



The International Guide to Sustainability Compliance and Initiatives

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Group

International Financial Reporting Standard S1 and S2 | IFRS S1 and S2

Website: <https://www.ifrs.org/>

What is the International Financial Reporting Standard S1 and S2?

The IFRS S1 and S2 are a set of documents which are part of a larger financial reporting standard. S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and S2 (Climate-related Disclosures) support in global standardisation in sustainability and climate-related financial disclosures. The documents were issued by the International Sustainability Standards Board (ISSB) in June of 2023 to harmonise reporting as country/region specific regulatory disclosures were providing the same information in different ways, as well as some not reporting at all. The IFRS recently acquired the TCFD organisation and therefore is modelled on the same 4 pillars: Governance, Strategy, Risk Management, and Metrics and Targets – this further aligns with a variety of other reporting standards worldwide.

The IFRS S1 and S2 framework is not mandatory to align with; however, it is now being implemented into various country law (Turkey, Nigeria, Brazil, Bangladesh, and Costa Rica). Moreover, the International Organisation of Securities Commissions (IOSCO), who regulate 95% of the world's financial markets, endorsed the ISSB standards in July 2023, increasing the likelihood of global adoption. The United Kingdom are likely to implement the S1 and S2 framework as part of its country's law under the title the 'Sustainability Reporting Standard', with Japan, and Australia, considering implementation too.

Who is required to comply with the IFRS S1 and S2?

The in-scope organisations can vary country by country. For the applicable, Turkish, Nigerian and Brazilian markets, the thresholds are as follows:

- **Turkey:** all public interest entities, which are typically large quoted companies, are required to apply the Turkish Accounting Standards (TAS) when preparing their IFRS statements, which include that of S1 and S2.
- **Brazil:** the IFRS Standards apply to all companies who are publicly traded and for most financial institutions whose securities are not publicly traded. This is regulated by the Brazilian Generally Accepted Accounting Principles (BR GAAP).
- **Nigeria:** the Financial Reporting Council of Nigeria (FRCN) state that all public interest entities, which including not only quoted and unquoted companies but also governments, government organisations, and not-for-profit organisations that are required by law to file returns with regulatory authorities to report in line with the IFRS S1 and S2. This is under the Financial Reporting Council of Nigeria Act.

How can an organisation comply with the IFRS S1 and S2?

The full reporting requirements of the IFRS S1 and S2 are within the guidance on the website. It is important that the regulatory understanding is known internally as well as from any external party that might be undertaking specific aspects of the compliance. In this way, an energy or sustainability consultant should be contacted if the support is required.

Are there relevant deadlines for the IFRS S1 and S2?

The IFRS S1 and S2 becomes mandatory for financial years starting on or after the 1st of January 2024, therefore first reports will be published from the beginning of 2025. This will be mandatory in line with financial reporting requirements.



Carbon Border Adjustment Mechanism | CBAM

Website: https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

Blog: [Carbon Border Adjustment Mechanism \(CBAM\) Overview | NUS Consulting](#)

What is the Carbon Border Adjustment Mechanism?

The Carbon Border Adjustment Mechanism was developed by the European Commission to aid the Fit for 55 (55% carbon reduction by 2030 target) emissions plan and combat carbon leakage which comes about due to the 'polluter pays' approach the European Union takes. The principle idea behind CBAM is a carbon tax applied to imported goods to the EU, acting as a duty which is paid for by the importing, EU, organisation. In this way, the EU ETS and CBAM work in harmony as high emitters within the EU must pay for their emissions under the ETS and those products being imported with a large carbon footprint must also be paid for by those procuring the carbon intensive product.

All importers of CBAM products must be registered as a CBAM declarant which is kept by the member state for which the goods are being imported into. Each year the declarant must submit a report which details the previous year's quantity of imports, total embedded carbon emissions, number of CBAM certificates, and any previous reports submitted.

Who is required to take part in CBAM?

CBAM applies to the energy intensive products being produced outside of the EU, specifically to aluminium, iron and steel, cement, electricity, fertilisers, and hydrogen. The requirement falls on the importer inside of the EU; they must pay for the associated carbon emissions (purchasing CBAM certificates) which must be surrendered at the end of the CBAM reporting year.

How can an organisation comply with CBAM?

An organisation wishing to comply with CBAM is one which is importing into the European Union. During the transitional period of CBAM, a report must be drafted and submitted to the commission every quarter from the 31st of January 2024 onwards, no certificates are required to be purchased. Should an organisation fail to comply with the reporting requirements, a fine will be presented to the declarant worth €50 per tonne of carbon dioxide not reported.

Once CBAM commences, an organisation must surrender certificates equal to 80% of the embedded emissions of the imported goods at the end of the CBAM reporting period. These certificates will be costed at the same price as the average weekly EU ETS Allowance Auction price. An organisation wishing to comply might wish to seek external support in order to account for the embedded carbon emissions, or purchase the relevant CBAM certificates.

When are the relevant deadlines for CBAM?

There are 4 main dates which must be focussed on for the purposes of the CBAM:

- Transition Period: 1st October 2022 to 31st December 2025
- CBAM Commencement – 1st January 2026
- First Import Report and CBAM Certificate Surrender – 31st May 2026
- CBAM Import Report and Certificate Surrender – 31st May Each Subsequent Year

Tertiary Decree - (Décret tertiaire)

Website: <https://www.ecologie.gouv.fr/politiques-publiques/eco-energie-tertiaire-eet>

What is the Tertiary Decree?

The Tertiary Decree, or Tertiary Eco-Energy Scheme (DEET), was implemented into French law in Article 175 of the ÉLAN law. This mandates a reduction in energy consumption in all tertiary sector buildings (service driven operations e.g. retail, commercial) above a floor area to combat greenhouse gas emissions associated with buildings.

Who is required to comply with the Tertiary Decree?

A building is in scope if tertiary sector (service driven operations e.g. retail shops, commercial) activities are undertaken on the premises and the floor area is greater than or equal to 1000m². If an organisation is a tenant of a shopping centre then the Tertiary Decree will apply to the shopping centre as a whole, provided the floor area exceeds 1000m².

If an organisation is an occupant of a landlord owned stand-alone building then an agreement must be reached between the tenant and landlord to decide who will be responsible for the compliance. In many scenarios this will be the landlord as they have ultimate control over the building, heating, ventilation and cooling systems, and fabric.

Specific exemptions to the Tertiary Decree include, but are not limited to, temporary structures, places of worship, civil protection, or internal security.

How can an organisation comply with the Tertiary Decree?

An organisation/building that is deemed in-scope for the Tertiary Decree must reduce the energy consumption of the building; 40% by 2030, 50% by 2040, and 60% by 2050 in an absolute reduction. Organisations can alternatively reduce energy consumption in accordance with kWh/m²/year. Exceptions can be made to modify the stated targets based on the restrictions (e.g. heritage sites).

An organisation must have set a base year for each building in relation to their energy consumption no earlier than 2010. Currently, organisations must have already submitted their 2020, 2021, 2022, and 2023 consumption on the OPERAT portal with 2024 consumption to follow.

Are there relevant deadlines for the Tertiary Decree?

The most recent deadlines are as follows:

- 30th September 2024 – Submission of 2023 data
- 31st December 2024 – Submission of analysis of 2020 – 2023 data
- 31st of December 2031 – Verify the objectives for 2030 (40% reduction) have been met.

After the 31st December 2024, a submission of annual consumption data is required to ensure that the consumption of the building is being monitored. This submission is expected to be the 30th September each year.

Companies can be penalised with a name and shame, fines, and action plan production for non-compliance.