FINANCIAL REPORTING DEVELOPMENTS

Sustainability

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Building a better working world

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AGENDA

01 Global trends

- International Sustainability Standards Board
- The EU's Corporate Sustainability Reporting Directive
- SEC's climate-related disclosure rules
- Californian climate disclosure laws

02 Canadian developments

- Canadian Sustainability Standards Board
- Canadian Securities Administrators
- Bill S-211 – Forced Labour & Child Labour
- Bill C-59 – Greenwashing

03 What preparers need to think about

GLOBAL TRENDS

Recent global trends in sustainability reporting, with a focus on the International, EU, US and Canadian landscapes

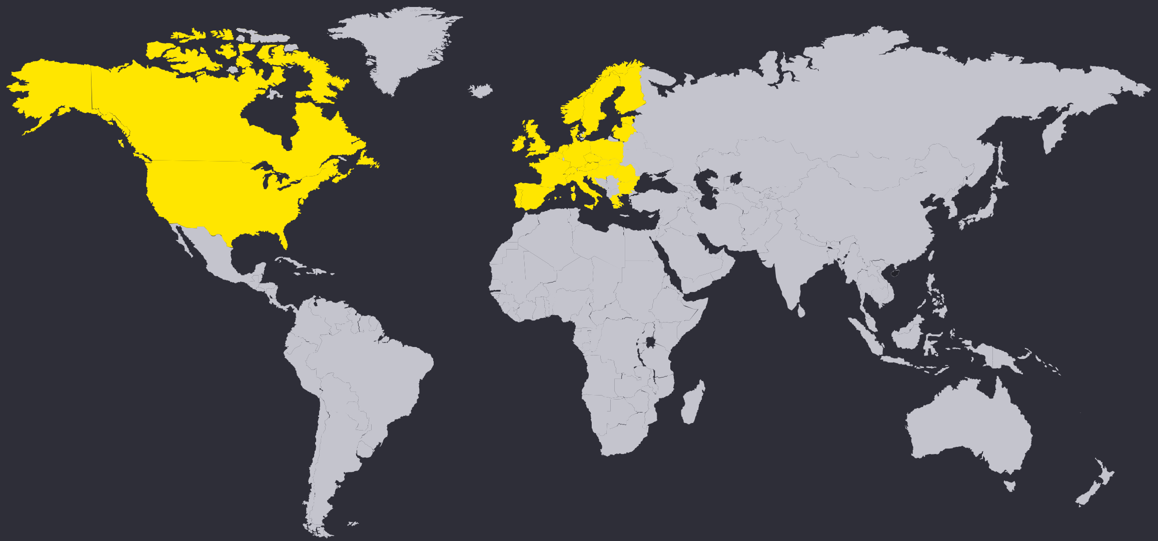
SUSTAINABILITY REPORTING DEVELOPMENTS AROUND THE WORLD

A SNAPSHOT

Many Canadian companies will need to understand and comply with multi-jurisdictional sustainability regulations and reporting standards, therefore formulating a clear and comprehensive disclosure strategy is imperative.

CANADA

- Canadian Sustainability Standards Board – final standards due Q4 2024 (imminent)
- Canadian Securities Administrators – indicated they will seek comment on a revised rule for climate-related disclosures only (in due course)
- Mandatory reporting for federally incorporated private companies & sustainable finance taxonomy (plans announced)



EUROPEAN UNION (EU)

- Corporate Sustainability Reporting Directive (CSRD)
  - European Sustainability* Reporting Standards (ESRS)
- EU Taxonomy Regulation
- Corporate Sustainability Due Diligence Directive (CSDDD)*
- EU Regulation on Deforestation-free Products (EUDR)

* (effective once adopted into local law)

US

- The Securities and Exchange Commissions (SEC) – final climate-related disclosure rules issued March 6, 2024 (stayed)
- California state law – Governor signed climate action bills on October 7, 2023 (first bill already effective)

INTERNATIONAL

- The International Sustainability Standards Board (ISSB) – issued their S1 and S2 standards June 26, 2023 (effective, requires local adoption)
- Research projects ongoing

IFRS SUSTAINABILITY DISCLOSURE STANDARDS

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Sets the general requirements for the types of information about sustainability-related risks and opportunities that an entity must disclose

- Governance
- Strategy
- Risk Management
- Metrics And Targets

Sustainability Accounting Standards Board (SASB) – Standards

IFRS S2 Climate-related Disclosures

Requires an entity to provide information about its exposure to climate-related risks and opportunities

Climate-related risks

Transition risks + Physical risks

Climate-related opportunities

GHG EMISSIONS REQUIREMENTS – AT A GLANCE

Mandatory disclosure of absolute gross Scope 1, Scope 2 and Scope 3 GHG emissions expressed in metric tonnes of CO_2 equivalent and measured in accordance with the **Greenhouse Gas Protocol** (certain transition relief available).

Greenhouse Gas (GHG) Protocol
EY Publication

Transition Plan Taskforce (TPT)

ISSB OPEN PROJECTS

Biodiversity, ecosystems and ecosystem services ("BEES")

- Growing interest among investors for improved disclosure
- Initial research will include considering the SASB Standards, etc.

Enhancing the SASB standards

- Support the implementation of IFRS S1 & S2
- Support the work of research projects
- Industry-based information is important

Human capital

- Affects companies of all sizes and types
- Opportunity to address a lack of consistent, comparable disclosures

Other considerations

- Other projects: the ISSB will closely monitor developments on Human rights and Integration in reporting
- Interoperability: the ISSB will engage with other standard setters to ensure interoperability of ISSB standards with other sustainability disclosure standards

EU – OVERVIEW OF CSRD APPLICATION, DISCLOSURES AND REPORTING CONSIDERATIONS

The CSRD and ESRS are effective for reporting years as soon as 2024 (once adopted into local law by each member state). A digital taxonomy for ESRS 1 was recently published and is subject to an adoption process.

SCOPE OF APPLICATION

CSRD will apply to the following[1]:

1. All entities with securities (equity or certain debt) listed on EU-regulated markets (other than micro-undertakings[2])
2. All "large undertakings", meaning any EU entity or subsidiary of a non-EU entity that satisfy certain size criteria[3]
3. Non-EU entities that generate €150m in revenue in the EU and either have a subsidiary in the scope of the CSRD, or have an EU branch that generates revenue of €40m[4]
4. Insurance entities and credit institutions in the EU, regardless of their legal form (other than micro-undertakings[2])

SCOPE OF DISCLOSURES (ESRSs)

- Includes disclosures for environmental, social and governance matters
- 2 general standards and 10 topical (sector-agnostic) standards
- Disclosures regarding strategy, governance and sustainability-related impacts, risks and opportunities
- Requires double materiality considerations
- Published in the company's management report (e.g., annual report)

Double materiality can be *complex*

SCOPE OF REPORTING – CERTAIN SPECIFICS

Consolidated

- Qualifying EU companies that aren't large and listed are exempt if they are included in a consolidated sustainability report of another company that complies with the requirements
- Separately, qualifying non-EU parent companies of a large group are required to publish a consolidated sustainability report
- *Transitional provision until 2030:* non-EU parent can select an EU subsidiary to produce an "artificial consolidation" of all the parent's in-scope EU subsidiaries

Separate reporting

- Large and listed EU companies (no exception)
- In-scope EU companies that aren't included in a consolidated sustainability report of another company that complies with the requirements

[1]Items 1,2,4 assessed on legal entity & consolidated basis

[2]2 of 3 less than: 10 employees; €900k revenue or €450k total assets

[3]meets two of the following: (1) more than €50m in revenue (2) more than €25m in total assets (3) more than an average of 250 employees during the year

[4]reporting standards to be determined (reporting in 2028 at the consolidated level)

EU – REPORTING OPTIONS FOR NON-EU ENTITIES WITH EU SUBSIDIARIES

Non-EU entities with subsidiaries in the EU may consider the following three options for reporting under the CSRD:

REPORTING OPTION	NON-EU CONSOLIDATED	EU SUB-CONSOLIDATION	EU ARTIFICIAL CONSOLIDATION
DESCRIPTION	Group consolidated reporting over the entire global enterprise	Reporting for EU subsidiaries (or EU groups) that meet the required thresholds	Consolidated reporting for all entities in the EU that meet the required thresholds
EXAMPLES	► A non-EU entity (inclusive of its subsidiaries in the EU) can submit a sustainability report that fully complies with the ESRS ► Could be used by Canadian top co	► Each in-scope EU entity can issue its own report that fully complies with the ESRS, but it must include its subsidiaries (both EU and non-EU) in the report (i.e. a "sub-consolidation") ► An EU holding company can issue a report that fully complies with the ESRS (its in-scope EU subsidiaries don't have to issue a separate report if they are not large and listed)	► As a transitional provision until 2030, a non-EU parent can select for purposes of its CSRD report an EU subsidiary to consolidate all the non-EU parent's EU subsidiaries in the scope of the CSRD (including those subsidiaries' EU and non-EU subsidiaries) ► The EU subsidiary selected must be one of the EU subsidiaries that generated the greatest turnover in the EU during at least one of the preceding five financial years, on a consolidated basis where applicable

EU – DATE OF THE FIRST APPLICATION

CSRD

2024

Applicable for companies already subject to the NFRD and other large & listed entities with over 500 employees (reporting in 2025 on 2024 data)

2025

Applicable for large companies not subject to NFRD (reporting in 2026 on 2025 data)

Many EU subs of non-EU entities

2026

Applicable for listed SMEs, small and non-complex institutions, and captive insurance companies (reporting in 2027 on 2026 data – *option to delay effective date until 2028*)

2028

Applicable for third-country reporting (reporting in 2029 on 2028 data)

2024 | 2025 | 2026 | 2028

Disclosures in a sustainability report

Subject to limited assurance (moving toward reasonable assurance)

ESRS

2024

Expected adoption of the second set of ESRS (standards for *SMEs*)

JUNE 2026

Expected adoption of the postponed elements (originally scheduled for June 2024) of the second set of ESRS (*sector-specific* standards, standards for *non-EU companies*)

SEC CLIMATE-RELATED DISCLOSURE RULES

RULES AS PREVIOULSY ISSUED

- The SEC adopted rules requiring registrants (including EGCs*, SRCs**, FPIs***) to disclose climate-related information only in registration statements and annual reports
- Outside the financial statements: Registrants will be required to disclose, among other things, material climate-related risks, including descriptions of board oversight and risk management activities, the material impacts of these risks on a registrant's strategy, business model and outlook and any material climate-related targets or goals
- Inside the financial statement: Registrants will need to quantify certain effects of severe weather events and other natural conditions, amongst other items (will be subject to audit and ICFR)
- Accelerated and large accelerated filers will need to disclose Scope 1 and Scope 2 greenhouse gas (GHG) emissions in annual reports and registration statements, if material, which will be subject to third-party assurance
- Disclosure of Scope 3 GHG emissions not required
- The rules incorporate the US Supreme Court's definition of materiality (certain financial statement disclosures are subject to bright-line 1% threshold)

Registrants should monitor developments under the new administration

Rules previously voluntarily stayed:
April 4, 2024

CANADIAN APPLICABILITY

- 10-K filers - ✓
- 20-F filers - ✓ *(timing dependent on filer status)*
- MJDS filers under 40-F - ✗

*EGC - Emerging Growth Company
**SRC - Smaller Reporting Company
***FPI - Foreign Private Issuer

UNDERSTANDING THE CALIFORNIA CLIMATE DISCLOSURE LAWS

Gov. Newsom of California signed three climate disclosure bills into California state law that require certain public and private entities to provide climate-related disclosures.

REVENUE SCOPING:-

1. Must be a US entity: a partnership, corporation, LLC, or otherwise, formed under the laws of any US State (or District of Columbia) or under an act of US Congress
2. How to measure the US entity's revenue: the revenue thresholds apply to the entity's total consolidated revenue and are based on revenue from the previous fiscal year
3. Entity must do business in California: refer to California tax code

The California Climate Corporate Data Accountability Act (SB-253)

Entities with more than USD$1 billion in annual revenue, required to:

- Annually disclose Scope 1 & 2 emissions starts in 2026 (on 2025 data), and Scope 3 emissions starts in 2027 (on 2026 data)
- Report emissions in accordance with the Greenhouse Gas Protocol
- Limited assurance on Scope 1 & 2 emissions disclosures starts on 2025 data; reasonable assurance starts on 2029 data
- Limited assurance on Scope 3 emissions disclosures starts on 2029 data – date may be modified

The California Greenhouse gases: climate-related financial risk bill (SB-261)

Entities with more than USD$500 million in annual revenue, required to biennially disclose on their website:

- Climate-related information in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (these recommendations include disclosures about climate-related governance, strategy, risk management, and metrics and targets, including material Scope 1 and Scope 2 emissions)
- Measures they have adopted to reduce and adapt to the climate-related risks disclosed under the TCFD's recommendations

Post a TCFD-compliant report on their website by January 1, 2026

Subsequently amended through SB-219

Several lawsuits filed.

CA Senate proposed amendments to SB-253 and SB-261 jointly through a new Senate Bill SB-219 that was passed by both the State Assembly and Senate and approved by Governor Newsom

SB-253

- CARB have until July 1, 2025 to develop and adopt regulations for reporting (6-month delay) – no delay to reporting for companies
- Reporting date for Scope 3 emissions is on a schedule to be specified by CARB
- Reporting is allowed at a consolidated parent company level, and subsidiaries are exempt from reporting

UNDERSTANDING THE CALIFORNIA CLIMATE DISCLOSURE LAWS (CONT'D)

California Voluntary carbon market disclosures bill (AB-1305)

Entities operating in California and that make net zero emissions claims, carbon-neutral or carbon-neutral product claims or significant greenhouse gas emissions-reduction claims in California, required to disclose:

- Information about those claims
- Information about the purchase or use of voluntary carbon offsets to achieve those claims

Entities that market or sell voluntary carbon offsets within California:

- Required to disclose information about the carbon offsets

Bill effective on January 1, 2024

UPDATE

Author of bill stated intent was for disclosures to be required from January 1, 2025

A separate bill (AB-2331) to amend AB-1305 did not make it to vote in August, as a result AB-1305 currently remains in effect with no amendments

CANADIAN DEVELOPMENTS

Updates on Canadian sustainability developments, including the CSSB standards and the CSA's role, as well as Bill S-211 and Bill C-59

SUSTAINABILITY DEVELOPMENTS IN CANADA

WHAT YOU NEED TO KNOW

- In March 2024, the CSSB released Exposure Drafts to advance the adoption of sustainability disclosure standards in Canada, including a consultation paper that outlines the criteria for modifying the IFRS Sustainability Disclosure Standards for use in Canada.
- The CSSB is currently finalizing deliberations on the feedback and CSDS 1 & 2 are expected to be issued in December 2024.

DEVIATIONS PROPOSED FROM ISSB STANDARDS

- Timing relief (effective January 1, 2025)
- Topics relief (topics outside of climate not required in the first 2 years)
- Scope 3 emissions relief (not required in the first 2 years)
- Comparative information relief (not required upon initial adoption)

CSDS 1 - General Requirements for Disclosure of Sustainability-related Financial Information

Outlines the general requirements for the preparation and presentation of sustainability-related financial disclosures, including core content disclosures relating to governance, strategy, risk management and metrics and targets.

CSDS 2 - Climate-related Disclosures

Specifies the climate-related financial disclosures, including disclosures about climate resilience, greenhouse gas emissions and climate-related targets.

EXPOSURE DRAFT - TRANSITION OPTIONS

TIMING OF ADOPTION OF CSSB STANDARDS

Illustrative timing for calendar year end companies assuming all relief provided by the Exposure Draft remains in final standards, and company chooses to adopt Jan 1, 2025

2025

Reporting in 2026

- Topics – climate only
- Exclude Scope 3 GHG emissions
- Report after the financial statements
- Comparatives – none

2026

Reporting in 2027

- Topics – climate only
- Exclude Scope 3 GHG emissions
- Reporting at the same time as the financial statements
- Comparatives – climate only

2027

Reporting in 2028

- Topics – all
- Scope 1, 2 and 3 GHG emissions
- Reporting at the same time as the financial statements
- Comparatives – climate only

2028

Reporting in 2029

- Topics – all
- Scope 1, 2 and 3 GHG emissions
- Reporting at the same time as the financial statements
- Comparatives – all topics

CANADIAN COMMENT LETTER THEMES

**Investors want more consistent & robust disclosures; preparers want more time to implement.
Many respondents suggest the CSSB consider aligning with the US SEC climate rules.**

Do you agree that the 2-year transition relief for disclosures beyond climate-relates risks and opportunities is adequate?

- Many agreed 2-years was adequate
- Some thought 1-year was sufficient
- Some did not agree 2-years was adequate

How critical is sustainability-related financial disclosures at the same time as related financial statements?

- Majority indicated it was critical or somewhat critical
- A few indicated it was not critical

For Scope 3 Disclosures, is proposed two-year relief sufficient?

- Many agreed it was sufficient, a few did not
- Some indicated disclosure should be voluntary

EY THOUGHT LEADERSHIP: LINK

Is transition relief required for climate resilience disclosure?

- Some indicated no relief should be provided
- Some indicated disclosure should be voluntary
- A few indicated some relief should be provided (ranging from 1-3 years)

- Mix of respondents across a variety industries
- Not all responded to every question
- Some generally not supportive of CSDS

WHAT NEXT IN CANADA

WHAT YOU NEED TO KNOW

- **CSSB** - Once the CSSB concludes deliberating feedback from the Exposure Drafts, it will issue its final pronouncement in December 2024.
- **CSA** - To become mandatory under Canadian securities legislation, the CSSB standards must first be incorporated into a CSA rule. The CSA anticipates seeking comment on a revised rule setting out climate-related disclosure requirements. When the CSA publishes its revised rule, it will seek public comments on a number of matters, including the scope of application and the need for additional time and/or guidance for reporting issuers to comply with certain disclosure requirements.
- **FEDERAL GOVERNMENT** - Separately, plans for mandatory reporting for large federally incorporated private companies have been announced, as well as plans for a sustainable finance taxonomy.

CURRENT STATUS:

Sustainability disclosure standards currently remain voluntary in Canada, with the CSSB continuing to engage with Canada's Securities Administrators who determine the mandatory application rules for publicly listed entities in Canada.

National Instrument 51-107 Disclosure of Climate-relates Matters
(Pending)

Private company sustainability reporting & taxonomy
(Due)

COMPARING THE DIFFERENT APPROACHES

					SUBSEQUENTLY AMENDED THROUGH SB-219	
	TCFD *DISBANDED*	**CSSB standards (based on IFRS S1/S2)** *DRAFT*	**EU's Corporate Sustainability Reporting Directive (CSRD)**	**SEC rules** *STAYED*	**California Climate Corporate Data Accountability Act (SB-253)**	**California greenhouse gases: climate-related financial risk law (SB-261)**
Current status of standards	Final	Exposure draft	Final	Final	Final	Final
Type	Voluntary	Awaiting CSA rule	Mandatory	Mandatory	Mandatory	Mandatory (biennially)
Applicability	Public & private	Public	Public & private	Public	Public & private	Public & private
Primary audience	Investor	Investor	Multi-stakeholder	Investor	Multi-stakeholder	Multi-stakeholder
Materiality	Enterprise	Enterprise	Enterprise/societal	Enterprise	Not defined	Not defined
Disclosure location	Annual report	Awaiting CSA rule	Management report	Annual report	Public disclosure	Website
Earliest effective date	N/a	TBD – proposed transition relief compared to IFRS S1 and S2	Fiscal year 2024	Fiscal year 2025	Fiscal year 2025	Fiscal year 2025
Assurance	N/a	Not anticipated – awaiting CSA rule	Mandatory	Mandatory	Mandatory	Not required
Governance, strategy, risk narrative	Required	Required	Required	Required	Not required	Required
Scenario analysis	Required	Required	Required	Conditional	Not required	Required
GHG Scope 1, 2	Required	Required	Required	Required	Required	Required
GHG Scope 3	Conditional	Required	Required	Not required	Required	Not required
Industry-specific disclosure	Recommended	Refer to SASB	Required	Not required	Not required	Not required

Disclaimer: the information provided above is not intended to be complete and is for general learning purposes only – please seek professional advice for details.

BILL S-211 OVERVIEW: FORCED LABOUR & CHILD LABOUR

WHICH ENTITIES ARE REQUIRED TO REPORT ANNUALLY?

1) Entity means a corporation, trust, partnership or other unincorporated organization that:

a) Is listed on a Canadian stock exchange; OR

b) Has a place of business in Canada, does business in Canada or has assets in Canada and that, based on its consolidated financial statements, meets at least two of the following conditions for at least one of its two most recent financial years:

(i) it has at least $20 million in assets,

(ii) it has generated at least $40 million in revenue, and

(iii) it employs an average of at least 250 employees; or

c) Is prescribed by regulation.

2) And are engaged in producing goods in Canada or elsewhere, importing goods produced outside Canada or controlling any entity engaged in those activities.

OTHER INFORMATION

REPORTING OBLIGATIONS

Report on the steps taken during the previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity.

Include supplementary information for each entity.

REPORT APPROVAL

The report must be approved by the organization's governing body. The report must include an attestation statement and the signature of one or more members of the governing bodies that approved the report.

PENALTIES

Refer to Section 19 of Bill.

EY WEBINAR (**NOV 26th**): LINK

Includes:

- PSC's first annual report to parliament
- Learnings from year one
- Overview of year two requirements
- Steps to prepare for filing
- PSC's updated guidance

ANNUAL REPORTING DEADLINE

The report must be filed electronically on the Public Safety Canada (PSC) website by May 31 of each year. Published in a prominent place on the organization's website.

If the entity is incorporated under the **Canada Business Corporations Act**, the report must be provided to each shareholder, along with its annual financial statements.

AMENDMENTS TO THE CANADIAN COMPETITION ACT (BILL C-59): GREENWASHING

WHO SHOULD BE AWARE OF THE AMENDMENTS?

Applies to **any entity conducting business** including:

(a) manufacturing, producing, transporting, acquiring, supplying, storing and otherwise dealing in articles, and

(b) acquiring, supplying and otherwise dealing in services.

It also includes the raising of funds for charitable or other non-profit purposes.

The information provided does not, and is not intended to, constitute legal advice; instead, all information, content, and materials are for general informational purposes only.

SCOPE

Prohibition on product-specific misleading environmental benefits claims but extends to encompass broader environmental representations and campaigns

PENALTIES

Monetary penalties, greater of:
a) $10m ($15m subsequent orders)
b) 3x the benefit derived from the misrepresentation, or, if cannot be readily determined, up to 3% of annual revenues

METHODOLOGY

Representations must be substantiated in accordance with internationally recognized methodology

TIMEFRAME

June 20, 2024: Amendment came into effect

July 22, 2024 to September 27, 2024 feedback period

ENTITY RISKS

Financial, reputational, operational, contractual, civil liability

MISREPRESENTATION EXAMPLES

COMPOSITION
"made from recycled materials"

MANUFACTURING PROCESS CLAIMS
"made with renewable energy"

PRODUCT DISPOSAL CLAIMS
"100% compostable or recyclable"

PRODUCT COMPARISONS
"uses 25% less water than their previous"

VAGUE CLAIMS
"Products are eco-friendly"

FUTURE TARGET CLAIMS
"Achieving carbon neutrality by 2030"

WHAT PREPARERS NEED TO THINK ABOUT

What entities should be doing now to prepare for mandatory reporting – *"no regret"* actions

WHY ESG INTEGRITY IS AT A CROSSROAD BETWEEN ASPIRATION AND REGULATION

37%

of organizations see complying with new and changing ESG regulations as the greatest challenge in meeting compliance obligations.

7 AREAS WHERE ORGANIZATIONS STRUGGLE MOST

1. **Mapping and measuring the sustainability journey.**
2. Ensuring CSOs are more involved in key decision-making.
3. Adding sustainability solutions to deal with regulatory requirements rather than building them in.
4. **Implementing the right processes, systems and internal controls to strengthen transparency and reporting.**
5. Building a robust risk management program.
6. **Avoiding the hidden perils of greenwashing.**
7. Bearing the weight of market and regulatory scrutiny, as well as the pressure to make meaningful advances in the organization's sustainability transformation.

Source: https://www.ey.com/en_nz/insights/forensic-integrity-services/esg-integrity-reaches-a-crossroad-

THE SUSTAINABILITY DISCLOSURE PROCESS IS A JOURNEY, WITHOUT AN END, AND INVOLVES MANY STEPS THAT THE FINANCE FUNCTION CAN WORK ON

A clear view of mandatory reporting requirements at each organizational level

A current-state view of reporting transformation progress

On-demand performance information through an implemented data collection framework

Developed IT infrastructure, frameworks and controls, integrated with business process

A comprehensive assessment of reporting maturity

Disclosure scoping & strategy

Materiality assessment

Requirements interpretation and gap assessment

Data definition and sourcing

Data collection strategy and lineage

Process, control and governance framework transformation

Digital infrastructure, design and process engineering

Assurance readiness

Limited and reasonable assurance

STEPS TO FUEL YOUR ASSURANCE READINESS

A specified reporting scope with comprehensive coverage

An identified listing of trusted data points and sources

An established end-to-end process with R&R, including controls framework with audit-ready metrics

Trusted externally assured reporting

PREPARE

TRANSFORM

ASSURE

MOVING FROM VOLUNTARY TO MANDATORY REPORTING
SUCCESS FACTORS TO AN EFFECTIVE DISCLOSURE TRANSFORMATION

KEY SUCCESS FACTORS BASED ON OUR HANDS ON EXPERIENCE

1. Assign a multi-disciplinary team to drive the adoption/address the different requirements (Canadian Securities Administrators, C-59, S-211)
2. Develop a comprehensive implementation roadmap validated and understood by all impacted stakeholders to drive awareness throughout the organization and set expectations of effort required in the short and medium term (materiality assessments, climate scenario analysis, etc.)
3. Identify no regret actions between the different frameworks and requirements
4. Dedicate resources to change management and focus on developing the new business processes supporting the reporting requirements (data collection, integrating Sustainability risks to ERM framework, etc.)
5. While often being perceived as a compliance exercise, focus on the strategic value added of the disclosure requirements to stress test your Sustainability strategy and priorities

GOVERNANCE AND CONTROLS OVERVIEW

WHO OWNS SUSTAINABILITY REPORTING?

- Wide range of governance structures
- Finance becoming more involved as data custodians

WHAT CONTROLS ARE NEEDED?

- Location of disclosures could matter
- Possible control levels?
  - None
  - Disclosure controls and procedures (DCP)
  - Sox 404

AN EFFECTIVE REPORTING TEAM LEVERAGES THE SKILLSETS RESIDING IN THE FINANCE FUNCTION

DATA COLLECTION

- Gathering data from disparate sources
- Ensuring appropriate documentation
- Aligning people, processes, and technology

DATA CONTROLS

- Defining data sets
- Ensuring appropriate delegation of duties
- Instituting appropriate internal control environment

REPORTING KNOW HOW

- Cadence of internal and external reporting
- Disclosure checklist to ensure adherence to applicable reporting frameworks and standards
- Link to corporate strategy
- Communication of KPIs

AVOIDING THE HIDDEN PERILS OF GREENWASHING – SUSTAINABILITY PRE-ASSESSMENT AND ASSURANCE

PRE-ASSESSMENT

- A pre-assessment that performs procedures similar to those performed in a limited assurance engagement, with the objective of providing findings and recommendations
- Benefits of a pre-assessment include:
  - Early identification of gaps in calculation methodology or processes that could lead to errors in reporting, specifically taking into consideration the selected reporting criteria
  - Recommendations which consider industry and global best practices

LIMITED ASSURANCE

- A limited assurance engagement, with the objective of issuing a conclusion.
- This involves performing procedures such as inquiries, analytics and detailed testing, on a limited sample basis.

REASONABLE ASSURANCE

- A reasonable assurance engagement, with the objective of issuing an opinion.
- This involves performing procedures similar to those performed for a limited assurance engagement, as well as detailed testing for a sample that is representative of the population.
- Reasonable assurance engagements may also include evaluating the design and implementation of controls

SUSTAINABILITY REPORTING – EY VIDEO SERIES

BEYOND THE BOTTOM LINE: HOW CFOs CAN DRIVE SUSTAINABLE VALUE

This six-part video series will help CFOs and finance teams prepare their organizations for the upcoming mandatory sustainability disclosure landscape.

BEYOND THE BOTTOM LINE: **LINK**

VIDEOS IN THE SERIES:

1. Current state assessment and gap analysis for your sustainability reporting
2. Finance's new target operating model
3. Building your implementation roadmap
4. Systems, data integration and third-party support
5. The evolution of reporting in the run up to compliance
6. Process and controls, and preparing for assurance

QUESTIONS?

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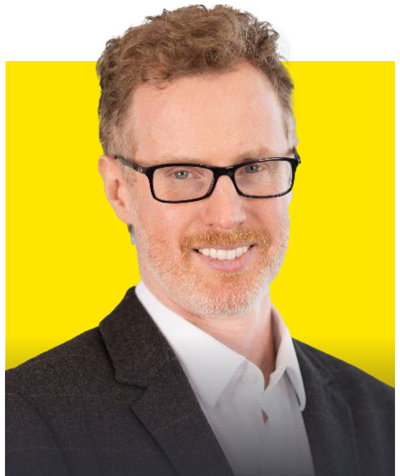

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THANK YOU

If you attended today's webinar, you'll receive a certificate of attendance within the next couple of weeks.

If you're watching this on demand, please email michele.macleay@ca.ey.com, with the subject line *"EY's Financial Reporting Developments for Sustainability Reporting"*, and your full name requesting a certificate.

APPENDIX

SEC CLIMATE-RELATED DISCLOSURE RULES – COMPLIANCE DATES

The SEC adopted staggered compliance dates that vary according to the filing status of the registrant and the type of disclosure. Registrants will be required to comply in the fiscal years beginning (FYB) in the calendar years shown below.

Registrant type	COMPLIANCE DATE				
	All disclosures, other than as noted in this table and endnote [1]	Scope 1 and Scope 2 GHG emissions	Limited assurance	Reasonable assurance	Electronic tagging
Large accelerated filers	FYB 2025	FYB 2026	FYB 2029	FYB 2033	FYB 2026
Accelerated filers (other than SRCs and EGCs)	FYB 2026	FYB 2028	FYB 2031	N/A	FYB 2026
SRCs, EGCs and non-accelerated filers	FYB 2027	N/A	N/A	N/A	FYB 2027

[1] Compliance with quantitative and qualitative disclosure requirements outside the financial statements for material expenditures and material impacts on financial estimates and assumptions that directly result from (1) activities to mitigate or adapt to the climate-related risks, (2) targets or goals and (3) transition plans will be required one year later (i.e., FYB 2026 for large accelerated filers, FYB 2027 for accelerated filers other than SRCs and EGCs, and FYB 2028 for SRCs, EGCs and non-accelerated filers).

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