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SGV Sustainability

Sustainability Policy Developments

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An update on significant regulatory and legislative developments affecting EY teams and clients

Sustainability reporting and assurance

Global

On 30 October, **International Sustainability Standards Board (ISSB) Chair Emmanuel Faber** announced the expansion of the **Jurisdictional Working Group** to enable multilateral discussions on using **ISSB Standards** as "a global passport" for sustainability reporting. For jurisdictions that have adopted or that plan to adopt sustainability reporting requirements aligned with the ISSB's model standards, this "passporting" approach would encourage jurisdictions to accept reports prepared "in accordance with" the ISSB's standards, "accommodating jurisdiction-specific conditions as needed." According to the ISSB, this approach "will help lower costs for preparers and reduce frictions in the system to deliver efficiencies and comparable information for capital markets and preparers." The ISSB also announced the launch of a new Jurisdictional Rationale Guide and tool that explains how adopting ISSB Standards will strengthen capital markets, improve investor decision-making and deliver cost efficiencies for preparers.

On 21 October, the **Global Reporting Initiative (GRI)** and **CDP** jointly released a mapping resource, aligning disclosures from the revised GRI **climate (GRI 102)** and **energy (GRI 103) standards** with environmental datapoints in the CDP questionnaire. This initiative aims to streamline corporate sustainability reporting by enabling companies to report GRI-aligned data directly through CDP's platform, thereby enhancing consistency and comparability across disclosures and clarifying how the GRI and CDP frameworks complement each other. The mapping tool supports broader efforts to reduce reporting burdens while improving access to high-quality environmental data.

On 14 October, the **Greenhouse Gas Protocol (GHG Protocol)** outlined proposed revisions to its **Scope 2 Guidance**, originally published in 2015 and approved by the **Independent Standards Board** in June. Key proposed changes include revisions to both location-based and market-based methods, for example, proposed hourly matching and the redefining of market boundaries to reflect deliverability. These revisions aim to improve the accuracy of Scope 2 emissions for decision making, provide clearer guidance, enhance compatibility with global reporting frameworks and support ambitious climate action. The proposals are out for public consultation until 19 December.

Sustainability reporting and assurance (cont'd)

Global

On 14 October, the **International Auditing and Assurance Standards Board (IAASB)** released a webinar providing guidance on how practitioners should apply the **International Standard on Sustainability Assurance (ISSA 5000)**, the board's sustainability assurance standard, to evaluate evidence, form conclusions and prepare assurance reports. The guidance intends to support consistent application of assurance practices in sustainability engagements in order to advance the IAASB's commitment to high-quality, globally comparable sustainability assurance standards.

On 7 October, the **International Organization for Standardization (ISO)** published **ISO 17298**, a new standard for assessing biodiversity-related dependencies, impacts, risks and opportunities. ISO 17298 integrates biodiversity into core governance and risk management practices and is designed to be interoperable with existing ISO standards (e.g., ISO 14001, ISO 26000) and the **Taskforce on Nature-related Financial Disclosures (TNFD) framework.** Developed with input from the TNFD, the standard supports organizations in embedding nature-related considerations into strategic decision-making and sustainability reporting.

Asia-Pacific

In October, the Malaysian Institute of Accountants and the Hong Kong Institute of Certified Public Accountants, adopted the **ISSA 5000** and the **International Ethics Standards for Sustainability Assurance (IESSA).** ISSA 5000 will apply to assurance engagements on sustainability information for periods beginning on or after 15 December 2026, with early application permitted. IESSA will take effect on the same date, except for Sections 5405 and 5406 in Malysia, which will be implemented from 1 July 2028. The adoption marks a significant step in Malaysia and Hong Kong's alignment with global sustainability assurance standards.

On 24 October, the **Philippines Securities and Exchange Commission (Philippines SEC)** released a revised draft Memorandum Circular for second public consultation, proposing the adoption of **Philippines Financial Reporting Standards** on sustainability disclosures. The guidelines apply to publicly listed companies and large non-listed entities, and aim to institutionalize sustainability reporting, enhance environmental, social and governance accountability and improve the quality and comparability of non-financial disclosures. The revisions reflect stakeholder feedback from the initial consultation held in July 2025. This initiative aligns with the Philippine SEC's broader strategy to promote transparency and harmonize reporting practices with international standards.

Sustainability reporting and assurance (cont'd)

Asia-Pacific

On 21 October, the New Zealand Government announced proposed amendments to its climate-related disclosure (CRD) regime, aimed at easing compliance burdens and encouraging capital market activity. Introduced in 2021, the CRD initially applied to financial institutions and listed issuers above a market cap or debt threshold of NZD $60 million. The revised framework raises this threshold to NZD $1 billion and removes managed investment schemes from scope, halving the number of reporting entities. The changes also eliminate personal liability for directors over CRD breaches, while maintaining accountability for misleading conduct. Legislation to enact these reforms is expected in 2026, following concerns that high compliance costs were deterring listings on the New Zealand Exchange.

Americas

On 15 October, **Brazil's Ministry of Science, Technology and Innovation (MCTI)** signed a **Technical Cooperation Agreement** with **CDP** to enhance climate transparency and data integration. Building on a 2021 partnership, the agreement enables environmental data disclosed via CDP's global dataset to be incorporated into Brazil's government monitoring platforms. It also establishes a framework for joint studies and coordinated climate disclosure efforts. The CDP platform is now officially promoted by MCTI as a reporting option for Brazilian companies to report corporate emissions data. This follows the 2023 recognition by Brazil's securities regulator, **Comissão de Valores Mobiliários**, of CDP disclosures aligned with the **ISSB Standards** as meeting national regulatory requirements.

On 15 October, the **California Air Resources Board (CARB)** announced a delay in finalizing regulations under the state's climate reporting laws, originally scheduled for implementation in December 2025. The rulemaking draft was not released on its expected date of 14 October, with CARB citing extensive public feedback and ongoing deliberations. The updated timeline now targets Q1 2026 for final rule adoption. Despite the delay, companies in scope must still file climate-related financial risk reports by 1 January and Scope 1 and 2 emissions reports by 30 June 2026. CARB has advised entities to use "best efforts" and existing frameworks in the interim. Also, on 10 October, CARB issued a draft reporting template under the **Climate Corporate Data Accountability Act (SB 253)**, outlining data requirements for 2025 Scope 1 and 2 emissions disclosures. The template includes fields for organizational details, assurance engagements, emissions quantification, materiality thresholds and renewable energy contracts. It also references potential obligations under California's Mandatory Reporting Regulation. Additionally, another lawsuit was filed in California against the state's climate reporting laws in the **United States (US) District Court for the Eastern District of California.** The suit raises first amendment claims, similar to the ongoing litigation against the laws in a different California federal court. Timing for next steps in the litigation is not yet known.

Sustainability reporting and assurance (cont'd)

Europe, Middle East, India and Africa

On 22 October, the **European Parliament** rejected the Legal Affairs Committee's mandate to begin trilogue negotiations on the **Omnibus 1 Simplification Package**, which proposes simplifications to the **Corporate Sustainability Reporting Directive** and the **Corporate Sustainability Due Diligence Directive.** The vote was conducted by secret ballot, delaying negotiations with the **Council of the European Union (EU)**. Political groups may now table amendments ahead of a full Parliament vote on 13 November. The rejection reflects deep divisions over the scope and ambition of sustainability regulations, with some lawmakers advocating for sharper reductions and others pushing to preserve existing frameworks.

On 14 October, the **European Securities and Markets Authority (ESMA)** outlined the European Common Enforcement Priorities for the 2025 annual financial reports of listed issuers. ESMA asks issuers to focus on the following areas in their 2025 annual financial reports, in addition to general considerations:

- IFRS financial statements: geopolitical risks and uncertainties and segment reporting
- Sustainability statements: materiality considerations in reporting under the **European Sustainability Reporting Standards (ESRS)** and scope and structure of the sustainability statements
- European Single Electronic Format (ESEF) digital reporting: common ESEF filing errors found in the Statement of Cash Flows

ESMA's priorities for this year reaffirm its commitment to simplifying regulatory processes and reducing administrative burdens, while maintaining a strong emphasis on investor protection and market stability. Additionally, ESMA underscores the growing importance of aligning financial and sustainability disclosures, recent developments in IFRS and the consistent application of alternative performance measures. On the same day, ESMA also released findings from a fact-finding exercise focused on 2024 corporate sustainability reporting by European issuers under **ESRS Set 1**. The report explores disclosures related to the double materiality assessment process and its outcomes, offering valuable insights into enforcement priorities and potential areas for future regulatory enhancement.

On 8 October, the **European Financial Reporting Advisory Group (EFRAG)** announced that it will unveil its simplified **ESRS** during its annual conference on 4 December in Brussels. EFRAG is expected to submit the finalized standards to the **European Commission (EC)** by the end of November.

Carbon pricing and markets

Global

On 21 October, the **Climate Vulnerable Forum** and **V20 Finance Ministers (CVF-V20)** announced an expansion of the **Carbon Finance Program** in partnership with the **Voluntary Carbon Markets Integrity Initiative (VCMI).** Originally launched in June 2024, the program supports climate-vulnerable nations in leveraging high-integrity voluntary carbon markets to finance **national Climate Prosperity Plans.** The initiative aims to unlock up to $20 billion annually for V20 countries through enhanced access to carbon finance, policy guidance and technical support.

On 17 October, the **International Maritime Organization** postponed a vote on implementing a global carbon levy for shipping emissions, following reports of pressure from the US. The measure, initially agreed in principle in April, was delayed for one year after diplomatic interventions from the **Trump administration**, including threats of trade retaliation. Industry stakeholders and **EU** representatives expressed concern over the setback, warning that it may hinder investment in maritime decarbonization and weaken multilateral climate diplomacy.

Asia-Pacific

On 28 October, the **Singapore Government** launched a suite of initiatives to advance high-integrity carbon markets, led by the **National Climate Change Secretariat, Ministry of Trade and Industry, Enterprise Singapore and the Monetary Authority of Singapore**. Key measures include the publication of **Voluntary Carbon Market guidance** for corporate decarbonization strategies, plans for an industry-led buyers' coalition to aggregate demand for high-quality credits and the introduction of a S$15 million Financial Sector Carbon Market Development Grant. These efforts aim to address persistent market challenges, such as weak demand and limited supply of credible projects, and build on Singapore's international partnerships and **Article 6** initiatives to strengthen market infrastructure and catalyze climate finance.

On 15 October, the **Indonesia President Prabowo Subianto** signed a presidential decree announcing the resumption of international carbon credit trading following a four-year moratorium. The decree permits cross-border transactions in carbon offset units under national standards or those recognized by international certifiers such as the **United Nations (UN) Framework Convention on Climate Change, Verra and Gold Standard.** The suspension, initiated in 2021, prioritized domestic emissions reductions and addressed concerns over low carbon prices and limited benefits to host countries. The decree also mandates a decentralized, real-time registry to prevent double counting. This move complements Indonesia's net-zero commitment by 2060 and builds on its 2023 launch of a domestic carbon exchange, which has recently begun offering credits to foreign buyers.

Carbon pricing and markets (cont'd)

Asia-Pacific

On 10 October, the **Philippines Department of Energy** published its first regulatory framework for carbon credits in the energy sector. The Circular outlines procedures for generating, verifying, owning and trading carbon credits derived from renewable energy projects, energy efficiency measures and early coal plant retirements. Each credit represents one metric ton of avoided carbon dioxide emissions. The policy supports the Philippines' participation in international carbon markets under the **Paris Agreement** and introduces a **Task Force on Energy Carbon Credits** to support transparency and prevent double counting. This initiative aligns with the **Philippines Energy Plan 2023–2050**, which prioritizes a secure, low-carbon energy future.

On 3 October, **Verra** and **Indonesia's Ministry of Environment** signed a **Mutual Recognition Agreement (MRA)** to strengthen the integrity and accessibility of Indonesia's carbon markets. The agreement enables dual registration of projects under **Verra's Verified Carbon Standard** and **Indonesia's national registry (SRN-PPI)**, facilitating oversight of emissions reductions aligned with the country's Nationally Determined Contributions. The MRA streamlines project approval, supports registry interoperability and lays the groundwork for **Article 6** authorization. A technical guidance document is under development to clarify compliance requirements.

Europe, Middle East, India and Africa

On 22 October, **ESMA** published its 2025 Carbon Market Report on the **EU Emissions Trading System**, confirming continued market stability and consistent trading dynamics. The report highlights a decline in average European Union Allowance (EUA) prices due to reduced demand from the power sector and increased auction volumes, with prices stabilizing after Q1 2024. Derivatives markets remain central to EUA distribution, with futures comprising 75% of traded volumes. ESMA recommends enhancing Legal Entity Identifier adoption and advancing the Markets in Financial Instruments Regulation Review to improve transparency and reduce reporting complexity.

On 20 October, the **EC** adopted simplification measures for the **Carbon Border Adjustment Mechanism**, published in the Official Journal. The amendments introduce a 50-ton exemption threshold, expected to exclude approximately 182,000 importers (primarily small- and medium-sized enterprises) while maintaining coverage of over 99% of emissions. The changes streamline compliance procedures, including declarant authorization and emissions calculation and aim to reduce administrative burdens. From 2027, the EC may publish default carbon prices for third countries with existing carbon pricing regimes. These measures form part of the broader **Omnibus I Simplification Package** to enhance competitiveness and reduce regulatory burden.

Other key sustainability policy developments

Global

Please see the "Policy in focus" section below for a detailed overview of recent updates to countries' Nationally Determined Contributions ahead of COP30.

On 30 October, the **Organization for Economic Co-operation and Development (OECD)** released its Global Corporate Sustainability Report 2025, offering a comprehensive analysis of sustainability practices among listed companies worldwide. The report evaluates implementation of the **G20/OECD Principles of Corporate Governance**, with a focus on reporting quality, board oversight and stakeholder engagement. Key findings include:

- A rise in sustainability disclosures, with 91% of companies by market capitalization reporting in 2024, up from 86% in 2022.
- Widespread use of external assurance, primarily limited in scope.
- Board oversight of climate issues increased to 70%, and 67% of companies now link executive compensation to sustainability metrics.
- Highlights the role of institutional investors and stagnant capital expenditures in the energy sector despite rising cash inflows.

On 20 October, the **Taskforce on Inequality and Social-related Financial Disclosures** released its Conceptual Foundations **discussion paper**, initiating a stakeholder engagement process to define key terms and frameworks for addressing inequality and social-related issues in financial and business contexts. The paper aims to harmonize language across stakeholders and clarify the interconnections between business, finance, people and inequality, particularly in relation to climate and nature. The finalized framework will underpin a forthcoming disclosure standard, expected in Spring 2026. Stakeholder input will be gathered through targeted engagement events in November and December.

On 16 October, the **UN Environment Program**, in partnership with the **Global Environment Facility (GEF)**, the **Development Bank of Latin America** and the **Asian Development Bank**, launched the **Net-Zero Nature-Positive Accelerator Integrated Program**. With $100 million in GEF funding and $700 million in co-financing, the initiative aims to align climate and biodiversity goals across 12 countries through national-level projects and a global knowledge-sharing platform. The program supports implementation of the **Paris Agreement** and the **Kunming-Montreal Global Biodiversity Framework**, targeting restoration of 1 million hectares and a reduction of 75 million tons of carbon emissions.

Other key sustainability policy developments (cont'd)

Asia-Pacific

On 6 October, **Singapore's Competition and Consumer Commission (CCS)**, under the **Ministry of Trade and Industry**, released a new guide to help companies avoid greenwashing in product and business claims. The guidance responds to findings from a 2022 CCS study, which revealed that over half of online environmental claims were vague or lacked substantiation. The guide outlines five principles for credible claims: accuracy, clarity, meaningfulness, transparency and evidence-based support. It emphasizes the need for plain language, fair comparisons and accessible substantiation. This initiative reflects Singapore's broader efforts to enhance consumer protection and uphold integrity in sustainability communications across sectors.

Americas

On 16 October, the **US Department of Energy** released its **Fusion Science and Technology Roadmap**, outlining a national strategy to commercialize fusion energy by the mid-2030s. Developed with input from over 600 stakeholders, the roadmap defines a Build – Innovate – Grow framework to align public investment and private innovation. It identifies coordinated investments in six core fusion science and technology areas: structural materials, plasma-facing components, confinement systems, fuel cycle, blankets and plant engineering and integration. The initiative supports the **Trump Administration's** energy agenda and aims to strengthen domestic supply chains and US leadership in fusion energy. Future funding will depend on Congressional appropriations.

On 16 October, the **US Federal Deposit Insurance Corporation** and the **Federal Reserve Board** announced the withdrawal of the interagency **Principles for Climate-Related Financial Risk Management for Large Financial Institutions,** originally issued in October 2023. The agencies stated that existing safety and soundness standards sufficiently address material financial risks, including those related to climate. The decision reflects a shift in regulatory priorities and reduces formal guidance on climate risk management for large financial institutions.

On 14 October, **Brazil's Ministry of Finance** confirmed that its forthcoming green taxonomy will apply a stricter emissions threshold than the **EU**, setting the limit at 70g CO_2e/kWh for eligible activities. The taxonomy, scheduled for launch at **COP30**, includes objectives on climate mitigation, adaptation and social equity — introducing racial equality criteria and sector-agnostic social metrics. It covers eight sectors and aligns with Brazil's renewable energy advantage. The framework also supports interoperability efforts through a proposed "supertaxonomy" initiative. A market consultation is planned by year-end to consider expanding the taxonomy to include circular economy and biodiversity objectives.

Other key sustainability policy developments (cont'd)

Americas

On 9 October, **US Securities and Exchange Commission (SEC) Chair Paul Atkins** discussed his view that state law may allow companies to exclude non-binding shareholder proposals, including those related to environmental and social issues, from proxy statements. More generally, he noted that the SEC expects to propose amendments to **SEC Rule 14a-8** governing shareholder proposals in the coming months. The remarks align with broader efforts to simplify disclosure requirements and reduce barriers to accessing the public capital markets.

Europe, Middle East, India and Africa

On 21 October, **ESMA** published the **Emerging trends in transition fund strategies report**, analyzing climate transition strategies in actively managed funds, supporting the **EC's** review of the **Sustainable Finance Disclosure Regulation (SFDR)**. ESMA found that transition funds typically set portfolio-level, time-bound emissions targets and rely on forward-looking metrics such as science-based targets and transition plans. Engagement is a core strategy, with 88% of funds actively encouraging investees to decarbonize. The findings support the EC's consideration of a dedicated transition product category under SFDR, highlighting the distinctiveness of engagement-based, forward-looking investment approaches.

On 20 October, the **EC** proposed amendments to the **EU Deforestation Regulation**, easing compliance obligations for small companies and retailers. While the regulation remains scheduled to enter into force by year-end, large companies will receive a six-month grace period, and small enterprises in low-risk countries will be exempt until end-2026. The revised framework simplifies due diligence by limiting reporting to primary importers and reducing submission frequency for micro-operators. The proposal requires formal adoption by the **European Parliament and Council**.

On 15 October, the **EC** extended the scrutiny period for reviewing technical amendments to the **EU Taxonomy** by two months, now concluding on 5 January 2026. The extension allows additional time for parliamentary review of proposed simplifications, including a financial materiality threshold and adjustments to the Green Asset Ratio. While reporting entities may continue using current rules for the 2026 cycle, objections to the changes have been raised by MEPs concerned about regulatory dilution. A joint vote by the **Committee on Economic and Monetary Affairs** and the **Committee on the Environment, Climate and Food Safety** is expected, with further consultations planned as the EC prepares a broader taxonomy review for mid-2026.

Policy in focus: Nationally Determined Contributions updates heading into COP30

As COP30 kicks off this week in Belém, Brazil, all signatories to the Paris Agreement are expected to submit the third generation of Nationally Determined Contributions (NDCs 3.0), following the global stocktake. These submissions are significant, as they detail the specific actions countries plan to take to help meet the Paris Agreement's goal of limiting global temperature rise to 1.5°C. COP30 is anticipated to be the "Implementation COP," marking a shift from pledges to tangible action.

As of 10 November 2025, 100+ countries/regions have filed new NDCs, covering over 74% of global emissions. However, more submissions are anticipated before and during COP30. NDCs remain the cornerstone of global climate action, translating ambition into measurable, nationally owned strategies that align local priorities with international objectives. NDCs also serve as investment frameworks to help drive sustainable growth, innovation and resilience. Their success depends on robust multi-stakeholder collaboration, bridging public and private sectors to jointly advance climate ambition and deliver coordinated action.

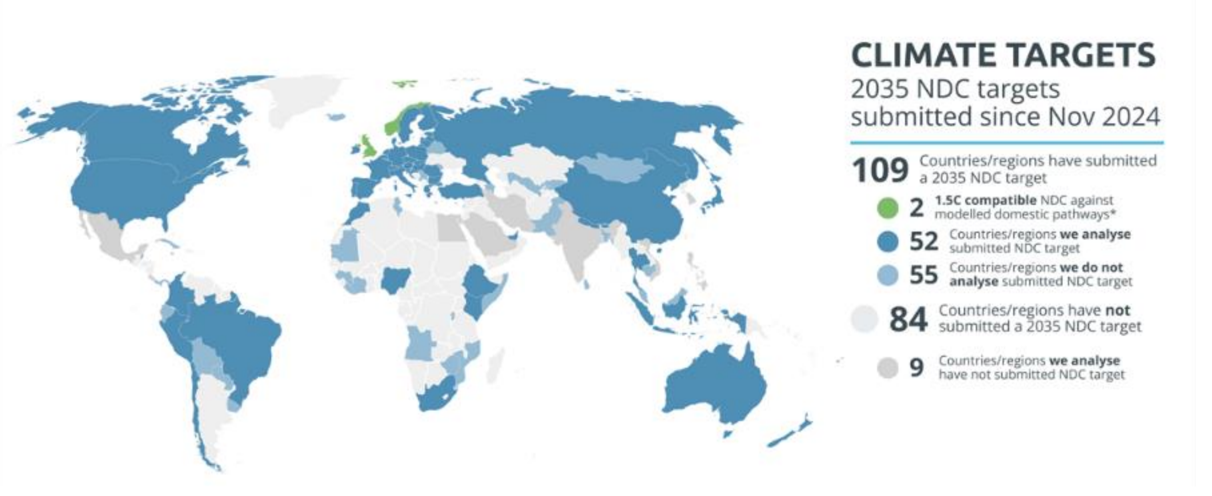

Diagram accurate as of 10 November 2025.
Source: ***Climate Action Tracker (2025).*** *2035 Climate Target Update Tracker. November 2025. Available at: https://climateactiontracker.org/climate-target-update-tracker-2035/*

Enhanced NDCs submitted in September – November 2025:

- **EU:** On 5 November, the EU agreed to cut emissions by 90% by 2040, although the framework includes flexibilities that may dilute this target. As part of the plan, the EU aims to cut emissions by between 66.25% and 72.5% below 1990 levels by 2035.
- **China:** On 24 September, China became the first major emerging economy to set an absolute emissions reduction target, aiming to cut GHG emissions by 7%–10% below peak levels by 2035. This NDC is underpinned by a 3,600 gigawatt wind and solar target, expanded forest cover and rapid EV growth, a major shift from earlier intensity-based goals.
- **India:** On 20 October, India unveiled a ₹21 trillion climate roadmap to achieve net zero by 2070, with emissions that are expected to peak before 2045. The country has also set a target of 65% renewables and a domestic carbon market by 2026. Delivery will depend on strong foreign investment and blended finance.

On the horizon

Key ongoing and upcoming sustainability-related consultations and regulatory developments to watch for:

- **H2 2025:** The New Zealand External Reporting Board is expected to issue its second request for information on the potential need for reduced disclosures for smaller Climate Reporting Entities (CRE) and differential reporting for specific classes of CRE.
- **H2 2025:** The ISSB is expected to make decisions on the future direction of its two research projects — one focused on biodiversity, ecosystems and ecosystem services and the other on human capital.
- **H2 2025:** The ISSB is expected to finalize its amendments to its IFRS S2 climate-related disclosure standard to address specific application challenges related to GHG emissions reporting.
- **December 2025:** The International Public Sector Accounting Standards Board is expected to finalize its Sustainability Reporting Standards (SRS 1) Standard.
- **H2 2025/early 2026:** The United Kingdom (UK):
  - Government is expected to publish final, endorsed versions of UK Sustainability Reporting Standards (SRS) for voluntary use by the end of 2025.
  - Financial Conduct Authority is expected to consult on the update of its Taskforce on Climate-related Financial Disclosures-aligned listing rules to refer to UK SRS.
  - Government is expected to publish a consultation on modernizing corporate reporting in 2026, exploring how reporting requirements can be streamlined and simplified to support the integration of UK SRS among other matters.

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