

Meeting: Stakeholder Advisory Council (SAC)

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Agenda Item

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Deregulation and Its Potential Implications for Sustainability and Other International Standards

Introduction

1. Geopolitical trends, such as deregulation and simplification, that occur in the ecosystem in which International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) standards operate may impact, in either the shorter-term or longer-term, how IAASB and IESBA position their standard-setting activities and the standards that they produce, including how they design efforts to effectively promote the adoption and implementation of their standards.
2. The current state of play in the ecosystem regarding deregulation and simplification is marked, most notably, by recent developments in sustainability reporting regulations in both the United States (U.S.) and Europe, reflecting a broader trend towards reducing regulatory burdens and streamlining processes to foster innovation and economic growth. While this paper mostly highlights U.S. and European regulatory changes, similar trends in many jurisdictions reinforce the notion that these shifts are a part of a global pattern.

Deregulation in Sustainability Reporting in the European Union (EU) and U.S.

3. Both the EU and the U.S. have recently introduced notable deregulatory measures around sustainability reporting. In the EU, the Omnibus Package proposes targeted amendments to the CSRD while in the U.S., the Securities and Exchange Commission (SEC) has voted to suspend its legal defense of the Climate-Related Disclosure Rule. These developments reflect a shifting regulatory landscape.

EU

4. In 2014, the EU took a significant step towards enhancing corporate transparency and accountability by introducing the Non-Financial Reporting Directive (NFRD). In 2021, the Corporate Sustainability Reporting Directive (CSRD) was proposed to replace the NFRD, and in 2024 the Corporate Sustainability Due Diligence Directive (CSDDD) was adopted.
5. In February 2025, the European Commission (EC) published the first Omnibus Package that aims to simplify the EU rules, promote competitiveness and expand additional investment capacity. The Package includes a series of measures, including:¹

¹ [Omnibus I - European Commission](#), [COM\(2025\) 80](#), [COM\(2025\) 81](#), [COM \(2025\) 87](#); https://ec.europa.eu/commission/presscorner/detail/en/ip_25_614

- Excluding approximately 80% of companies from the scope of CSRD, focusing the sustainability reporting obligations on the largest companies.
 - Reducing the CSRD requirements to make sustainability reporting more efficient and less burdensome, with changes such as reducing the number of datapoints. In this regard, the European Financial Reporting Advisory Group (EFRAG) is set to provide technical advice on reducing the number of datapoints by October 31, 2025.
 - Limiting the scope of the EU Taxonomy reporting obligations to the largest companies (corresponding to the scope of the CSDDD), while retaining a voluntary reporting option for the other large companies in scope of the revised CSRD requirements. The Omnibus Package also introduces the option of reporting on activities that are only partially aligned with the EU Taxonomy and a financial materiality threshold for the Taxonomy reporting. It also reduces the number of required reporting templates and the number of datapoints.
 - Reducing the CSDDD requirements by, amongst other matters, focusing on direct business partners and prolonging the intervals of monitoring and assessments from one to five years.
 - Postponing the reporting requirements for companies currently within the scope of CSRD and which are required to report as of 2026 or 2027 by two years (until 2028) as well as postpone the application of the CSDDD requirements for the largest companies by one year (to July 26, 2028). The European Parliament voted on April 3, 2025 to approve these 'stop the clock' measures.
 - Including other proposed amendments related to simplifying the carbon border adjustment mechanism (CBAM), and simplifying and optimizing the use of certain investment programs.
6. Many investors remain supportive of the integrity and ambition of the EU's CSRD, CSDDD, and EU taxonomy. For example, an investor joint statement containing 212 signatories and representing approximately €6.6 trillion assets under management emphasized the need for long-term policy stability, timely access to high quality and comparable reporting to guide investment decisions, and a suggestion to focus on streamlining the technical standards and providing clear implementation guidance.²

U.S.

7. In March 2024, the U.S. SEC adopted the Climate Related Disclosure Rule³ that was initially set to go into effect in 2026.
8. In January 2025, Mark Uyeda was appointed SEC Acting Chairman, and he has signaled a change in direction from the previous Chairman and administration.
9. In March 2025, the SEC officially voted to end its legal defense of the SEC Climate-Related Disclosure Rule, effectively halting climate disclosure and sustainability reporting at the national

² [Investor joint statement on Omnibus Legislation - EUROSIF](#)

³ [SEC.gov | SEC Adopts Rules to Enhance and Standardize Climate-Related Disclosures for Investors](#)

level.⁴ Further, the speed and volume of executive orders from the current administration have also increased regulatory uncertainty.

10. However, some U.S. states have also proposed climate disclosure laws, including New York, New Jersey, Illinois, Colorado, and California. California, as one of the world's largest economies, helps to drive national and global change. Its climate disclosure laws would impact public and private businesses with over \$1 billion in revenue operating in the state. The California government is staying the course amidst ongoing litigation, with an anticipated implementation date of its climate disclosure laws of January 1, 2026.⁵
11. The U.S. highlights the complexity that can arise within a single jurisdiction. Deregulation at a national level does not always lead to uniformity, as differences in approach can arise even within a single jurisdiction.

Other Examples of Deregulation Trends

12. There are also other significant deregulation efforts across jurisdictions that support the view of a global deregulation trend. Such deregulation measures seem to be designed to, amongst others, promote economic competitiveness, cut government red tape, support innovation, and attract investment. The following are a number of examples in different jurisdictions.
13. In the US, President Trump signed an executive order in January 2025 to launch the 10-to-1 deregulation initiative, mandating the elimination of ten existing regulations for every new one introduced.⁶
14. In January 2025, the EU launched a "simplification" agenda focusing on reducing bureaucracy and fostering innovation. The initiative includes support for green technologies, artificial intelligence, and quantum computing, alongside regulatory flexibilities for industries like automotive manufacturing.⁷
15. The EU is scaling back tech regulations to boost AI investment, including withdrawing a planned AI liability directive and limiting reporting under the upcoming AI code of practice.⁸ In the U.S. there have also been steps to deregulate the cryptocurrency industry and reduce regulatory oversight of AI technologies.
16. Argentina initiated aggressive economic deregulation, a "deep chainsaw", to stabilize the economy and reduce inflation. Key measures include significant reductions in government spending and public sector employment, elimination of price controls, and reduction of import taxes to encourage competition. Additionally, the regulatory frameworks for sectors like pharmaceuticals and automobiles were overhauled to attract investment.⁹

⁴ [SEC Votes To End Legal Defense Of Climate Disclosure Rule](#)

⁵ [California SB 253 and SB 261: What Businesses Need to Know - Persefoni, California enacts major climate-related disclosure laws](#)

⁶ <https://www.whitehouse.gov/fact-sheets/2025/01/fact-sheet-president-donald-j-trump-launches-massive-10-to-1-deregulation-initiative/>

⁷ <https://www.theguardian.com/world/2025/jan/29/eu-launches-simplification-agenda-in-effort-to-keep-up-with-us-and-china?>

⁸ <https://www.ft.com/content/fde53886-4295-4066-a704-b8cf5f388800?>

⁹ [Deregulation in Argentina: Milei Takes "Deep Chainsaw" to Bureaucracy and Red Tape | Cato Institute](#)

17. India has pursued significant deregulation in its telecommunications sector, reducing licensing requirements and encouraging more competition.¹⁰ Similarly, Brazil has eased restrictions on foreign investments in its energy sector, aiming to attract more international capital.¹¹
18. Labor deregulation efforts are underway in both South Africa and India. In South Africa, beginning January 1, 2025 the Employment Equity Amendment Act¹² exempts businesses with fewer than 50 employees from certain reporting obligations, easing administrative burdens for small employers.¹³ India's latest labor deregulation efforts are encapsulated in the New Labour Code 2025, which aims to modernize and simplify labor laws by consolidating 29 existing laws into four comprehensive codes.¹⁴

Adoption & Implementation (A&I)

19. The strategy for promoting the A&I of the two Standard Setting Boards' (SSBs) newly issued sustainability standards involves ongoing collaboration and cooperation between the two Boards. The SSBs are fully committed to aligning their A&I plans, with regular touchpoints at the staff level to ensure the Boards stay informed about each other's activities and leverage their efforts effectively, including extensive combined outreach.
20. Following the PIOB's certification of the ISSA 5000¹⁵ and IESSA¹⁶ in November 2024 and January 2025 respectively, the IAASB and IESBA launched the standards with a joint fact sheet and materials from each SSB to support effective implementation. Published materials include an ISSA 5000 implementation guide, fact sheets for ISSA 5000 and IESSA, FAQs, and FAQ video series, Basis for Conclusions documents, and technical overviews of the standards.¹⁷
21. On adoption, IAASB and IESBA staff are actively engaging with stakeholders, including investors, analysts, Environmental, Social and Governance advocacy groups, and other users, preparers, regulators, and global and jurisdictional standard-setters to encourage mandatory or voluntary adoption of ISSA 5000 and IESSA. Outreach is being conducted through workshops, presentations, and direct engagements, and leveraging events of other bodies.
22. On non-authoritative materials to support effective and consistent implementation, in addition to the materials issued with the launch of the two Boards' standards (see paragraph 20):

¹⁰ [India's Economy Is Booming. Deregulation Is the Next Important Step.](#)

¹¹ [Historic Deregulation: Brazil's Energy Market Opens Up Like Never Before - The Rio Times](#)

¹² [Employment Equity Amendment Act 4 of 2022 \(English / Xitsonga\)](#)

¹³ [Boon for small employers as Employment Equity \(EE\) Amendment Act comes into operation on 1 January 2025](#)

¹⁴ [New Labour Code 2025 Regulations](#)

¹⁵ [International Standard on Sustainability Assurance \(ISSA\)TM 5000, General Requirements for Sustainability Assurance Engagements | IAASB](#)

¹⁶ [Final Pronouncement: International Ethics Standards for Sustainability Assurance \(IESSA\)TM \(including International Independence Standards\) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting | IESBA](#)

¹⁷ [Understanding the International Standard on Sustainability Assurance 5000 | IAASB, Global Ethics Sustainability Standards | IESBA](#)

- IESBA presented a global webinar series in February 2025.¹⁸ The IAASB is in the process of developing a technical global webinar series on ISSA 5000.
 - IAASB and IESBA staff are working on joint FAQs to address stakeholder needs on matters of common interest relating to the use of ISSA 5000 and IESSA.
 - The IAASB is developing illustrative assurance reports in collaboration with the IAASB-Jurisdictional Standard Setters Liaison Group. The IAASB will also consider developing other materials responsive to stakeholder needs based on its monitoring of ISSA 5000 A&I (see paragraph 23) and ongoing outreach activities, which may include, for example, additional fact sheets, FAQs, guidance or other materials.
 - The IESBA is developing a summary of prohibitions in the IESSA with respect to sustainability assurance engagements for public interest entities (PIEs), as well as material specific for investors and those charged with governance on the impacts and benefits of the IESBA Sustainability and Experts¹⁹ Standards.
23. On monitoring, IAASB and IESBA are liaising and coordinating with the International Federation of Accountants as it supports the roll-out plans for the Boards' respective sustainability standards in its ongoing activities on A&I. IAASB and IESBA are also tracking the adoption status by jurisdictions through monitoring activities, feedback from advisory groups, and direct outreach. Both Boards have established working groups and contact groups providing direction, support, and monitoring of implementation issues.
- The IAASB Sustainability Assurance Implementation Working Group, will provide direction to IAASB staff on implementation issues, advise on proportionate responses, support or participate in activities and events, and review materials.
 - The IAASB ISSA 5000 Technical Implementation Contact Group, is a group of assurance practitioner experts directly involved in the implementation of ISSA 5000. It will raise and advise IAASB on implementation issues.
 - The IESBA Adoption & Implementation Working Group, will promote, monitor, and develop recommendations for the adoption and implementation of the IESBA's standards.
 - The IESBA IESSA Implementation Monitoring Advisory Group will include individuals with expertise in IESBA's independence standards or who participate in the implementation of IESSA. It will, amongst other matters, discuss implementation issues or challenges with respect to the IESSA, and advise IESBA on the nature and extent of any appropriate responses.
 - IAASB and IESBA will both be accepting implementation questions and issues directly from stakeholders through online submission forms.

Positioning Standard Setting

24. In light of global deregulation trends, the role of high-quality international standards developed by the IAASB and IESBA is becoming increasingly vital. Deregulation measures may bring risks, such as

¹⁸ [IESBA Global Webinars - Ethics in Sustainability and Using the Work of an External Expert | IESBA](#)

¹⁹ [Final Pronouncement: Using the Work of an External Expert | IESBA](#)

fragmentation, diminished engagement, and calls for diluted requirements, which must be carefully managed. The SSBs' standards serve as a cornerstone to protecting the public interest and are distinguished by a robust due process to meet clearly defined public interest objectives and rigorously defined qualitative criteria. As regulatory requirements are scaled back, these standards may be seen as key instruments to promote trust, ethical behavior, and assurance quality across borders.

25. However, while recent developments indicate a surge in deregulation initiatives, such trends may only be cyclical or politically driven, and therefore potentially transitory. Hence, IAASB and IESBA are not reacting in haste but are instead navigating these shifts with measured perspective. Whether deregulation measures in recent times prove to be only temporary fluctuation or part of a longer-term shift, both SSBs remain focused on reinforcing the durability, adaptability, and relevance of their standards as essential components of the global financial and non-financial reporting architecture. In accordance with the Public Interest Framework²⁰, the SSBs aim to develop standards that will demonstrate, amongst other things, the qualitative characteristics of relevance, implementability and the ability to be consistently applied, globally operability, as well as enforceability. In addition to ensuring that the standards are of high quality, the SSBs are committed to promoting and facilitating the adoption of the standards through a series of activities.
26. The SAC plays a pivotal role in providing strategic advice on how to maintain confidence of the SSBs' stakeholders, strengthen legitimacy, and ensure that the SSBs' work remains responsive to emerging issues, inclusive and fit for purpose in meeting stakeholder needs. The SAC's strategic guidance will also help improve the effectiveness of the SSBs' A&I and broader outreach activities, achieving more widespread adoption of the SSBs' standards.

Participants are asked to come prepared with characterization of the deregulation and simplification trend in their jurisdictions/constituencies. The session will start with a tour de table on this. The session will then move to discussing the following questions:

1. *How should the SSBs position their standard setting activities, including ways to navigate the challenges in light of this deregulation trend?*
2. *How should the SSBs go about promoting the adoption and implementation of their standards, including the newly issued sustainability standards, in light of this deregulation trend? What are the opportunities or dimensions unique within your constituency and community that should be considered by the SSBs?*

Material Presented

For Discussion

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²⁰ [Public Interest Framework](#)