Taking stock of sustainability reporting

Talking points for episode 139

Following public consultation, tentative decisions that the ISSB has made include:

- To clarify the objective of IFRS S1 by removing reference to 'assessing the enterprise value' and instead describing factors to consider, including how the value that an entity creates, preserves or erodes for itself and for its investors and creditors is inextricably linked to the value that the entity creates for other stakeholders, society and the natural environment.
- To confirm the disclosure of Scope 1, 2 and 3 GHG emissions, using the Greenhouse Gas Protocol Corporate Standard (GHG Protocol Standard) as well as the proposed reliefs that will help preparers to deal with the practical challenges of the scope 3 GHG emission disclosure.
- To amend the proposed requirement in draft IFRS S1 for an entity to disclose comparative information that reflects updated estimates only for estimates relating to the previous reporting period disclosed in that previous period.
- To confirm the requirement that entities should consider the SASB standards in identifying sustainability-related risks and opportunities.

The European Sustainability Reporting Standards (ESRS) have been handed over to the EU Commission. Updates during the year include:

- EU and non-EU companies with operations in the EU will need to apply the Corporate Sustainability Reporting Directive (CSRD), which came into effect on 5 January 2023 following its adoption by the European Parliament and the Council of Ministers. In order to comply with the CSRD, companies will need to report in accordance with ESRS.
- The number of proposed ESRS has been reduced from 13 to 12 (refer to our In brief). Updates include:
    - A change in the structure of the standards to better align with TCFD.
    - A reduced number of mandatory disclosures. For other disclosures, entities will be required to perform a materiality assessment.
    - A simplification of the content to reduce the number of disclosure requirements.

The climate rule proposed by the SEC will be finalised this year. It is anticipated that this might only be issued in 2024. In November 2022, the US federal government proposed rules that would require 'major' federal suppliers to disclose greenhouse gas (GHG) emissions and climate-related financial risk factors. The proposed rules would also require these suppliers to set GHG reduction targets. Refer to our In brief.

For other relevant guidance on sustainability reporting, refer to the landing page, PwC's November 2022 global sustainability reporting newsletter, PwC's EU Newsletter #5 – Sustainability Reporting, and In depth INT2022-10: Navigating the ESG landscape: Comparison of the 'big three' disclosure proposals.

Other key projects in 2023 include:

- an exposure draft on Sustainability Disclosure Taxonomy;
- the expected release of an SEC proposal for enhanced human capital disclosures; and
- finalisation of two rules proposed by the SEC which impact funds and advisors: one rule proposes enhanced disclosure requirements for ESG-focused funds and investment advisers and the other rule would expand applicability of the SEC's 'Names Rule' to funds that focus on a particular investment characteristic, such as ESG or growth.

2021-01-12_RITM4431934