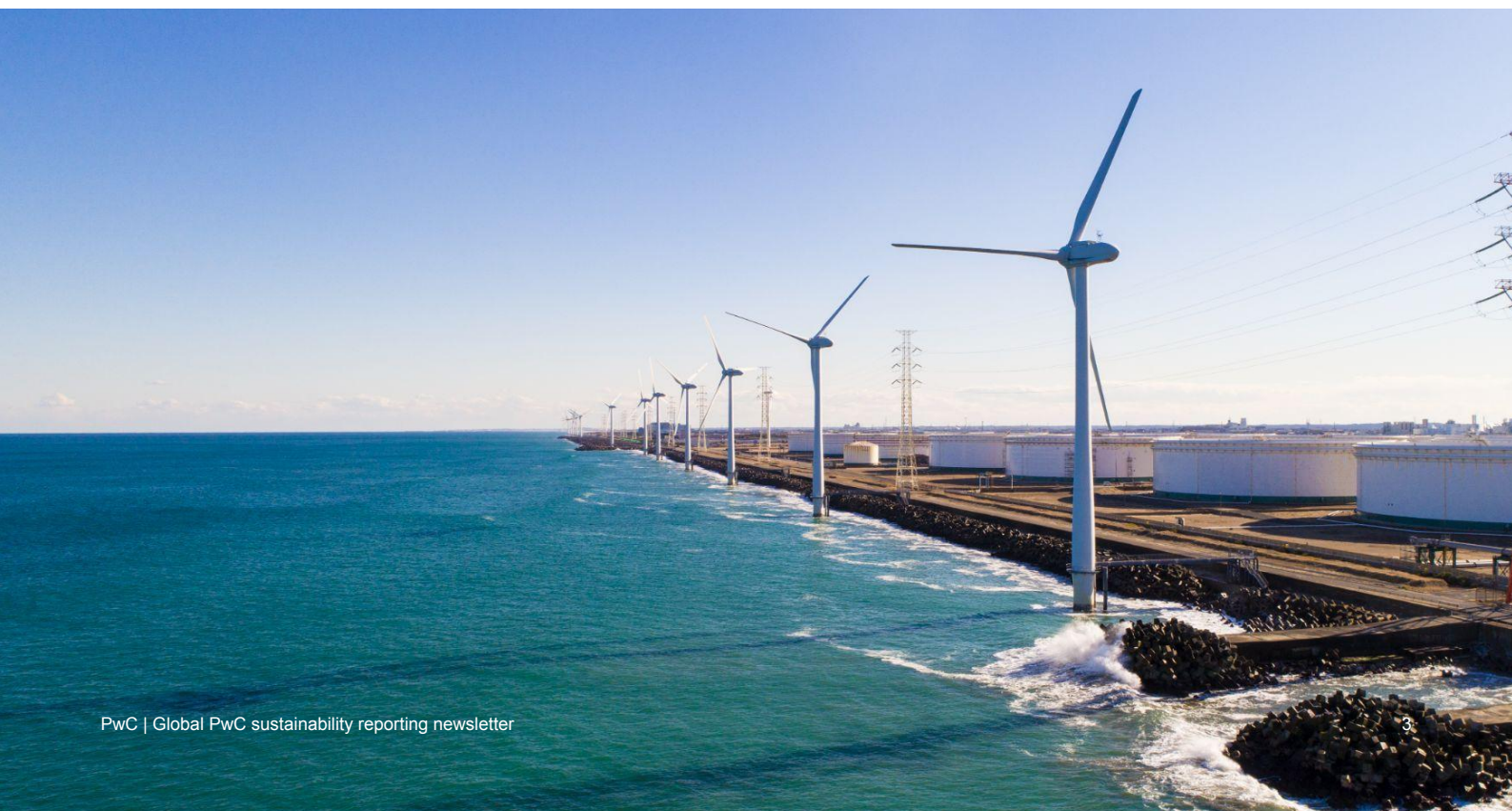
The Board made its final decisions on all the technical content of its initial standards (IFRS S1 and IFRS S2). The Board then started the drafting and balloting process of the standards, ahead of their expected issue at the end of Q2 2023.

During the meeting the Board tentatively decided to permit, but not require, entities to consider the Global Reporting Initiative (GRI) standards and the ESRS in identifying disclosures about applicable sustainability-related risks and opportunities. These sources of guidance (that is, the GRI and ESRS) might only be considered in the absence of a relevant IFRS Sustainability Disclosure Standard, to the extent that these sources of guidance assist an entity in meeting the objective of IFRS S1 and do not conflict with other IFRS Sustainability Disclosure Standards. This tentative agenda decision is expected to result in greater interoperability and reduce the reporting burden on entities that have to comply with multiple sustainability reporting frameworks.

The Board also tentatively decided that the effective date for both IFRS S1 and IFRS S2 would be for annual reporting periods beginning on or after 1 January 2024. The effective date is subject to local regulators adopting the IFRS Sustainability Disclosure Standards and setting a specific adoption date for entities within that jurisdiction. In addition, the Board tentatively decided to provide various reliefs in the first year of adopting IFRS Sustainability Disclosure Standards – for example, providing relief from the requirement for an entity to report sustainability-related disclosures at the same time as their financial statements, as well as allowing entities to not disclose Scope 3 GHG emissions. These tentative agenda decisions allow entities more time to implement and/or enhance current sustainability reporting policies and systems.

A full update of the meeting and tentative decisions made is [here](#); alternatively, listen to the February 2023 ISSB podcast [here](#).

The full update of the March 2023 meeting and tentative decisions made is [here](#); alternatively, listen to the March 2023 ISSB podcast [here](#).



Latest news from the standard setters and regulators (continued)

ISSB met twice in April 2023 (virtually and in Frankfurt)

At the supplementary meeting, the Board tentatively decided to introduce a transition relief in IFRS S1 that would allow an entity to only report on climate-related risks and opportunities (as set out in IFRS S2) in the first year of adopting IFRS Sustainability Disclosure Standards. For an entity that decides to apply this transition relief, the requirements in IFRS S1 would only apply to the extent that they relate to the disclosure of climate-related information. In addition, an entity would be required to provide information about other sustainability-related risks and opportunities in the second year in which it applies the IFRS Sustainability Disclosure Standards.

If the above relief is used, entities could extend the previously agreed transition relief in IFRS S1 related to disclosing comparative information. That is, an entity would not be required to disclose comparative information related to its other sustainability-related information in the first year in which it discloses that information. Comparative information for climate-related disclosures would be required in the second year of applying IFRS Sustainability Disclosure Standards.

A summary of the supplementary April Board meeting is [here](#). The full update of the meeting in Frankfurt and decisions made is [here](#). Alternatively, listen to the April 2023 ISSB podcast [here](#).

Update on the SASB standards

The Board met remotely in March 2023 to discuss the process to maintain, enhance and improve the SASB standards. The discussion included the work involved in updating the international applicability of the SASB standards. However, this was an educational session and so the Board was not asked to make any decisions.

In addition, the Board published in May 2023 a 90-day consultation on its proposed methodology for revising the SASB standards to improve their international applicability. Considering that the ISSB has stated that SASB standards shall be considered by entities when identifying applicable sustainability-related risks and opportunities as well as applicable disclosures, it is important for the SASB standards to be internationally applicable and not jurisdiction-specific. Read PwC's In brief [here](#).

Update on the ISSB agenda consultation

During the March 2023 meeting, the Board also discussed one of the potential projects to be included in the ISSB's request for information, focused on connectivity in reporting. The Board tentatively decided that, within its request for information, it would expand the scope of the potential project to focus on integrated disclosures beyond the requirements related to connected information in IFRS S1 and IFRS S2. The Board also decided that it would seek feedback with regard to whether the potential project on integration should build on and incorporate concepts from the International Accounting Standards Board's (IASB) Management Commentary project and/or the Integrated Reporting Framework (IRF) or other sources. Should it be prioritised, obtaining clarity regarding other sources that the ISSB should consider will help to guide the project on integration.

At the Board meeting in April 2023, the Board agreed on a 120-day comment period for its upcoming request for information to help structure its work plan. The Board released its request for information on 4 May 2023. PwC's In brief regarding the ISSB's request for information is [here](#).

Latest news from the standard setters and regulators (continued)

The ISSB and the SSBJ hold inaugural bilateral meeting

Representatives of the ISSB and the Sustainability Standards Board of Japan (SSBJ) provided updates on their respective activities and discussed agenda items such as issues related to the implementation of IFRS Sustainability Disclosure Standards. In addition, the SSBJ outlined its project plan for the development of Japanese sustainability disclosure standards, with exposure drafts expected by 31 March 2024 and final standards by 31 March 2025. The full announcement is [here](#).

Key takeaways from the IFRS Sustainability Symposium

More than 1,000 people from 45 countries convened in Montreal and online to discuss what's next for investor-focused IFRS Sustainability Disclosure Standards. The discussions included the importance of the SASB standards to the implementation of IFRS S1 and IFRS S2, capacity building and various reliefs tentatively agreed by the Board. The full announcement is [here](#).

Climate-related risks in financial statements

Questions have been raised regarding the interaction between IAS 1, 'Presentation of Financial Statements', and IFRS S1. To help address these concerns, the IASB has added a project to its work plan to explore whether and how entities can provide better information about climate-related risks in their financial statements. The IASB will consider the work of the ISSB to ensure that any proposals work well with IFRS Sustainability Disclosure Standards and that any information required by the two Boards would complement each other. For example, disclosures required by the IFRS Sustainability Disclosure Standards might explain the sustainability-related risks and opportunities arising from an entity's activities, its assets and liabilities. These disclosures might provide early indications of matters that will subsequently be reflected in an entity's financial statements. The full announcement is [here](#).

In January 2023, the ISSB tentatively decided to require an entity to explain the connections between sustainability-related risks and opportunities that have affected or are expected to affect the entity's financial statements and the information disclosed in the entity's financial statements. As part of this process, an entity should avoid unnecessary duplication and is permitted to use cross-referencing, subject to specific conditions.



Latest news from the standard setters and regulators (continued)

EU updates



The road to Sustainability Assurance

As noted above, sustainability reporting and assurance requirements are coming fast; in Europe, ESRS regulation will impact some entities as early as 2025. In addition, the EU Taxonomy will soon apply to many more companies. Entities, and their governance bodies, need to act now or face growing risks of non-compliance, reputational risks, or loss of competitive advantage. Refer to the [Seventh PwC EU newsletter](#) where we set out five 'no regret' steps to help guide entities in preparing for sustainability assurance.

The Minimum Safeguards criterion of the EU Taxonomy

Compliance with Minimum Safeguards (MS) is one of the necessary conditions that an economic activity must meet to be recognised as Taxonomy-aligned. It complements compliance with the Substantial Contribution and the Do No Significant Harm (DNSH) criteria.

The MS aim to ensure that Taxonomy-aligned economic activities are carried out in accordance with the OECD Guidelines for Multinational Enterprises (MNEs), the UN Guiding Principles (UN GPs) on Business and Human Rights, the principles set out in the International Labour Organisation core conventions and the International Bill of Human Rights. Thus, the MS require companies to implement appropriate procedures to ensure that these guidelines and principles on social and governance aspects are met.

US updates



While the exact date of the SEC's final rule on climate-related disclosure is unknown, we currently expect the rule to be released in summer 2023. The SEC also intends to issue a proposal on human capital management disclosures and a final rule on the reporting of material cybersecurity events, both of which we expect in the first half of 2023.

Links to other recent publications

Podcasts

In our Talking ESG podcast series, we look at what it takes to build effective ESG reporting in today's environment. From investor to stakeholder expectations, from global frameworks to data, process and controls – there's something in it for everyone.

01 [Talking ESG: How the ISSB is building fluency in sustainability](#)

We ask two special guests from the ISSB about the Board's focus on building global capacity in sustainability reporting.

02 [Talking ESG: Moving from compliance to sustainable value](#)

We discuss how having a comprehensive governance strategy for sustainability issues helps companies enhance value in the long-term.

03 [Talking ESG: How GRI is innovating impact reporting](#)

We sat down with Eelco van der Enden, CEO of GRI, to understand the latest on the GRI's near-term priorities.

04 [Talking ESG: PwC's perspectives on enhancing the GHG Protocol](#)

We discuss our feedback to the GHG Protocol in response to its recent initiative to update the standards.

05 [Talking ESG: How companies are preparing for mandatory reporting](#)

We discuss the latest steps that companies are taking to prepare for upcoming ESG reporting requirements.

06 [Talking ESG: Building trust in climate commitments](#)

We discuss how businesses play a critical role in preparing for climate change with PwC's Global Climate Leader.

07 [Talking ESG: How the TCFD is shaping today's reporting landscape](#)

We discuss the TCFD's history and potential future impact on the ESG reporting landscape with a member of the TCFD.

Becoming nature positive:

What's the deal with biodiversity?



This podcast discusses why the issue of biodiversity is becoming more of a focus for companies around the world. Listen to the podcast [here](#).

Getting smarter on the issues



The biodiversity series continues, going in-depth on major nature issues that intersect with business today, including land use and water resources. Listen to the podcast [here](#).

Understanding business value drivers



The biodiversity series continues, bringing the CFO's vantage point to the topics of nature and biodiversity, focusing on how they drive business value. Listen to the podcast [here](#).

Committing, measuring, and reporting



The biodiversity series continues, with a focus on measuring and reporting nature and biodiversity topics. Listen to the podcast [here](#).

PwC IFRS Talks Episode 141: Accounting for carbon offsets

Claire Howells and Gina Huang join Raihazah Shaikh to share their perspectives on the accounting for carbon offsets and related costs from the perspective of a purchaser and the perspective of a project developer. Listen to the podcast [here](#).

Webcasts



US Q2 2023 Quarterly ESG webcast

Join host Heather Horn and our ESG specialists for [PwC's Q2 2023 quarterly ESG webcast](#) on 18 or 23 May 2023 for a discussion of the latest ESG accounting and reporting developments in the US and abroad.

CSRD update

Hear from Nadja Picard, our Global Reporting Leader, who shares the key insights of the CSRD sustainability reporting requirements with Cindy Ngan, our ESG Climate and Sustainability Partner. Watch it [here](#).



Articles/other publications

Global proposed updates to the GHG Protocol's standards

In November 2022, Greenhouse Gas Protocol (GHG Protocol) launched four surveys to obtain input from stakeholders on potential updates. View PwC's response [here](#).

PwC comments on the revisions to the GRI biodiversity standard

We support the expansion of disclosures but have provided recommendations to enhance the clarity of the standard and resulting disclosures. View PwC's response [here](#).

Navigating the ESG landscape (updated)

This [publication](#) was updated as of 28 April 2023 for developments related to the 'big three' disclosure proposals. It compares and contrasts key provisions among the three sustainability reporting proposals issued by the ISSB, EFRAG and the SEC. We offer our perspectives on the proposals, including some of the suggestions that we have made to each regulator or standard-setter to enhance operability.

IFRS financial reporting considerations for entities participating in the voluntary carbon market

With the increasing focus on climate change and carbon emissions, companies are starting to take steps to reduce or absorb their carbon emissions, leading to a growing voluntary carbon market (VCM). Want to learn more about accounting for carbon offsets and related costs by various counterparties in the VCM, using current IFRS standards and interpretations? Read PwC's 'In depth' publication [here](#).

EU Taxonomy – Illustrative disclosures FY 2022 (Automotive)

Illustrative disclosures for the first-year EU Taxonomy alignment reporting are now available. The [illustrative example](#) covers Automotive SE as a fictitious non-financial undertaking with substantial eligible and aligned turnover.

Worldwide impact of CSRD – are you ready?

The latest on where the EU regulations stand and what non-EU headquartered companies need to know about them. Read PwC's 'In the loop' publication [here](#).

CSRD FAQs: What you need to know about the Corporate Sustainability Reporting Directive

These [FAQs](#) are intended to provide an overview of the CSRD's key provisions, in particular the scope (including the scope for the Taxonomy reporting requirements), the first-time application and the reporting standards that companies should use. Sections are updated on a regular basis.

US investor survey: Focus on sustainability

In our new [survey](#), US investors share their views on what companies should prioritise in the short and long term, from the macroeconomic environment to innovation and climate change. We highlight their perspectives and related expectations on climate change.

Today's externalities, tomorrow's internalities: Why impact matters for company valuations

In this [article](#), we ask whether a company's external impact can and ultimately will affect its valuation. We believe the answer is yes. As more businesses recognise the importance of assessing and reporting their positive and negative impact, there is a need to factor this into everyday decision-making and to disclose in a consistent and comparable way the effects on enterprise value. Investors are looking for information on the monetary value of that impact. Businesses, standard setters and capital market participants all have a role to play in making this happen.

Climate leadership wanted: How CEOs can better meet investor expectations

In this [article](#), Nadja Picard, Emma Cox and Will Jackson-Moore compare and contrast the viewpoints of global CEOs and investors as they relate to climate and sustainability. Our research found that CEOs are less concerned about climate change and less effective at confronting risks and opportunities than investors would like. To better meet the needs and demands of shareholders, forward-thinking CEOs can use the findings shared in this article to take actions aimed at lifting their standing with shareholders.

PwC EU Newsletter #6 – Sustainability Reporting

PwC's 6th [EU Newsletter](#) on Sustainability Reporting contains an in-depth article on the first set of draft ESRS and the latest regulatory updates.



Contact us:



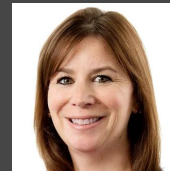
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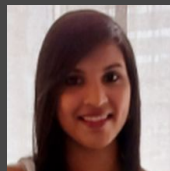
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