New Corporate Regulations for Climate Risk Management

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The shift toward a low-carbon economy demands more than voluntary pledges—it requires clear standards for transparency and corporate governance. In response, Brazil's Securities and Exchange Commission (CVM – *Comissão de Valores Mobiliários*) has taken a leading role, aligning domestic regulations with global best practices, most notably through the local adoption of International Sustainability Standards Board (ISSB) frameworks.

This regulatory evolution began with CVM Resolution 193/2023, which initially allowed companies to voluntarily prepare sustainability-related financial reports. For fiscal years beginning January 1, 2026, these reports will become mandatory for publicly-traded companies (categories A and B), following standards issued by the local sustainability standards committee (CBPS – *Comitê Brasileiro de Pronunciamentos de Sustentabilidade*) and approved by the CVM (equivalent to IFRS S1 and S2).

Further progress came with Law 15.042/2024, which established the Brazilian Greenhouse Gas Emissions Trading System (SBCE). The law lays the foundation for a regulated carbon market in Brazil and sets out requirements for monitoring, reporting, and verification (MRV). Companies subject to Law 15.042/2024 must incorporate these obligations into their sustainability disclosures, with a particular focus on scope 1, 2, and 3 emissions.

CVM Resolution 223/2024 added another layer, making Technical Guidance OCPC 10 issued by the Brazilian Accounting Pronouncements Committee (CPC) mandatory. OCPC 10 brings important accounting clarity:

- It classifies carbon credits as non-financial, intangible assets.
- It allows carbon credit futures and forward contracts to be treated as financial instruments, provided they meet the criteria in CPC Standard 39.

By setting standards for recognition, measurement, and disclosure, OCPC 10 aims to ensure that decarbonization activities are accurately reflected in financial statements. This enhances transparency for investors and stakeholders and supports the development of green financial products, while helping companies assess risks and opportunities in the climate transition.

In short, these regulatory advances establish the groundwork needed for carbon credits tobecome meaningful economic assets in Brazil's sustainable transition. Robust disclosure and governance practices aligned with the new regulatory framework will enable Brazilian companies to demonstrate resilience and strategic vision in a changing market.

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