FSB FINANCIAL STABILITY BOARD

Achieving Consistent and Comparable Climate-related Disclosures

2024 Progress report

12 November 2024

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Executive summary

High-quality, consistent, and comparable firm-level disclosures are essential for assessing and managing climate and other sustainability-related financial risks and for increasing transparency at the domestic and international levels. Since the 2021 FSB Report on Promoting Climate-Related Disclosures, significant progress has been achieved in setting internationally consistent and decision-useful climate-related financial disclosure standards, adoption or consideration of these standards across the globe, as well as in establishing international assurance and ethics standards to enhance the reliability of climate- and other sustainability-related disclosures.

The publication by the International Sustainability Standards Board (ISSB) in 2023 of its two disclosure standards was a milestone achievement. The FSB has welcomed the publication of these standards, which will serve as a global framework for sustainability disclosures and, when implemented, will enable disclosures by companies around the world to be made on a common basis. The 2023 G20 New Delhi Leaders' Declaration also welcomed the ISSB Standards and noted the importance of taking into account country-specific circumstances when implementing them. The International Organization of Securities Commissions (IOSCO) endorsed the standards, and called on jurisdictions to consider ways in which they might adopt, apply or otherwise be informed by these standards within the context of their jurisdictional arrangements.

Since then, global efforts have focused on supporting jurisdictions in adopting, applying, or otherwise being informed by the ISSB Standards. This is a particularly challenging endeavour for small- and medium-sized enterprises and for companies in emerging market and developing economies (EMDEs) due to regulatory uncertainty, lack of data, perceived cost of reporting, and knowledge gaps. Work is underway by the ISSB and other organisations to provide implementation support and capacity building. Significant progress has also been achieved in interoperability between the ISSB Standards and other regional and jurisdictional disclosure frameworks, as well as in connectivity with financial reporting and prudential reporting requirements. In this context, the prompt finalisation by the Basel Committee on Banking Supervision (BCBS) of the Pillar 3 disclosure framework for climate-related financial risks will help promote consistent and comparable disclosures by internationally active banks. To support harmonisation of transition plan disclosures, the International Financial Reporting Standards (IFRS) Foundation has indicated that, over time, it will consider the need to utilise the disclosure-specific materials developed by the UK Transition Plan Taskforce (TPT) to enhance IFRS S2 to meet investor information needs, also ensuring global applicability.

Survey responses for this report show that almost three-fourths of the FSB jurisdictions have already set or proposed voluntary or mandatory climate-related disclosure requirements, which are based on or reference the ISSB Standards and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. The large majority of jurisdictions have enacted regulations, issued guidelines, or developed strategic roadmaps for climate-related disclosures, which is a significant step forward since 2021. Many jurisdictions state that they have or are putting in place structures or processes to bring the ISSB Standards into local requirements. Moreover, several jurisdictions highlight concrete steps taken towards assurance requirements, to enhance reliability and thus decision-usefulness of climate-related disclosures.

The FSB requested the IFRS Foundation in October 2023 to assume responsibility for monitoring progress on the state of climate-related financial disclosures by companies. The IFRS

Foundation's 2024 progress report, published concurrently with this report, shows that the number of public companies disclosing TCFD-aligned information continues to grow, but that more progress is necessary. In particular, few companies are disclosing climate-related financial information that provides information about the company's governance, strategy, risk management, and metrics and targets. The report also finds that to date, jurisdictions representing approximately 57% of global gross domestic product have made progress towards the adoption or other use of IFRS S1 and IFRS S2. However, differences in regulatory requirements due to jurisdictional modifications to ISSB Standards could make it more difficult to deliver timely and comparable sustainability-related financial information and need to be monitored going forward.

1. Introduction

Addressing the financial risks from climate change is one of the key priorities of the Financial Stability Board (FSB). In July 2021, the FSB published a comprehensive Roadmap to address climate-related financial risks.[1] The Roadmap was endorsed by G20 Leaders at the Rome Summit. It addresses the need for coordinated action by outlining key actions to be taken by standard-setting bodies (SSBs) and other international organisations over a multi-year period in four key policy areas: firm-level disclosures, data, vulnerabilities analysis, and regulatory and supervisory practices and tools. The FSB published its latest progress report on the Roadmap in July 2023[2] and will deliver its next progress report in 2025.

High-quality, consistent, and comparable firm-level disclosures are essential for assessing and managing climate and other sustainability-related financial risks and for increasing transparency at the domestic and international levels. Three years after the publication of the 2021 FSB Report on Promoting Climate-Related Disclosures,[3] significant progress has been achieved in various areas such as standard-setting, implementation support, and assurance. Last year saw the issuance of the International Sustainability Standards Board (ISSB)'s inaugural sustainability disclosure standards. Section 2 of this report describes progress by the ISSB and other SSBs and international organisations in supporting jurisdictions and companies to use the new ISSB Standards. It also covers recent developments in establishing a robust framework for assurance over climate- and other sustainability-related disclosures.

The 2021 FSB disclosures report examined current and planned climate-related disclosure practices across FSB member jurisdictions and included high-level guidance calling for greater momentum in the implementation of such disclosures, using a framework based on the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). The 2022 and 2023 reports on this topic[4] described the progress made by jurisdictions since then on climate-related disclosure practices, including in terms of implementing the recommendations from the 2021 report, as well as steps being taken by jurisdictions to prepare for adopting, applying, or otherwise being informed by the ISSB climate-related disclosure standards. Section 3 of this report describes further progress made by FSB member jurisdictions since last year, while the Annex provides more details on those jurisdictions that have put or are putting in place structures or processes to bring the ISSB Standards into local requirements.

Finally, companies are further stepping up their efforts in providing decision-useful public disclosures. In 2023, the FSB requested the IFRS Foundation to take over the monitoring of companies' progress in disclosing climate-related information, a responsibility previously held by the TCFD. Section 4 of this report summarises the key elements of the ISSB's 2024 report on "Progress on Corporate Climate-related Disclosures" published concurrently with this report.[5]

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1 FSB (2021), *FSB Roadmap for Addressing Climate-Related Financial Risks*, July.

2 FSB (2023), *FSB Climate Roadmap 2023 Progress Report*, July.

3 FSB (2021), *Report on Promoting Climate-Related Disclosures*, July.

4 FSB (2022), *Progress Report on Climate-Related Disclosures*, October; FSB (2023), *Progress Report on Climate-Related Disclosures*, October.

5 This report includes information on climate-related initiatives that was available as of 30 September 2024.

2. Progress towards a global climate disclosure framework

Following the publication of the ISSB's inaugural sustainability disclosure standards and their endorsement by IOSCO, the focus has now shifted to supporting jurisdictions when adopting, applying, or otherwise being informed by the ISSB Standards. Since the 2023 FSB progress report, great strides have been made in strengthening interoperability between the ISSB Standards and other significant sustainability disclosure frameworks and in developing a global assurance, ethics, and independence framework for sustainability disclosures.

On 26 June 2023, the ISSB published two Standards on general requirements for disclosure of sustainability-related financial information and on climate-related disclosures, respectively,[6] which build on the TCFD recommendations and are designed to result in high-quality globally comparable sustainability-related financial disclosures to meet the needs of the capital markets (see Box). The publication of the ISSB's inaugural sustainability disclosure standards and their subsequent endorsement by IOSCO were only the first step in the adoption process. In the coming years, further steps are necessary to achieve globally consistent, comparable, and decision-useful public disclosures by companies of their climate-related financial risks, as outlined in the FSB Roadmap. These steps relate to implementation support and capacity building, interoperability with other disclosure requirements, the reliability of climate disclosures, and the incorporation of company transition plans and planning in the overall climate disclosures framework.

IFRS S1 and IFRS S2

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted.

IFRS S1 provides the basic requirements for sustainability disclosures, to be used with IFRS S2 as well as any future ISSB Standards. IFRS S1 and IFRS S2 require companies to disclose all material information about climate- and other sustainability-related risks and opportunities that could reasonably be expected to affect these companies' prospects. In particular, the standards require companies to provide disclosures about:

- the governance processes, controls and procedures the company uses to monitor, manage and oversee climate- and other sustainability-related risks and opportunities;
- the company's strategy for managing climate- and other sustainability-related risks and opportunities;
- the processes the entity uses to identify, assess, prioritise and monitor climate- and other sustainability-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process; and
- the entity's performance in relation to climate- and other sustainability-related risks and opportunities, including progress towards any targets the entity has set or is required to meet by law or regulation.

6 ISSB (2023), *IFRS - IFRS Sustainability Standards Navigator*, June.

2.1. Implementation support and capacity building

The 2023 G20 New Delhi Leaders' Declaration welcomed the finalisation of the ISSB Standards and noted the importance of taking into account country-specific circumstances when implementing them.[7] On 25 July 2023, IOSCO endorsed the inaugural ISSB Standards and called on its 130 member jurisdictions "to consider ways in which they might adopt, apply, or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements, in a way that promotes consistent and comparable climate-related and other sustainability-related disclosures for investors". One of the important components of IOSCO's endorsement criteria was the need for balancing the appropriateness of "proportionality" and any related provisions with the need for unhindered path to global comparability of information.[8]

A key priority is now to promote capacity-building and other support for those seeking to use this new global framework. Significant progress has already been made, but to achieve further progress, it is crucial to provide continued support for preparers, investors, and other stakeholders as they prepare to use the ISSB Standards. The adoption of these standards is likely to be more challenging for small and medium-sized enterprises (SMEs) and entities in emerging market and developing economies (EMDEs) due to, for example, regulatory uncertainty, lack of data, cost of reporting, and lack of knowledge and capacity building.

Analysing implementation challenges related to sustainability reporting standards, including for SMEs and EMDEs, is one of four priorities carried out by the G20 Sustainable Finance Working Group (SFWG) under the Brazilian Presidency in 2024.[9] The ISSB, in close collaboration with other organisations, such as IOSCO and the World Bank, has undertaken several activities to support consistent application of its Standards and address specific challenges for SMEs and entities in EMDEs. These activities are described below.

2.1.1. Mechanisms within the ISSB Standards

While the ISSB (unlike, for example, standard setters in the EU)[10] has not developed specific reporting standards for SMEs and EMDEs, its inaugural disclosure standards contain two key mechanisms that aim to ensure proportionality.

Firstly, IFRS S1 and IFRS S2 use the concepts of:

- "reasonable and supportable information that is available at the reporting date without undue cost or effort". This concept applies to the information required to be used to prepare disclosures and is intended to help companies provide the disclosures required by the Standards in areas in which there is a high level of measurement or outcome

7 G20 (2023), G20 New Delhi Leaders' Declaration, pp. 15-16, September.

8 See IOSCO (2023), *IOSCO endorsement assessment of the ISSB Standards for sustainability-related disclosures*, July.

9 To address this priority, an input paper to the G20 Sustainable Finance Working Group (SFWG) suggests two main approaches: designing proportionate reporting standards for SMEs and EMDEs and leveraging digital technologies. See FGV São Paulo Law School et al. (2024), *Sustainability reporting in the digital age: Overcoming challenges for SMEs and EMDEs*, July.

10 On 22 January 2024, EFRAG launched a public consultation on two proposed standards. The first standard would be a simplified disclosure standard for listed SMEs, small banks, and captive insurers (LSMEs) – the LSME European Sustainability Reporting Standards (ESRS). These LSMEs are a derogation of sector-agnostic ESRS. The second standard would be a voluntary standard for SMEs (VSME) outside the scope of the CSRD. EFRAG is currently deliberating the feedback from the consultation (the comments period ended on 21 May) with the draft standards expected in December 2024.

uncertainty, by clarifying that companies need not carry out an exhaustive search for information; and

- "the skills, capabilities and resources available to the company", which allows companies to apply qualitative (instead of quantitative) approaches in several instances. This concept aims to ensure that companies are able to apply the requirements in a way that is proportionate to their circumstances while still providing useful information for investors.

Secondly, the ISSB provided a package of "transition reliefs" for the first year to support entities applying the ISSB Standards. More specifically, for the first year they use the ISSB Standards, entities need not provide disclosures about sustainability-related risks and opportunities beyond climate-related information, provide annual sustainability-related disclosures at the same time as the related financial statements, provide comparative information, disclose Scope 3 greenhouse gas emissions, or, if they are currently using a different approach, use the Green House Gas Protocol to measure emissions.

Finally, the ISSB provided additional relief from providing comparative information to companies that only report on climate-related risks and opportunities in the first year. This means these companies need not provide comparative information (i.e. relating to the prior year) about their sustainability-related risks and opportunities beyond climate in their second year of reporting.

2.1.2. Guidance and educational material

Since the 2023 FSB progress report on climate-related disclosures, the ISSB has published additional guidance and educational material to support consistent implementation of the ISSB Standards, both before and after the Standards came into effect.

In December 2023, ahead of the ISSB Standards coming into effect on 1 January 2024, the ISSB announced some new and updated resources to help companies apply the Standards.[11] These resources included: (i) enhancements to the Sustainability Accounting Standards Board (SASB) Standards, which are an important source of guidance for companies applying IFRS S1, by removing and replacing jurisdiction-specific references and definitions without significantly altering industries, topics, or metrics;[12] and (ii) educational material to help companies consider "nature and social aspects" of climate-related risks and opportunities when applying IFRS S2.

In January 2024, the IFRS Foundation and the Global Reporting Initiative (GRI) published an analysis illustrating the areas of interoperability a company should consider when measuring and disclosing Scope 1, Scope 2 and Scope 3 greenhouse gas (GHG) emissions in accordance with both IFRS S2 and *GRI 305: Emissions* (see section 2.2 below).[13]

In April, the ISSB published its IFRS Sustainability Disclosure Taxonomy.[14] The primary objective of the taxonomy is to enable investors and other capital providers to analyse

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[11] ISSB (2023), *New and updated resources to help companies apply IFRS S1 and IFRS S2 from 2024*, December.

[12] ISSB (2023), *Targeted amendments SASB Standards,* December.

[13] FRS Foundation (2024), *New resource on emissions reporting using GRI and ISSB Standards*, January.

[14] ISSB (2024), *Digital sustainability taxonomy*, April.

sustainability-related financial disclosures efficiently. The taxonomy reflects IFRS S1 and IFRS S2 and their accompanying guidance, but it neither introduces new requirements nor affects companies' compliance with the ISSB Standards. Use by companies of taxonomies that are designed to be interoperable with the IFRS Sustainability Disclosure Taxonomy will help to support dialogue between companies and investors by enabling investors to search, extract, and compare sustainability-related financial disclosures based on the ISSB Standards.

Further educational material published by the IFRS Foundation includes using the SASB Standards to meet the requirements in IFRS S1 (February 2024);[15] how to apply the Integrated Reporting Framework with IFRS S1 and IFRS S2 (May 2024);[16] and insights into current and anticipated financial effects (May 2024).[17]

In May, the ISSB released a Jurisdictional Guide to help jurisdictions design and plan their journey to the adoption or other use of ISSB Standards.[18] The Guide builds on previous work published in July 2023[19] and has two main objectives:

- Firstly, it aims to support jurisdictions by providing information that they may find helpful as they design and plan their journeys to the adoption or other use of ISSB Standards.
- Secondly, it aims to support transparency for capital markets, regulators, other relevant authorities and other stakeholders on the progress towards the provision of comparable information about sustainability-related risks and opportunities for global capital markets by setting out the features considered when describing and summarising jurisdictional approaches towards the adoption or other use of ISSB Standards.

The Guide acknowledges various ways in which jurisdictions may use the ISSB Standards, as set out in the IOSCO endorsement decision ("adopt, apply, or otherwise being informed by the ISSB Standards"). The Guide also describes various jurisdictional approaches to the adoption or other use of ISSB Standards, including full adoption, partial adoption, and permission to use. The IFRS Foundation will refine and update this "inaugural" Guide to consider the development of ISSB Standards beyond IFRS S1 and IFRS S2 and various approaches to adopt or otherwise use ISSB Standards in jurisdictions as these approaches become evident over time.

On the same day, the IFRS Foundation presented its Regulatory Implementation Programme.[20] The Jurisdictional Guide mentioned above contained a brief section introducing this Programme and its aims, namely, to assist regulators and other relevant authorities as they plan, design, and take steps to execute their jurisdictional approaches towards the adoption or other use of the ISSB Standards. The more comprehensive Programme document articulates how its components can support regulators and other relevant authorities. It describes in detail the

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15 IFRS Foundation (2024), *Using the SASB Standards to meet the requirements in IFRS S1*, February.

16 IFRS Foundation (2024), *Transition to integrated reporting*, May.

17 IFRS Foundation (2024), *Current and anticipated financial effects*, May.

18 IFRS Foundation (2024), *Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards*, May. In September, the IFRS Foundation also published a guide which aims to support companies that start to apply ISSB Standards voluntarily; see IFRS Foundation (2024), *Voluntary Application Guide*, September.

19 IFRS Foundation (2023), *The jurisdictional journey towards implementing IFRS S1 and IFRS S2 - Adoption Guide overview*, July.

20 IFRS Foundation (2024), *Regulatory Implementation Programme Outline*, May.

objectives of the Programme and summarises each of its planned elements (i.e. Jurisdictional Guide, Adoption Toolkit, Educational material and e-learning, and Partner support).

2.1.3. Transition Implementation Group

The ISSB established in 2023 the Transition Implementation Group on IFRS S1 and IFRS S2 (TIG)[21] to support the implementation of the first two sustainability disclosure standards. The TIG is akin to the transition resource groups (TRGs) that had been created to discuss specific questions in relation to the implementation of new IFRS Accounting Standards. Members of the TIG have knowledge of the ongoing implementation of IFRS S1 and IFRS S2 and discuss, in public fora, implementation questions that arise when companies implement these standards. The TIG meets periodically, with three meetings already held in 2024. It will have a limited life during the transition period.

2.1.4. Capacity building

Significant capacity building across all key stakeholder groups (government officials and regulators, preparers, assurance providers, users) is crucial for the successful adoption, application, or any other use by jurisdictions and implementation by entities of the ISSB Standards. In this context, it is particularly important to consider the needs of SMEs, given the impact of large global companies on those SMEs, and the specific challenges faced by EMDEs.

The current global capacity building efforts can be grouped into three building blocks:[22]

The first building block is to learn from the experience gained in supporting the implementation of IFRS Accounting Standards in EMDEs. For several years, the IFRS Foundation and the World Bank have been working together to support developing economies in their use of these standards. This collaboration includes the development of educational programmes to help build capacity and understanding of the standards and the IFRS for SMEs Accounting Standard, and materials to support their implementation, as well as steps to help developing economies with less advanced standard-setting capabilities to play a more active role in the work of the IFRS Foundation.

The second building block is a multi-year approach directed at securities regulators. Launched in September 2022, IOSCO and the IFRS Foundation's joint capacity building efforts are focused on building awareness and internal capacity of securities regulators. This includes building substance familiarity, understanding how ISSB Standards would fit into overall public regulatory frameworks, the role of regulators, and understanding implementation models. In addition, IOSCO and the World Bank provide adoption support by assisting jurisdictions in developing their own "adoption roadmaps".

The third building block is the IFRS Foundation's "Capacity Building Partnership Framework". The ISSB launched this Framework at the COP 27 climate summit in November 2022.[23] It

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[21] For more information on the TIG, see IFRS Foundation website TIG IFRS S1 and IFRS S2.

[22] See IOSCO/World Bank/IFRS Foundation (2024), *G20 SFWG input paper: Sustainability Reporting Standards*, July.

[23] IFRS Foundation (2022), *Partnership Framework for capacity building*, November.

comprises 44 partners from across public and private organisations, global and local, including the Association of Chartered Certified Accountants (ACCA), the World Business Council for Sustainable Development (WBCSD), and the "big four" accounting firms. The main purpose of this Framework is to build market capability and readiness for effective implementation and adoption of sustainability-related disclosure practices; the primary focus is on awareness building and educating the market on the ISSB Standards from an entry level. In December 2023, the IFRS Foundation launched the ISSB Knowledge Hub, to ensure that companies have access to high-quality educational materials and other resources.[24] Finally, with particular regard to EMDEs, the International Finance Corporation (IFC), a member of the World Bank Group, and the IFRS Foundation signed a Memorandum of Understanding (MoU) during London's Climate Action Week in June 2024, agreeing their strategic partnership to strengthen sustainable capital markets by improving reporting on Environmental, Social, and Governance (ESG) matters in EMDEs.[25] The primary objective of this strategic partnership is to further enhance transparency around sustainability and climate reporting while ensuring that EMDEs are not left behind in this process. A key aspect of this partnership involves the IFC and ISSB working closely with the UN Sustainable Stock Exchange Program to deliver training to market participants in partnership with the local stock exchange, and the publication of model guidance on sustainability-related financial disclosures[26] as a template for exchanges to develop their own voluntary guidance to support their listed entities in the implementation of ISSB Standards.

2.2. Interoperability

Interoperability is important because multinational companies often need to comply with other disclosure requirements in addition to the ISSB Standards. When developing its inaugural sustainability disclosure standards, stakeholders emphasised that the ISSB should consider interoperability by engaging jurisdictions who were developing requirements in parallel to the ISSB that were likely to become significant reporting requirements for global entities. The FSB welcomes ongoing initiatives that aim to ensure the interoperability of the ISSB Standards with other significant disclosure frameworks, such as the European Sustainability Reporting Standards (ESRS) and the GRI Standards.[27] Since the 2023 FSB progress report, significant progress has been achieved in this area.

On 2 May 2024, the IFRS Foundation and EFRAG published guidance material[28] that elaborates on the alignment achieved between the two sets of disclosure standards. This alignment includes disclosure requirements as well as definitions and concepts (such as "financial materiality"). The guidance material does not change the respective disclosure requirements but provides practical support that explains how companies can efficiently comply with both sets of standards. The guidance material is primarily focused on climate and includes all the climate-related disclosures

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24 IFRS Foundation (2023), *Knowledge hub*, December.

25 IFRS Foundation (2024), *IFC and IFRS Foundation announce partnership to improve sustainability reporting in emerging markets*, June.

26 UN Sustainable Stock Exchanges (2024), *Model Guidance on Sustainability-Related Financial Disclosures: A template for stock exchanges | SSE Initiative*, January.

27 "Interoperability" aims to ensure that two different sets of reporting standards work well together. Interoperability helps to reduce duplication in reporting, complexity, and fragmentation. In his letter to the G20 in October 2022, the FSB Chair underlined the importance of interoperability between the common global baseline and national and regional jurisdiction-specific requirements; see FSB (2022), FSB Chair letter to G20 Finance Ministers and Central Bank Governors, October.

28 IFRS Foundation and EFRAG (2024), *ESRS-ISSB Standards Interoperability Guidance*, May.

of IFRS S2 and all the climate-related disclosures in ESRS E1 and the requirements in ESRS 1 and ESRS 2 related to climate disclosures that were in place on the date of issuance (2 May 2024). The guidance material also describes the incremental disclosures[29] under ESRS E1 and ESRS 2 to be made by entities starting with ISSB Standards to comply with both sets of standards. Moreover, the guidance material highlights several disclosures in ESRS 2 and ESRS E1 for which there are no equivalent requirements in IFRS S1 or in IFRS S2.

The Global Sustainability Standards Board (GSSB) has sole responsibility for developing reporting standards on behalf of the Global Reporting Initiative (GRI), to help organisations communicate their impacts on the environment and the society. The GRI Standards are widely used for sustainability reporting and include disclosure requirements on a wide range of topics, among them anti-corruption, biodiversity, energy, water and effluents, and emissions. On 24 May 2024, the GRI and the IFRS Foundation announced that they intend to deepen their working relationship, building upon their MoU in 2022.[30] The enhanced collaboration seeks to provide a seamless, global, and comprehensive sustainability reporting system for companies looking to meet the information needs of both investors and a broader range of stakeholders. An initial outcome of the collaboration between the ISSB and the GSSB will involve a methodology pilot building on the recently published GRI 101 Biodiversity Standard[31] and the ISSB's project on biodiversity, ecosystems, and ecosystem services (see section 2.6. below for further details on the ISSB's future standard-setting activities).

The ISSB's objective is to develop, in the public interest, high-quality, understandable, enforceable, and globally accepted sustainability disclosure standards.[32] To this end, the ISSB established dedicated groups, such as the Jurisdictional Working Group (JWG).[33] The JWG consists of jurisdictional representatives actively engaged in work on sustainability disclosures and representatives from the IFRS Foundation. The aim of this group is to establish dialogue regarding the ISSB's global framework and jurisdictions' ongoing initiatives on sustainability reporting. Similarly, the IFRS Foundation established a strategic advisory body, the Sustainability Standards Advisory Forum (SSAF), to support the broader efforts of the IFRS Foundation and the ISSB in developing ISSB Standards, engagement with relevant jurisdictional and regional bodies, and technical discussions on standard-setting issues.[34]

2.3. Reliability of climate-related disclosures

Climate- and other sustainability-related disclosures can only provide decision-useful information to investors and other stakeholders if they are sufficiently reliable. Robust assurance or third-party verification is likely to enhance reliability of the disclosures provided by companies, given also the increasing global shift from voluntary to mandatory disclosures. IOSCO, in its 2023

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29 "Incremental disclosures" may be required where both sets of standards include a common overall disclosure objective, but the ESRS include specific incremental datapoints.

30 GRI and IFRS Foundation (2024), GRI and IFRS Foundation collaboration to deliver full interoperability that enables seamless sustainability reporting, May.

31 On 25 January 2024, a major revision to the GRI Biodiversity was published. GRI 101: Biodiversity 2024 updates, expands, and replaces GRI 304: Biodiversity 2016. The GRI standards can be downloaded (with registration) here: GRI - GRI Standards.

32 See IFRS Foundation website, IFRS Foundation Constitution, page 6.

33 See IFRS Foundation website, Jurisdictional Working Group.

34 See IFRS Foundation website, Sustainability Standards Advisory Forum.

endorsement of the inaugural ISSB Standards, highlighted the interconnectedness of the inaugural ISSB Standards and related assurance standards. The global audit and ethics SSBs, the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA), have made significant strides since the 2023 FSB report towards global assurance and ethics (including independence) frameworks.

On 2 August 2023, the IAASB issued the Exposure Draft of the proposed "International Standard on Sustainability Assurance 5000 (ISSA 5000), *General Requirements for Sustainability Assurance Engagements*."[35] The IAASB conducted extensive global outreach during the public consultation period, which ended on 1 December 2023.[36] The proposed ISSA 5000 is a stand-alone principle-based standard for assurance on sustainability reporting. It covers the entire assurance engagement across all sustainability topics. It is also framework-neutral and "profession-agnostic", i.e. it is implementable by all assurance practitioners (professional accountants and other professionals performing assurance engagements). The proposed assurance standard addresses both limited assurance and reasonable assurance engagements. The IAASB has continued engagement with key stakeholders, including SSBs and other national audit and assurance standard setters, assurance practitioners and their representative bodies, as well as regulators and bodies responsible for audit and assurance oversight, including the Committee of European Auditing Oversight Bodies (CEAOB), European Commission, the International Forum of Independent Audit Regulators (IFIAR), IOSCO (Sustainable Finance Task Force (STF) and IOSCO Committee on Issuer Accounting, Audit and Disclosure (Committee 1)) and various national securities and audit or assurance regulators.

Overall, stakeholders expressed strong support for the proposed ISSA 5000. The comment letters and stakeholder outreach indicated areas for further improvement, including clarification of the scope of the standard, additional matters relating to materiality, more directly addressing group engagements, evidence on estimates or forward-looking information and information from the value chain, extent of limited assurance work effort, and communication with the auditor of the entity's financial statements. Amendments to the Exposure Draft based on the feedback received and Board deliberations have been completed and the final standard was approved at the September 2024 IAASB Board meeting. The certification process of the Public Interest Oversight Board (PIOB) for ISSA 5000 is targeted for completion by December 2024.

Ethics also plays an important role in sustainability reporting, particularly due to the subjectivity, forward-looking nature, and immaturity of the data today. In response to the sharp rise in market and public demand for sustainability information in recent years, and complementing the sustainability reporting and assurance standards, the IESBA is developing a comprehensive set of ethics and independence standards for sustainability reporting and assurance. On 29 January 2024, the IESBA issued an Exposure Draft of proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and other revisions to the IESBA Code relating to sustainability assurance and reporting.[37] The public consultation closed on 10 May 2024. Like ISSA 5000, the proposed IESSA is standalone, framework-neutral, and profession-agnostic. The proposed revisions to the IESBA Code for use

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35 IAASB (2023), *Exposure Draft of proposed ISSA 5000*, August.

36 See *IAASB focus webpage for sustainability* for an overview of the IAASB's global outreach campaign.

37 IESBA (2024), *Exposure Draft of proposed IESSA and other revisions to the Code relating to sustainability assurance and reporting*, January.

by professional accountants involved in sustainability reporting are also framework-neutral but will only be applicable to professional accountants at this time. The aim of these proposed standards is to underpin public and institutional trust in corporate sustainability disclosures by addressing greenwashing and other unethical behaviour in relation to sustainability reporting and assurance. In the first half of 2024, IESBA members and staff participated in an extensive global outreach campaign on the proposals, including events with a wide range of stakeholders.

Overall, there was broad support for a global ethics and independence framework and the main design elements of the proposed IESSA. Stakeholders expressed some concerns about perceived complexity of the requirements, particularly for assurance practitioners who are not professional accountants, the independence proposals concerning value chain entities and the provision of non-assurance services, and the approach to communication of non-compliance with laws and regulations between the sustainability assurance practitioner and the auditor. Stakeholders also highlighted the need to maintain close coordination with the IAASB with respect to definitions, concepts, and the approach to group sustainability assurance engagements. The IESBA has worked closely with the IAASB in developing its standards. It plans to finalise the new ethics and independence standards for sustainability reporting and assurance by the end of 2024.

Sustainability assurance remains a key theme for IOSCO. In March 2023, IOSCO set out its expectations of what should be included in an assurance framework for sustainability reporting.[38] As part of its workplan for 2024-25,[39] IOSCO continued its engagement with the IAASB and the IESBA. In December 2023 and May 2024, IOSCO issued statements on the consultation on the proposed IAASB and IESBA standards, respectively, in which it welcomed the direction of the proposals, reiterated its support for the standard-setting work, and provided some observations and highlighted key areas for further consideration by the IAASB and the IESBA.[40]

2.4. Disclosures on companies' transition plans and transition planning

Transition plans and planning have become increasingly important in the context of climate-related disclosures. Building on the TCFD guidance published in October 2021, IFRS S2 defines a climate-related transition plan as "an aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions." IFRS S2 does not require an entity to have a transition plan, however it requires the entity to disclose information about any transition plan the entity has developed.

Regulatory measures have been adopted in various jurisdictions, including the EU, Australia, Japan, UK, and Singapore, which require or encourage disclosures on transition plans. For example, in the disclosure standards drafted by the Sustainability Standards Board of Japan (SSBJ), the transition plans will be aligned with its definition of IFRS S2. Exposure drafts by the SSBJ were released on 29 March 2024 and the final standards are expected by 31 March 2025.

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[38] IOSCO (2023), *Report on International Work to Develop a Global Assurance Framework for Sustainability-related Corporate Reporting*, March.

[39] IOSCO (2024), *IOSCO March 2024 - March 2025 Workplan*, April.

[40] IOSCO (2023), *IOSCO Statement IAASB*, December; IOSCO (2024), *IOSCO Statement IESBA*, May.

The EU ESRS (that will start to apply from financial year 2024) require information on transition plans. The disclosure requirement ESRS E1-1 contains requirements on transition plans for climate change mitigation. Under ESRS E1, in case the undertaking does not have a transition plan in place, it must indicate whether and, if so, when it will adopt a transition plan. Complementing the CSRD, the EU Corporate Sustainability Due Diligence Directive (CSDDD) requires a subset of large companies to develop a climate mitigation transition plan.

International organisations and SSBs are also advancing their work on disclosure on transition plans and planning. The FSB is exploring the implications of transition plans for financial stability, highlighting that an increase in the availability of transition plans will provide a clearer picture of how entity-level disclosures of plans could be used for macroprudential purposes. IOSCO is exploring emerging practices in the creation and application of transition plans and will gather lessons learned from an investor protection and market integrity perspective by the end of 2024. The Network for Greening the Financial System (NGFS) is exploring the relevance and extent to which financial institutions' transition plans relate to micro-prudential authorities' roles and mandates and whether they should be considered within their supervisory toolkit and in the overall prudential framework.[41] The International Association of Insurance Supervisors (IAIS) has also highlighted the importance of insurers considering transition risks in its Draft Application Paper on climate scenario analysis published in November 2023, and in its Draft Application Paper on public disclosure and supervisory reporting of climate risk published in July 2024.[42]

As an example of voluntary frameworks and approaches, the Glasgow Financial Alliance for Net Zero (GFANZ) introduced in 2022 a framework for net-zero transition plans, which outlines goals, actions, and accountability mechanisms to align businesses with a pathway to net-zero greenhouse gas emissions. The framework is applicable to both non-financial corporates and financial institutions, with GFANZ anticipating an acceleration in voluntary adoption within the financial sector by 2024.[43] In 2023, the UK Transition Plan Taskforce (TPT)[44] has established best practices for firm-level transition plans and developed guidance and templates for disclosure, which draw on the components identified by GFANZ of a good transition plan.[45] These initiatives are expected to accelerate voluntary implementation in the financial sector.

With a view to helping streamline and consolidate frameworks and standards for disclosures about transition plans, the IFRS Foundation has assumed responsibility for the disclosure-specific materials developed by the TPT, and these materials are initially being housed on the IFRS Sustainability Knowledge Hub.[46] The ISSB will consider the need to enhance the application guidance within IFRS S2 to meet investor information needs, for which it would utilise the TPT's materials where relevant, also ensuring global applicability. This would be consistent

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41 NGFS (2024), NGFS transition planning publications, April.

42 IAIS (2023), *Draft Application Paper on climate scenario analysis in the insurance sector*, November; IAIS (2024, *Draft disclosures AP*, July.

43 See Glasgow Financial Alliance for Net Zero. Since the launch of GFANZ in April 2021, its membership has increased to over 675 financial institutions from 50 countries. These companies have individually made commitments to support an economy-wide transition to net zero in line with 1.5 degrees. According to GFANZ, over 220 financial institutions have issued transition plans to date, while around 200 others have some key elements of a plan within their public documents.

44 The TPT was launched in April 2022 to develop the gold standard for private sector climate transition plans. Its materials were informed by global engagement with financial institutions, real economy corporates, policymakers, regulators and civil society.

45 See TPT (2023), TPT Disclosure framework, October.

46 See ISSB (2024), *ISSB delivers further harmonization of the sustainability disclosure landscape as it embarks on new work plan*, June.

with recommendation 4 of priority 2 of the G20 SFWG.[47] Through these collective efforts, transition plans are becoming an integral part of corporate climate-related disclosures.

2.5. Connectivity between sustainability-related disclosures and financial and prudential reporting requirements

2.5.1. Connections between financial statements and sustainability-related disclosures

Climate- and other sustainability-related disclosures do not exist in isolation. Investors and other stakeholders are increasingly interested in the connections between the information an entity provides in its financial statements and the information it provides in its sustainability-related financial disclosures.[48] IFRS S1, para. 21 (b)(ii) requires entities to provide information to enable users to understand the connections between disclosures provided by the entity across its sustainability-related financial disclosures and other general purpose financial reports published by the entity, such as its financial statements. Moreover, the IFRS Foundation's Integrated Reporting Framework aims to improve connectivity between financial statements and sustainability-related financial disclosures, which is expected to enhance the decision-usefulness of information provided to investors. The Chairs of the IASB and ISSB provide regular progress reports to the IFRS Foundation's Integrated Reporting and Connectivity Council.[49]

During the IASB's Third Agenda Consultation,[50] some respondents expressed concerns that information about the effects of climate-related risks in the financial statements was insufficient or appeared to be inconsistent with information entities provide outside the financial statements, particularly in other general purpose financial reports. In response to these concerns, the IASB published an Exposure Draft (ED) in July 2024.[51] The ED proposes eight examples illustrating how an entity applies the requirements in IFRS Accounting Standards to report the effects of climate-related and other uncertainties in its financial statements. The consultation closes on 28 November 2024. The IASB expects that these illustrative examples will help to strengthen connections between an entity's general purpose financial reports. Moreover, on 30 May 2024, the IASB issued narrow-scope amendments to IFRS 9 *Financial Instruments*.[52] These amendments respond to investors' feedback from the 2022 Post-Implementation Review (PIR) of the classification and measurement requirements of IFRS 9[53] and, amongst other things, clarify the classification of financial assets with ESG and similar features.

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47 G20 (2024), *2024 G20 Sustainable Finance Report*, September, page 13.

48 In March 2023, the IASB and the ISSB published an article in which they explained what connectivity is and what it delivers; see IFRS Foundation (2023), Connectivity, March. The ultimate outcome of connectivity is intended to be holistic, comprehensive, and coherent general purpose financial reports. Connectivity in products and connectivity in processes contribute to that goal.

49 The Integrated Reporting and Connectivity Council is an advisory body to the IFRS Foundation Trustees, IASB and ISSB. It provides guidance on how accounting information and sustainability-related disclosures could be integrated, and how the IASB and the ISSB could consider applying principles and concepts from the Integrated Reporting Framework to their projects.

50 The IASB holds a public consultation on its activities and its work plan every five years ("agenda consultation"). In March 2021, the IASB issued a Request for Information on the Third Agenda Consultation. In April 2022, the IASB concluded its deliberations on the feedback and decisions about its activities and work plan for 2022 to 2026.

51 IASB (2024), *IASB-ED-2024-6 – Climate-related and other uncertainties in the financial statements*, July.

52 IASB (2024), *Amendments to the Classification and Measurement of Financial Instruments*, May.

53 The IASB completed its PIR of IFRS 9 in December 2022 and published the project report and feedback statement; IASB (2022), *Project Report and Feedback Statement PIR IFRS 9 Financial Instruments—Classification and Measurement*, December.

2.5.2. *Interaction between sustainability-related disclosure standards and regulatory reporting requirements*

The issuance of the inaugural ISSB Standards in June 2023 has been a significant achievement also from a regulatory perspective. However, regulatory authorities may require more granular and specific information for supervisory or regulatory purposes to support climate and other sustainability risk monitoring and analysis and to inform potential regulatory policy development.

On 29 November 2023, the Basel Committee on Banking Supervision (BCBS) released proposals for a Pillar 3 disclosure framework for climate-related financial risks.[54] Pillar 3 of the Basel framework aims to promote market discipline through regulatory disclosure requirements and reduces information asymmetry and helps promote comparability of banks' risk profiles within and across jurisdictions. The proposals form part of the Committee's holistic approach to address climate-related financial risks to the global banking system. They include proposed qualitative and quantitative disclosures that would build on and complement IFRS S2 and provide a common disclosure baseline for internationally active banks. The public consultation on these proposals closed on 14 March and the BCBS plans to publish a revised or final proposal. The prompt finalisation of this proposal will help promote consistent and comparable disclosures by internationally active banks about their climate-related financial risks.

Climate change risks is also a key strategic theme for the International Association of Insurance Supervisors (IAIS). As the risks from climate change increase, it becomes increasingly important for insurers to publicly disclose material climate-related risks and for supervisors to integrate these risks into supervisory reporting requirements. Starting in 2023, the IAIS has been conducting a series of four public consultations on proposed changes to guidance in various Insurance Core Principles (ICPs) and on new supporting material to better incorporate climate risk. The aim of these consultations is to promote a globally consistent approach and address any gaps in the global framework for insurance supervision. The IAIS launched its fourth and final consultation on 15 July 2024, and the consultation closed on 28 October 2024.[55] The fourth consultation covers, inter alia, issues related to supervisory reporting and public disclosure to ensure that adequate information is shared with policyholders, market participants, and supervisors. The proposals integrate climate-related financial risks into disclosures consistent with ICP 20, which provides the global insurance supervisory standard for effective disclosure to enhance market discipline. The IAIS recognises that international standards, such as the ISSB Standards, can provide a framework that meets the requirements in ICP 20. Moreover, the IAIS recommends that insurance companies ensure connectivity between the information presented in their financial statements and their climate disclosures so that users can understand the impact of climate-related risks on insurers' business activities, risks, performance, and financial position.

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54 BCBS (2023), *Disclosure of climate-related financial risks (bis.org)*, November.

55 IAIS (2024), *Public consultation on climate risk supervisory guidance*, July.

2.6. Future standard-setting activities

In June 2024, the ISSB issued a statement on its next two-year work plan.[56] The work plan places a high level of focus on supporting the implementation of IFRS S1 and IFRS S2 and a slightly lower level of focus on enhancing the SASB Standards and on beginning two new projects to research disclosure about risks and opportunities associated with biodiversity, ecosystems, and ecosystem services, as well as human capital.[57] To meet the needs of investors effectively, the ISSB agreed that in undertaking its research on biodiversity, ecosystems and ecosystem services, it will consider how to build on other sustainability standards and frameworks including, for example, the Recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD) published in September 2023.[58] In December 2023, as part of efforts to support application of IFRS S1 and IFRS S2, the IFRS Foundation had published educational material to ensure companies consider 'nature and social aspects' of climate-related risks and opportunities when applying IFRS S2 (see section 2.1.). Throughout each project in this new phase of work, the ISSB has stated that it will work on interoperability with other standard-setting initiatives, connectivity with the IASB, and stakeholder engagement.

3. Progress made by jurisdictions in promoting climate-related disclosures

FSB member jurisdictions report taking active steps towards the goal of companies providing climate- and other sustainability-related disclosures as part of their regular disclosures. Nineteen of these jurisdictions already have concrete measures in place. In mandating these disclosures, many jurisdictions are considering the inaugural ISSB Standards within the context of their jurisdictional arrangements, as requested by IOSCO in its July 2023 endorsement decision.

In its July 2021 Report on Promoting Climate-Related Disclosures, the FSB examined the current and planned climate-related disclosure practices across FSB member jurisdictions and set out high-level guidance to address implementation challenges. The FSB surveyed its membership again in the following years to take stock of jurisdictions' further progress on climate-related disclosure practices, including implementing the FSB recommendations from the report, as well as jurisdictions' approaches for adopting, applying, or otherwise being informed by the ISSB Standards.[59] This section sets out the latest survey findings.

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56 ISSB (2024), *ISSB Feedback Statement on the Consultation on Agenda Priorities,* June.

57 ISSB (2024), *ISSB to commence research projects about risks and opportunities related to nature and human capital*, April.

58 ISSB (2024), *ISSB delivers further harmonisation of the sustainability disclosure landscape as it embarks on new work plan, June.*

59 Survey responses were received from 24 jurisdictions, including five EU member states and the EU as a separate jurisdiction. As in 2022 and 2023, Russia did not participate in the survey.

3.1. Jurisdictions' progress on climate-related disclosure practices

3.1.1. Changes in relation to setting requirements, guidance, or expectations on climate-related disclosures

Since the FSB's previous survey (which informed the October 2023 progress report), financial authorities in 21 jurisdictions reported that they made further progress on setting requirements, guidance, or expectations for climate-related disclosures, building on the momentum of previous years. Additional actions were reported both by jurisdictions that had already set requirements, guidance, or expectations on climate-related disclosures (e.g. Australia, Brazil, Canada, and UK), as well as by jurisdictions still in the planning phase (e.g. China, Korea, and South Africa).

The increase in the number of FSB member jurisdictions that report implementing measures for climate-related disclosures is a significant step forward from the initial FSB survey in March 2021, where the majority of responding EMDEs were still in the planning stages. The large majority of jurisdictions have moved beyond planning and enacted regulations, issued guidelines, or developed strategic roadmaps.[60] This progress is evident in a number of advanced economies, where legislative and regulatory changes have been made or are underway to strengthen climate-related disclosures.

- Canada: In 2024, the Office of the Superintendent of Financial Institutions (OSFI) updated Guideline B-15 on climate risk management which includes disclosure expectations based on IFRS S2. In March, the Canadian Sustainability Standards Board (CSSB) released its first draft standards for comment which, if approved, would form part of the Canadian Sustainability Disclosure Standards (CSDS). Once the CSSB Standards are finalised, OSFI will look to update Guideline B-15, and the Canadian Securities Administrators (CSA) anticipates seeking comments on a revised rule setting out climate-related disclosure requirements. In October, the federal government announced its intention to amend the Canada Business Corporations Act to require climate-related financial disclosures for large, federally incorporated private companies. The government will seek to harmonise its regulations with those that will be required from public companies by securities regulators.

- European Union (EU): A first set of large companies (large listed companies, banks and insurance undertakings with more than 500 employees) will have to report climate-related and other sustainability information according to ESRS for the first time for financial year 2024, with other large companies doing so as from financial year 2025.

- Hong Kong: In January 2024, the Securities and Futures Commission (SFC) released its Strategic Priorities for 2024-2026, setting out its continued commitment to steer local and regional development of corporate sustainability disclosure standards. In April 2024, the Stock Exchange of Hong Kong (SEHK) announced amendments to its Listing Rules with enhanced climate-related disclosure requirements that are based on IFRS S2 (New Climate Requirements) to take effect in phases starting on 1 January 2025. In September 2024, the Hong Kong Institute of Certified Public Accountants issued

[60] AR, AU, BR, CA, CH, DE, EU, ES, FR, HK, ID, IN, IT, JP, NL, SG, TR, UK, ZA.

Exposure Drafts for Hong Kong's sustainability reporting standards (Hong Kong Standards) fully converged with the ISSB Standards. A public consultation on the Hong Kong Standards was conducted from 16 September to 27 October, and the target is for the final Hong Kong Standards to be effective from 1 August 2025.

- Japan: On 29 March 2024, the Sustainability Standards Board of Japan (SSBJ) issued Exposure Drafts of Sustainability Disclosure Standards. The proposed new disclosure standards are based on IFRS S1 and IFRS S2 and add, when considered necessary, jurisdiction-specific options the reporting entity can choose to apply. The SSBJ's new disclosure standards are scheduled to be finalised by March 2025 after taking into consideration comments on the Exposure Drafts. The Financial Services Agency (FSA) is considering to designate the SSBJ standard within the regulatory framework.

- Singapore: Singapore's Accounting and Corporate Regulatory Authority (ACRA) and Singapore Exchange Regulation (SGX) RegCo are starting to incorporate climate-related requirements of the ISSB Standards for listed entities from financial year 2025 and large non-listed companies from financial year 2027.

- Switzerland: The Swiss government plans a review of the ordinance on mandatory climate-related disclosures and the launch of a public consultation by the end of 2024: i) to reference the ESRS and ISSB Standards instead of TCFD recommendations and reiterate the principle of double materiality; ii) to formulate minimum criteria for financial institution transition plans; and iii) to encourage financial institutions to report into the Net Zero Data Public Utility (NZDPU)[61] to ensure greater comparability, accessibility and discoverability of data.

- UK: The development of the UK Sustainability Reporting Standards (UK SRS) based on IFRS S1 and IFRS S2 comprises two phases of work: endorsement and implementation. The endorsement phase involves the creation of the UK SRS, which the UK Government aims to make available for voluntary use by UK companies in Q1 2025. The implementation phase refers to future decisions that may be taken to reference the UK SRS in UK legislation or regulation. The Financial Conduct Authority (FCA) holds responsibility for implementation decisions that would apply to UK listed companies, while the UK Government holds responsibility for implementation decisions that would apply to UK registered companies.

- US: In March 2024, the Securities and Exchange Commission (SEC) adopted final rules to require registrants to disclose certain climate-related information in registration statements and annual reports ("Climate-Related Disclosure Rules"). The rules require a registrant to disclose, among other things, material climate-related risks, activities to mitigate or adapt to such risks, information about the registrant's board of directors' oversight of climate-related risks and management's role in managing material climate-

[61] In November 2022, the Climate Data Steering Committee (CDSC) published recommendations for the development of a unified, global, open climate data repository: the Net-Zero Data Public Utility (NZDPU). The NZDPU is designed to be integrated with the UN Framework Convention on Climate Change's Global Climate Action Portal. See Climate Data Steering Committee.

related risks, and information on any climate-related targets or goals that are material to the registrant's business, results of operations, or financial condition.[62]

Similarly, a number of EMDEs report that they have either implemented or are planning to implement measures, ranging from integrating ESG criteria into investment decisions to developing sustainability reporting standards fully compliant with ISSB Standards. Furthermore, many jurisdictions have taken a broader view of sustainability, focusing not only on climate-related disclosures but also on wider ESG issues.

- Brazil: The National Monetary Council's (CMN) Resolution mandates that from 2026, certain financial institutions must prepare and disclose a Sustainability-Related Financial Information Report based on IFRS S1 and IFRS S2, following a proportional perspective according to the segmentation of the Brazilian financial system. Disclosure by other financial institutions, as well as disclosure before 2026, is voluntary. In addition, qualitative disclosures by financial institutions based on the TCFD recommendations are already required under the same proportional perspective. The incorporation of quantitative disclosures is under analysis, according to Public Consultation 100 that closed on 28 June 2024.

- China: In April 2024, under the guidance of the China Securities Regulatory Commission (CSRC), the Beijing, Shanghai, and Shenzhen stock exchanges issued Guidelines. The CSRC's Guidelines require listed companies continuously included in the SSE 180, STAR 50, SZSE 100, and ChiNext Index samples during the reporting period, as well as companies listed both domestically and overseas, to disclose their Sustainable Development Report for the year 2025 for the first time no later than 30 April 2026. In May 2024, the Ministry of Finance issued an Exposure Draft for the Sustainability Disclosure Standard for Business Enterprises – Basic Standard, which formulates unified China Sustainability Disclosure Standards based on ISSB Standards.

- India: In 2021, the Securities and Exchange Board of India (SEBI) mandated the top 1000 publicly listed companies (by market capitalisation) to provide ESG disclosures as per the Business Responsibility and Sustainability Reporting (BRSR) framework from FY 2021-22 on a voluntary basis and mandatorily from FY 2022-23. These disclosures include information about governance, environmental risks and opportunities, and various metrics on environment such as scope 1-3 GHG emissions. Recently, the SEBI prescribed the "BRSR Core", which contains a limited set of Key Performance Indicators (KPIs) and, to increase transparency, ESG disclosures for the value chain of listed entities with certain thresholds. In February 2024, the draft Disclosure Framework on Climate-related Financial Risks 2024 was released by the Reserve Bank of India (RBI) for public comments, which has a phased implementation schedule and is focused on four thematic pillars, (governance, strategy, risk management, metrics and targets). Following the analysis of the feedback received, the final disclosure framework will be issued.

[62] On 4 April 2024, the SEC issued an order staying the Climate-Related Disclosure Rules. As a result, the effective date of those rules is stayed pending judicial review of the rulemaking.

- Saudi Arabia: Under the guidance and supervision of SAMA, an ESG Saudi Banks Advisory Committee (EBAC) was established to steer local banks towards a comprehensive ESG framework, including work on risk management, governance and disclosure. SAMA is working on setting supervisory expectations for banks to adopt proper risk management and governance for climate- and sustainability-related financial risks.

- South Africa: The Prudential Authority issued Guidance on climate-related disclosures for banks and insurers in May 2024. The Guidance is aligned to IFRS S2. The Financial Sector Conduct Authority is looking to develop guidance aligned to IFRS S2. These guidance notes are voluntary and no timeline for mandatory disclosure has been determined.

- Türkiye: The Public Oversight, Accounting and Auditing Standards Authority (POA) of Türkiye published the Turkish Sustainability Reporting Standards (TSRS), which are fully compliant with the ISSB Standards, in December 2023. The TSRS have entered into force and will be applied from annual reporting periods starting on or after January 1, 2024. The scope of entities reporting in accordance with the TSRS has been determined by the POA. Accordingly, entities that will make mandatory sustainability reporting are companies that exceed the threshold values determined by the POA among those subject to regulation by the Capital Markets Board (CMB), Banking Regulation and Supervision Agency (BRSA), and Insurance and Private Pension Regulation and Supervision Authority. An exception was adopted for the banking sector, where banks became subject to mandatory sustainability reporting without being subject to specified thresholds. The BRSA will also introduce climate-related financial risk disclosures as part of the current Pillar 3 disclosure requirements for banks once the BCBS work on Pillar 3 disclosures on climate-related financial risks is completed. In addition, within the legislation regarding corporate governance, the CMB required public companies and investment firms trading on specific markets to implement the Sustainability Principles Compliance Framework starting with annual reports for the year 2021, under the "comply or explain" principle.

3.1.2. Implementation of TCFD Recommendations

The FSB, in its 2021 Report, encouraged financial authorities to use a disclosure framework based on the TCFD Recommendations across all sectors (non-financial companies and financial institutions) for climate-related financial disclosures, in line with jurisdictions' regulatory and legal requirements (Recommendation 1). This would foster a more consistent global approach and promote convergence in anticipation of international reporting standards on climate (subsequently promulgated by the ISSB) that will build on the TCFD recommendations.

Reference to the TCFD recommendations

In 2024, financial authorities have continued to enhance and refine their guidance on climate-related disclosures, with a particular focus on implementation of the TCFD recommendations. The TCFD recommendations continue to be the cornerstone for many jurisdictions, albeit with a growing emphasis on the incorporation and adaptation of the ISSB Standards. For example:

- China: The CSRC's Guidelines set disclosure requirements based on ten of the 11 disclosures recommended by the TCFD.[63]

- Switzerland: The ordinance on mandatory climate disclosures for large companies entered into force as of 1 January 2024 and directly references all TCFD recommendations as well as related TCFD guidance.

- Türkiye: Since the ISSB Standards, especially IFRS S2 Climate-Related Disclosures, are compatible with TCFD, TSRS 2 published by POA (which is compatible with IFRS S2) covers the TCFD recommended disclosures.

Several jurisdictions have noted that their respective requirements or guidelines provide details beyond the high-level TCFD recommendations. Some have highlighted the fact that international standards (ISSB Standards) and regional standards (EU ESRS), while based on the TCFD Recommendations, require more detailed disclosures.[64] This trend indicates a move towards more comprehensive and detailed climate-related financial disclosures as the understanding and management of climate-related risks and opportunities continue to evolve.

Interaction between TCFD framework and other frameworks

These developments confirm that while the TCFD recommendations remain a cornerstone for climate-related disclosure regulations, financial authorities are increasingly leveraging other frameworks to provide more detailed and comprehensive guidance. Increased adoption of frameworks is indicative of a maturing landscape to address the multifaceted challenge of climate-related disclosures. In the 2024 survey, it was observed that financial authorities from several jurisdictions referred to both the TCFD recommendations and the ISSB Standards. Seventeen jurisdictions referenced the TCFD recommendations,[65] while thirteen also referred to the ISSB Standards,[66] marking a shift towards a more standardised approach to climate-related disclosures. Additionally, there was a continued reference to the GRI[67] and SASB Standards,[68] as well as other frameworks for seven jurisdictions.[69]

63 As for recommendation 5 on the description of the organisation's strategy resilience considering different climate-related scenarios, there is no explicit mandatory disclosure requirement for 2°C or lower scenarios.

64 In the EU, for example, the ESRS stipulate requirements that go beyond what is expected in terms of disclosures recommended by the TCFD. For example, the ESRS require entities to disclose whether a climate transition plan has been developed, and if so, indicate whether and how this plan is compatible with a 1.5° pathway. By contrast, TCFD recommendations require a disclosure of an entity's resilience against different climate scenarios, including a 2°C scenario.

65 AU, BR, CA, CH, CN, ES, FR, HK, ID, JP, KR, NL, SA, SG, TR, US, ZA.

66 AU, BR, CA, CH, CN, FR, HK, ID, KR, SA, SG, TR, ZA.

67 CN, FR, ID, IN, SA, TR.

68 BR, CA, FR, ID, KR, SA, TR.

69 BR, CA, FR, ID, IT, JP, US. Other references include the BCBS, the IIRC, the CDP, the GHG Protocol (for the calculation of GHG emissions), Sustainable Development Goals (SDGs), the Science Based Targets Initiative (SBTi) Framework, and the Partnership for Carbon Accounting Financials (PCAF) Standard (for the calculation of Scope 3 financed and insurance-associated GHG emissions).

3.1.3. Scope of climate-related disclosures

Climate-related disclosures by financial institutions' clients

The interdependency between financial and non-financial sectors has been recognised, as the depth and quality of climate disclosures by financial institutions depend upon the disclosures made by their clients, counterparties, or firms they have invested in. As such, several financial authorities have initiated, or are planning to initiate, regulatory requirements or guidance that encourage financial institutions to request climate-related disclosures from these entities. In 2024, eleven jurisdictions reported having adopted such measures.[70]

For example, Canada's OSFI has set expectations for its regulated financial institutions to disclose their Scope 3 GHG emissions, which necessitates obtaining Scope 1 and Scope 2 GHG emission information from borrowers, investees, and insurance clients. The CSRC's Guidelines in China are also steering the sector towards greater transparency by encouraging the disclosure of Scope 3 emissions.

Some jurisdictions focus on all types of listed companies, such as Japan's regulatory framework under consideration that requires sustainability-related disclosures for companies listed on Tokyo Stock Exchange Prime Market, rather than only financial institutions. Similarly, in the EU, the ESRS under CSRD will apply to all companies except non-listed SMEs and micro-enterprises.[71] Thus, financial institutions may use the ESRS disclosures from the counterparties in the value chain.[72]

Increased focus on materiality

The survey responses suggest a continued evolution in the application of the materiality lens, reflecting, depending on the regulatory framework, the growing recognition of the financial and societal impacts of climate change and the need for comprehensive, decision-useful information for stakeholders. "Financial materiality" can be defined as information on economic value creation at the level of the reporting company for the benefit of investors. "Impact materiality", by contrast, relates to information on the reporting company's impact on the economy, environment and people for the benefit of multiple stakeholders, such as investors, employees, customers, suppliers, and local communities. "Double materiality" combines these two perspectives.[73]

Jurisdictions that had not set expectations on the application of the materiality lens in 2023 but report that they have now decided to do so include:

- China: The Ministry of Finance's Basic Standard ED mandates that sustainability information disclosure shall adhere to the materiality principle. The Guidelines issued

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70 CA, CH, CN, DE, ID, IT, KR, NL, SG, TR, UK.

71 EFRAG is currently developing a standard to ensure that the companies that are being exempted from the ESRS under CSRD can disclose useful information if they choose to do so, or if they are requested to provide disclosures.

72 The same will likely be required for the compliance of financial institutions with other legal obligations, such as the Corporate Sustainability Due Diligence Directive (CSDDD) and the revised Capital Requirements Directive (CRD). The specific expectations under CRD (regarding transition plans) are currently still being clarified.

73 For the various materiality dimensions, see, for example, GRI (2022), The materiality madness: why definitions matter, February.

by the CSRC require listed companies to consider the characteristics of their industry and business operations when assessing both impact and financial materiality of each topic set out in the Guidelines.

- Hong Kong: Under the SEHK's New Climate Requirements, issuers must disclose information about climate-related risks and opportunities that could reasonably be expected to affect their cash flows, access to finance or cost of capital over the short, medium or long term, similar to the "financial materiality" concept used in the ISSB Standards.

- India: Certain provisions of the RBI's draft Disclosure Framework on Climate-related Financial Risks 2024 are based on "materiality". For example, under the risk management pillar of the framework, regulated entities are required to disclose whether credit risk management systems and processes considered material climate-related financial risks and how the impact of climate-related risk drivers on the credit risk profiles are assessed.

- Indonesia: Materiality will be considered based on IFRS S1 and IFRS S2 and the standard adopted by the Institute of Indonesia Chartered Accountants (IAI) Sustainability Standards Board (DSK), i.e. "financial materiality".

- US: The US SEC, in the adopting release for its Climate-Related Disclosure Rules, stated that when evaluating whether any climate-related risks have materially impacted or are reasonably likely to have a material impact on the registrant, registrants should rely on traditional notions of materiality as defined by US judicial precedent, which focuses on the importance of the information for a reasonable investor in making informed investment decisions.

Location of climate-related disclosures

While there is a global trend towards making climate-related disclosures publicly available, the specific location of these disclosures continues to vary and is often influenced by the existing regulatory and reporting framework in each jurisdiction. Overall, in 2024, 18 FSB jurisdictions set expectations on the location of climate disclosures.[74] Some examples are provided below:

- Brazil: Financial institutions must fill in a specific report named "Report on Social, Environmental and Climate-related Risks and Opportunities" (GRSAC Report) that should be available to the general public on their own website. The Sustainability-Related Financial Information Report (see section 3.1.1) is part of the financial statements and has the same disclosure requirements (location and deadline) as them except for the first year's report, which has some reliefs.

- China: Entities shall provide the sustainability information required by the Sustainability Disclosure Standards for Business Enterprises as a separate sustainability development report.

[74] AR, BR, CA, CH, CN, DE, ES, EU, FR, ID, IN, IT, JP, KR, NL, SA, TR, US.

- India: The RBI's draft Disclosure Framework on Climate-related Financial Risks 2024 proposes that the disclosures must be included as a part of the Regulated Entities' financial results (statements) on their website.

- Netherlands: As required by the CSRD, this information should be disclosed in the management report. As ensuring connectivity between sustainability information and financial information is key, the Dutch Authority for the Financial Markets (AFM) expects, where suitable, that the financial statements of companies reflect the financial aspects of climate transition plans and climate risks.

- US: The SEC's Climate-Related Disclosure Rules amend Regulation S-K by adding a new section composed of the climate-related disclosure rules, other than for the financial statement disclosures, and Regulation S-X by adding a new article to govern the financial statement disclosures. These disclosures are required in registrants' registration statements and annual reports.[75]

Broader disclosures on sustainability

Jurisdictions report that their financial authorities have either established or are in the process of formulating regulatory requirements, guidelines, or supervisory expectations for financial and non-financial corporations to expand their disclosures on sustainability, including ESG factors. The reported number of jurisdictions with broader ESG disclosures has increased slightly compared to 2023 and is now at 18.[76] Some examples are listed below:

- Canada: Certain provincial regulators have established or are considering establishing specific regulatory requirements or guidance for issuers to provide broader disclosures on sustainability, such as on ESG.

- China: The CSRC's Guidelines cover 21 key topics across three main dimensions: (1) environment, including climate change tackling, pollutant emission, ecosystem and biodiversity protection, and energy usage; (2) social, including contributions to the society and innovation-driven efforts; and (3) sustainability governance. This marks the first systematic disclosure framework for sustainable development reports for listed companies in China.

- EU: As required by the EU CSRD, the ESRS cover the full range of ESG matters.

- Türkiye: The POA regulations, in line with the ISSB Standards, will include sustainability reporting in a broader sense as well as climate change.

Stronger focus on mandatory disclosures and deployment of enforcement/compliance mechanisms

The survey responses indicate a stronger focus on mandatory disclosures and the deployment of enforcement and compliance mechanisms by financial authorities in various jurisdictions. The

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[75] See footnote 62 above.

[76] AR, BR, CA, CH, CN, DE, EU, ESFR, HK, ID, IT, JP, KR, NL, SA, TR, UK.

responses shed light on the approaches taken by financial authorities in setting climate-related disclosure requirements and the measures in place to ensure adherence to these requirements. These efforts aim to enhance transparency and accountability in climate-related disclosures and ensure the alignment of non-financial corporates and financial institutions with the established regulations, guidance, or expectations.

A significant number of jurisdictions[77] report adopting or pursuing a mandatory approach to climate-related disclosures. The focus on mandatory disclosures is reinforced by the deployment of enforcement or compliance mechanisms to ensure adherence to regulations, guidance, or expectations on climate-related disclosures, as reported by fourteen jurisdictions.[78] Regarding the approach or compliance basis taken by financial authorities in their jurisdiction, the survey responses indicate that legislation or regulations have been adopted by ten jurisdictions.[79]

It is worth noting that the specific enforcement and compliance mechanisms vary across jurisdictions. Some examples of enforcement and compliance mechanisms are listed below:

- Canada: Relevant tools and programmes include reviews of issuers' continuous disclosure (generally or on a particular issue), complaint and inquiry intake and other monitoring programs. Enforcement of disclosure obligations are enshrined under each CSA regulator's securities act and regulations, and empower each regulator to impose penalties, sanctions, cease-trade orders and other deterrent mechanisms on issuers.

- China: According to the CSRC Guidelines, if climate change is material to the disclosing entity, it is necessary to disclose climate-related information. The CSRC's Guidelines stipulate in Article 6 that the disclosed information should objectively and truthfully reflect the performance of the disclosing entity in sustainable development. Article 61 also clarifies that if the disclosing entity violates the provisions of the Guidelines, the exchange will take self-regulatory measures or impose disciplinary sanctions depending on the situation.

- France: Sustainability disclosures of companies listed on regulated markets are controlled by the Financial Markets Authority.

- Indonesia: The Indonesian Financial Services Authority (OJK) Regulation Number 51/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies requires, amongst other things, submission of annual sustainability reports for financial services institutions, issuers, and public companies. Penalties may be imposed in case of non-compliance.

- Italy: In accordance with the CSRD, the Italian draft implementing law provides the Commissione Nazionale per le Societa e la Borsa (CONSOB) with enforcement powers, including to examine information in sustainability reports of undertakings listed on regulated markets. CONSOB can take appropriate measures in case of infringements.

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77 AU, BR, CA, CH, CN, DE, ES, EU, FR, HK, ID, IN, IT, JP, NL, SG, TR.

78 AU, BR, CA, CH, CN, DE, ES, EU, FR, ID, IT, JP, NL, TR.

79 BR, CH, DE, ES, EU, FR, IT, JP, NL, US.

- Netherlands: The AFM's mandate to enforce sustainability information is limited to issuers of securities on regulated markets, following the EU Transparency Directive.

- Türkiye: If the reporting of banks and non-bank financial institutions violates the Turkish Sustainability Reporting Standards, administrative fines are imposed by the BRSA within the framework of Laws No. 5411 and 6361. Comply-or-explain reporting is the basis of the CMB Sustainability Compliance Framework and lack of compliance or explanation by companies may lead to administrative fines.

3.1.4. Cross-border cooperation on implementation of climate-related disclosure frameworks

The FSB 2021 Report encouraged financial authorities to promote sharing of experiences, provide mutual support across jurisdictions on implementation of climate-related disclosure frameworks and accelerate international efforts to help build industry-wide awareness, technical knowledge, and capabilities (Recommendation 2). Jurisdictions report that they have further expanded their cross-border cooperation and initiatives in 2024 to share experiences and build capabilities around climate-related disclosure frameworks. A range of international bodies, including the SSBs, G20, OECD, continue to serve as platforms for these collaborative efforts. For example, jurisdictions report that they continue to engage with the ISSB through its Jurisdictional Working Group (JWG)[80] or indirectly through IOSCO.[81]

Regional initiatives also play a role in fostering cross-border collaboration.[82] The IOSCO's Asia-Pacific Regional Committee (APRC) has been a key platform for sharing experiences and regulatory approaches in sustainable finance within the Asia-Pacific region. Hong Kong's SFC leads the Sustainable Finance Working Group of IOSCO's Asia-Pacific Regional Committee (APRC) and has been sharing its experiences and approach in regulating climate-related disclosure of asset managers and funds with APRC members. Saudi Arabia has been working collaboratively with neighboring countries in many areas, including the creation of the regional voluntary carbon market and the Middle East green initiative. The regional partnership for the promotion of sustainability reporting, led by the Saudi Organization for Charted and Professional Accountants (SOCPA), aims to promote and develop capabilities related to disclosure and reporting practices with representation from Gulf States and neighboring countries.

Training and capacity-building initiatives have been another focus area.[83] The Bank of England, for example, has continued working on cross-border training programs on climate-related financial regulation through the Centre for Central Banking Studies, where it has hosted a virtual conference focusing on climate disclosures and transition plans in December 2023. In India, the RBI is making use of the NGFS platform to equip its officers with the necessary skills and knowledge on climate-related risks. Similarly, the CMB of Türkiye has joined the United Nations

[80] EU, UK, US.

[81] AU, BR, CA, CH, CN, HK, IN, IT, JP, NL, SG, UK, US.

[82] AU, ES, EU, FR, HK, IT, JP, NL, SA, ZA.

[83] AR, BR, FR, HK, ID, IN, SA, SG, TR, UK.

Sustainable Stock Exchanges (UN SSE) initiative[84] and ISSB Standards training for capability and technical knowledge. In Indonesia, the OJK has organised a series of workshops and seminars regarding climate risk, sustainable finance, ESG metrics targets, and disclosures to raise awareness and build the capacity of both OJK's supervisors and financial institutions and professionals. Argentina has also organised a series of training sessions on IFRS S1 and IFRS S2, in collaboration with experts and other regional regulators. Finally, jurisdictions report participating in the work of the NGFS[85] and CDSC[86] to shape strategies and ensure the comparability of climate data.

3.1.5. Coordination arrangements between authorities within each jurisdiction

The FSB 2021 Report encouraged financial authorities within each jurisdiction to strongly coordinate to provide clear and consistent expectations, guidance or requirements to firms across all sectors on climate-related disclosures (Recommendation 3). Financial authorities within each jurisdiction report continuing their coordination efforts, both formally and informally, to address the challenges associated with implementing climate-related disclosures. The primary objective of these coordination arrangements is to facilitate the sharing of knowledge, best practices, and the publication of reports to raise awareness and provide guidance.

Several jurisdictions have seen an increase in formalised collaboration among their financial authorities.[87] For example, in Canada, OSFI has been coordinating meetings with the CSA, Finance Canada, and the Bank of Canada. In Mexico, the Mexican Financial System Stability Council (CESF) established the Sustainable Finance Committee (CFS), which has created a working group focused on disclosures and adoption of ESG standards. In Indonesia, the IAI established[88] the DSK which consists, among others, of the MoF, OJK, and Bank Indonesia, to prepare the Indonesia Sustainability Disclosure Standards based on the ISSB Standards, taking into consideration Indonesia's context.

3.1.6. Mechanisms to improve the reliability of climate-related disclosures by firms

The FSB 2021 Report recommended that, as disclosure practices continue to evolve and improve over time, in the longer-term financial authorities can contribute to significantly improving the reliability of climate-related disclosures if they were to require, as appropriate, some form of third-party verification or assurance on climate-related disclosures made by firms. Where frameworks in jurisdictions require firms to provide climate-related disclosures within

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84 The UN SSE initiative is a UN Partnership Programme organised by UN Trade and Development (UNCTAD), the UN Global Compact, United Nations Environment Programme Finance Initiative (UNEP FI) and the PRI. The SSE's mission is to provide a global platform for exploring how exchanges, in collaboration with investors, companies (issuers), regulators, policymakers and relevant international organizations, can enhance performance on ESG issues and encourage sustainable investment, including the financing of the UN Sustainable Development Goals. See Sustainable Stock Exchanges Initiative.

85 CA, CH, CN, EU, FR, HK, ID, IN, MX, SA, SG, ZA.

86 CH, EU, FR, UK, US.

87 AU, CA, CN, DE, ES, EU, FR, HK, ID, IN, IT, MX, NL, SA, SG, TR.

88 IAI has also established the Sustainability Standards Monitoring Council (DPSK) and the Sustainability Standards Council (DSK) in November 2023. The formation of these two councils was established with a three-tier mechanism to ensure the strengthening of governance and accountability in the process of preparing sustainability standards. The membership of DPSK and DSK-IAI consists of various stakeholders, including the Ministry of Finance, Ministry of Environment and Forestry, BI, OJK, as well as industry representatives, academics, and sustainability practitioners.

financial filings, financial authorities could set expectations on the level of assurance required on the disclosed information (Recommendation 4).

Existing or planned mechanisms to improve the reliability of climate- and other sustainability-related disclosures remain uneven. Several jurisdictions report that they have already taken concrete steps towards assurance requirements,[89] often with an explicit gradual transition from "limited assurance" to "reasonable assurance" – for example:[90]

- Brazil: In October 2023, the Securities and Exchange Commission (CVM) issued Resolution 193 providing rules for the preparation and disclosure of the "Sustainability-Related Financial Information Report". This Report must be assured by an independent auditor registered with and overseen by the CVM (limited assurance in 2024-2025, and reasonable assurance as of 2026). The Sustainability-Related Financial Information Report (see section 3.1.1.) must be assured by an independent auditor registered with and overseen by the CVM. For mandatory disclosure, reasonable assurance is required, while for voluntary disclosure, the CMN Resolution requires limited assurance.

- EU: The CSRD includes mandatory assurance by an auditor, or another independent assurance provider, of the ESRS "sustainability statement" published by companies. "Limited assurance" is required from the first sustainability reporting by companies in scope of the CSRD, which could be followed by "reasonable assurance" from 2028 onwards.

In India, the BRSR Core prescribed by the SEBI contains a limited set of KPIs for which listed entities shall need to obtain reasonable assurance.

The US SEC Climate-Related Disclosure Rules require the filing of an assurance report, at the limited assurance level, for those registrants required to disclose Scope 1 and/or Scope 2 emissions, and for registrants with public float of $700 million or more and that otherwise meet the definition of being a "large accelerated filer", following an additional transition period, require the filing of an assurance report at the reasonable assurance level.

On the other hand, there are still several jurisdictions that, while considering mechanisms to improve the reliability of disclosures, report that they have not yet taken concrete steps.[91] In this context, there is growing recognition that climate- and other sustainability-related disclosures are not isolated from other important business or financial information, and auditors need to understand if and how climate- and other sustainability-related risks may impact the amounts and disclosures as part of their audit of the financial statements.

Several jurisdictions report that they are considering the upcoming global assurance standards in developing their own assurance framework:[92]

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89 AU, BR, CH, CN, DE, ES, EU, FR, HK, ID, IT, NL, TR.

90 For example, BR, DE, ES, EU, FR, IT, NL.

91 CA, CN, JP, KR, MX, SA, UK, ZA.

92 EU, IT, TR, UK.

- EU: In September 2024, at the request of the European Commission, the CEAOB published non-binding guidelines to help statutory audits and other assurance services providers in the absence of an EU standard. These guidelines take into consideration the IAASB work on ISSA 5000 and pave the way towards the adoption of an EU limited assurance standard.

- Türkiye: The POA has made assurance engagements mandatory for entities that will make mandatory sustainability reporting. The first assurance engagements will be conducted as of 2025, and sustainability auditors will base their assurance engagements on ISAE 3000 and ISAE 3410, until ISSA 5000 is published.

Finally, several other jurisdictions indicated the respective national authority in charge of oversight of sustainability assurance providers.[93]

3.2. Jurisdictions' processes for adopting, implementing, or otherwise using the ISSB Standards

3.2.1. Steps taken with regard to the ISSB Standards

IOSCO's endorsement of IFRS S1 and IFRS S2 was accompanied by a call on members "to consider ways in which they might adopt, apply, or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements, in a way that promotes consistent and comparable climate-related and other sustainability-related disclosures for investors".

Most jurisdictions responding to the survey are considering or will consider the ISSB Standards in developing their own jurisdictional framework for climate-related and other sustainability-related disclosures. However, there are still differences in terms of approach and the progress that has already been achieved. For example:

- Brazil: The CVM issued Resolution 193 in October 2023, which supports voluntary adoption of IFRS S1 and IFRS S2 by all issuers for fiscal years beginning on, or after, 1 January 2024. In a second step, the regulation requires public companies to adopt IFRS S1 and IFRS S2 for fiscal years beginning on, or after, 1 January 2026. The CMN Resolution (see section 3.1.1.) mandates a phased approach for financial institutions to provide disclosures based on IFRS S1 and IFRS S2. From the perspective of prudential regulation, the Central Bank of Brazil (BCB) is updating the regulation on the GRSAC Report to align it to the BCBS climate-related disclosure standards (Pillar 3) once they are finalised.

- Canada: In March 2024, OSFI updated its climate-related disclosure expectations for federally regulated financial institutions to incorporate elements of IFRS S2. On 13 March 2024, the CSA welcomed the launch by the CSSB of a consultation on CSDS 1 and CSDS 2 that align with the ISSB Standards, with modifications to serve the Canadian public interest. The CSA anticipates seeking comments on a revised rule

[93] CH, IT, NL, TR.

setting out climate-related disclosure requirements based on the finalised CSSB Standards, with potential modifications appropriate for the Canadian capital markets.

- Korea: On 30 April 2024, the Korea Sustainability Standard Board (KSSB) under the Korea Accounting Institute released an open draft on domestic ESG disclosure standards based on the ISSB standards (IFRS S1 and S2) and comments from stakeholders. A four-month public consultation ended on 30 August 2024.

- Türkiye: In December 2023, the POA published TSRS 1 and TSRS 2, which it reports are fully compliant with IFRS S1 and IFRS S2, respectively. Moreover, the BRSA will introduce climate-related financial disclosures as part of the Pillar 3 disclosure requirements for banks once the BCBS framework is completed.

Some jurisdictions report taking a slightly different approach in this area:

- Switzerland: The review of the Ordinance on climate-related disclosures will reference both the ESRS and the ISSB Standards, instead of the TCFD recommendations.

- US: The US SEC, in the adopting release for the Climate-Related Disclosure Rules, discussed IFRS S1 and IFRS S2 and noted some jurisdictions' announced intentions to adopt these Standards. The SEC also considered whether to permit registrants to rely on home-country disclosure frameworks in order to comply with the Climate-Related Disclosure Rules ("substituted compliance"). However, the SEC opted to observe how reporting under international climate-related reporting requirements and practices develops before making any determination whether such an approach would result in consistent, reliable, and comparable information for investors. The SEC noted that it may consider such accommodations in the future.

Altogether, 17 FSB jurisdictions, a result that is consistent with the prior year, stated that they have put or are putting in place structures or processes to bring the ISSB Standards into local requirements. The Annex provides more details on those jurisdictions. Some examples are provided below:

- Brazil: In 2022, the Foundation of the Brazilian Accounting Pronouncements Committee (CPC), the local accounting standard setter, established a new standard-setting board, the Brazilian Sustainability Pronouncements Committee (CBPS). The CBPS will bring the ISSB Standards into local requirements. With respect to financial institutions, see section 3.1.1. for details about the requirements of the CMN Resolution.

- Hong Kong: The proposed standards (see section 3.1.1) are fully converged with IFRS S1 and IFRS S2 and the target is for the final standards to be effective from 1 August 2025.

- Mexico: Banco de México and the National Banking and Securities Commission (Cómision Nacional Bancaria y de Valores, CNBV) are members of the Mexican Council of Financial Reporting and Sustainability Standards (CINIF)'s Sustainability Technical Advisory Committee, where the implementation of ISSB Standards is being discussed. The Insurance and Pension Funds regulators would also need to determine which requirements will be applicable in that sector.

- UK: The UK Government has commenced the formal assessment process for the UK endorsement of IFRS S1 and IFRS S2. The Secretary of State for Business and Trade will be responsible for the endorsement decision and, to support the assessment, the UK Government has established two advisory committees. The aim is to complete the assessment and, subject to a positive endorsement decision, make the UK-endorsed ISSB Standards (the UK Sustainability Reporting Standards) available for voluntary use by UK companies in Q1 2025.

- EU: The European Commission and EFRAG have actively engaged with the ISSB and have confirmed together the interoperability of their corresponding standards, meaning that companies complying with ESRS can also comply with the IFRS Sustainability Disclosure Standards, with only very limited additional disclosures, and can publish reports based on those standards by drawing on the jointly published ESRS-ISSB Interoperability Guidance (see section 2.2.).

Jurisdictions are taking further steps to promote interoperability of the ISSB Standards with jurisdiction-specific frameworks

Interoperability of the ISSB Standards with jurisdiction-specific requirements is important to provide consistent and comparable climate-related and other sustainability-related disclosures while reducing reporting burden for globally active entities that must or wish to comply with multiple disclosure frameworks. Most respondents recognise the importance of interoperability and aim to align their jurisdiction-specific framework with the ISSB Standards where possible. For example, the EU adopted ESRS on 31 July 2023 with a high degree of alignment between the ESRS and IFRS S1 and IFRS S2, which aims to ensure that EU companies required or wishing to also comply with the ISSB Standards can do so with only very limited additional disclosures. This high degree of alignment culminated in the publication in May 2024 of an interoperability guidance jointly developed by EFRAG and the IFRS Foundation (see section 2.2.). In addition, interoperability forms part of the UK's internal assessment process for IFRS S1 and IFRS S2. The aim is to determine whether the use of these Standards would likely result in an improvement in international comparability of sustainability-related information.

3.2.2. Challenges that jurisdictions anticipate in implementing the ISSB Standards

The challenges that jurisdictions anticipate are related to climate and sustainability disclosures in general and are not specific to the ISSB Standards. The main challenges noted by authorities have been consistent over the years and include: (i) the perceived cost of implementation and reporting under the new framework; (ii) lack of specialist skills (including audit and assurance); (iii) data gaps; (iv) comparability and reliability of data; and (v) the need for proportionality and capacity building to enable SMEs and firms in EMDEs to apply the new global framework. Determining the (financial or double) materiality threshold and the lack of methodological guidance present additional practical challenges for companies when providing climate-related and other sustainability-related disclosures. Several authorities stressed the importance of interoperability (including between the ISSB Standards and the GRI Standards) and the need for international bodies to advance and align their work in the area of disclosures. Finally, one respondent noted a potential risk associated with an increased legal liability for entities publishing forward-looking information as part of the required climate- and other sustainability-related disclosure, which may call for some "safe harbour" provisions for entities that provide these disclosures.

4. Progress on companies' climate-related financial disclosures

The FSB asked the IFRS Foundation in October 2023 to take over monitoring from the TCFD and deliver a report this year on progress in companies' disclosures, including early take-up of IFRS S2 on specific climate-related disclosures and progress in achieving interoperability. The IFRS Foundation report concludes that companies' progress in disclosing climate-related financial information using the TCFD recommendations or ISSB Standards is encouraging, but that more progress is necessary.

This section summarises key findings from the IFRS Foundation's 2024 Report on progress on corporate climate-related disclosures. The report presents progress on corporate climate-related disclosures. It continues the work of the TCFD to record the progress of companies reporting on its 11 recommended disclosures. The report also presents information about jurisdictions' progress in introducing sustainability-related disclosure requirements in their legal and regulatory frameworks, including through the adoption or other use of ISSB Standards.

4.1. Climate-related financial disclosures by companies and asset managers

4.1.1. Key findings and takeaways from the IFRS Foundation report

The requirements in IFRS S2 integrate and are consistent with the TCFD recommendations. In other words, companies using the ISSB Standards provide the information covered by the TCFD recommendations. The TCFD recommendations served as a foundation or reference point for several jurisdictional and international climate-related disclosure requirements and standards, such as (i) IFRS S1 and IFRS S2; and (ii) the European ESRS adopted by the European Commission in July 2023. The shared foundation of, or alignment to, the TCFD recommendations is a significant contributing factor to the interoperability between the ISSB Standards and other regional or national disclosure initiatives.[94]

Key findings and takeaways of the IFRS Foundation report are summarised in the table below:

Alignment with TCFD recommendations	Transition to IFRS S1 and IFRS S2
Key findings and takeaways • The number of companies disclosing TCFD-aligned information continues to grow, but more progress is necessary.	**Key findings and takeaways** • Between October 2023 and March 2024, more than 1,000 companies referenced the ISSB in their reports.
Based on a sample of 3,814 public companies in fiscal year 2023, 82% of companies disclosed	In Africa and Asia-Oceania, approximately half of the 554 companies that referenced the

[94] However, it is worth noting that some companies may still be required to use the TCFD recommendations because of jurisdictional requirements.

Alignment with TCFD recommendations	Transition to IFRS S1 and IFRS S2
information in line with at least one of the 11 recommended disclosures and 44% of companies with at least five of the recommended disclosures. Approximately 2-3% of companies reported in line with all 11 recommended disclosures.	ISSB mentioned their current or future alignment in reporting with the sustainability-related disclosure requirements in ISSB Standards.
• Few companies are disclosing climate-related financial information that provides information about the company's governance, strategy, risk management, and metrics and targets.	• Asset managers and asset owners are preparing to make the transition from the TCFD recommendations to the ISSB Standards.
This is especially true as it relates to the effect of climate change on their businesses, strategies and financial planning. This lack of information could hinder investors', lenders' and other creditors' ability to assess and price climate-related risks and opportunities. If the omitted information is material, the analysis summarised in this year's IFRS Foundation report and previous TCFD status reports provide evidence that this concern is valid.	Most asset managers and asset owners who responded to survey questions about ISSB Standards want or expect portfolio companies to make the transition from disclosures prepared using the TCFD recommendations to disclosures prepared using ISSB Standards.
	• As of September 2024, jurisdictions representing approximately 57% of global gross domestic product have made progress towards the adoption or other use of ISSB Standards.
	These jurisdictions include jurisdictions that have issued or proposed disclosure requirements aligned with the TCFD recommendations previously (14 jurisdictions) and other jurisdictions, mainly in Africa, Latin America and the Caribbean, and Asia-Oceania, that are introducing sustainability-related disclosure requirements for the first time (an additional 16 jurisdictions). A growing number of jurisdictions are using the IFRS Foundation's Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards (see section 2) to help them to move ahead with their plans to adopt or otherwise use ISSB Standards.

4.1.2. Conclusion and next steps

Overall, the introduction of sustainability-related disclosure requirements into regulatory frameworks through the adoption or other use of ISSB Standards supports the provision of more comparable and reliable information about sustainability-related risks and opportunities for global capital markets. Moreover, the progress towards use of ISSB Standards by companies and adoption of ISSB Standards by jurisdictions is expected to be beneficial to the trend towards mandatory (rather than voluntary) approaches.

On the other hand, fragmentation in regulatory requirements caused by jurisdictional modifications to ISSB Standards could conflict with the objective of delivering timely and comparable sustainability-related financial information to capital markets. The degree to which the jurisdictional disclosure requirements are aligned with ISSB Standards is an aspect to monitor to assess progress towards globally comparable information for capital markets.

Finally, high-quality external assurance plays an important role in enhancing trust and confidence in the integrity and reliability of sustainability-related financial information. Enhancing the quality of disclosures by introducing assurance requirements is also an area to monitor in the future.

4.2. Areas of continued focus and further work identified by the TCFD in 2023

In its 2023 status report,[95] the TCFD considered areas that warranted continued focus or further work by the ISSB or other appropriate bodies. The table below summarises progress in these areas since the TCFD 2023 status report (see also section 2 for an overview of related initiatives, such as educational material, by the IFRS Foundation and the ISSB):

	Progress in focus areas
Interoperability	Ensuring interoperability of ISSB Standards with jurisdictional frameworks to support consistent company reporting among jurisdictions and to avoid the need for companies to report through more than one disclosure framework.
2024 update	The IFRS Foundation and the ISSB are working to support the adoption of ISSB Standards. The Jurisdictional Guide intends to bring transparency on the level of compliance of the local standards with ISSB Standards. Consistency in company and jurisdictional reporting and avoidance of duplicative reporting is best achieved when companies use ISSB Standards and jurisdictions adopt ISSB Standards without modifications, while potentially building from them for their own broader reporting objectives. When this is not the case, the ISSB works to ensure ISSB Standards are interoperable with the work of others.
Guidance	Developing guidance on topics such as climate-related physical-risk assessment and adaptation planning, climate-related scenario analysis at a sector or industry level and Scope 3 GHG emissions measurement at a sector or industry level.
2024 update	The ISSB continues to prioritise supporting implementation of ISSB Standards, including via the publication of educational material, to help ensure companies, regulators and other stakeholders are well prepared to use ISSB Standards.
Disclosing resilience of strategy under different climate-related scenarios	Continuing to focus on companies' disclosure of the resilience of their strategies under various climate-related scenarios, such as a climate-related scenario aligned with the latest international agreement on climate change.

95 TCFD (2023), *2023 TCFD Status Report: Task Force on Climate-related Financial Disclosures*, October.

	Progress in focus areas
2024 update	IFRS S2 requires a company to disclose information about the resilience of its strategy to climate-related risks and that this disclosure be informed by scenario analysis. The application guidance accompanying IFRS S2 helps companies in determining an approach to climate-related scenario analysis that is commensurate with their circumstances. The IFRS Foundation report shows that companies continue to disclose the resilience of their strategies under various climate-related scenarios, such as a scenario aligned with the latest international agreement on climate change referred to in the TCFD recommended disclosures. IFRS S2 does not specify particular scenarios for a company to use in its climate-related scenario analysis. Rather, IFRS S2 requires a company to select scenarios that are relevant to its circumstances in order to provide useful information to users of general-purpose financial reports. Additional resources about scenario analysis are available in the IFRS Sustainability Knowledge Hub.
Decision-useful disclosures on other sustainability topics	Continuing to focus on decision-useful disclosure on other sustainability topics – such as biodiversity, water and social issues – and considering the links between climate-related and other sustainability issues (for example, in the context of companies' transition plans).
2024 update	In December 2023, the IFRS Foundation published educational material that illustrates how nature and social aspects can be relevant climate-related risks and opportunities according to IFRS S2, using three illustrative examples. IFRS S1 already requires a company to disclose material information about the sustainability-related risks and opportunities reasonably expected to affect its prospects and to provide information about connections between various sustainability-related risks and opportunities. The ISSB's work plan includes work to enhance the SASB Standards, which provide information on a range of sustainability-related risks and opportunities. The work plan also includes projects to research disclosure about a company's risks and opportunities associated with other sustainability-related topics. This research is considering additional specific disclosure requirements that would complement the requirements in IFRS S1.
Climate-related disclosures by sovereigns	Developing a consistent climate-related financial disclosure framework for use by countries and other sovereign entities to support companies in preparing comprehensive TCFD-aligned disclosures and transition plans that appropriately reflect their operating environment.
2024 update	The International Public Sector Accounting Standards Board (IPSASB) is developing a climate-related disclosure standard for the public sector, with the support of the World Bank. In October 2024, the IPSASB published a draft standard for consultation, building on IFRS S2.

Annex: FSB member jurisdictions applying the ISSB Standards

Jurisdiction	Structure or process to make use of IFRS S1 and IFRS S2	Timeline	Application
Australia	The Australian Government mandates disclosure of climate-related financial information based on IFRS S2. The law will expand in future so that mandatory sustainability reports in the annual report will cover other sustainability topics when the relevant ISSB Standards are issued.	The relevant legislation passed through both Houses of Parliament on 9 September 2024. The start date for the legislation is 1 January 2025.	Mandatory (as of 1 January 2025).
Brazil	The Brazilian Securities and Exchange Commission (CVM) issued Resolution No. 193/2023 in October 2023 which mandates the preparation and disclosure of sustainability-related financial information by public companies based on IFRS S1 and IFRS S2. With respect to financial institutions, the National Monetary Council (CMN) Resolution mandates that that from 2026, certain financial institutions must prepare and disclose a Sustainability-Related Financial Information Report based on IFRS S1 and IFRS S2, following a proportional perspective according to the segmentation of the Brazilian financial system.	Phased approach for public companies: • Voluntary reporting for FY starting on or after 1 January 2024 • Mandatory ISSB-aligned disclosures for FY beginning on or after 1 January 2026. Phased approach for financial institutions: • Mandatory for the 2026's annual financial statements • Voluntary before that.	Mandatory (as of 1 January 2026).
Canada	The Canadian Sustainability Standards Board (CSSB) was established in 2023 to advance the adoption of sustainability disclosure standards in Canada by developing Canadian Sustainability Disclosure Standards (CSDS) that align with the ISSB Standards, but with modifications to serve the Canadian public interest. The CSSB released CSDS 1 and CSDS 2 in March 2024.	Following the end of the 90-day consultation period on 10 June 2024, the CSSB will aim to finalise CSDS 1 and CSDS 2 by the end of 2024.	Voluntary (as of 1 January 2025).
China	On 27 May 2024, the Ministry of Finance issued the Basic Standard Exposure Draft (ED). This ED leverages the requirements of the ISSB Standards.	The goal is to introduce the Basic Standard and climate-related disclosures standards by 2027 and establish a national unified sustainability disclosure standards system by 2030.	Mandatory (as of 1 January 2027).

Jurisdiction	Structure or process to make use of IFRS S1 and IFRS S2	Timeline	Application
EU	The EU adopted the European Sustainability Reporting Standards (ESRS) on 31 July 2023. The ISSB disclosure requirements have been integrated into ESRS.	EU companies will have to start reporting under ESRS according to the following timetable: • Large listed companies, large banks and large insurance undertakings: FY 2024, with first sustainability statement published in 2025 • Other large companies: FY 2025, with first sustainability statement published in 2026 • Listed SMEs: FY 2026, with first sustainability statement published in 2027.	Mandatory (starting in FY 2024).
Hong Kong	In March 2024, the Government of the Hong Kong Special Administrative Region (HKSAR) issued a Vision Statement on developing a comprehensive ecosystem for sustainability disclosure in Hong Kong. In April 2024, the SEHK announced amendments to its Listing Rules, with the New Climate Requirements which are developed based on IFRS S2 to take effect in phases starting on 1 January 2025. The SEHK also published an implementation guide which references IFRS S1 to assist issuers' compliance with the New Climate Requirements. In September 2024, the Hong Kong Institute of Certified Public Accountants issued Exposure Drafts for Hong Kong's sustainability reporting standards (Hong Kong Standards) fully converged with IFRS S1 and IFRS S2.	The Roadmap on the full adoption of the ISSB Standards in Hong Kong will be launched within 2024. The New Climate Requirements will be implemented under a phased approach starting from 1 January 2025. The target is for the final Hong Kong Standards to be effective from 1 August 2025.	Details to be announced in the Roadmap which will be launched within 2024.
Indonesia	The Sustainability Standards Board (DSK-IAI) will lead the implementation of the ISSB Standards.	To be determined.	To be determined.
Japan	On 29 March 2024, the Sustainability Standards Board of Japan (SSBJ) issued proposed sustainability disclosure standards which are based on the ISSB Standards, to be applied in Japan.	The comment deadline was 31 July 2024. The final draft will be released in March 2025.	To be determined. Possible plan: phase-in approach (mandatory

Jurisdiction	Structure or process to make use of IFRS S1 and IFRS S2	Timeline	Application
			from FYs starting April 2026 for TSE Prime listed companies with market capitalisation of 3 trillion yen or more).
Korea	The Korea Sustainability Standard Board (KSSB) under the Korea Accounting Institute (KAI) published an exposure draft (ED) on sustainability disclosure standards on 30 April 2024. The ED has been developed based on IFRS S1 and IFRS S2. The comment 4-month comment period ended on 30 August 2024.	The effective dates of the standards and the specific location for information will be established in conjunction with the development of the mandatory sustainable disclosure system.	To be determined.
Mexico	In September 2024, the National Banking and Securities Commission (CNBV) proposed to amend the current provisions applicable to securities issuers to require the inclusion of sustainability information according to the IFRS Sustainability Disclosure Standards. The regulatory proposal, if adopted, would amend the current provisions to specify that in addition to the financial information currently presented to the CNBV, issuers other than financial institutions, states, and municipalities must present information within their annual report that is prepared in accordance with IFRS S1 and IFRS S2.	Comments on the proposal were requested by 25 October 2024. If adopted, issuers in scope would be required to apply these amendments from fiscal year 2025.	If adopted, mandatory (starting in fiscal year 2025).
Singapore	Singapore Exchange Regulation (SGX RegCo) published in September 2024 details of how the ISSB Standards are to be incorporated into its sustainability reporting regime for listed issuers. The Singapore Accounting and Corporate Regulatory Authority (ACRA) will consult on the necessary legislative amendments to the Companies Act in due course.	Listed companies will be required to start to incorporate the climate-related requirements of the ISSB Standards for their climate-related disclosures from FY 2025, followed by large non-listed companies from FY 2027.	Mandatory (as of FY 2025).

Jurisdiction	Structure or process to make use of IFRS S1 and IFRS S2	Timeline	Application
Switzerland	Switzerland plans to reference both the ISSB Standards and the ESRS in the context of the review of the Ordinance on mandatory climate-related disclosures.	Switzerland plans the review of the ordinance on mandatory climate-related disclosures and the launch of a public consultation by the end of 2024.	To be determined.
Türkiye	The Turkish Sustainability Reporting Standards (TSRS), launched in December 2023, are fully compliant with IFRS S1 and IFRS S2. Moreover, the Banking Regulation and Supervision (BRSA) will introduce climate-related financial risk disclosures as part of the current Pillar 3 disclosure requirements for banks once the BCBS's work on qualitative and quantitative disclosures on climate-related financial risks is completed.	The Public Oversight, Accounting and Auditing Standards Authority (POA) published the TSRS in December 2023 in the Official Gazette and put it into effect. The TSRS have entered into force to be applied from annual reporting periods starting on or after 1 January 2024.	Mandatory (as of 1 January 2024).
UK	The UK Government is currently assessing the ISSB Standards for endorsement and implementation in the UK. The UK-endorsed standards will be known as UK Sustainability Reporting Standards (UK SRS). Subject to a positive endorsement decision, the FCA expects to consult on amending its rules to move from TCFD-based requirements to UK SRS for listed companies. The UK Government also expects to decide on disclosure requirements against the UK SRS for UK companies that do not fall within the FCA's regulatory perimeter.	The UK Government aims to make the UK SRS available for voluntary use by UK companies in Q1 2025. The FCA expects to consult on amending its rules to move from TCFD-based requirements to UK SRS for listed companies in 2025.	To be determined, pending consultation.