

# Global PwC sustainability reporting newsletter

Your source of news from the Global PwC network

September 2023

Welcome to the September 2023 edition of our global newsletter.

## Latest PwC thought leadership:

[Navigating sustainability reporting: Practical application and analysis.](#)

[IFRS Sustainability Disclosure Standards – Guidance, insights and where to begin.](#)

[Worldwide impact of CSRD - are you ready?](#)

The sustainability reporting landscape is rapidly evolving, with two previously draft sustainability reporting standards finalised. Both the International Sustainability Standards Board (ISSB) and the European Commission (EC) have finalised their respective sustainability reporting standards.

On 26 June 2023 the ISSB issued its inaugural IFRS® Sustainability Disclosure Standards: IFRS S1, 'General Requirements for Disclosure of Sustainability-related Financial Information'; and IFRS S2, 'Climate-related Disclosures'. The issuance of these first two standards marks an important milestone for the ISSB. Although the need for high-quality standards is non-negotiable, the litmus test to a truly comprehensive global baseline for sustainability reporting is going to be the practical application of these standards. With the standards being endorsed by the International Organisation of Securities Commissions (IOSCO), there is an expectation of more regulators adopting these standards. As a result, more entities will report in accordance with the IFRS Sustainability Disclosure Standards, so the quality of sustainability reports is expected to continue to increase.

The ISSB has followed its stated aim of issuing a thematic standard as well as a standard which covers all other sustainability risks and opportunities. However, investors and other stakeholders will continue to need more detailed, reliable and comparable disclosures of other sustainability areas. So we encourage the ISSB to react to the responses to its Agenda Priorities exposure draft and produce additional thematic standards as soon as it is able. We acknowledge that the Board has directed the staff to develop educational material to explain and illustrate how an entity might apply some requirements in IFRS S2 to disclose information about some nature- and social-related aspects of climate-related risks and opportunities.

From a European perspective, on 31 July 2023, the EC adopted the final Delegated Act which includes the final European Sustainability Reporting Standards (ESRS). The European Parliament and the Council of the European Union (EU) now have a two-month scrutiny period (with a possible two-month extension) to assess the final delegated act. Once the scrutiny period is over and assuming there are no objections, the Delegated Act will be applicable from 1 January 2024, with phased application of the standards based on the Corporate Sustainability Reporting Directive (CSRD) scoping requirements.

On 4 September 2023, the European Financial Reporting Advisory Group (EFRAG) and the Global Reporting Initiative (GRI) issued a [joint statement](#) regarding interoperability between ESRS and GRI standards. In addition, the EC has tasked EFRAG to debate and develop non-authoritative implementation guidance regarding the [materiality assessment](#) and an entity's [value chain](#). Both of these announcements are intended to ease the reporting burden on entities applying ESRS.

While we wait to see the final proposed rule on climate-related disclosures from the United States Security and Exchange Commission (SEC), we welcome the IFRS Sustainability Disclosure Standards and the ESRS as a vital part of strengthening trust in corporate disclosures around sustainability. We also recently released our latest [In depth](#) 'Navigating sustainability reporting: Practical application and analysis' which provides helpful insights and guidance to preparers who will have to report on one (or more) of these sustainability reporting frameworks.

From an auditing perspective, in June 2023, the International Auditing and Assurance Standards Board (IAASB) issued a sustainability assurance standard for [public comment](#). The IAASB explained that the draft standard was to further promote the trust and confidence that investors, regulators and other stakeholders have in sustainability disclosures. The exposure draft is formally known as 'International Standard on Sustainability Assurance (ISSA) 5000 – General Requirements for Sustainability Assurance Engagements'.

Interestingly, ISSA 5000 was developed to be applied to any sustainability assurance engagement (that is, it is sustainability topic and framework agnostic) by both professional accountants and non-accountant assurance practitioners. Considering the broad scope of ISSA 5000, what it will apply to and who can apply it, we expect that many will respond to the IAASB's request for comment before the deadline of 1 December 2023.

As these and other sustainability reporting and assurance frameworks are finalised, there is no time like the present to start the process of determining the potential implications of these frameworks for your business and future reporting requirements.

**– Andreas Ohi**

# Latest news from the standard-setters and regulators

ISSB



## The ISSB issues IFRS S1 and IFRS S2

As noted above, on 26 June 2023, the ISSB [issued](#) its inaugural standards (IFRS S1 and IFRS S2), clearly marking a new era of sustainability disclosures in global capital markets. Shortly after the release of the inaugural standards, the ISSB also issued a [podcast](#), ‘[Ten things to know about the first ISSB Standards](#)’, and recorded two [webinars](#) providing a detailed overview of IFRS S1 and IFRS S2. For more detail regarding these standards and PwC’s observations regarding some of these requirements, read our In depth [here](#). For an overview of IFRS S1 and IFRS S2, read PwC’s In brief [here](#).

## Endorsement of IFRS S1 and IFRS S2

IOSCO publicly [endorsed](#) the inaugural standards issued by the ISSB, where Erkki Liikanen, the chair of Trustees of the IFRS Foundation®, [commented](#), “IOSCO’s endorsement is a resounding validation of the ISSB’s work to develop robust, proportionate sustainability disclosure standards fit for capital market use at global level”.

IOSCO called on its 130 member jurisdictions (which together regulate more than 95% of the global financial markets) to consider ways in which they might adopt, apply or otherwise be informed by the ISSB™ standards to promote consistent and comparable disclosures for their investors. Consequently, local jurisdictions will need to consider whether to adopt IFRS S1 and IFRS S2 as reporting requirements for local entities. Read more about this announcement [here](#).



# Latest news from the standard-setters and regulators (continued)

## ISSB update May 2023 in London

The Board ratified amendments to the climate-related SASB standards to align to IFRS S2, specifically in relation to the application guidance in IFRS S2 on financed emissions and the industry-based guidance included in IFRS S2. As a result, these amendments will add to the international application of the climate-related SASB standards.

## ISSB update July 2023

The Board met virtually in July 2023 to discuss an item included in its agenda consultation in relation to researching targeted enhancements to the ISSB standards. As a result of this meeting, the Board instructed the staff to develop educational material focused on how an entity might disclose nature- and social-related aspects of climate-related risks and opportunities by applying the requirements in IFRS S2.

Since the educational material is only guidance and cannot add or change the requirements in the current standards, it will not be released for public comments before being issued. The Board is aiming to issue this educational material before the effective date of IFRS S1 and IFRS S2, that is 1 January 2024.

A full update of the meeting is [here](#); alternatively, listen to the May 2023 ISSB podcast [here](#).

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## Monitoring of climate-related disclosures

The IFRS Foundation has [announced](#) that it will take over the monitoring of climate-related disclosures from the Task Force on Climate-related Financial Disclosures (TCFD) as of 2024. This is as a result of IFRS S1 and IFRS S2 being considered to be 'the culmination of the work of the TCFD', according to the Financial Stability Board's [announcement](#). Read more about these announcements [here](#).

Many preparers have previously reported their climate-related risks and opportunities in accordance with the TCFD recommendations. To further facilitate the transition to a comprehensive global baseline of sustainability disclosures, the IFRS Foundation has also [published](#) a comparison of the requirements in IFRS S2 and the TCFD recommendations, to assist these preparers. The Financial Stability Board has also concluded that, as a result of the TCFD recommendations being fully incorporated into the IFRS Sustainability Disclosure Standards, an entity applying IFRS S1 and IFRS S2 will meet the TCFD recommendations.

# Latest news from the standard-setters and regulators (continued)

## ISSB consults on proposed digital taxonomy to improve global accessibility and comparability of sustainability information

To facilitate the structured digital reporting of sustainability-related financial information prepared by applying the IFRS Sustainability Disclosure Standards, a common digital taxonomy is necessary. As a result, to further enhance global accessibility and comparability of sustainability information for investors, the Board [published](#) its 'Proposed IFRS Sustainability Disclosure Taxonomy' for public comment on 27 July 2023.

## Connections between accounting and sustainability disclosures

In this [webcast](#), Linda Mezon-Hutter, Vice-Chair of the International Accounting Standards Board (IASB), and Sue Lloyd, Vice-Chair of the ISSB, discuss the connections between financial and sustainability disclosures. Considering the interconnectedness of financial and sustainability disclosures, they also share how the work of the two Boards complement each other.

## Sue Lloyd delivers keynote speech at the Brussels BdB (Association of German Banks) Courtyard Reception on 30 August 2023

At the Brussels BdB Courtyard Reception, Sue Lloyd provided a high-level overview of IFRS S1 and IFRS S2, and how the market received these standards since the Board issued them in June 2023. She also explained how these standards relate to ESRS and summarised what questions the Board asked in its agenda consultation. Read her full speech [here](#).



# Latest news from the standard-setters and regulators (continued)

## EU updates



As noted above, the EC adopted the final Delegated Act which includes the ESRS. The Delegated Act includes the 12 finalised ESRS, made up of two cross-cutting standards, which apply to all sustainability matters, and ten topical standards covering a wide range of environmental, social and governance matters.

The final ESRS reflect updates to the 12 previous [draft ESRS](#) that were issued by the EC for public comment on 9 June 2023. The EC received over 600 comment letters, including feedback from [PwC](#), before the deadline of 7 July 2023. Some of the changes to the final ESRS include further alignment regarding financial materiality to that used in the IFRS Sustainability Disclosure Standards, and a requirement to include a detailed explanation when an entity concludes that climate change is not a material topic.

For more information regarding the final ESRS, read PwC's In brief [here](#).

### European Commission, EFRAG and ISSB confirm high degree of climate-disclosure alignment

The EC, EFRAG and the ISSB have worked together to improve the interoperability of their respective climate-related disclosure requirements. This collaboration has led to an increased alignment, reduced complexity and duplication for entities that wish to (or are required to) apply both IFRS S2 and ESRS E1, 'Climate change'.

In addition, these parties have committed to develop interoperability guidance that could assist entities to better understand where there are incremental disclosures required by only one set of standards. Read the full announcement [here](#).

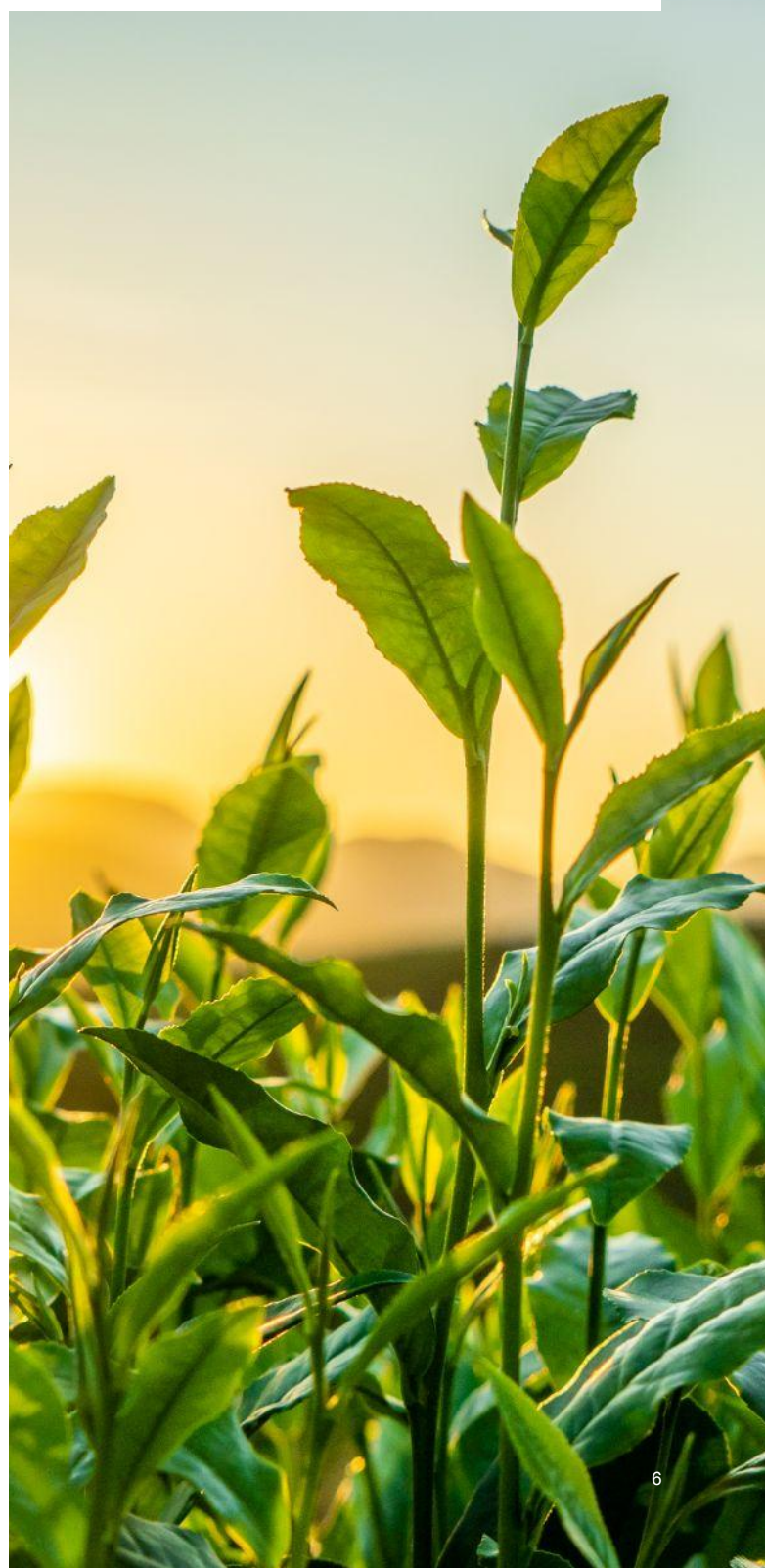
### The EC has published the final Delegated Act under its sustainable finance package

On 13 June 2023, the EC published the final Environmental Delegated Act, which defines the technical screening criteria of four other environmental objectives of the Taxonomy Regulation. These include: sustainable use and protection of water and marine resources; transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems. For more information, read PwC's In brief [here](#).

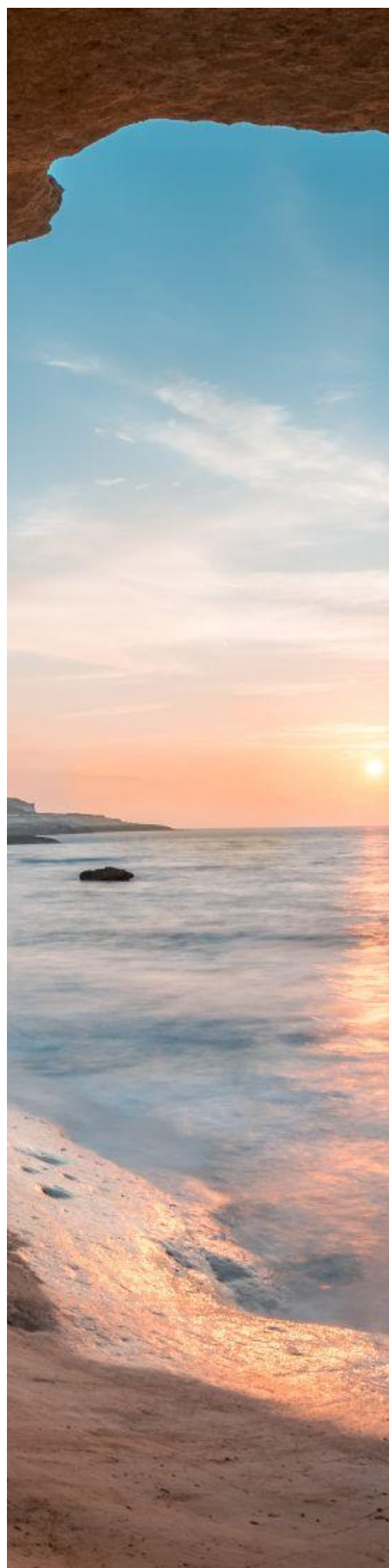
## US updates



While the SEC is focused on the current application of existing securities laws with regard to climate-related disclosures, the exact date of the SEC's final rule on climate-related disclosure is still unknown. The SEC also intends to issue a proposal on human capital management disclosures, which is expected in the second 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: Sustainability in the financial statements

We discuss the current financial reporting requirements for ESG topics and the accounting standard setters' agendas for updating guidance in these areas. Listen to the podcast [here](#).

**02**

Talking ESG: EU sustainability reporting standards are near final

This podcast shares insights on the near final drafts of the revised European Sustainability Reporting Standards, which are out for public comment. Listen to the podcast [here](#).

**03**

Talking ESG: How companies can better meet investor expectations

We sat down with PwC's Global Reporting Leader to understand how companies can close the gap between investor expectations and their climate progress. Listen to the podcast [here](#).

**04**

Talking ESG: Inside look at the ISSB's launch of final standards

We ask an ISSB Vice-Chair about the Board's launch of final standards, and what it means for companies around the globe. Listen to the podcast [here](#).

**05**

Talking ESG: Preparing for the EU's Foreign Subsidies Regulation

We discuss the EU's Foreign Subsidies Regulation and what companies can do now to prepare. Listen to the podcast [here](#).

**06**

Talking ESG: What's inside the final ISSB standards

We discuss the recently issued final IFRS Sustainability Disclosure Standards and the status of adoption by jurisdictions around the world. Listen to the podcast [here](#).

**07**

Talking ESG: What should the ISSB focus on next?

We discuss the ISSB's agenda consultation and why companies should consider commenting. Listen to the podcast [here](#).

# Becoming nature positive: Strategising and implementing

The nature and biodiversity series continues with a focus on implementing a nature positive strategy. Listen to the podcast [here](#).

## How will the EU's Carbon Border Adjustment Mechanism impact you?



Our guests discuss the EU's new Carbon Border Adjustment Mechanism import tax and implications for managing carbon cost in global supply chains. Listen to the podcast [here](#).

## Reporting led transformation



Nadja Picard talks with Workiva's Andromeda Wood about reporting-led business transformation and how interoperability in reporting standards and the dynamic roles of CEOs and CFOs can propel ESG initiatives forward. Listen to the podcast [here](#).

## Webcasts



### US Q3 2023 quarterly sustainability webcast

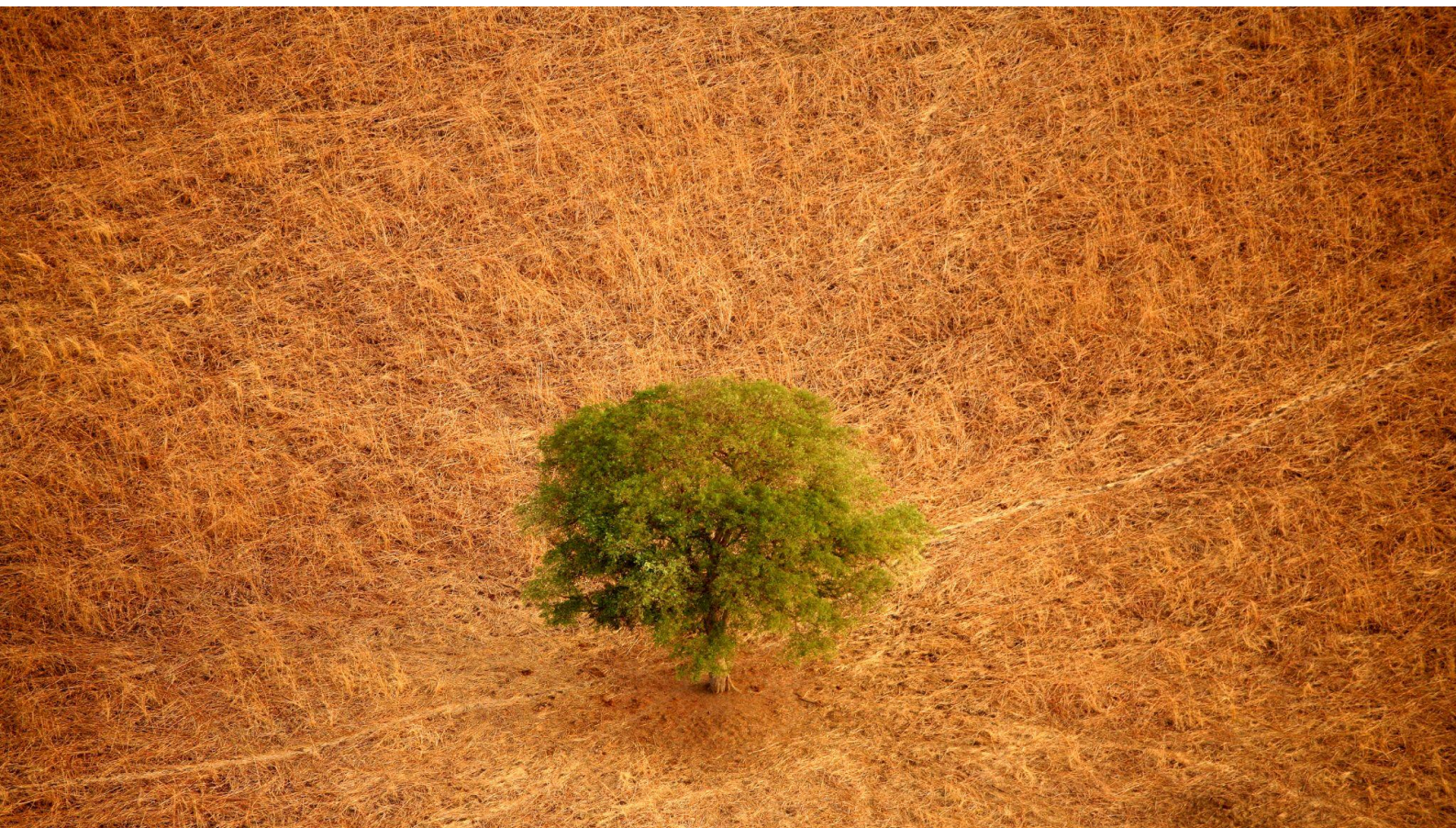
Join host Heather Horn and our ESG specialists for [PwC's Q3 2023 quarterly sustainability webcast](#) that took place on 10 August 2023 for a discussion of the latest sustainability accounting and reporting developments in the US and abroad.

### The Leadership Agenda: How CEOs can accelerate progress on climate risks

In this [video](#), PwC's Global Reporting Leader Nadja Picard sheds light on some compelling findings from PwC's 26th Annual Global CEO Survey and 2023 Global Investor Survey - namely, a persistent gap between investors' expectations on climate-related actions and CEOs' progress on those actions.

### ESG commitments from financial institutions and customer impacts

Insights from banking executives on ESG commitments that financial institutions are making, including how those commitments are impacting their customers and investees. Watch it [here](#).







## Articles/other publications

### Measuring year-over-year progress in SEC sustainability disclosures

Our latest analysis of sustainability disclosures included in SEC annual reports can help companies to meet regulator and investor disclosure expectations. Read it [here](#).

### CSRD is resetting the value-creation agenda

The European Union's far-reaching directive on sustainability reporting isn't only about disclosure. [Here](#) is how executives can use the mandate to bring sustainability into the heart of strategy - and uncover opportunities for value creation.

### PwC EU Newsletter #7 – Sustainability Reporting

In PwC's 7th [EU Newsletter](#) on Sustainability Reporting, we continue to explore the sustainability reporting field.



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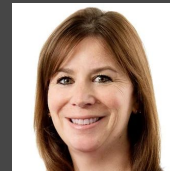
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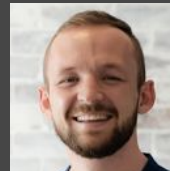
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