Corporate Climate Disclosures: Regulation Across Jurisdictions

SIDLEY

In the last few years, the world has seen a proliferation of regulations requiring companies to publish climate-related disclosures. Companies are now facing overlapping — and to some extent differing — requirements in different jurisdictions. This note compares key aspects of climate-related disclosures required in the United States (U.S.), California, the United Kingdom (UK), and the European Union (EU), as well the reporting standards set out by the International Sustainability Standards Board (ISSB), which a number of jurisdictions have adopted or are considering. Before diving into this comparison, we provide an overview of the regulations and suggest some practical steps for compliance.

Overview of climate-related disclosures

In March 2024, the U.S. Securities and Exchange Commission (SEC) adopted final rules that would require domestic and foreign registrants to include extensive climate-related information in their registration statements and periodic reports. See our past Sidley Update on the SEC's final rules here.[1] In the fall of 2023, the California Assembly enacted landmark legislation (Senate Bill Nos. 253 and 261; and AB 1305) that require, among other things, the disclosure of greenhouse gas (GHG) emissions, an annual climate-related risk report and disclosures regarding the marketing, sale, purchase, and use of voluntary carbon offsets and emissions reduction marketing claims. See our past Sidley Update on California Senate Bill Nos. 253 and 261 here and AB 1305 here.

In December 2022, the EU adopted the Corporate Sustainability Reporting Directive (CSRD), which introduces extensive disclosure requirements on a wide array of environmental, social, and governance (ESG) topics, including climate change. In July 2023, the European Commission adopted the first set of European Sustainability Reporting Standards (ESRS), which supplement the CSRD. See our past Sidley Updates on CSRD and ESRS here and here. In addition, in May 2024, the EU agreed on the final text of the Corporate Sustainability Due Diligence Directive (CS3D). CS3D introduces extensive requirements on environmental and human rights due diligence, in addition to related disclosure requirements. See our Sidley Update on CS3D here.

In the UK, climate-related disclosures are generally situated in the UK's non-financial corporate reporting framework under Companies Act 2006 (UK Companies Act), which has been supplemented by related regulations. Most notably, the UK government has mandated climate-related disclosures that are aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (UK Climate-related Financial Disclosure Regulations). In addition, the UK government is in the process of adopting the Sustainability Disclosure Standards (SDS) regime, which will be based on the ISSB's sustainability standards. The UK SDS will consolidate new and existing sustainability reporting requirements for companies.

Lastly, the ISSB's reporting standards have been increasingly used as a baseline for sustainability disclosures in countries across the globe. For example, the Sustainability Standards Board of Japan recently published draft sustainability disclosure standards based on those from the ISSB.

During this time of rapid expansion in climate-related regulation, we have also seen a significant increase in global litigation and regulatory enforcement targeting corporate ESG statements. Regulators, nongovernmental organizations, and private parties have been focused on whether corporate ESG statements are false or misleading, resulting in greenwashing (i.e., making a company and its products or services appear more environmentally friendly than they are). Some of these cases have resulted in significant penalties or required a change in corporate conduct. The increased transparency required due to the rise of mandatory climate-related disclosures will likely result in a greater proliferation of challenges against corporate "green claims" and an increase in litigation and regulatory enforcement actions globally.

[1] The SEC final rules are currently stayed pending resolution of litigation challenging them.

How should a company prepare for global compliance?

- **Determine applicability**. Determine which regulatory regimes will or could apply to your operations and business.

- **Decide on global strategy**. Companies with global operations will face the additional challenge of having to comply with multiple regulations across jurisdictions. Companies should carefully consider their reporting strategies to comply most efficiently with concurrent, and potentially differing, requirements.

- **Evaluate how these regulations will impact your future regulatory filings**. Companies should begin assessing the gaps between information they currently disclose, inside and outside of regulatory and voluntary filings, and what they will be required to disclose under the regulatory regimes. These gaps could be significant for many companies. In addition, many companies that have, to date, been partially compliant with the TCFD (now replaced by the ISSB) may need to rework their approaches or disclose more information to satisfy the disclosure requirements of the applicable regulatory regimes.

- **Evaluate how these regulations will impact your operations**. While some of the regulatory regimes pertain only to disclosure, they may impact corporate behaviors, as companies may be encouraged or compelled to take actions, to the extent they are not doing so already, to have monitoring, accounting, planning, operational, and governance practices in place so that required disclosures can be made. Regimes such as CS3D will directly compel corporate behavior.

- **Plan for attestation firms and advisers as needed**. Because many of the regulations will require third-party assurance of climate-related information, companies may need to evaluate the capabilities of their current service providers to supply these services and, if necessary, retain providers to fill gaps and needs. Changes in operations and disclosures may necessitate the engagement of new expertise, both inside and outside of the company, related to management, operations, and legal ramifications related to the new disclosures and any new initiatives designed to support them. Companies may additionally wish to assess the expected costs of increased engagement with outside advisers.

- **Review existing climate-related goals**. Companies should begin to carefully review their climate-related goals, such as net-zero emissions pledges, including a comprehensive understanding and review of all internal processes and assumptions that go into these goals. This includes having a comprehensive assessment and inventory of all previously disclosed climate-related goals, whether disclosed in a regulatory filing or in a voluntary report. If your company is anticipating releasing new climate-related goals or revising and/or eliminating its current climate-related goals, it may be advisable to engage counsel with the necessary expertise to review such goals and decisions.

- **Continue to monitor global greenwashing litigation**. As discussed *supra*, the global trend toward increased ESG disclosures comes with a growing global trend in ESG-related litigation. Cases are being brought around the world by government authorities, investors, consumers, and civil society, and in many parts of the world, plaintiffs are enjoying considerable success, including in challenging elements of a company's business model as misaligned with corporate sustainability statements. New sustainability disclosures will provide an additional source of public information that will likely drive a further increase in ESG-related litigation. Companies must weigh these risks as they meet their new disclosure requirements. These risks are more pronounced when companies are subject to disclosures across jurisdictions, increasing the importance of coherence and consistency in company disclosures.

GLOBAL CORPORATE CLIMATE DISCLOSURE REGULATION COMPARISON CHART[2]

SEC[3]	CALIFORNIA[4]	UK	CSRD/CS3D[5]	ISSB[6]
Applicability				
All companies with reporting obligations under Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) and companies filing registration statements pursuant to the Securities Act of 1933 or the Exchange Act.	*SB 253* Applies to "reporting entities," which are defined as partnerships, corporations, limited liability companies, or other business entities formed under the laws of California, any other U.S. state, the District of Columbia, or under an act of the U.S. Congress, with total annual revenues (for the previous fiscal year) exceeding $1 billion and doing business in California. As defined in existing law, "doing business" in California would include companies actively engaging in any transaction for the purpose of financial or pecuniary gain or profit within California, regardless of whether the company is domiciled in the state. *SB 261* SB 261 applies to "covered entities," which are defined as partnerships, corporations, limited liability companies, or other business entities formed under the laws of	*Strategic Report (UK Companies Act)* Applies to all UK-incorporated companies (other than those entitled to an exemption under the small companies' regime) that satisfy at least two of the following three criteria: (i) turnover of more than £10.2 million; (ii) balance sheet total of more than £5.1 million; and (iii) 50 or more employees. *S.172 Statement (UK Companies Act)* Applies to all UK-incorporated companies (other than those entitled to an exemption under the medium-sized companies' regime[8]), which satisfy at least two of the following three criteria: (i) turnover of more than £36 million; (ii) balance sheet total of more than £18 million; and	*CSRD* Applies to EU companies that are (i) "large undertakings"; (ii) parent undertakings of "large groups"; or (iii) large, medium, or small "public-interest entities" (PiEs). Applies to non-EU companies that are large, medium, or small undertakings with securities admitted to trading on an EU-regulated market (issuers). *A "large group" or "large undertaking" should meet two of three criteria: (a) €50+ m net worldwide turnover; (b) exceeding €25+ m balance sheet; and (c) 250+ employees.* Reporting requirements will apply in three waves, with reporting the following year: (i) financial year (FY) 2024 for large PiEs and issuers exceeding 500 employees; (ii) FY 2025 for all other large undertakings; and	Scope of application will differ depending on whether a jurisdiction has adopted ISSB standards or aligned its national framework with them. These jurisdictions include Costa Rica, Brazil, Nigeria, Turkey, and Bangladesh. Several other jurisdictions have announced plans to adopt the ISSB standards, such as Canada, UK, India, Japan, Korea, Australia, Singapore, Malaysia, the Philippines, Taiwan, and Hong Kong.

[2] Chart last updated on July 15, 2024.

[3] On March 6, 2024, the SEC adopted final rules on the enhancement and standardization of climate-related disclosures for investors (File No. S7-10-22) that will require domestic and foreign registrants to include extensive climate-related information in their registration statements and periodic reports. In April 2024, the SEC issued a voluntary stay of the final rules pending resolution of litigation challenging them.

[4] On October 7, 2023, California Governor Gavin Newsom signed into law landmark climate disclosure and financial reporting legislation: the Climate Corporate Data Accountability Act (SB 253), the Climate-Related Financial Risk Act (SB 261), and Voluntary Carbon Market Disclosures Act (AB 1305).

[5] The EU adopted, in December 2022, the Corporate Sustainability Reporting Directive (CSRD) (Directive 2022/2464). In July 2023, the European Commission adopted the first set of European Sustainability Reporting Standards (ESRS) (Delegated Regulation 2023/2772) which supplement the CSRD. In May 2024, the EU finalized the adoption of the Corporate Sustainability Due Diligence Directive (CS3D). Note that the information set out in this table are subject to the pending publication of the official final text.

[6] On June 6, 2023, the ISSB issued its inaugural reporting standards: IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information; and IFRS S2, Climate-related Disclosures.

[7] A company (or member of a group) authorized under Part 4A Financial Services and Markets Act and/or an e-money issuer is ineligible for the medium-sized company exemption.

SEC[3]	CALIFORNIA[4]	UK	CSRD/CS3D[5]	ISSB[6]
	California, any other U.S. state, the District of Columbia, or under an act of the U.S. Congress, with total annual revenues (for the previous fiscal year) exceeding $500 million and doing business in California.[7] *AB 1305* AB 1305 applies to business entities that (i) market or sell voluntary carbon offsets (VCOs) in the state of California; (ii) purchase or use VCOs sold within the state and make emissions marketing claims; and (iii) entities that make emissions marketing claims within the state.	(iii) 250 or more employees. *UK TCFD-aligned Disclosures (UK Companies Act)* Applies to: (i) UK companies that have more than 500 employees and have transferable securities admitted to trading on a UK regulated market or are banking companies or insurance companies; (ii) UK registered companies that have securities admitted to the UK Alternative Investment Market and that have more than 500 employees; and (iii) UK registered companies that are not included in the categories above and that have more than 500 employees and a turnover of more than £500 million. *"Comply or Explain" TCFD Recommendations (Listing Rules)*[9] Applies to UK-listed companies (wherever they are incorporated, including overseas): (i) a UK premium listing;	(iii) FY 2026 for small and medium PiEs and issuers. Additionally, applies to the activities of <u>non-EU ultimate parent</u> undertakings that have (i) net EU turnover exceeding €150 million (individual or group level); and (ii) either (a) an EU subsidiary individually subject to CSRD, or (b) an EU branch with net EU turnover exceeding €40 million. For these undertakings, CSRD will apply as of FY 2028 activities, with reporting in 2029. *CS3D* For <u>EU companies</u> that have, in each of the last two consecutive FYs: (i) (a) more than 1,000 employees; and (b) net worldwide turnover exceeding €450 million in the last FY; or (ii) (a) generated royalties in the EU exceeding €22.5 million; and (b) net worldwide turnover exceeding €80 million in the last FY.	

[8] SB 261 does not apply to business entities subject to regulation by the California Department of Insurance or in the business of insurance in any other state. As noted in Section 1(i) of the act, the National Association of Insurance Commissioners, which includes California's Insurance Commissioner, has adopted a new standard for insurance companies to report their climate-related risks in alignment with the TCFD. Accordingly, California legislators elected not to require the preparation of duplicative reports by California insurance companies.
[9] Note that the Listing Rules' comply-and-explain disclosures are separate but complementary to the UK Climate-related Financial Disclosures (above). The key difference between the disclosure regimes is that the Listing Rules directly reference the TCFD recommendations and guidance materials, whereas the UK Climate-related Financial Disclosures are based on, but do not mirror, the TCFD Recommendations as they were adapted for UK law.

SEC[3]	CALIFORNIA[4]	UK	CSRD/CS3D[5]	ISSB[6]
		(ii) a UK standard listing of shares (equity shares or shares other than equity shares); and (iii) standard listed issuers of global depositary receipts (in each case, other than investment entities or shell companies (such as special purpose acquisition companies)).	For non-EU companies that have, in each of last two consecutive FYs: (i) net turnover in the EU exceeding €450 million in the FY preceding the last FY; or (ii) (a) generated royalties in the EU exceeding €22.5 million; and (b) net worldwide turnover exceeding €80 million, in the FY preceding the last FY. CS3D will apply to in-scope companies in three waves, with reporting the following year:[10] (i) in 2027 for EU companies with turnover exceeding €1.5 billion and 5,000 employees, and non-EU companies with turnover exceeding €1.5 billion; (ii) in 2028 for EU companies with turnover exceeding €900 million and 3,000 employees, and non-EU companies with turnover exceeding €900 million; (iii) in 2029 for all other in-scope companies.	
Scope of Disclosures				
Requires disclosure of climate-related risks that have materially impacted or are reasonably likely to have a material impact on the company, including whether such risks are physical or transition. The disclosure requirements expand outward from that starting point, to items	*SB 253* Requires a reporting entity to disclose its Scope 1, Scope 2, and Scope 3 GHG emissions to California on an annual basis as well as to obtain third-party assurance of its disclosures. Scope emissions are to be measured and reported in conformance	*Strategic Report*[11] Requires disclosures of (i) the principal risks and uncertainties facing the company; (ii) key performance indicators relating to **environmental** and employee matters; and (iii) additional disclosures that the directors consider to be of strategic importance.	*CSRD* Requires disclosure of sustainability-related matters, which include climate change but also nine additional topics: pollution; water and marine resources; biodiversity and ecosystems; resource use and circular economy; own workforce; workers in the	It should be noted that there is no mandatory scope for ISSB standards.

[10] This timeline assumes implementation of the CS3D in 2024.
[11] In the UK, certain companies are also required to prepare non-climate-related disclosures that focus on "social" or "governance" considerations; for example, the company's Directors' Report may contain a statement of engagement with employees or a statement of corporate governance arrangements. This comparison chart focuses on the climate-related disclosures only.

SEC[3]	CALIFORNIA[4]	UK	CSRD/CS3D[5]	ISSB[6]
such as material impacts of such risks, risk management, strategy, governance, targets and goals, and Scope 1 and Scope 2 GHG emissions metrics and financial statement effects, among other disclosure requirements.	with the Greenhouse Gas Protocol standards and guidance. *SB 261* Requires a covered entity to prepare and submit climate-related financial risk reports to the California Air Resources Board (CARB) on a biennial basis (every other year). The report must disclose (i) the covered entity's climate-related financial risks, in accordance with the recommendations of the TCFD, and (ii) measures adopted by the covered entity to reduce and adapt to climate-related financial risks. *AB 1305* Requires entities that fall within the scope of AB 1305 to make specific disclosures based on the type of conduct; such disclosure is required to be published on the entity's website and updated annually, as applicable.	*S.172 Statement (UK Companies Act)* Requires disclosures to explain how directors have considered s.172(1)(a) – (f) of the Companies Act, which includes "the impact of the company's operations and the environment." *UK TCFD-aligned Disclosures (UK Companies Act)* Requires TCFD-aligned climate disclosures: (i) how climate change is addressed in corporate governance; (ii) how climate-related risks and opportunities are managed; and (iii) the performance measures and targets applied in managing these issues. *"Comply or Explain" TCFD Recommendations (Listing Rules)* Requires a comply-or-explain statement stating: (i) whether the company has made disclosures consistent with the TCFD's recommendations and where; or (ii) provide an explanation, if not.	value chain; affected communities; consumers and end users; and business conduct. These 10 topics are further broken down in 37 sub-topics and 70 sub-sub-topics. For any material sustainability matter, reporting must be done on the basis of general standards, cross-cutting standards, and topic-specific standards. Key reporting areas include governance, strategy and business model, policies, actions, targets, and metrics. *CS3D* Requires disclosure statement on the entity's performance of CS3D obligations in relation to adverse impacts, including "adverse environmental impact." Disclosures will cover due diligence, actual and potential adverse impacts identified, and appropriate measures taken with respect to those impacts. The European Commission intends for the reporting criteria to be aligned with the CSRD's ESRS, where appropriate. This disclosure statement requirement will not apply to companies subject to the CSRD.	However: IFRS S1 applies to entities that prepare and report sustainability-related financial disclosures. IFRS S2 applies to (i) climate-related physical and transition risks to which the entity is exposed; and (ii) climate-related opportunities available to the entity.
Materiality				
Single (financial) materiality: A matter is "material" if there is a substantial likelihood that a reasonable investor would consider it important when determining whether to buy	*SB 261* **Single (financial) materiality**: Requires disclosure of climate-related risks that have	*Single materiality* Materiality of information is judged in relation to whether climate-related risks and	*CSRD/ESRS 1*	*IFRS S1 (17-19, B19)* **Single (financial) materiality**: Requires disclosure of material information about

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or sell securities or how to vote or such a reasonable investor would view omission of the disclosure as having significantly altered the total mix of information made available.	a "material" risk of harm to immediate and long-term financial outcomes due to physical and transition risks, including, but not limited to, risks to corporate operations, provision of goods and services, supply chains, employee health and safety, capital and financial investments, institutional investments, financial standing of loan recipients and borrowers, shareholder value, consumer demand, and financial markets and economic health. Notably, SB 253 does not separately define the word "material."	disclosures are likely to impact a company's current and future financial position and performance. (See "*Transition Plans*" below regarding the potential developments in the UK's single materiality approach.)	**Double materiality:** Requires disclosure of matters that are material from an impact or financial perspective, or both. **Impact materiality** concerns the actual or potential impacts of the company, its subsidiaries, and its value chain, on sustainability matters ("inside-out"). It is based on a combination of the severity and likelihood of impacts. **Financial materiality** concerns financial risks or opportunities for the company and its subsidiaries arising from sustainability matters ("outside-in"). It is based on the decision-making influence on primary users of general-purpose financial reports, and a combination of the potential magnitude of the financial effects and the likelihood of their occurrence.	sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects. It is based on the decision-making influence on primary users of general-purpose financial reports. The ISSB standards do not specify any thresholds for materiality, nor do they predetermine what would be material in a particular situation.
Governance				
Requires disclosures related to the board of directors' oversight of climate-related risks and disclosure of management's role in assessing and managing a registrant's material climate-related risks.	*SB 261* Covered entities will be required to make certain governance disclosures in accordance with the recommended framework contained in the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017) published by the TCFD (the TCFD Framework). The TCFD Framework requires disclosure of both the board's and management's role and oversight in assessing and managing, as applicable, climate-related risks and opportunities.	*Strategic Report & S.172 Statement (UK Companies Act)* Not specifically required. The disclosures relate to how directors have performed their duties to the company overall. *UK TCFD-aligned Disclosures (UK Companies Act) & "Comply or Explain" TCFD Recommendations (Listing Rules)* As the disclosure requirements are based on or refer to the TCFD Framework (respectively), disclosing companies must provide disclosures of both the board's and management's role and oversight in	*CSRD/ESRS 2 GOV 1-5* Requires extensive disclosures, including on: (i) the members of the administrative, management, and supervisory bodies (governance bodies), including their composition, roles and responsibilities, and expertise on sustainability matters; (ii) how governance bodies are informed about sustainability matters; (iii) incentive schemes available for members of governance bodies regarding sustainability-related performance; and (iv) the main features of the undertaking's risk	*IFRS S1 (26) and IFRS S2 (6)* Require disclosure of information concerning: (i) the governance body(ies) (board, committee, or equivalent body) or individual(s) responsible for oversight of sustainability-related risks and opportunities; and (ii) management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee sustainability-related risks and opportunities.

SEC[3]	CALIFORNIA[4]	UK	CSRD/CS3D[5]	ISSB[6]
		assessing and managing, as applicable, climate-related risks and opportunities. (See "*Transition Plans Taskforce Disclosure Framework*" in "*Transition Plans*" below.)	management and internal control system in relation to sustainability reporting.	
Transition Plans				
Requires a registrant that has adopted a transition plan to manage a material transition risk to describe the plan, update its annual report disclosure each fiscal year describing any actions taken under the plan, and include quantitative and qualitive disclosure of material expenditures incurred and material impacts on financial estimates and assumptions directly resulting from the plan.	*SB 261* Covers, indirectly, transition plan-related activities under the TCFD Frameworks, Climate Opportunities, Resilience, and Transition Risks disclosures.	*Strategic Report & s.172 Statement & UK TCFD-aligned Disclosures (UK Companies Act) & "Comply or Explain" TCFD Recommendations (Listing Rules)* Not specifically required. *Sustainability Disclosure Standards (pending)* The UK is in the process of adopting the Sustainability Disclosure Standards (SDS) regime. The SDS is intended to be an overarching disclosure framework for financial institutions, listed companies, and large private companies (referred to as the UK's "most economically significant entities") to report on ESG risks, opportunities, and impacts. The SDS will be based on the ISSB's sustainability standards (IFRS S1 and S2). Transition plan requirements will be informed by the UK Transition Plan Taskforce's standards in the Transition Plan Taskforce Disclosure Framework.	*CSRD/ESRS E1-1* Requires disclosure of transition plan for climate change mitigation (CTP). If there is no such plan, requires explanation of whether/when it will be in place. A transition plan should include GHG reduction targets, decarbonization levers, alignment of the plan with the overall business strategy and financial planning, and an explanation of the investments in and the funding of the implementation. *CS3D* Requires in-scope companies to adopt and implement, through best efforts, a CTP. A CTP should include: time-bound reduction targets for Scope 1-3 emissions from 2030; decarbonization levers and key action plans; explanation of investments in and funding of implementation; and description of the board's role in implementation. The contents of CTP under CSRD and CS3D are generally aligned. Accordingly, companies that report a CTP under CSRD shall be deemed to have complied with the "adoption" obligation under CS3D.	*IFRS S2 (14)* Requires disclosure of any climate-related transition plan the entity has, defined as an "aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions." Requires disclosure of information including on: (i) key assumptions used in developing its transition plan; (ii) dependencies on which the entity's transition plan relies; (iii) climate-related targets; and (iv) information on current and future changes to the business model.

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Climate-related Targets and Goals				
Requires disclosure of any climate-related target or goal that has materially affected or is reasonably likely to materially affect a registrant's business, results of operations, or financial conditions, including certain annual updates and additional information necessary to understand the impact. The requirement includes details about such targets and goals, as well annual updates on progress, material impacts, and expenditures. Also requires disclosures of carbon offsets or renewable energy certificates (RECs) that are a "material component" of the registrant's plans to achieve its climate-related targets or goals.	*SB 261* Covers, directly, under the TCFD Framework, Metrics and Targets, disclosure of the targets used by the entity to manage climate-related risks and opportunities, and ongoing performance against the target. *AB 1305* Regulates the disclosure of climate-related targets and goals, but only to the extent they are made in relation to emissions marketing claims under the statute.	*Strategic Report & s.172 Statement* Not specifically required. *UK TCFD-aligned Disclosures (UK Companies Act) & "Comply or Explain" TCFD Recommendations (Listing Rules)* As the disclosure requirements are based on or refer to the TCFD Framework (respectively), disclosing companies must disclose the targets used by the entity to manage climate-related risks and opportunities, as well as ongoing performance against the target.	*CSRD/ESRS 2, ESRS 1 E1-4* Requires disclosure of any adopted targets relating to sustainability matters. Targets are measurable, outcome-oriented goals that the undertaking aims to achieve in relation to material impacts, risks, and opportunities. Specifically requires the disclosure of any climate-related targets, including GHG emissions reduction targets. Specific requirements apply to GHG emissions reduction targets, including that they must be disclosed in absolute value, be gross targets, exclude GHG removals or carbon credits, and state target values at least for 2030 and, if available, for 2050.	*IFRS S2(33-36)* Require disclosure of quantitative and qualitative climate-related targets the undertaking has set to monitor progress. For each target, require the disclosure of information such as the metric used to set the target; the objective of the target; the part of the entity to which the target applies; and whether it is an absolute target or an intensity target. Additionally, require disclosures on the entity's approach to setting and reviewing each target, its performance against the target, and how it monitors progress against each target (including whether there is third-party validation). Specifically for GHG emissions reduction targets, must disclose additional information such as: which GHGs and Scopes are covered by the target; whether the target is a gross or net GHG target; whether the target was based on a sectoral decarbonization approach; any planned use of carbon credits.

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GHG Emissions Disclosures				
Requires large accelerated filers (LAFs) and accelerated filers (AFs) to disclose Scope 1 and Scope 2 GHG emissions, if such emissions are material to the registrant. Carbon credits (offsets) must be excluded from these calculations. Smaller reporting companies and emerging growth companies are exempt from such disclosures. Registrants will also need to disclose the methodology, significant inputs, and significant assumptions used to calculate GHG emissions. After an initial phase-in period, LAFs and AFs need to obtain certain levels of third-party assurances of their GHG disclosures.	*SB 253* Requires a reporting entity to disclose, in accordance with the methodology of the GHG Protocol, its Scope 1, Scope 2, and Scope 3 GHG emissions on an annual basis and obtain third-party assurance of such disclosures. *SB 261* The TCFD Framework also recommends disclosure of Scope 1, Scope 2 and Scope 3 GHG emissions.	*Strategic Report & s.172 Statement & UK TCFD-aligned Disclosures (UK Companies Act) & "Comply or Explain" TCFD Recommendations (Listing Rules)* Not specifically required. The UK has a separate reporting regime for GHG emissions disclosures (see "*Streamlined Energy and Carbon Reporting*" in "*Other Key Disclosure Requirements*" below.)	*CSRD/ESRS E1-6,7* Requires disclosure of gross Scope 1, 2, and 3 and total GHG emissions. Further requires the disclosure of GHG emissions intensity, expressed as total GHG emissions per net revenue, as well as various other metrics. Requires disclosure of methodology, significant assumptions, emissions factors, and tools, used for measuring emissions, with guidance from the GHG Protocol. Carbon credits (offsets) must be excluded from these calculations. Any offsets through carbon credits must be disclosed separately.	*IFRS S2(29)* Require disclosure of absolute gross Scope 1, 2 and 3 and total GHG emissions, measured in accordance with the GHG Protocol. Carbon credits (offsets) must be excluded from these calculations.
Financial Statement Effects				
Requires disclosure of certain climate-related financial statement effects due to severe weather events and other natural conditions, such as aggregate expenditures expensed as incurred and losses and capitalized costs and charges and effects on financial estimates and assumptions. Also requires financial disclosures if carbon offsets or RECs are a "material component" of a registrant's plans to achieve climate-related targets or goals.	*SB 261* To the extent any financial threshold would be part of a covered entity's process for how such entity identifies, assesses, and manages the climate-related risk, such information would need to be disclosed under the TCFD Framework.	*Strategic Report & s.172 Statement & UK TCFD-aligned Disclosures (UK Companies Act)* The UK TCFD-aligned Disclosures are provided as part of the "Non-Financial and Sustainability Information Statement" (NFSI Statement). The s.172 Statement and the NFSI Statement are provided in the Strategic Report, in the company's annual report and accounts.	*CSRD/ESRS E-1 and ESRS 2 SBM-3* The undertaking shall disclose its anticipated financial effects from material physical and transition risks and opportunities. This includes effects on financial position, financial performance and cash flows, over the short, medium and long term. In addition, an undertaking must disclose monetary amounts and proportion of assets at material risk, and monetary amount and proportion of net revenue from its business activities at material risk.	*IFRS S2(13)* An entity shall disclose information that enables users of general-purpose financial reports to understand the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain. Specifically, the entity shall disclose: (i) a description of the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain; and (ii) a description of where in the entity's business model and value chain climate-

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		"Comply or Explain" TCFD Recommendations (Listing Rules) The "comply or explain" statement is provided in the company's annual report.		related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).
Other Key Disclosure Requirements				
The SEC rules will also require more granular disclosures, subject to certain exceptions, for registrants that use a *scenario analysis* and/or *internal carbon price*.	*SB 261* Depending upon the requirements to be issued by CARB, and in particular, to what extent CARB implements (all or some of) the requirements of the TCFD Framework, SB 261 could be considerably more expansive.	*Streamlined Energy and Carbon Reporting* Requires in-scope companies to report on GHG emissions, energy consumption and energy efficiency measures, and calculation methodologies:[12] (i) quoted companies; and (ii) unquoted companies that satisfy at least two of the following three criteria: (a) turnover of more than £36 million; (b) balance sheet total of more than £18 million; and (c) 250 or more employees. Reporting requirements vary depending on size and type.	*CSRD/ESRS 2 SBM-1,2* Requires disclosure of the interaction between the undertaking's strategy and business model and material impacts, risks, and opportunities. *CSRD/ESRS 2 GOV 4* Requires disclosure of steps of the due diligence process with regard to sustainability matters.	*IFRS S2(14)* Require disclosure of information about strategy and business model, and their interaction with climate-related risks and opportunities (e.g., any current or anticipated mitigation and adaptation efforts, and plans to resource these actions; and any current or anticipated changes to the entity's business model, including its resource allocation).

[12] There is a **low energy exemption**, where a company is not required to report if it has used 40,000 kilowatt of energy or less during the financial year. The company must make a statement in its Directors' Report that it is a small energy user. If the company is preparing a group report, the assessment is of the energy consumption of the parent and its subsidiaries.

Reporting Timeline

2023

2024

Effective beginning **January 1, 2024, AB 1305 requires disclosures**, updated no less than annually, for entities operating in California that market or sell voluntary carbon offsets (VCOs), or purchase VCOs and/or make claims regarding the achievement of net zero emissions, carbon neutral status, or significant carbon emissions reductions.

2025

EU CSRD replaces the NFRD as large companies already subject to the NFRD will report for FY 2024 in 2025.

UK SDR endorsed standards expected in Q1 2025, with the requirements becoming effective no earlier than accounting periods beginning on or after 1 January 2026.

2026

1st SEC climate disclosure filings for LAFs.*

Earliest date California SB 253 and 261 regulation could go into effect.

EU CSRD takes effect for non-listed large EU companies and groups, including those whose ultimate parent is a non-EU company covering FY 2025 in 2026.

2027

1st SEC climate disclosure filings for Scopes 1 & 2 for LAFs.*

EU CSRD takes effect for small and medium-size companies that are listed on EU regulated markets covering FY 2026 in 2027.

EU CS3D takes effect for Wave 1 EU and non-EU companies on 26 July 2027.

2028

EU CS3D takes effect for Wave 2 EU and non-EU companies on 26 July 2028.

2029

EU CSRD imposes additional requirements on subject companies for activities of their parent company that is incorporated outside the EU but has a **significant presence** in the EU, beginning with FY 2028 and reporting in 2029.

EU CS3D takes effect for Wave 3 EU and non-EU companies on 26 July 2029.
EU CS3D reporting required by Wave 1 companies covering FY 2028 in 2029.

2030

EU CS3D reporting required by Wave 2 and 3 companies covering FY 2029 in 2030.

*SEC rules are currently stayed pending outcome of litigation.

SIDLEY

CONTACTS

If you have any questions regarding the Sidley update, please contact the Sidley lawyer with whom you usually work, or:

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