Cooley

Comparing the SEC Climate Rules to California, EU and ISSB Disclosure Frameworks

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The Securities and Exchange Commission (SEC) adopted its long-awaited climate disclosure rules on March 6, 2024. (For more information, see our **recent Cooley client alert**, **webinar** and **resource page**.) The final rules require US domestic companies and foreign private issuers (FPIs) to disclose qualitative and quantitative climate-related information in their registration statements and periodic reports in general alignment with internationally accepted disclosure frameworks, including the Task Force on Climate-Related Financial Disclosures (TCFD) and the Greenhouse Gas (GHG) Protocol.

Note on ongoing SEC climate rules litigation: On March 15, the US Court of Appeals for the Fifth Circuit granted a motion subjecting the SEC climate rules to an administrative stay pending review of the rules by the court. In addition to litigation in the Fifth Circuit, cases are pending in the Sixth, Eighth and Eleventh Circuits seeking to block the new rules, as well as challenges from environmental groups in the Second and DC Circuits pushing for stronger rules. The Judicial Panel on Multidistrict Litigation will consolidate the challenges before a single court of appeals, which may then dissolve the Fifth Circuit's order.

While this temporary stay may be of limited long-term effect, companies may need to prepare for compliance with the SEC rules in the shadow of ongoing litigation uncertainty, an expected outcome similar to the conflict minerals rules. The prospect of yearslong litigation likely is most unsettling for companies that do not already publish robust climate disclosures and would not plan to do so in the absence of the SEC rules, though many such companies may not necessarily have extensive disclosure obligations under the SEC's materiality-focused framework in any case. Litigation uncertainty may be less impactful on compliance planning for companies also subject to California or European Union rules, or that otherwise make extensive voluntary disclosures.

For many companies, however, the SEC climate rules will apply in addition to other mandatory sustainability reporting frameworks already in force or imminently applicable. While the SEC's climate rules touch on many of the same areas as the three 2023 California climate disclosure laws (**Senate Bills 253 and 261** and **Assembly Bill 1305**) and the EU's **Corporate Sustainability Reporting Directive** (CSRD), there are points of significant divergence. The reporting landscape is likely to become increasingly complex, with numerous jurisdictions, including Australia, Hong Kong, Singapore and the United Kingdom, planning to adopt, or having already adopted, legislation to integrate the climate-related disclosure framework developed by the International Sustainability Standard Board (ISSB) – **International Financial Reporting Standards (IFRS) S1** and **IFRS S2** – into their corporate reporting. As a successor to the TCFD, the ISSB also will be an influential framework for those companies wishing to continue to report sustainability information voluntarily, particularly as institutional investors, such as **BlackRock**, and other stakeholders integrate these frameworks into their policies and engagement priorities.

In addition, on March 15, 2024, the EU's **Corporate Sustainability Due Diligence Directive** (CSDDD) was approved by the Council of the EU. Subject to final approval by the European Parliament, expected in April, the CSDDD will become law and will apply to certain companies as early as 2027. For in-scope US companies, the CSDDD will generate additional climate-related obligations, including a mandatory requirement to adopt and put into effect a climate transition plan that aims to ensure, through best efforts, that their business models and strategies are compatible with the limiting of global warming to 1.5 °C. In addition to potentially impacting SEC climate target and transition plan disclosures, these CSDDD obligations may also impact how companies analyse climate risk and emissions materiality in future SEC disclosure.

Key differences between frameworks

Navigating these regimes can be arduous and companies will need to work to understand the differences to develop an effective cross-regulatory reporting strategy. Later in this alert, we've provided a table with a detailed summary of the similarities and differences between these climate reporting frameworks. Key differences include:

GHG emissions

While the SEC has scaled back on requirements for companies to report on their GHG emissions, limiting disclosures to Scopes 1 or 2 where material, the California climate disclosure laws, the CSRD and the ISSB standards all require disclosure of Scope 3 GHG emissions as well as Scopes 1 and 2. While the California climate disclosure laws remain unique in that they require disclosure irrespective of materiality, companies in scope of the CSRD are likely to struggle to avoid disclosing GHG emissions, given the reporting regime's requirement for double materiality, its broader approach to decision usefulness, and its starting assumption that Scope 3 emissions are an important driver of a company's transition risk.

Governance, strategy, risk management and targets

Outside of emissions and climate risk, the SEC rules include numerous qualitative and quantitative disclosures related to governance, strategy, risk management, and expenditures that are absent in the California laws and are more akin to those required under the CSRD and ISSB frameworks. While California's SB 261 also covers material risk disclosure, the SEC rules require additional disclosures of climate-related governance, strategy, transition plans to mitigate or adapt to material climate-related risks, and climate-related financial statement metrics. These SEC qualitative disclosure requirements are consistently linked to material risks and material impacts, such that disclosure on these topics may be broader in certain circumstances under the CSRD and ISSB (or even the California rules with regards to target disclosure under AB 1305, which is not limited to targets expected to have a material impact on reporting companies). This is particularly likely for those in scope of the CSRD, given that certain governance and risk management disclosures are mandatory irrespective of materiality, as well as the CSRD's broader materiality standard.

Materiality

On paper, materiality standards under the CSRD and SEC and other climate frameworks remain a significant point of divergence. While disclosures under the ISSB, the SEC climate rules and SB 261 are guided by financial or investor materiality (those factors affecting a company's performance or investor decision-making), the CSRD requires companies to undertake a "double materiality" assessment. This means that companies subject to the CSRD must disclose information on the impacts of their business on the environment and society irrespective of the positive or negative effect of such impacts on companies' financials. It remains to be seen, however, whether in practice double materiality will significantly impact disclosures, as stakeholder impacts, such as significant environmental or negative community externalities, can often result in financial risks. Unlike the SEC rule, the CSRD also requires companies to disclose how their quantitative and qualitative materiality thresholds have been set and applied. Once a topic, such as climate, is determined to be material, disclosure of particular information under such a topic is defined by decision usefulness, which includes usefulness to users such as civil society, non-governmental organizations, governments, analysts and academics, representing a much broader standard than SEC materiality. Disclosures under California's SB 253 and AB 1305, by contrast, are mandatory irrespective of materiality, though SB 253 reporting is expected to be clarified by future implementing regulations by the California Air Resources Board.

Looking beyond climate and the company

Beyond materiality, the EU's CSRD is an outlier both in terms of the number of sustainability topics covered beyond climate, and its broad value chain reporting mandates, as companies must report not only on their own activities but also on the sustainability-related impacts, risks, and opportunities in their upstream and downstream value chains. While only those disclosure requirements for EU entities and their groups have been published to date, the sustainability topics covered include water and marine resources, biodiversity, workers in the value chain, and the circular economy. (For more information, refer to our **August 2023 client alert**.)

Practical implications for SEC-registered companies

As a result of the above-discussed differences, multiframework reporting will present important practical implications for SEC-registered companies, including:

Emissions reporting will be unavoidable for many companies

Scope 3 reporting will be required for companies subject to SB 253 and, in practice, is likely unavoidable under the CSRD, despite such disclosures being abandoned in the final SEC rule, and under SB 253, Scopes 1 and 2 reporting also will not be subject to materiality tests. As a result, the changes to the SEC emissions reporting requirements may be much less consequential, even if companies may still avoid the added burden of including such disclosures in SEC filings. In addition, even when emissions reporting is not subject to materiality tests, emissions reporting under the GHG Protocol, particularly Scope 3, is shaped by judgments as to the materiality of emission types.

Companies may adopt more rigor in California, CSRD or voluntary reporting

Given overlap with SEC regulations, companies may approach California, EU, ISSB or other voluntary climate reporting with greater disclosure controls, including legal and internal audit oversight. In addition to potentially influencing SEC reporting decisions, public disclosures in other reports on a topic covered by SEC rules may increase a company's exposure to SEC enforcement or inquiries, liability under the US federal securities laws, and general investor scrutiny.

Disclosures in California, CSRD or ISSB reports may impact SEC disclosure strategies

Companies that otherwise may have attempted to treat their emissions or climate targets as nonmaterial may be less likely to do so if already required to disclose such matters under other regulations, though many companies may be reluctant to take on the added liability and other risks of disclosure in SEC filings. CSRD disclosures also may impact how companies approach materiality for SEC purposes. Although climate reporting under the CSRD is subject to a materiality test, the CSRD requires certain detailed climate-related disclosures irrespective of materiality. It is mandatory to disclose a company's processes, including its use of scenario analysis, to identify and assess climate-related impacts, risks, and opportunities.

In addition, under the CSRD if a company determines that it will not report on climate, it must nevertheless publish a detailed justification as to why the climate-related information is not material enough, from both a financial and impact perspective, to require reporting, including a forward-looking analysis of the conditions that could lead the undertaking to conclude that climate change is material in the future. The combination of the CSRD's mandatory climate disclosures and its double materiality standard is expected to result in widespread decisions to fully report on climate, including emissions. The extensive disclosures required under the CSRD, including on the materiality analysis, may make it more difficult for companies to justify determinations that climate risks or emissions are nonmaterial, or to avoid SEC comments.

SEC implications may drive voluntary reporting strategies

Companies that wish to minimize the inclusion of climate-related disclosures in SEC filings may now have an incentive to minimize voluntary actions that could attract SEC or investor scrutiny of materiality determinations, such as voluntary climate-related disclosures in voluntary sustainability reports under the ISSB or other frameworks, or the publicizing of climate-related targets and goals. It is yet to be seen, however, whether rating agencies, institutional investors, corporate customers or other stakeholders, who often drive voluntary reporting strategies, will drop requirements for companies to provide disclosures under voluntary sustainability standards, such as Carbon Disclosure Project (CDP).

SEC implications may influence CSRD reporting strategies

Most US businesses that are in scope of the CSRD will be filing reports first at their EU subsidiary level in 2026 and later at the level of the ultimate US parent company in 2029. Many such companies are nevertheless considering early consolidated reporting at the ultimate parent-level for practical reasons. The appeal of early parent-level reporting may be impacted by the publication of the SEC rules, to avoid publishing materiality, risk, emissions, or other parent-level disclosures that may influence SEC reporting or attract SEC scrutiny. Nonetheless, there will not always be significant differences parent and subsidiary-level climate reporting under the CSRD, particularly with respect to Scope 3 emissions, so companies will need to make circumstances-specific judgements.

Disclosure framework comparison

Below is a high-level comparison of the SEC climate rules, the three California climate disclosure laws, the CSRD* and ISSB.

Covered companies	
SEC	All SEC registrants, including US domestic companies and FPIs.
California	SB 253 and SB 261 apply to public and private companies that "do business" in California and meet certain annual revenue thresholds (more than $1 billion for SB 253 and more than $500 million for SB 261). AB 1305 applies to companies that "operate" in and make covered climate claims "within" California, and companies that purchase offsets or sell/market offsets in California.
CSRD	The CSRD applies to public and private (EU and non-EU) companies or groups meeting certain financial and/or employee thresholds, including ultimate non-EU parent companies with EU subsidiaries in-scope. The CSRD also will impact any non-EU subsidiaries of in-scope EU businesses and will indirectly affect those businesses in the value chains of reporting entities.
ISSB	Not specified. To be determined by the national laws of the countries incorporating the standard into their disclosure regimes.
Timing	
SEC	Reporting is based on the fiscal year beginning (FYB) in a given calendar year (e.g., FYB25 includes FYBs in January and December 2025). See the summary table at the end of our March 7 alert[1] for more information on disclosure dates. Initial annual report (10-K or 20-F) disclosure will be due for: **Large-accelerated filers (LAFs):** FYB 2025 for qualitative disclosures and financial statement

	Large-accelerated filers (LAFs): FYB 2025 for qualitative disclosures and financial statement effects (e.g., 10-K filed in 2026); FYB 2026 for financial expenditures under Items 1502 and 1504, GHG emissions, and electronic tagging; FYB 2029 for limited assurance and FYB 2033 for reasonable assurance.** **Accelerated filers (AFs), other than smaller reporting companies (SRCs) or emerging growth companies (EGCs)**: FYB 2026 for qualitative disclosures, financial statement effects and electronic tagging (filed in 2027); FYB 2027 for financial expenditures under Items 1502 and 1504; FYB 2028 for GHG emissions; FYB 2031 for limited assurance. No requirements for reasonable assurance.** **Non-accelerated filers (NAFs), SRCs or EGCs**: FYB 2027 for qualitative disclosures, financial statement effects and electronic tagging (filed in 2028); FYB 2028 for financial expenditures. No requirements for GHG emissions or assurance. ** See below for a discussion of additional disclosure requirements if companies that are not subject to attestation requirements voluntarily obtain third-party assurance (e.g., LAFs obtaining assurance for internal comfort in advance of the FYB 2029 reports).
California	**AB 1305 (currently effective)**: By January 1, 2024, publication of first annual disclosures about a company's climate goals and claims regarding "net-zero emissions," "carbon neutrality," or other significant emissions claims or goals, and additional disclosures for entities that market, sell or use offsets (irrespective of materiality). **SB 253**: Disclosure of and limited assurance for Scopes 1 and 2 GHG emissions beginning in 2026; disclosure of Scope 3 GHG emissions in 2027; reasonable assurance for Scopes 1 and 2 GHG emissions and limited assurance for Scope 3 GHG emissions in 2030 (irrespective of materiality). **SB 261**: Publication of an initial climate-related financial risk report by January 1, 2026, and biennially thereafter, disclosing climate-related financial risks and measures adopted to mitigate and adapt to the disclosed risks.
CSRD	For certain companies, reporting obligations under the CSRD began in January 2024. For most, the obligations will be phased in between 2024 and 2028, depending on the size and type of the company (see timeline below). The sustainability information must be filed annually in a dedicated section of a company's management report (for EU companies) or in a separate sustainability report (for non-EU companies). The information must be reported in accordance with the applicable European Sustainability Reporting Standards (ESRS). Only those standards (for EU listed companies, EU companies and those non-EU companies reporting on their behalf on a consolidated basis) have been published so far.
ISSB	Not specified. To be determined by the national laws of the countries incorporating the standard into their disclosure regimes.
Scopes 1 and 2 GHG emissions	
SEC	Limited to LAFs and AFs (other than SRCs and EGCs). Scopes 1 and/or 2 GHG emissions must be disclosed, **if material**, and be presented in gross terms, not net of purchased or generated carbon offsets. Any individually material gas must be separately presented. Emissions "materiality" is defined by traditional US federal securities law conceptions of materiality and is not defined exclusively by the amount of the emissions. The SEC adopting release notes that emissions may be material when linked to material climate-related risks or targets, while also noting that not all material climate-related risks make emissions material, as some risks arise due to factors unrelated to emissions levels.
California	**Irrespective of materiality,** Scopes 1 and 2 GHG emissions must be disclosed for all covered companies.
CSRD	All companies must disclose Scopes 1 and 2 GHG emissions or provide a detailed explanation as to why climate is not material from either an impact or financial materiality perspective.
ISSB	All companies must disclose Scopes 1 and 2 GHG emissions.

Scope 3 GHG emissions	
SEC	Not required.
California	**Irrespective of materiality,** Scope 3 GHG emissions must be disclosed for all covered companies. Scope 3 is likely to be an important focus of the California Air Resources Board's future implementing regulations.
CSRD	All companies must disclose Scope 3 GHG emissions or provide a detailed explanation as to why climate is not material from either an impact or financial materiality perspective. Companies or groups not exceeding 750 employees may omit Scope 3 and total GHG disclosures for the first year they are required to report.
ISSB	Scope 3 GHG emissions must be disclosed. This is, however, an area where we may see more divergence at a national level when the ISSB standards are adopted.

Assurance requirements	
SEC	Limited assurances on Scopes 1 and 2 GHG emissions are due for LAFs for FYB 2029 reports (filed in 2030) and AFs for FYB 2031 reports (filed in 2032). Only LAFs must provide reasonable assurance, due for FYB 2033 reports (filed in 2034), subject to standards and independence requirements. Companies that voluntarily obtain third-party assurance (e.g., LAFs obtaining assurance for internal comfort for 10-K emissions reporting in advance of the FYB 2029 reports) will be required to provide disclosure related to such assurance, including identifying the assurance provider and assurance standard used, a description of the level and scope of assurance and the results of the review, and any material business relationships of the assurance provider with the company.
California	**AB 1305:** Companies are required to state whether they obtain third-party verification over climate-related claims or goals, data, and offset project attributes. **SB 253:** Third-party assurance for emissions reporting under SB 253, starting with a limited assurance level, is required as of 2026 for Scopes 1 and 2 emissions, and moving to a reasonable assurance level in 2030; assurance engagement for Scope 3 emissions under SB 253 must be performed at a limited assurance level in 2030. **SB 261:** Not required.
CSRD	Limited assurance of all sustainability information is required from the first year of reporting. The level of assurance required may be raised to reasonable assurance as early as 2028.
ISSB	Not specified. To be determined by the national laws of the countries incorporating the standard into their disclosure regimes.

Climate-related risks (and opportunities)	
SEC	Disclosure of "climate-related risks" that have materiality impacted or are reasonably likely to have a material impact on a company's strategy, results of operation or financial condition, whether over the short or long term. Disclosure should include actual and potential material impacts of both physical (acute and chronic) and transition (to a lower carbon economy) risks. For example, increased costs resulting from the adoption or potential adoption of new governmental regulations or policies, technologies to mitigate or adapt to climate-related risks or climate-related litigation, or changing consumer or investor preferences. Companies can elect to, but are not required to, disclose any material climate-related opportunities they are pursuing or are reasonably likely to pursue. The final SEC rules do not refer to climate-related opportunities and therefore do not include a corresponding definition.
California	SB 261 requires disclosure of "climate-related financial risk" and measures adopted to mitigate and adapt to the disclosed risks, including all material risk of harm to immediate and long-

	term financial outcomes due to physical and transition risks. The exact nature of alignment with TCFD recommendations remains unclear under the statute and will likely be clarified by future implementing regulations, including whether mandatory disclosures will need to align with the governance and metrics/targets pillars of the TCFD, in addition to strategy and risk management. The California rules do not refer to climate-related opportunities.
CSRD	All companies must identify and disclose material climate-related risks (both physical and transition risks), opportunities, and impacts identified in their own operations – and those of their upstream and downstream value chains. Companies also must disclose how the material impacts, risks, and opportunities identified interact with their strategies and business models, including the current and anticipated financial effects of these climate-related risks and opportunities on their financials providing related quantitative disclosures. Companies may omit information on anticipated financial effects for the first year they are required to report.
ISSB	Companies must disclose climate-related risks and opportunities, and the effect of such risks on the organizations' businesses, strategies and financial planning. Companies also must disclose the current and anticipated financial effects of these climate risks, which may sometimes require quantitative disclosures.
Climate-related risk management	
SEC	Description of processes for assessing and managing material climate risks and integration into overall risk management systems.
California	No required disclosures related to risk management processes.
CSRD	**Irrespective of the overall materiality of climate**, companies must disclose the processes used to **identify and assess** climate-related risks, opportunities, and impacts. Companies will be required to describe their use of scenario analysis covering at least one high emissions climate scenario and one climate scenario aligned with the limiting of global warming to 1.5°C, including the parameters and assumptions used in each scenario. More generally, companies will need to disclose whether and how any of their sustainability-risk management processes are **integrated into** their overall risk management system or processes, including their internal control procedures.
ISSB	Companies must disclose processes used to **identify, assess, prioritize, and monitor** climate-related risks and opportunities, and whether and how any of these processes are **integrated into** their overall risk management systems or processes. Companies are required to use climate-related scenario analysis to assess their climate resilience.
Climate-related governance	
SEC	Description of board and management oversight of climate risk, including oversight of material targets and transition plans linked to material risks, management's role in managing material risks, expertise of responsible management figures, and reporting up of climate risk information to the board.
California	No required disclosures related to climate-related governance.
CSRD	**Irrespective of materiality,** companies must provide detailed disclosures on their sustainability governance, including their processes, controls and procedures used to monitor and oversee sustainability-related impacts, risks, and opportunities. This requires disclosures on management's roles, responsibilities and sustainability expertise, the company's processes and frequency for informing governance bodies about sustainability matters, and how the company's sustainability-related and, **if the climate is assessed material**, climate-related performance is integrated into management's **incentive schemes and remuneration policies**.
ISSB	Companies must provide detailed disclosures on their climate-related governance, including

	their processes, controls, and procedures used to monitor and oversee climate-related risks and opportunities. This requires disclosures on management's roles, responsibilities and sustainability expertise, the processes and frequency for informing governance bodies about sustainability matters, and **how the company's sustainability-related performance is integrated into management's remuneration policies.**

Climate-related strategy	
SEC	Disclosure of how the impact of climate-related risks is integrated into strategy, financial planning and capital allocation, including the role of targets and transition plans, as well as quantitative and qualitative description of material expenditures incurred, material impacts on financial estimates, and assumptions made in connection with risk mitigation and adaptation. Companies also are required to disclose details of transition plans adopted to manage material risks, use of scenario analysis to assess the material impact of climate-related risks, and use of internal carbon pricing to evaluate and manage climate-related risk.
California	Disclosure of measures adopted to reduce and adapt to climate-related financial risks.
CSRD	**Irrespective of materiality,** companies must disclose the elements of their strategy that relate to or impact sustainability matters (which may or may not be climate related), their business models, and their value chains. **Subject to materiality**, companies must disclose their transition plans for climate change mitigation detailing GHG emission reduction targets, how these targets are compatible with limiting global warming to 1.5ºC and how such plans will be financed. The scope of any such transition plan is not limited to the climate-related risks and impacts identified as material. The CSRD does not require the adoption of a transition plan if
	none is in place, but a company would have to disclose this, and indicate whether and if a transition plan will be adopted. In addition, companies must describe their policies adopted specifically to manage, mitigate, and remediate the material climate-related impacts, risks and opportunities identified, including whether they have an internal carbon pricing scheme and how this supports decision-making. **Note that under the CSDDD, if adopted, certain companies in scope of its rules will be required to adopt and implement a climate transition plan.**
ISSB	Companies must disclose the effects of climate-related risks and opportunities on their strategies and decision-making, including the role of targets and transition plans, mitigation and adaption efforts, and the resourcing of such activities, including whether they have an internal carbon pricing scheme and how this supports decision-making.

Climate targets and goals	
SEC	Disclosure of any climate-related targets or goals if the target or goal has materially affected or is reasonably likely to materially affect the company's business, results of operations, or financial condition, including: • The scope of activities and emissions included in the target. • The unit of measurement (which likely will elicit information regarding whether the target is an absolute or intensity-based target). • The defined time horizon by which the target is intended to be achieved, and whether the time horizon is based on one or more goals established by a climate-related treaty, law, regulation policy or organization. • The defined baseline time period and baseline emissions against which progress will be tracked, with a consistent base year set for multiple targets. • How the company intends to meet its climate-related targets or goals. • Disclosure of progress toward meeting the target or goal, how any such progress has been achieved, and if carbon offsets have been used as a material component of a company's plan to achieve climate-related targets or goals.
California	**Irrespective of the materiality of targets to the reporting company,** AB 1305 requires covered companies to provide disclosures regarding historical claims and forward-looking goals:

	• Regarding the achievement of net-zero emissions. • That the entity, its affiliates or a product is carbon neutral, or that imply that such entities or products do not add net GHG emissions. • That such entities or products have made "significant reductions" to their GHG emissions. Disclosure must cover how "carbon neutral," "net-zero," or other claims were determined to be accurate or accurately accomplished, how interim progress toward goals is being measured, and whether the data and claims are subject to third-party verification.
CSRD	Companies must disclose any climate-related targets set. Emission reduction targets must be gross targets and cannot include GHG removals, carbon credits or avoided emissions as a means of achieving them. These disclosures must detail whether they are based on conclusive scientific evidence and must provide target values for at least the year 2030 and, if available, the year 2050. **If climate is found to be material, it is mandatory for companies to disclose whether management's performance and remuneration are assessed against GHG emission reduction targets**. **Note: Under the CSDDD, if adopted, the need for companies in scope of its rules to adopt and implement a transition plan is likely to necessitate the setting of GHG targets.**
ISSB	Companies must disclose any climate-related targets set, including metrics used by management to measure progress toward these targets, the objective of the target (e.g., mitigation, adaption or conformance with science-based initiatives), the part of the entity to which the target applies, and any milestones and interim targets. For a quantitative target, the company must specific whether it is an absolute or intensity-based target.
Treatment of climate offsets	
SEC	If carbon offsets or renewable energy credits are used as a material component of a plan to achieve targets or goals, companies need to disclose the amount of carbon reduction represented by offsets, source, description, and location of underlying projects, and registries or other authentication of and cost of offsets and renewable energy credits. GHG emissions must be reported in gross terms, not including the effect of purchased or generated offsets.
California	**Irrespective of materiality,** AB 1305 requires that covered companies making qualifying climate claims and that have purchased offsets "sold in California" annually provide basic factual disclosures regarding offset purchases – including offset types (e.g., avoided emissions or carbon removal), project details, protocols used to estimate emissions reductions or removal benefits/emission achievement updates, and third-party verification of company data and claims listed. Irrespective of materiality, covered entities that market or sell offsets within California are required to provide website disclosure regarding basic project information, annual updates regarding emissions reduced or removed, third-party validation of project attributes, project durability, any contractual obligations if projects do not achieve future emissions reduction or if carbon storage projects are reversed, and pertinent data and calculation methods. Consistent with the GHG Protocol, it is expected that emissions reporting under SB 253 also would require emissions to be presented in gross terms, not including the effect of offsets.
CSRD	Scopes 1, 2 and 3 emissions must be reported in gross terms. Offsets, GHG removals, and avoided emissions must be reported separately from disclosures on Scopes 1, 2 and 3 GHG emissions. Separate disclosures on GHG removals and the use of carbon credits must be accompanied by calculation methodologies and disclosures on the credibility and integrity of carbon credits used.
ISSB	Scopes 1, 2 and 3 emissions must be reported in gross terms. Climate offsets are permitted to achieve a net GHG emissions target, but a gross GHG emissions target must be disclosed separately. Where a company uses carbon offsets to achieve a net GHG emissions target, it also must disclose information such as which third-party scheme it used, whether the offset

	was nature or technology based, and the extent to which and how achieving any offset relies on the use of carbon credits.
Climate-related financial statement metrics	
SEC	Disclosure of aggregate expenditures and capitalized costs related to severe weather events and other natural conditions, as well as offsets and renewable energy credits material to Regulation S-K Item 1504 targets. Companies also must provide contextual information about inputs, assumptions, and judgments used and policy decisions made to calculate required disclosure.
California	No required disclosures related to climate-related financial statement metrics.
CSRD	**Irrespective of materiality**, there is a general requirement for companies to disclose the proportion of turnover, capital expenditures and operating expenses associated with sustainable activities as defined by the EU taxonomy regime. Companies also must disclose the current and anticipated financial effects of material sustainability-related risks and opportunities (climate related or not). **Subject to materiality,** companies also must provide a detailed quantitative breakdown of anticipated financial effects by material physical and material transition risks and opportunities, and reconcile these disclosures to line items and assumptions in their financial statements.
ISSB	Companies must disclose quantitative (subject to carve outs) and qualitative information on how climate-related risks and opportunities have affected their financial positions, performance, and cash flows for the reporting period, including where there is a significant risk of a material adjustment within the next annual reporting period.

GHG methodology	
SEC	Companies reporting emissions must describe methodology, inputs, estimates and assumptions, and operational and organizational reporting boundaries. Explanations must be provided for material differences between organizational boundaries and entities included in financial statements.
California	GHG emissions must be in conformance with the GHG Protocol standards and guidance, including the GHG Protocol Corporate Accounting and Reporting Standard and the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, with guidance for Scope 3 emissions calculations that detail acceptable use of both primary and secondary data sources, such as the use of industry average data, proxy data, and other generic data in its Scope 3 emissions calculations.
CSRD	Adherence to the GHG Protocol methodology is recommended but not required. Where a company deviates, it must disclose this to be the case. The ESRS also contain certain methodological requirements with which a company's disclosures must comply. For example, the CSRD requires disclosure of market-based Scope 2 GHG emissions. In addition, where consolidated financial statements are drawn up, the reporting boundary must be the one retained for financial statements, complemented by information about the upstream and downstream value chain. More generally, companies must describe their methodology, inputs, estimates and assumptions.
ISSB	Companies must measure their GHG emissions in accordance with the GHG Protocol unless otherwise required by a jurisdictional authority or an exchange on which the entity is listed. Companies must describe their methodology, inputs, estimates and assumptions.
GHG intensity disclosures	
SEC	Companies are not required to disclose GHG emissions in terms of intensity, although the March 2022 proposed rule would have required GHG intensity metrics in addition to absolute terms. For companies with intensity-based climate targets, disclosure of material targets under S-K Item 1504 may involve discussion of emissions intensity units of measurement, strategy and progress.
California	No required disclosures related to GHG intensity.
CSRD	Companies are required to disclose their GHG emissions' intensity (total GHG emissions per net revenue) and must reconcile this with the relevant line item or notes in their financial statements. GHG intensity targets may but are not required to be disclosed alongside GHG emission reduction targets. Companies with activities in high climate impact sectors also must disclose their energy intensity based on net revenue.
ISSB	Not required. However, if the climate-related target is quantitative, an entity is required to describe whether the target is an absolute or intensity-based target.

* The commentary on the CSRD is limited to the ESRS published to date, which apply predominantly to EU companies, their groups and those with securities admitted to trading on EU regulated markets. Further sector-specific standards that also will apply are expected. The reporting standards for ultimate non-EU parents required to report under the CSRD have not yet been published, but they are not expected to be as detailed as those described in this alert and are likely to be focused on sustainability impacts, rather than sustainability-related financial risks and opportunities. For more information, see Cooley's **FAQ on the CSRD**.

Which entities need to comply and from when?

	Jan 1, 2024	FYB 2024	Jan 1, 2026	FYB 2025	FYB 2026	FYB 2028	FYB 2029	FYB 2033
Filed in →		2025		2026	2027	2029	2030	2034
US – SEC				■	■		■	■
US – California	■		■	■	■		■	
EU – CSRD		■		■	■	■		

Key reporting obligation dates	**US – SEC** (LAFs for illustration purposes)	**US – California**	**EU – CSRD**
January 1, 2024		AB 1305 became effective. Companies are required to provide annual updates.	
FYB 2024 (filed in 2025)			EU entities already subject to current EU non-financial reporting rules. Large[2] EU and non-EU entities with 500 employees and with debt or equity securities listed on an EU regulated market.
January 1, 2026		SB 261: Initial climate-related financial report reports are due.	
FYB 2025 (filed in 2026)	Initial disclosures of qualitative topics (governance, risk, strategy, risk management, targets) and financial statement effects.	SB 253: Annual reporting of and limited assurance for Scopes 1 and 2 emissions in 2026.	Large EU entities (including subsidiaries of US parents) and EU parents. All remaining large EU and non-EU entities with debt or equity securities listed on an EU regulated market.
FYB 2026 (filed in 2027)	Initial disclosures of financial expenditures under S-K Items 1502 and 1504, Scopes 1 and/or 2 GHG emissions, and electronic tagging. Partial delay of GHG emissions disclosures to Q3 is possible.[3]	SB 253: Annual reporting of Scope 3 emissions in 2027.	Small and non-complex credit institutions and captive insurance and reinsurance undertakings. With an option to opt out for two further years, small and medium-size[4] entities listed on an EU regulated market (except "micro-undertakings").
FYB 2028 (filed in 2029)			Non-EU parents if they satisfy both these criteria: 1. Generate a net turnover of more than 150 million euros in the EU for each of the last two consecutive financial years at the consolidated level. 2. Have at least one subsidiary

			2. Have at least one subsidiary that is itself within the scope of the CSRD or an EU branch that generates a net turnover of more than 40 million euros.
FYB 2029 (filed in 2030)	Limited assurance attestation for Scopes 1 and/or 2 GHG emissions are required.	SB 253: Reasonable assurance for Scopes 1 and 2 emissions and assurance engagement for Scope 3 emissions at a limited assurance level in 2030.	
FYB 2033 (filed in 2034)	Reasonable assurance attestation for Scopes 1 and/or 2 GHG emissions are required.		

Notes

The tables estimate filing dates based on FYB January 1 and present compliance dates for SEC LAFs, as these are the filers most likely to be subject to the CSRD, SB 253 and SB 261.

1. See **the summary table at the end of our March 7 alert** for more information on disclosure dates.
2. Entities that on an individual or, if a group, consolidated basis satisfy at least two of the following: (1) balance sheet total of more than 25 million euros; (2) net turnover of more than 50 million euros; (3) an average of more than 250 employees during the financial year.
3. Entities that are not large and on an individual or, if a group, consolidated basis satisfy at least two of the following: (1) balance sheet total of more than 450,000 euros; (2) net turnover of more than 900,000 euros; (3) an average of more than 10 employees during the financial year.
4. To allow for additional time to prepare emissions data, disclosure of GHG emissions data may be incorporated into a company's second quarter 10-Q or filed in a 10-K/A by the filing deadline for the second quarter 10-Q. For FPIs, GHG emissions data is due in a 20-F/A no later than 225 days after the fiscal year-end. In each case, to take advantage of this delay, the issuer must include a statement in its annual report on Form 10-K or 20-F, as applicable, to indicate its express intention to later amend its filing to make these GHG emissions disclosures.

Key Contacts

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