Impact of Environmental Regulation on Supply Chain disclosure

A comparative analysis of China, Brazil, India and the EU

June 2024

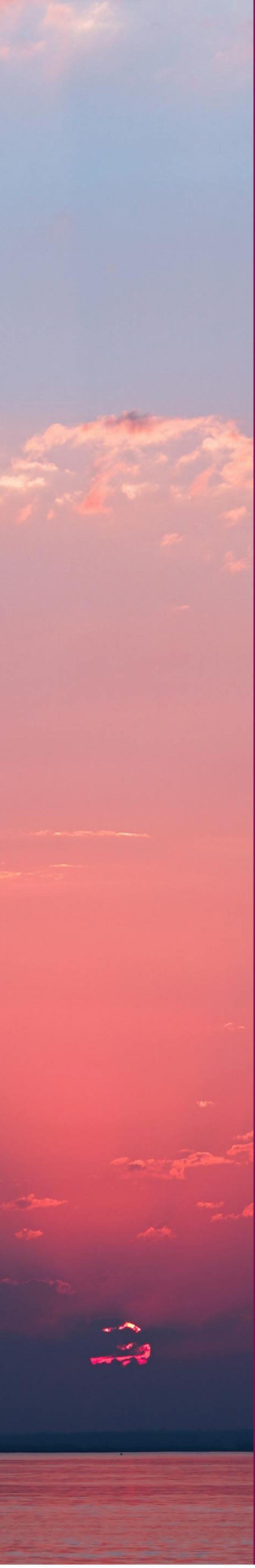


Table of contents

Introduction

1

Introduction

Environmental disclosure is critical to influencing corporate behavior, enabling the allocation of finance towards more sustainable activities, providing vital information needed for capital market actors to make better informed decisions, and ultimately supporting progress towards national and global sustainability agendas. At the same time, sustainability disclosure serves as the foundation for greater transparency and accountability from private sector actors.

Environmental disclosure has become a corporate norm. In 2023, over 23,000 companies – representing US$67 trillion (about US$210,000 per person in the US) in market capitalization – disclosed their environmental performance data through CDP. Of all the companies disclosing through CDP in 2023, 23,202 reported on climate, 4,815 on water, 1,152 on forests, 4,735 on biodiversity, and 2,920 on plastics. While the quantity of voluntary sustainability disclosure is improving year on year, the depth and breadth remains too limited. For example, less than 40% of companies provides information on all three scopes of emissions. Such issues illustrate the persisting shortcomings of voluntary disclosure.

Governments have started to address these shortcomings with policy and regulation. Policy and regulation on sustainability disclosure are key drivers of making disclosure common practice. They can foster a culture of transparency to help accelerate the transformation of capital markets and economies at large, and drive collective efforts to achieving global environmental goals, including the Paris Agreement and the Kunming-Montreal Global Biodiversity Framework. Disclosure requirements, where adopted, have facilitated a level playing field for companies. However, the approaches adopted across jurisdictions remain inconsistent in terms of ambition, scope, and content. For example, while 50% of the G20+ countries have climate-related disclosure requirements partially based or fully aligned with the TCFD, only four jurisdictions – Brazil, the EU, Indonesia, and Singapore – have biodiversity-related disclosure requirements that demonstrate a sufficient degree of quality and ambition[1]. Influential disclosure standards released in recent years will be instrumental in guiding the development of more cohesive disclosure regulations globally.

1. H. Finlay, E. Guy, B. Barilla, F. Buchholz, C. Everett et al., Shaping High Quality Mandatory Disclosure: Taking Stock and Emerging Best Practice, CDP, 2023. https://cdn.cdp.net/cdpproduction/cms/policy_briefings/documents/000/007/292/original/CDP_High_Quality_Mandatory_Disclosure.pdf?1693840960

Background

2

Background

Comparability/Interoperability among EFRAG, ISSB, SEC

There are three significant standards that have already been published or are currently under development: ISSB's IFRS S1 & S2, European Financial Reporting Advisory Group's (EFRAG) ESRS and the US Securities and Exchange Commission's (SEC) proposed climate disclosure rule. Most companies will likely be impacted by one or more of the proposed standards. While they are each comprised of expansive sustainability disclosures, they vary in their proposed scopes, structure, and in the details of specific disclosure requirements.

Table 1: Comparison of ISSB IFRS, EFRAG ESRS & SEC

	EFRAG	ISSB	SEC
Scope of application	Broad range of listed and private EU companies, and non-EU companies with significant operations in the EU.	Determined by individual jurisdictions.	Nearly all US SEC registrants, including foreign private issuers.
Topics in scope	Proposed rule addresses climate-related risks.	Finalized standards address climate and other sustainability-related risks.	Proposed rule addresses climate-related risks.
Materiality	Financial impacts and impacts on people & planet.	Financial impacts.	Financial impacts.
Climate-related disclosure			
Disclosure of Scope 1 and 2 GHG emissions	Yes, if material.	Yes, if material.	Yes
Disclosure of Scope 3 GHG emissions	Yes, if material.	Yes, if material.	Yes, if material or included in targets.
Intensity metrics	Yes, based on net revenue for the total of Scope 1, 2 and 3 emissions.	Companies are required to report any metrics relevant to them from consideration of sources, including the industry-based guidance which contains some intensity metrics.	Yes, based on revenue and a unit of production for the total of Scopes 1 and 2, and separately for Scope 3 (if included).
Disclosure of GHG emission targets	Yes, if used, as of prescribed dates and in alignment with the Paris Agreement.	Yes, if used. Targets should be informed by the "latest international agreement on climate change".	Yes, if used. Targets or goals would include those set in response to regulatory requirements or climate-related treaty or law.
Transition plans	Yes and in aligment with the Paris Agreement.	Yes	Yes
Scenario analysis	The use of scenario analysis would be required to assess resilience.	The use of scenario analysis would be required to assess resilience.	Any means could be used to assess resilience.
	Scenario analysis would need to be consistent with the Paris Agreement target of limiting climate change to 1.5°C.	The proposal does not require consideration of specific scenarios.	The proposal does not require consideration of specific scenarios.

Source: Shaping High Quality Mandatory Disclosure: Taking Stock and Emerging Best Practice - CDP, 2023.

Key ESG regulations in Brazil, India, China, and the EU

An increasing number of countries and regions, including Australia, Brazil, Canada, China, the EU, India, Japan, Switzerland and the UK have moved towards mandatory climate disclosure for businesses and FIs in the past few years. Some jurisdictions, including the EU, Brazil, and India have already taken important steps to expand mandatory climate disclosure to include transition-oriented or more environmentally comprehensive requirements.

Table 2: ESG disclosure regulation in different geographies

Brazil	Several regulatory bodies are involved in shaping environmental disclosure requirements in Brazil. For corporates, the Brazilian Securities Commission (CVM) published two resolutions that address disclosure requirements. In 2021, CVM adopted Resolution 59, introducing ESG information disclosure criteria. In 2023, CVM published resolution 193/2023, adopting in full (IFRS S1 and S2) for listed companies. Resolution 193 requests voluntary disclosure in 2024 and 2025, and mandatory from January 2026 onwards (listed companies). Meanwhile, the Central Bank of Brazil introduced resolution 139 setting out a disclosure framework for the banking sector. Resolution 139 came into effect in 2022. Lastly, Circular No. 666 from Brazil's Superintendent of Private Insurance requires that insurance companies or open private pensions entities disclose their sustainability risk management but neglects to outline specific indicators.
China	In 2021, China's Securities Regulator commission released revised mandatory disclosure requirements for listed companies that were subject to certain environmental penalties in the previous year or those identified by the Ministry of Ecology and the Environment. In February 2024, China three main stock exchanges, the Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE), and Beijing Stock Exchange (BSE) together announced the adoption of more comprehensive sustainability reporting guidelines for listed companies. The guidelines set out four main areas of disclosure for companies, including governance, strategy, impact, risk and opportunity management, and indicators and goals. Applicable companies will have to make disclosures on these areas across a range of issues, including climate change, ecosystem and biodiversity protection, circular economy, energy use, supply chain security, rural revitalization, corruption, and anti-bribery.
India	India's principal piece of sustainability disclosure regulation is its Business Responsibility Sustainability Reporting. The reporting framework was issued by the Securities Exchange Board of India (SEBI) in May 2021 to set out reporting requirements on a range of ESG parameters. SEBI mandates the top 1,000 listed companies, including both financial and non-financial entities, by market capitalization to disclose under the BRSR framework. Reporting indicators are divided into essential (mandatory) and leadership (voluntary) indicators. Mandatory indicators comprise several climate-related data points (ie energy consumption and intensity, as well as Scope 1 and 2 GHG emissions); some water related data points (ie enterprise-wide water usage, discharge and intensity metrics); and only indirect biodiversity-related data points (ie location and type of business operation, their legality in/around ecologically sensitive areas, and overview information of Environmental Impact Assessments (EIAs) undertaken).
European Union	In July 2023 the European Commission adopted the European Sustainability Reporting Standards (ESRS) for use by entities subject to the Corporate Sustainability Reporting Directive (CSRD). The first companies required to report on it are the ones currently reporting under the Non–Financial Reporting Directive – that have over 750 employees – in 2025, on their activities for 2024. A phase-in approach will apply to other companies, including large companies, parent of large groups and certain non-EU companies, and listed SMEs from 2026 to 2028. The 12 ESRS adopted by the commission cover two cross-cutting standards – general requirements and general disclosures; five environmental – climate, pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy; social – own workforce, workers in the value chain, affected communities, consumers, and end users, and one on governance: business conduct. All these reporting requirements build on existing EU legislation and are subject to materiality assessment except for the two cross-cutting standards: general requirements and general disclosures. SME Relief Package: On September 2023, the European Commission unveiled a comprehensive SME Relief Package aimed at addressing the unique challenges faced by SMEs and bolstering their competitiveness and resilience. The SME Relief Package presented by the European Commission aims to provide immediate relief and long-term support to SMEs. Key elements of the package related to ESG include enhancing the regulatory environment for SMEs and harmonising SME definitions.

Challenges and opportunities for Small and Medium-sized Enterprises (SMEs) in meeting ESG regulatory requirements

Most of the world's businesses are small and medium sized enterprises (SMEs). Together, SMEs have a significant aggregate environmental footprint and therefore must play a central part in the transition towards a more sustainable economy. For example, **as supply chain emissions are on average 11.4 times higher than operational emissions, many large companies want their** suppliers, often SMEs, to measure, report and reduce their emissions - cascading climate action down the supply chain. However, SMEs face unique challenges with various aspects of sustainability disclosures. SMEs often have limited capacity to collect, analyze and report data on their sustainability performance. SMEs that are unable to demonstrate their environmental action risk losing out on important opportunities, including much needed access to the growing pool of sustainable finance. These challenges are only likely to grow as financial institutions and large purchasers adapt to comply with new mandatory sustainability reporting requirements. As such, **regulators must consider proportionality when developing non-financial disclosure requirements for SMEs** and where possible provide targeted support to help SMEs comply with these requirements. **Decisions on proportionality** and capacity building can be best informed by evidence, using voluntary disclosures and available data sources to understand the status of SMEs' sustainability performance in each unique market.

SMEs wield substantial influence in the economic landscapes of various countries, particularly in developing nations. This is evident in the global business panorama, where SMEs, including micro enterprises with fewer than 10 employees, constitute a noteworthy 70% to 90% of all businesses. In high-income countries, SMEs with up to 250 employees play a pivotal role in employment, contributing 65% of the workforce, while this figure rises to 78% in low-income countries. Additionally, SMEs, particularly those with 5-99 employees, emerge as significant contributors to employment growth, accounting for over 50% of total net employment creation in most countries. Recognizing the pivotal role played by SMEs in economic dynamics, it becomes imperative to empower them with the necessary tools, resources, and frameworks to actively engage in and expedite climate action. As these enterprises form the backbone of many economies, fostering their commitment to environmental sustainability becomes crucial for fostering resilient and responsible economic growth globally. With SMEs largely omitted from mainstream environmental reporting, many capital markets and purchasers lack sufficient insight into the full extent of risks, opportunities and impacts across portfolios and supply chains.

Global snapshot on disclosure

3

Global snapshot on disclosure

- Environmental disclosure is becoming a global market norm, as seen by the increase in disclosures across all regions and the coverage of market indices across developed and emerging markets.
- In 2023, disclosure numbers increased by 25% rising from 18,700+ companies to 23,000+ disclosing through CDP in 2022 and by 140% since 2020.

Figure 1: Shows CDP disclosure rates by thematic issue between 2020-2023[2]

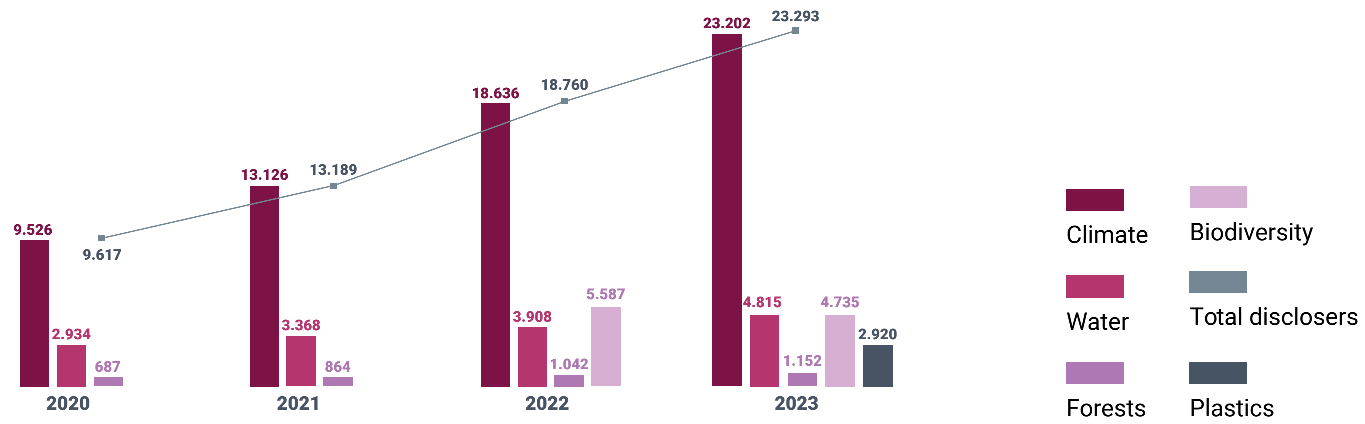
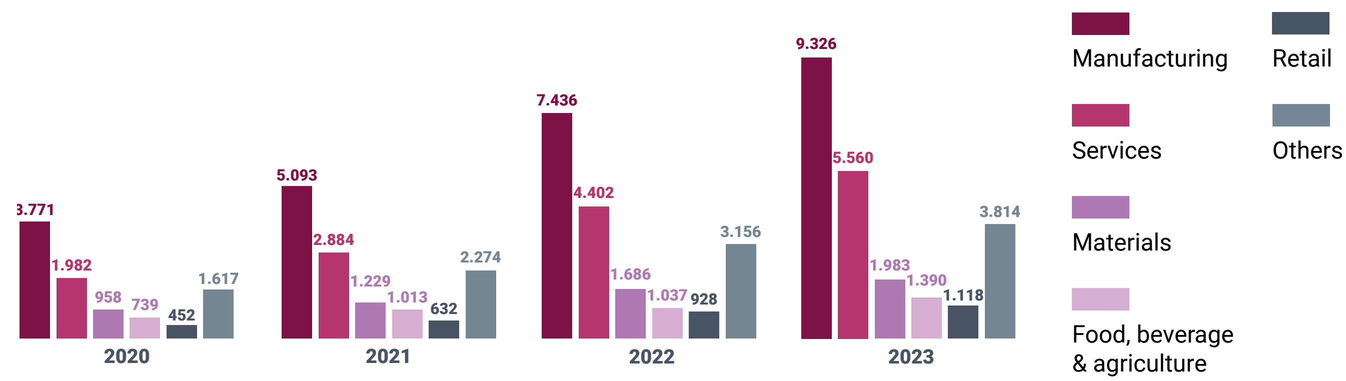


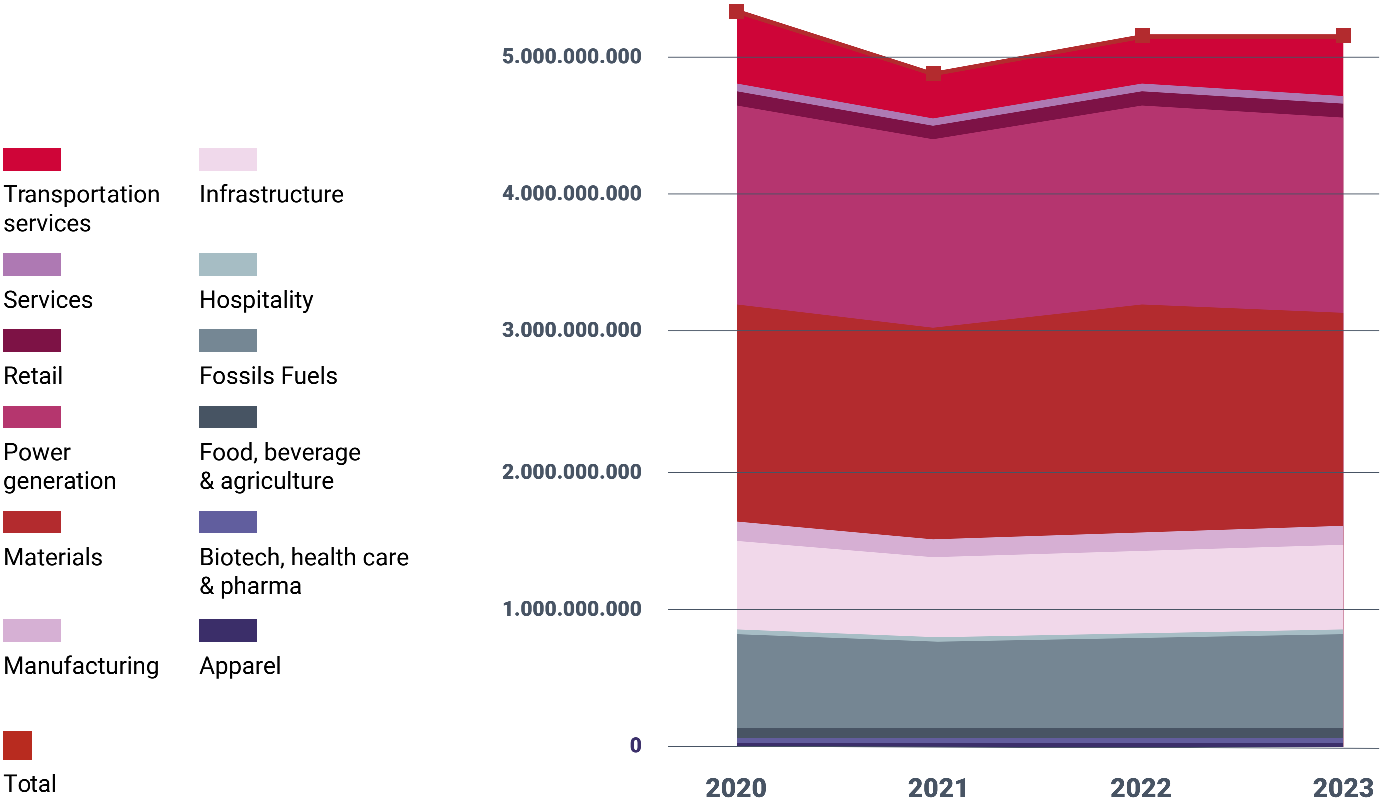
Figure 2: Shows CDP disclosure rates by sector 2020 – 2023[3]



- Scope 1 GHG emissions decreased by 4.3% since 2019. However, companies in the most emitting sectors – materials and power generation – only reduced their annual emissions by 0.5% and 1.5% respectively.[4]

2. 2023 CDP Disclosure Factsheet
3. CDP Government Dashboard
4. 2024 Bellow the Surface – CDP Snapshot on Principal Adverse Impacts

Figure 3: Scope 1 GHG emissions trends, in tones per sector



- Disclosure of GHG emissions has become increasingly mainstream, with especially high levels of disclosure for scope 1 and 2 emissions. However, only 37% of companies disclosed emissions across all three scopes.
- When it comes to targets, ambition pays off: overall, around 29% of companies had set mid-term targets in 2020 and they are outperforming their peers for Scope 1 emissions reductions.[5]
- Only 41% of disclosing companies reported emissions for one or more Scope 3 categories in 2022, despite those emissions being on average 11.4 times higher than operational emissions. In the same period, 71% of disclosing companies reported Scope 1 and/or 2 emissions. This disparity is due to the challenges associated with measuring and disclosing Scope 3 emissions: (i) limited data transparency and traceability across the value chain; (ii) low quality and/or granularity of data; (iii) lack of automated and scalable tools for data extraction; (iv) limited influence over most Scope 3 categories; and (v) an ever-changing regulatory environment.
- More companies are now issuing nature-related disclosures beyond climate. This suggests a growing awareness of the impacts and dependencies that companies have on nature as well as the resulting risks and opportunities. Despite such positive progress, it must be matched by companies' action to manage nature related impacts, risks and opportunities across value chains.
- Over the last three years, there has been a marked increase in the number of companies reporting that they are eliminating deforestation for at least one commodity (40%, representing 90 companies) in their supply chain.

5. 2024 Below the Surface – CDP Snapshot on Principal Adverse Impacts

SME disclosure

SMEs, including micro enterprises with fewer than 10 employees, constitute a noteworthy 70% to 90% of all businesses. In high-income countries, SMEs with up to 250 employees play a pivotal role in employment, contributing 65% of the workforce, while this figure rises to 78% in low-income countries. Additionally, SMEs, particularly those with 5-99 employees, emerge as significant contributors to employment growth, accounting for over 50% of total net employment creation in most countries. More than **4.000 SMEs reported through CDP in 2023.**

Figure 4: Emissions inventory[6]

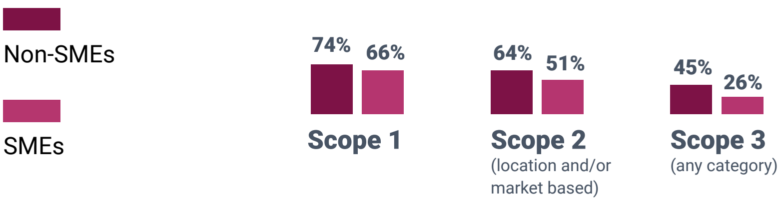
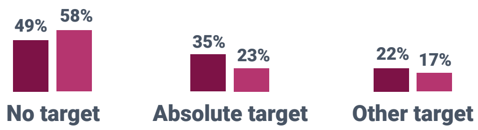


Figure 5: Emissions targets[7]



- Almost 60% of SMEs didn't have an emission reduction target set in 2022. Target setting provides direction and structure to environmental strategy. We recommend setting an absolute target that is based in science.

Understanding the regulatory burdens faced by SMEs and businesses within EMDEs, CDP recommends governments to build policies with instruments such as incremental approaches for SMEs or indicate specific SME dedicated standards. A challenge to be addressed is the variation of SME definitions across different geographies.

6. 2022 disclosure data
7. 2022 disclosure data

Table 3: SMEs definitions in different geographies

Brazil	In terms of the size classification established by the Brazilian Institute of Geography and Statistics, the segment of micro, small and medium enterprises (MSMEs) comprise companies that have up to 249 employees: micro enterprises have 0 to 9 employees, small enterprises have 10 to 49 employees, and medium-sized enterprises have between 50 to 249 employees. All companies having more than 249 workers are classified as large enterprises.[8]
China	The definition of Chinese SMEs derives from China's SME Promotion Law 2003. It distinguishes between industries and considers three aspects including the number of employees, total assets, and business revenue.[9]
India	India defines Micro, Small and Medium Enterprises based on dual criteria of investment and turnover. The Act provides for the classification of enterprises based on their investment size (up to Rs.50 crore), annual turnover (does not exceed Rs. 250 crore) and the nature of the activity undertaken by that enterprise. As per MSMED Act, enterprises are classified into two categories - manufacturing enterprises and service enterprises.[10]
European Union	The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.[11]

8. Brazil | Financing SMEs and Entrepreneurs 2022 : An OECD Scoreboard | OECD iLibrary (oecd-ilibrary.org)

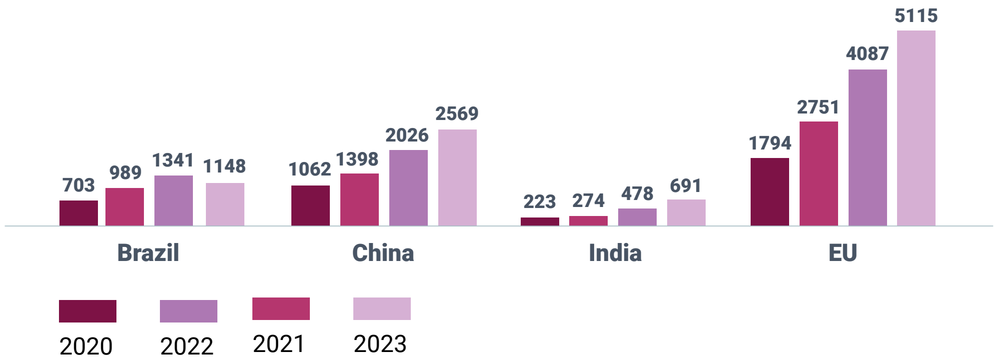
9. https://circulareconomy.europa.eu/platform/sites/default/files/2023-08/The%20Role%20of%20SMEs%20in%20China%27s%20Circular%20Economy%20Transition.pdf

10. Reserve Bank of India - Frequently Asked Questions (rbi.org.in)

11. SME definition - European Commission (europa.eu)

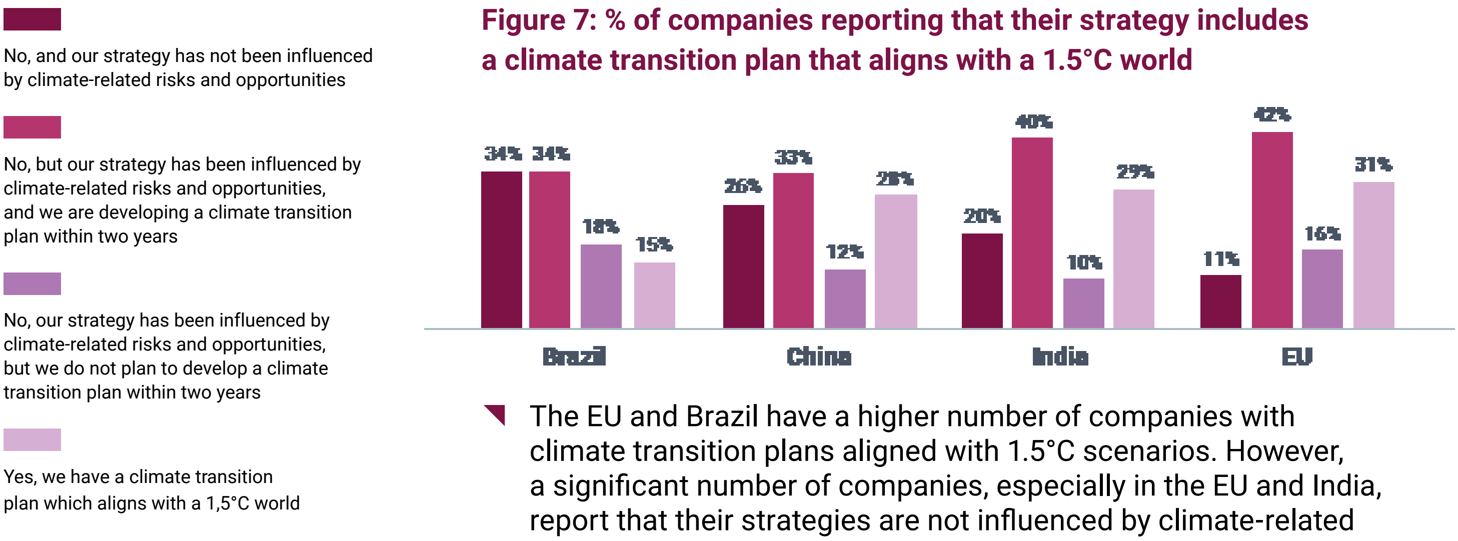
Brazil, China, India and the EU

Figure 6: Number of companies disclosing



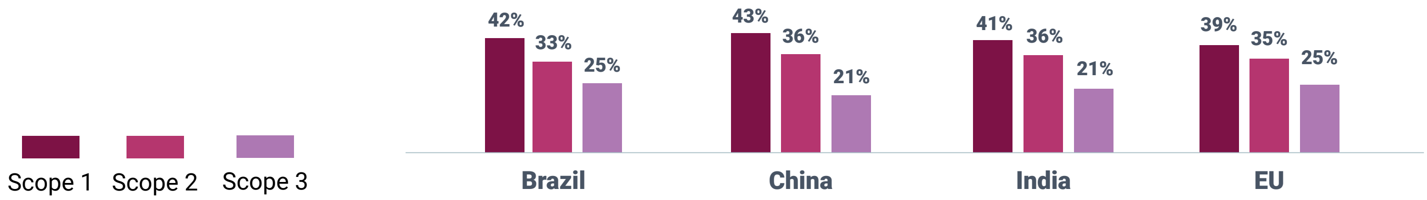
- On figure 6, it is possible to observe that there is a tendency of increased disclosure, influenced by the increase of ESG disclosure regulations. All regions display an upward trend from 2020 to 2023 in the number of companies disclosing environmental information through CDP, though the rates of increase vary. Data suggests a positive trend in corporate transparency regarding environmental information through CDP across all regions. China and the EU lead in the number of disclosures and growth rates, indicating a strong commitment to environmental transparency.

Figure 7: % of companies reporting that their strategy includes a climate transition plan that aligns with a 1.5°C world



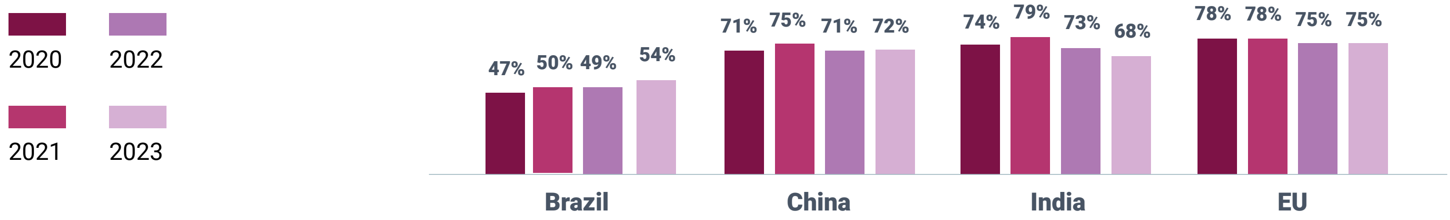
- The EU and Brazil have a higher number of companies with climate transition plans aligned with 1.5°C scenarios. However, a significant number of companies, especially in the EU and India, report that their strategies are not influenced by climate-related risks and opportunities. This indicates a mixed global landscape regarding corporate climate responsibility and planning.
- To ensure consistency, governments should include robust time-bound transition plans in disclosure requirements, outlining how companies and FIs will transition to business models with a 1.5°C trajectory and nature-positive outcomes.

Figure 8: % of companies disclosing GHG Emissions by scope

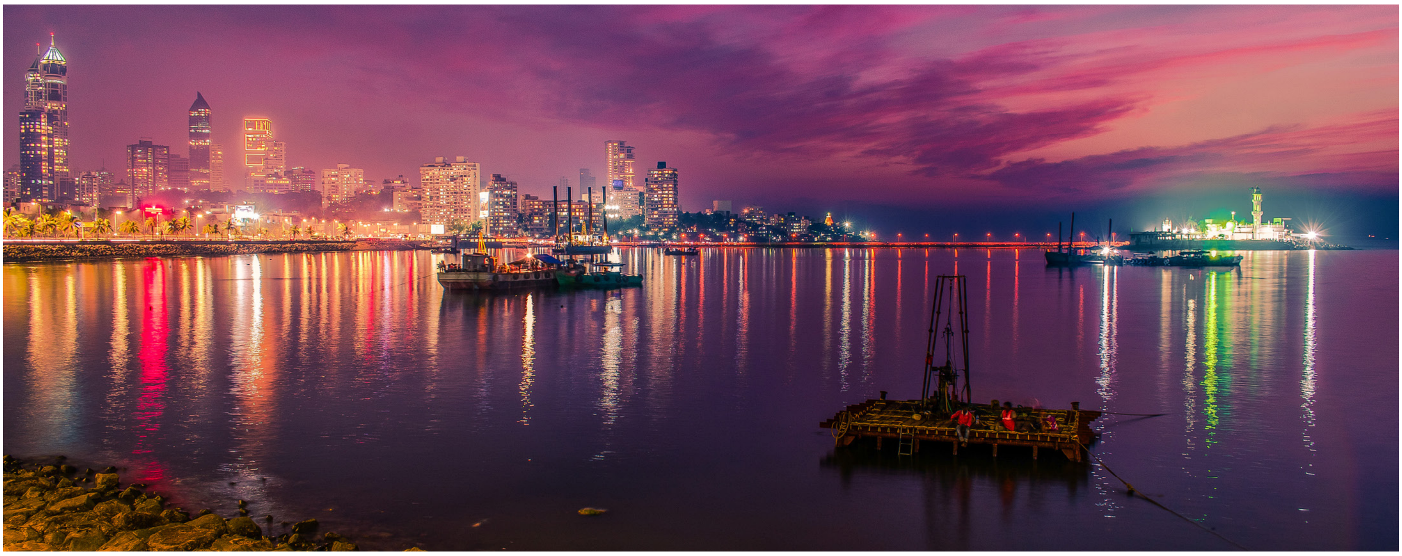


- CDP´s data suggests a growing trend in GHG emissions disclosure among companies in these regions, with a notable emphasis on Scope 1 and Scope 2 emissions. Scope 3 emissions, being the most complex to track, have the lowest disclosure rates across all regions.

Figure 9: % of companies with process for identifying, assessing and responding to climate-related risks and opportunities



- In Brazil, the percentage of companies with process for identifying, assessing and responding to climate-related risks and opportunities increased steadily from 47% in 2020 to 54% in 2023. However, Brazil still has the lowest percentage in comparison to other countries analyzed. The EU maintained consistently high percentages, ranging from 75% to 78%. Overall, the EU and China had the highest engagement in climate-related risk processes, while Brazil showed the most significant growth over the period.



Conclusion

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Conclusion

CDP data suggests that the quantity and quality of corporate ESG disclosure are rapidly improving over time. However, solely relying on advancement in voluntary disclosures will slow down market uptake of be too slow to provide markets with the information needed to transform business models and the global economy towards delivering on the goals and in line with timelines set out in the Paris Agreement and, Global Biodiversity Framework, Sustainable Development Goals and Global Plastics Treaty amongst others. Therefore, there is an urgency for policymakers and financial regulators must act to close this gap. In doing so, they must carefully, crafting regulations that enable high quality ESG data while also ensuring that no one is left out behind in of the transition to a greener economy. This includes SMEs and EMDEs. As CDP data shows, while progress is being made in climate-related reporting, it is crucial to also focus on other areas like water security and biodiversity. Policymakers should therefore create design clear and consistent guidelines that cover a wide range of environmental issues.

Those most at risk of being left behind, including SMEs and companies in EMDEs, must be given unique attention in the development of ESG regulation. Policymakers and regulators must strike a delicate balance between enabling proportional disclosure requirements and grounding regulation in common principles that ensure high quality disclosure data. CDP's HQMD principles set out a framework to help guide policymakers and regulators across the G20 in these efforts.

Annex

Principles for High Quality Mandatory Disclosure (HQMD)

In 2023, CDP published a report outlining the 10 principles that policymakers and regulators should follow when crafting sustainability disclosure policies. The HQMD Principles were developed based on the expertise of a steering committee from academia, civil society, and international organizations and from insights of CDP's extensive database. While the principles were designed for environmental disclosure, they can be used for broader sustainability disclosure policy and regulation. These principles offer inspiration for regulators to establish robust environmental disclosure policy and regulation to enhance transparency, enable better risk management, and drive the economy to contribute to national and global environmental goals, such as Paris Agreement, the SDGs, and the Global Biodiversity Framework. Below are three of the most relevant principles for SMEs and ESG regulation:

a. Principle 1 - Ensure environmental integrity, addressing risk, opportunities, dependencies and impacts on people and planet with a holistic environmental approach.

Policies and regulation should address both sustainability disclosure as well as sustainability-related financial disclosure, hence including risks, opportunities, dependencies, and impacts of the organization on the economy, people and planet[12],[13]. Disclosure requirements should address the broad environmental spectrum, as it is not possible to tackle climate change without looking at the environment at large. For SME sustainability disclosure regulation, regulators could identify and introduce regulations based on priority over time and alignment with broader national and international policies.

b. Principle 2 – Ensure consistency and interoperability of disclosure regimes across jurisdictions, building off global baseline disclosure standards.

To allow companies to operate in a global market, it is crucial that disclosure policy and regulation adopted by different jurisdictions, as well as disclosure standards those policies rely on, are consistent and interoperable. National disclosure policies should lean on a 'building-block' approach, using the global baseline offered by the IFRS standards developed by the ISSB for capital markets and the GRI Standards developed by the GSSB for broader impact disclosure[14]. Other frameworks such as the TNFD align with and build on the global baseline to provide recommendations and guidance on how to align corporate disclosure with the GBF. Frameworks such as this can inspire standards' development and the most innovative policies. Should specific regional standards and disclosure regimes be developed, such as the recent developments in the EU with the ESRS or the US with the SEC climate disclosure rule, regulations should build upon these global baseline standards, while addressing specific jurisdictional needs. This approach will ensure the interoperability of standards across different markets and jurisdictions.

c. Principle 5 – Bring in the scope of all businesses and financial institutions.

To facilitate a system change, it is paramount that disclosure requirements cover all private sector entities, both businesses and FIs. Aligned with growing consensus, the value chains of businesses should be included to ensure that risks, opportunities, dependencies and impacts are assessed beyond direct operations. An incremental approach could start with large, listed companies and aim to include the broader economy actors

12. In some jurisdictions, this is referred to as double materiality

13. As agreed by 195 governments and the EU in the Global Biodiversity Framework Target

14. Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf (sasb.org)

over time. For SMEs, regulators might consider an incremental approach to reduce regulatory burden at first, or indicate specific SME dedicated standards, in transitioning toward full disclosure requirements.

d. Principle 6 - Include expectations on the disclosure of climate and nature transition plans.

Governments should include robust time-bound transition plans[15] in disclosure requirements, outlining how companies and FIs will transition to business models with a 1.5°C trajectory and nature positive outcomes[16]. These plans are essential for fostering a global economic response to challenges of climate change, nature loss, water depletion, pollution and use of resources in a credible, accountable and resilient manner. Such plans are also essential for the effective exercise of market discipline, and investors' ability to hold investee company boards and management to account that a company's business model is poised to thrive in a 1.5°C-aligned and nature positive economy.

For SMEs, regulators could consider transition plan disclosure requirements that focus on the companies' operations and eventually look to the full value chain over time.

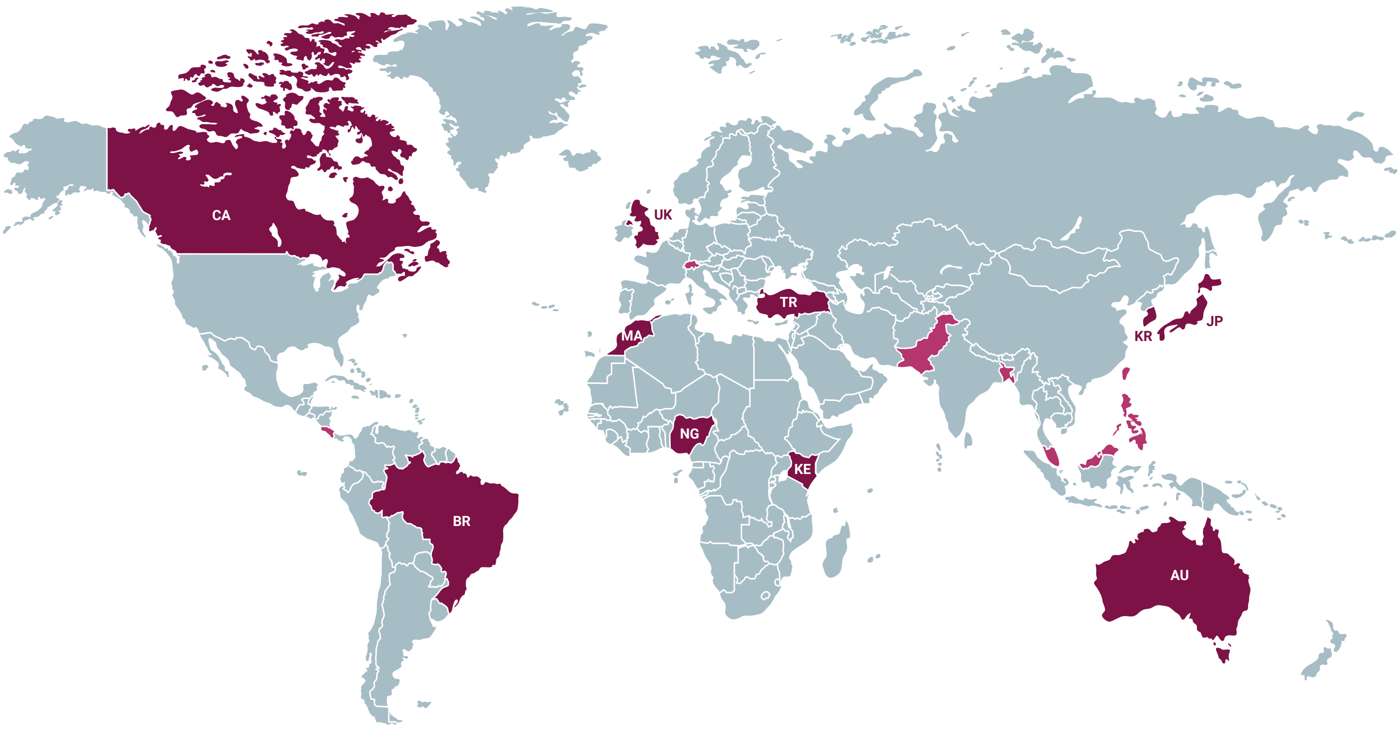
e. Principle 7 – Ensure quality and reliability, and set expectations on external assurance.

Disclosure regulation should require external verification. Third party verification of disclosure data enhances the reliability of information, engendering greater confidence for stakeholders who depend on the data. The scope of assurance can vary from limited assurance for certain aspects to more rigorous levels such as 'reasonable' or 'full'. For critical disclosure topics and metrics, more rigorous levels of assurance should be mandatory. Particularly, in cases where materiality assessment is left to the companies, reasonable assurance of the process and outcome of such assessments is paramount. For SMEs, assurance of any form may be too burdensome at first but levels of limited or reasonable assurance will be necessary over time for key metrics.

15. The plans should be underpinned by CDP's foundational principles of a credible climate transition plan which include (or at the very least reflect, Accountability, internal coherence, forward-looking, time-bound and quantitative, flexible and responsive and complete. This is outlined in detail, in CDP's climate transition plan discussion paper, CDP_technical_note_-_Climate_transition_plans.pdf. At present, this is focused on climate, but CDP has begun expanding transition planning into broader nature. For more work from CDP around transition plans, see also https://cdn.cdp.net/cdp-production/cms/ guidance_docs/pdfs/000/001/430/original/CDP-technical-note-scenario-analysis.pdf?1512736385, https://cdn.cdp. net/cdp-production/cms/guidance_docs/pdfs/000/003/101/original/CDP_technical_note_-_Climate_transition_plans. pdf?1643994309.

16. "Nature positive" means that we need to halt and reverse nature loss measured from a baseline of 2020, through increasing the health, abundance, diversity and resilience of species, populations and ecosystems so that by 2030 nature is visibly and measurably on the path of recovery. Source: https://www.naturepositive.org/

Figure 1: Countries discussing or mandating the adoption of ISSB in the next years (G20 = members, observers, and AU member states)



G20
Jurisdictions

Other
Jurisdictions

Countries

AU - Australia
BR - Brazil
CA - Canada
JP - Japan
KE - Kenya
MA - Morocco
NG - Nigeria
KR - South Korea
TR - Turkey
UK - UK

Table 04: Overview of G20 jurisdictions adopting ISSB, and relevant regulations and policies on disclosure across G20 (including 2024 G20 observers and AU member states)

Jurisdiction	Status (ISSB)	Implementation Date (ISSB)	Cooperations and Assurance Requirements (ISSB)	Relevant regulations and policies on disclosure
Australia[17]	The Australian Treasury is consulting on standards until 1 March (currently only adopting IFRS S2)	Staggered implementation from January 2025	Reasonable assurance on all climate-relate disclosures (including Scope 3) from fourth year of reporting	**Banks, insurers, and superannuation funds:** CPG 229, which supports compliance with the existing risk management and governance requirements and provides guidance to assist an institution to manage climate risks
Brazil	According to CVM Resolution 193/2023, adopting in full (IFRS S1 and S2) for listed companies The Central Bank of Brazil is consulting on standards for FIs until 28 June	Voluntary in 2024 and 2025, and mandatory from January 2026 onwards (listed companies)	Assurance can be made by an independent auditor registered by the regulator	**(i) Listed businesses:** Resolution CVM 59/2021, for ESG aspects, in a comply or explain basis. (ii) **Financial institutions:** Resolution 139/2021 and others, mandatory ESG disclosure. **(iii) Insurance sector:** Resolution 666/2022, ESG disclosure. All regulations are TCFD aligned
Canada	The Canadian Sustainability Standards Board (CSSB) is consulting on draft standards from March to June 2024	January 2025	There is a proposed transition relief for disclosure of Scope 3 GHG emissions from one year to two years	**Listed businesses:** National Instrument NI 51-107, on Climate-related Disclosure Requirements

17. Click here to access more information on dates and assurance.

Jurisdiction	Status (ISSB)	Implementation Date (ISSB)	Cooperations and Assurance Requirements (ISSB)	Relevant regulations and policies on disclosure
Japan	The Sustainability Standards Board of Japan (SSBJ) is consulting on draft standards until July 2024	March 2025. Intended to initially cover listed companies	Japan's Financial Accounting Standards Foundation (FASF) has signed an MoU with IFRS Foundation. This supports capacity building and engagement projects in the region (eg. integrated reporting projects).[18]	**Listed businesses:** The Corporate Governance Code encourages companies to disclose non-financial information. After the 2023 FY, companies listed on the Prime Market should collect and analyse climate-related risks & opportunities and enhance the quality & quantity of disclosure based on the TCFD
Kenya	Developing an adoption roadmap The CBK has separately said revealed that it is developing a disclosure framework for Kenyan banks that will be aligned to ISSB standards			A Guidance on Climate-Related Risk Management was issued in 2021. In 2023, the Kenyan banking industry launched a TCFD-aligned Climate Related Financial Disclosures template to compliment the guidance
Morocco	Morocco's central bank is drawing up new guidelines for banks', and reviewing disclosure and target-setting requirements	Early 2025 (currently only for banks)		Circular 03/19 on ESG reporting and basic elements of climate risk, which requires reporting by issuers, including banks, in accordance with international practices; Regulatory Directive n° 5/W/2021 requiring credit institutions to identify, manage, and monitor climate-related and environmental risks in line with international practices

18. https://www.esginvestor.net/live/japan-sets-issb-timeline/#:~:text=Japan%20has%20finalised%20its%20timeline,standards%20by%20 31%20March%202025.

Jurisdiction	Status (ISSB)	Implementation Date (ISSB)	Cooperations and Assurance Requirements (ISSB)	Relevant regulations and policies on disclosure
Nigeria	Consulting on adoption roadmap	Phased mandatory adoption for listed companies and SMEs January 2027-2030	Reasonable assurances all disclosures for all reporting entities from January 2032	Since 2019, it is mandatory for all listed companies on the e Nigerian Stock Exchange (NSE) premium board to provide a sustainability report. There is a Guideline on how to integrate sustainability, as well as detailing indicators
Singapore	Mandatory climate-related disclosures officially introduced (currently only S1)	Effective in FY 2025 for listed companies and FY 2027 for non listed companies	Assurance for reporting will be mandatory, two years after reporting	
South Korea	The Korea Sustainability Standards Board (KSSB) will release draft standards in April, standards to be finalized by June 2024	March 2025		**KOSPI-listed companies:** Mandatory ESG disclosure requirements will be implemented at the KOSPI Stock Market Division starting in 2025
Türkiye	The national standard-setter of Türkiye, Kamu Gözetimi, adopted ISSB in full (IFRS S1 and S2)	January 2024	Mandatory assurance from January 2026	**Listed businesses:** Capital Markets Board (CMB) amended the Corporate Governance Communique to ensure that public companies adopt the idea of sustainability and report their sustainability performance. With this regulation, the CMB also provided the Sustainability Principles Compliance Framework, which outlines ESG indicators that can be reported on
UK	The Department for Business and Trade (DBT) is consulting on standards until July 2024	Not mentioned		**Listed businesses, large businesses & FIs:** The TCFD-aligned roadmap sets out an indicative path towards mandatory climate-related disclosures across the UK economy by 2025

Source: Adapted from Responsible Investor ISSB Tracker.

Source: For detailed information on disclosure policies and regulations adopted across all G20 countries, please access the Annex 3 of our document "Shaping High-Quality Mandatory Disclosure: Taking Stock and Emerging Best Practice".

Research and compilations

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About CDP

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 700 financial institutions with over $142 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Over 24,000 organizations around the world disclosed data through CDP in 2023, with more than 23,000 companies – including listed companies worth two thirds global market capitalization - and over 1,100 cities, states and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative. Visit cdp.net or follow us @CDP to find out more.