SQUIRE PATTON BOGGS

Update 4 – ESG Laws Across the World

Environmental, Social and Governance (ESG) Regulations

Global – May 2025

Updated Country Overview and Competent Regulatory Authorities

Australia

- **Legislation** – Climate-related Financial Disclosure (CRFD) Rule

  The Auditing and Assurance Standards Board (AUASB) gave its approval to two significant standards focussed on sustainability assurance within the framework of the Corporations Act 2001 at the end of January 2025.

  ASSA 5010, Timeline for Audits and Reviews of Information in Sustainability Reports, which outlines the minimum level of assurance that must be obtained over various aspects of climate-related disclosures by 1 July 2030.

  ASSA 5000, General Requirements for Sustainability Assurance Engagements, is based on ISSA 5000 with terminology adapted for the Australian context. It is effective for assurance engagements covering periods beginning on or after 1 January 2025, with early adoption allowed.

  At the end of December 2024, the Nature Repair Rules 2024 came into force, implementing the Nature Repair Market (NRM), whose purpose is supporting investments in biodiversity restoration and conservation projects.

  Also, by end of December 2024, the Carbon Credits Amendment Rules 2024 came into force, amending the Rule of 2015. New transparency requirements regarding the publication of data have been implemented with a six-month transitional period until 20 June 2025. The publication of data especially involves project activities and estimation approaches for carbon abatement, crediting and permanence.

  Beginning 1 January 2025, a new criminal offence for certain underpayments took effect, with regulators actively investigating and enforcing compliance—particularly in large corporates, universities and specific sectors. Businesses must act proactively to meet payment obligations and avoid significant penalties.

  This comes alongside greater complexity in the industrial relations system following major 2024 reforms on bargaining, same job same pay and minimum standards for parental leave, fixed-term contracts, independent contractors and gig workers. Bargaining activity is rising across sectors, with a steady flow of same job same pay claims from both unions and individuals—a trend expected to continue through 2025.

- **Regulatory body** – Auditing and Assurance Standards Board (AUASB)

Bolivia

On 21 March 2024, the technical board (CTNAC) of the College of Auditors and Public Accountants of Bolivia (CAUB) approved CTNAC Resolution No. 01/2024, endorsing the adoption of the International Financial Reporting Standards for Sustainability (IFRS S), both current and forthcoming, issued by the International Sustainability Standards Board (ISSB). These standards will be fully applied in the absence of country-specific technical guidance, or local regulations on particular issues. They will be applicable to all entities engaged in economic activities across Bolivia starting 1 January 2027, with early adoption permitted. A three-year transition period has been established to support disclosure, risk identification and training related to these standards.

- **Regulatory body** – Colegio de Auditores o Contadores Públicos de Bolivia (College of Auditors and Public Accountants of Bolivia, CAUB), which is a member of the International Federation of Accountants.

Chile

Chile's Financial Market Commission has proposed changes to its sustainability reporting regulations to align with the ISSB's global standards on general sustainability and climate-related disclosures. These amendments, outlined in Act No. 519 published in October 2024, introduce the adoption of IFRS S1 and S2—developed by the ISSB, besides additional regulatory updates.

- **Regulatory body** – Financial Market Commission (Comisión Para El Mercado Financiero – CMF)

EU

In April 2025, the EU introduced the Omnibus I and II packages, effectively postponing certain sustainability-related legislations. These measures, collectively referred to as the "Stop-the-Clock" initiative, received approval from both the European Parliament and, subsequently, the Council of the EU. The Stop-the-Clock Omnibus Directive was officially published in the EU Official Journal on 16 April 2025.

The directive's primary objective is to ease the rollout of the EU's sustainability framework by deferring key implementation deadlines. Specifically, it introduces delays for two major pieces of legislation:

- **The Corporate Sustainability Due Diligence Directive (CSDDD)** – The directive extends the transposition deadline by one year for its initial phase, which applies to the largest companies.

- **The Corporate Sustainability Reporting Directive (CSRD**) – It postpones the reporting obligations by two years for large companies not yet reporting under CSRD, as well as listed small and medium-sized enterprises (SMEs).

EU Member States must incorporate the Stop-the-Clock Directive into their national legislation by 31 December 2025.

For the CSRD:

- Companies classified under the "second wave," which were originally expected to begin reporting in 2026 for the 2025 financial year, will now commence reporting in 2028 for the 2027 financial year
- Those in the "third wave," initially scheduled to report in 2027 for the 2026 financial year, are now required to report in 2029 for the 2028 financial year

Regarding the CSDDD:

- The deadline for transposing the directive into national law has been moved from 2026 to 26 July 2027
- The first group of companies will now be required to comply starting from 26 July 2028, a year later than originally planned

Additionally, the Omnibus I package includes a separate legislative proposal referred to as the "Requirements" proposal. This suggests more substantial revisions to both the CSRD and CSDDD frameworks. However, this proposal is not expected to be expedited and will instead proceed through the standard ordinary legislative procedure, which generally spans around 18 months from the date of publication.

Indonesia

The Institute of Indonesia Chartered Accountants initiated a consultation in the first quarter of 2025, regarding the publication of draft sustainability standards, DE PSPK 1 and DE PSPK 2, based on IFRS S1 and S2. According to the proposals, companies within scope will be required to begin reporting starting January 2027.

- **Regulatory body** – The Institute of Indonesian Chartered Accountants' Indonesian Sustainability Standards Board

Kenya

For Kenya, the Institute of Certified Public Accountants of Kenya (ICPAK) has announced a strategic plan detailing how Kenya intends to implement the sustainability reporting standards. These standards for which, concerning public sector entities, the timing of adoption has yet to be announced, were developed by the country's ISSB.

Adoption Phases and Timelines (based on accounting periods beginning on or after):

- Phase 1 – Voluntary Adoption:
  Effective from 1 January 2024
  Open to all organisations
- Phase 2 – Mandatory Adoption:
  1 January 2027 – Public Interest Entities (PIEs)
  1 January 2028 – Non-PIEs (Large Enterprises)
  1 January 2029 – Non-PIEs (SMEs)
- Phase 3 – Public Sector:
  Adoption timelines for public sector entities will be determined by ICPAK
- **Regulatory body** – Institute of Certified Public Accountants of Kenya (ICPAK)

Mexico

The resolution updates earlier regulations to mandate that, beginning in January 2025, applicable businesses adopt the ISSB's International Sustainability Disclosure Standards. These companies are required to prepare a standalone annual sustainability report in accordance with IFRS S1 and S2, separate from their financial statements, for submission in 2026.

- **Regulatory body** – Secretaría de Gobernación

Morocco

Bank Al-Maghrib, Morocco's central bank, is in the process of developing climate disclosure regulations for the banking sector. These regulations are aligned with the ISSB framework and scheduled for rollout in 2025.

Pakistan

The Securities and Exchange Commission of Pakistan has announced the mandatory adoption of IFRS S1 and IFRS S2 for listed companies and certain unlisted entities. The first group of large companies is expected to begin reporting in July 2025, followed by a second wave in July 2026. A third phase, set for July 2027, will extend the requirements to listed companies and unlisted public interest entities. Assurance will be mandatory across all phases.

Sri Lanka

In collaboration with the ISSB, SLFRS S1 and S2, the local standards were developed to integrate its sustainability standards into the Sri Lankan context. Concurrently, Sri Lanka's Institute of Chartered Accountants formed the Sustainability Disclosure Standards Committee. This committee is to review and recommend best practices for corporate sustainability reporting, aligning with global developments and investor expectations. While these standards take effect on 1 January 2025, all main entities listed on the Colombo Stock Exchange are required to report by 2026. However, listed SMEs must comply by 2030.

- **Regulatory body** – The institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Sustainability Disclosure Standards Committee

Switzerland

- **Legislation** – Ordinance on Climate Disclosure

  The Swiss Federal Council has put forward a proposal for new sustainability reporting requirements, aimed at aligning Swiss regulations with those of the EU. Scheduled to come into force in 2026, the proposed rules would significantly broaden the range of companies required to report on ESG issues. They would also impose stricter disclosure obligations and require companies to develop transition plans towards achieving net-zero emissions.

  At the same time, the European Commission is moving in the opposite direction, having proposed notable reductions in sustainability reporting obligations under both the CSRD and the CSDDD. However, the recent postponement of sustainability reporting obligations by the EU could impact on how Switzerland implements its own reporting framework.

- **Regulatory body** – Swiss Federal Council

Taiwan

- **Legislation** – Taiwan Sustainable Taxonomy

  In August 2023, the Financial Supervisory Commission (FSC) introduced a roadmap for the adoption of the IFRS Sustainability Disclosure Standards by listed companies in Taiwan. According to the phased mandatory rollout plan, these companies are to implement the corresponding standards within the period of January 2026 to January 2028.

  On 15 August 2024, Taiwan introduced regulations establishing the country's first legal framework for domestic carbon credit trading. Following this, a national carbon credit exchange platform was launched on 2 October, enabling the trading of credits approved by the Ministry of Environment.

  Participants such as factory operators and high-rise construction project owners can meet carbon fee obligations, address new emissions either by purchasing credits on the platform or by earning them through approved carbon offset initiatives. These include adopting low-carbon fuels, implementing negative emission technologies, enhancing energy efficiency, using recycled energy and upgrading manufacturing processes.

  Taiwan enacted carbon fee regulations on 29 August 2024, introducing carbon pricing for enterprises emitting over 25,000 tonnes of CO_2 annually – covering 281 companies and 500 factories. A carbon fee rate has been set by the end of 2024 and will take effect in 2026.

- **Regulatory body** – FSC, the Environmental Protection Administration, the Ministry of Economic Affairs, the Ministry of Transportation and Communications and the Ministry of the Interior and the Ministry of Environment.

Thailand

In November 2024, the SEC initiated a public consultation regarding the adoption of the ISSB sustainability standards.

- **Regulatory body** – Securities and Exchange Commission (SEC)

UAE

- **Legislation** – Company Rulebook

  As of April 2025, the Virtual Assets Regulatory Authority (VARA) in Dubai continues to enforce its ESG disclosure framework established in the 2023 Virtual Assets and Related Activities Regulations. This framework mandates that all Virtual Asset Service Providers (VASPs) licensed in Dubai comply with one of three ESG disclosure levels. These are voluntary, compliance or mandatory, and are assigned during the licensing process based on factors such as company size, financials and business activities. VASPs under the mandatory ESG disclosure level are required to publish annual ESG reports detailing governance policies, sustainability integration, diversity initiatives and the environmental impact of data-intensive activities. Additionally, all VASPs involved in virtual asset mining or staking must publicly disclose their use of renewable or waste energy sources, and any de-carbonisation efforts, regardless of their assigned ESG disclosure level. VARA reserves the right to update these requirements and issue further guidance as necessary.

- **Regulatory body** – UAE VARA

Uganda

In Uganda, the responsible entity, the Institute of Certified Public Accountants of Uganda (ICPAU), has unveiled a phased plan. This plan consists of three stages which aim to implement the ISSB standards IFRS S1 and IFRS S2.

- **Regulatory body** – Institute of Certified Public Accountants of Uganda (ICPAU)

UK

The standards will be referred to as the UK SRS. In December 2024, the DBT's technical advisory committee presented its final recommendations to the secretary of state for business and trade, endorsing IFRS S1 and IFRS S2 with minimal modifications. Either in March or Q2 of 2025, a 12-week consultation is expected to commence.

The UK's Financial Conduct Authority (FCA) is working towards the primary goal of promoting transparency, maintaining investor trust and curbing greenwashing by advancing its Sustainability Disclosure Requirements (SDR) framework. While the FCA's anti-greenwashing rule took effect in 2024, it is accompanied by a suite of labelling and marketing requirements. A policy statement is expected from the FCA on expanding the SDR and investment labelling regime to cover portfolio management. Furthermore, the FCA is consulting on minor amendments and clarifications to the existing SDR rules. Firms are strongly advised to ensure compliance by giving careful thought to how they present ESG characteristics.

In response to the March 2024 consultation, HM Treasury and HM Revenue & Customs have released the UK government's official position. The UK Carbon Border Adjustment Mechanism (CBAM) is set to be implemented on 1 January 2027 and is expected to mirror many of the requirements found in the EU CBAM. However, there are some key distinctions – most notably, the omission of electricity from the product scope and the adoption of emissions certificates as a compliance tool.

- **Regulatory body** – Technical Advisory Committee (TAC), Financial Conduct Authority (FCA), HM Treasury and HM Revenue & Customs

US

- **Legislation** – Climate Corporate Data Accountability Act

  As of April 2025, the Climate Corporate Data Accountability Act (Senate Bill 253) has been signed into law. It requires companies with over US$1 billion in annual revenue and doing business in California to report Scope 1 and 2 emissions starting in 2026, and Scope 3 emissions beginning in 2027. The California Air Resources Board (CARB) must finalise implementation rules by July 2025, with initial reports subject to flexibility and no penalties in 2026 if companies act in good faith.

What Do Organizations Need to Do Now?

If not started already, organisations must acquaint themselves with ESG reporting efforts, which will be beneficial in ensuring compliance and avoiding fines.

What Are We Doing to Assist Our Clients in This Area?

The reporting obligations arising from the above-mentioned regulations and reporting standards are significant, and we can assist clients in fulfilling these.

Contacts

Dr. Andreas Fillmann
Partner, Frankfurt
T +49 69 17392 423
E andreas.fillmann@squirepb.com

Hannah Kendrick
Partner, Leeds
T +44 113 284 7620
E hannah.kendrick@squirepb.com

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