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Regulation Overview

The SEC Final Rule on “Enhancement and Standardization of Climate-Related Disclosures for Investors”

May 22, 2024

United States Energy Association (USEA) Webinar

MAKING AN IMPACT THAT MATTERS since 1845

The Global ESG Disclosure and Regulatory Landscape is Evolving Rapidly

Recent developments from government regulators and international sustainability standard setters show signs of convergence

North America:

- SEC:
  - Adopted climate change disclosure rule[1]
  - Final cybersecurity disclosure rule
  - Pending rules on human capital and board diversity
- Passed legislation in California requiring disclosure of emissions data[2] and climate-related financial risk disclosure[3]
- Proposed disclosure rule[4] for US federal contractors to report GHG emissions and set SBT

UK

- Mandatory TCFD reporting for large companies in the UK beginning April 2022[5]
- Sustainable Disclosure Regulation (SDR) proposed in the UK with intentions to endorse IFRS Sustainability Disclosure Standards by ISSB[6]

EU

- The European Parliament adopted the Corporate Sustainability Reporting Directive (CSRD)[7]
- After being adopted by the European Commission in July 2023 the European Sustainability Reporting Standards (ESRS)[8] was approved by the EU Parliament in October 2023
- The EU Council failed to approve the Corporate Sustainability Due Diligence Directive (CSDDD)[9]
- The German Supply Chain Due Diligence Act will start applying to companies in 2024[10]

APAC

- Hong Kong[11], Singapore[12], Japan[13] and Malaysia[14] announced mandatory TCFD climate disclosures
- ASEAN Taxonomy Board (ATB) released the ASEAN Taxonomy for Sustainable Finance[15] (ASEAN Taxonomy)
- China, Hong Kong Stock Exchange, Japan, Australia, New Zealand, Malaysia and Singapore are considering using the ISSB Standards[16]

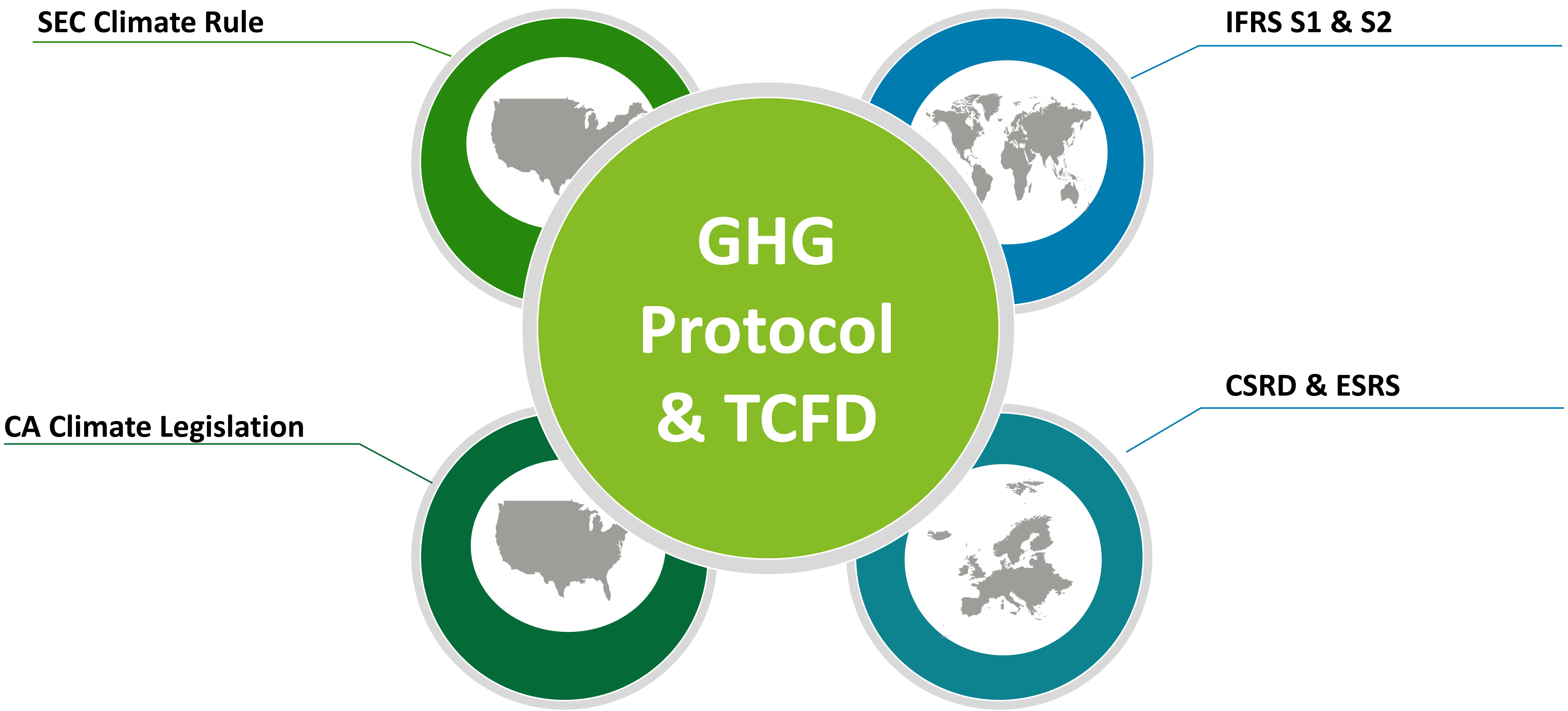
S1 & S2 Released in June 2023
By the International Financial Reporting Standards' (IFRS) International Sustainability Standards Board (ISSB)

Voluntary Reporting Frameworks
TCFD, GHG Protocol, SASB Standards, CDSB, GRI, Transition Plan Taskforce

1. SEC Climate Rule – The Enhancement and Standardization of Climate-Related Disclosures for Investors
2. SB-253 Climate Corporate Data Accountability Act
3. SB-261 Greenhouse Gases: Climate-Related Financial Risk
4. Proposed Plan to Protect Federal Supply Chain from Climate-Related Risks | The White House
5. Climate-related financial disclosures for companies and limited liability partnerships (LLPs)
6. UK Sustainability Disclosure Standards
7. Sustainable Economy: Parliament adopts new reporting rules for multinationals
8. The Commission adopts the European Sustainability Reporting Standards (ESRS)
9. EU Council Fails to Approve New Environmental, Human Rights Sustainability Due Diligence Law
10. German Supply Chain Due Diligence Act
11. Exchange Publishes Corporate Governance and ESG (Climate Disclosures) Guidance
12. Sustainability Reporting Regulation
13. Japan to require 4,000 companies to disclose climate risks
14. Malaysia Issues TCFD Adoption Guide for Financial Institutions
15. ASEAN Taxonomy for Sustainable Finance
16. Asia Pacific responds to the ISSB Standards

Interaction of the GHG Protocol and TCFD with Emerging Climate Disclosure Regulations

GHG Protocol and TCFD[1] have become the leading accounting and reporting standards for greenhouse gas emissions and climate-related financial risks



1. Oversight now under the IFRS Foundation.
2. Disclosure of Scope 1 and 2 emissions is only required for large accelerated filers and accelerated filers, if material to the company.

SEC Climate Rule: Enhancement and Standardization of Climate-related Disclosures

Call to Action: What this means for your organization

Today…

- Oversight of ESG is often not clearly established or defined, though governance and organizational capacity are critical to managing climate-related efforts.[1]
- Timeliness for data collection and reporting typically extend beyond current 10-K filing deadlines.[2]
- Data processes and controls over climate-related information are generally not as mature as financial reporting processes and controls.[1]
- Climate-related disclosure is voluntary. Companies use a variety of sustainability reporting frameworks and standards, and disclosure outlets.[2]
- Assurance – an avenue to quality, accurate, and reliable disclosure – is currently not required.[1]

1. *2023 Deloitte CxO Sustainability Report. Deloitte. 2023.*
2. *ESG Reporting and Attestation: A Roadmap for Audit Practitioners CAQ. 2021.*
3. *The Enhancement and Standardization of Climate-Related Disclosures for Investors. SEC. March 6, 2024.*

Under the final rule, registrants will be required to disclose[3]…

Financial Statements

1. Specified financial statement effects of severe weather events and other natural conditions
2. Information about certain carbon offsets and renewable energy certificates if material
3. Material impacts on financial estimates and assumptions as a result of severe weather events and other natural conditions or disclosed climate-related targets or transitions plans

Outside Financial Statements

1. Governance and oversight of material climate-related risks, including how the registrant's board of directors and management oversee the assessment and management of climate-related risks
2. Greenhouse gas (GHG) emissions, including Scope 1 and 2 (if material for certain large filers)
3. Material impact of climate risks on the company's strategy, business model, and outlook
4. Risk management processes for material climate-related risks
5. Material climate-related targets if reasonably likely to materially affect the business, results of operations, or financial condition.

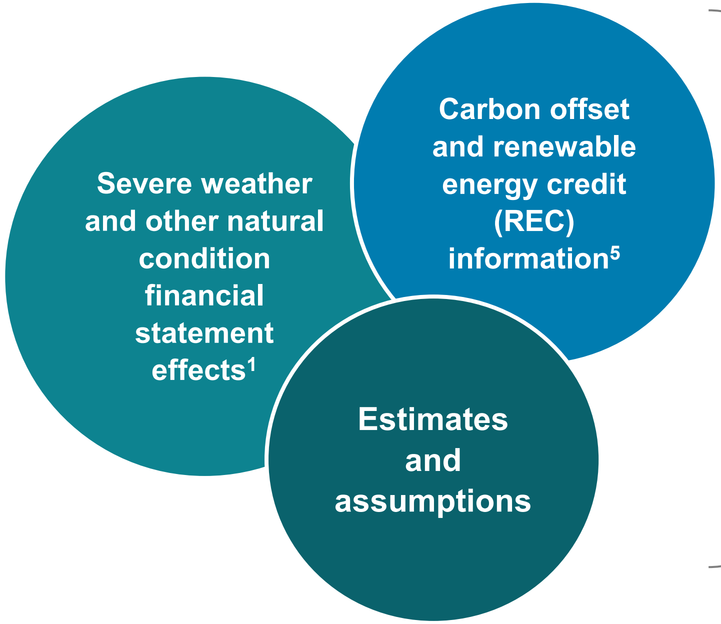
Obtain assurance, limited assurance for large accelerated filers and accelerated filers over certain GHG emissions disclosures; reasonable assurance phased in for large accelerated filers.

SEC Final Rule: Enhancement and Standardization of Climate-related Disclosures

Disclosure requirements

Financial Statements (S-X):

Outside Financial Statements (S-K):



Subject to disclosure controls and procedures, as well as limited assurance[4], phased-in to reasonable assurance for certain filers, over Scope 1 & 2 GHG emissions

Subject to disclosure controls and procedures and internal control over financial reporting; part of the financial statement & ICFR audit

1. Subject to a 1% threshold of the absolute value of either pretax income (if an income statement related disclosure) or stockholder's equity (if a balance sheet related disclosure) and a de minimis threshold
2. Materiality is based on the definition provided by the Supreme Court as determined based on the perspective of a reasonable investor
3. Material expenditures and Impacts refers to quantitative and qualitative information about material expenditures and impacts on financial estimates and assumptions that are the direct result of (1) mitigation of or adaption to climate-related risks, (2) disclosed transition plans, or (3) the disclosed targets or goals or actions taken to achieve or progress toward those targets or goals. These items are presented outside of the financial statements (Reg. S-K).
4. Assurance mentioned here does not cover assurance over internal controls. Rather it is meant to cover the subject matter, which would be the GHG emissions metrics.
5. Disclosure required if carbon offsets and RECs are material to the registrant's plan to achieve disclosed climate-related targets or goals (e.g., net-zero commitment)

SEC Final Rule: Enhancement and Standardization of Climate-related Disclosures

Disclosure requirements and timeline[1]

Timeline	Registrant Type	Financial Statement Disclosures and All Other Disclosures Except Material Expenditures and Impacts[3] and GHG Emission Disclosures	Disclosures About Material Expenditures and Impacts[4]	Scope 1 and Scope 2 GHG Emission Disclosures[7]	Attestation on Scope 1 and Scope 2 GHG Emission Disclosures
		Annual Reports or Registration Statements That Include Financial Statements for the Year Ending December 31:			
	Large accelerated filer (LAF)	2025	2026	2026	Limited assurance — 2029 Reasonable assurance — 2033
	Accelerated filer (AF) (excluding SRCs and EGCs)	2026	2027	2028	Limited assurance — 2031 Reasonable assurance — Not required
	Smaller reporting company (SRC), Emerging growth company (EGC), and Non-accelerated filer (NAF)	2027	2028	Not required	Not required

1. The implementation timeline is subject to change, contingent on the resolution of the legal disputes challenging the SEC's final climate rule, as stipulated by the stay order.
2. Subject to a 1% threshold of the absolute value of either pretax income (if an income statement related disclosure) or stockholder's equity (if a balance sheet related disclosure) and a de minimis threshold
3. Materiality is based on the definition provided by the Supreme Court as determined based on the perspective of a reasonable investor
4. Material expenditures and Impacts refers to quantitative and qualitative information about material expenditures and impacts on financial estimates and assumptions that are the direct result of (1) mitigation of or adaption to climate-related risks, (2) disclosed transition plans, or (3) the disclosed targets or goals or actions taken to achieve or progress toward those targets or goals. These items are presented outside of the financial statements (Reg. S-K).
5. Assurance mentioned here does not cover assurance over internal controls. Rather it is meant to cover the subject matter, which would be the GHG emissions metrics.
6. Disclosure required if carbon offsets and RECs are material to the registrant's plan to achieve disclosed climate-related targets or goals (e.g., net-zero commitment)
7. Companies will not be required to provide this information before their second fiscal quarterly report for the following year would otherwise be due or, in the case of a registration statement, 225 days after the end of the fiscal year

SEC Final Rule: Enhancement and Standardization of Climate-related Disclosures

Disclosure timeline[1] for **large accelerated filers**

(Illustrative timeline for calendar year end filers, with each disclosure on the timeline progressively building on the disclosure requirements of the previous years)

2025	2026	2027	2028	2029	2030	2031	2032	2033
(filed in 2026)	(filed in 2027)	(filed in 2028)	(filed in 2029)	(filed in 2030)	(filed in 2031)	(filed in 2032)	(filed in 2033)	(filed in 2034)

SEC: All financial statement disclosures and certain Reg S-K disclosures[2]

CA Senate Bill: SB-253[4] Publicly disclose and seek limited assurance over scope 1 & 2 GHG emissions for the reporting entity's prior fiscal year[5]

CSRD: Large EU-listed and non-listed enterprises (not in scope of NFRD); large EU subsidiaries of non-EU enterprises: all FY25 disclosures with limited assurance

CA Senate Bill: SB-261 Climate-related financial risk disclosures on or before January 1st, 2026

SEC: Scope 1 and 2 GHG emissions and material expenditures and impacts[3]

CA Senate Bill: SB-253[4] Publicly disclose additional scope 3 GHG emissions for the reporting entity's prior fiscal year[5]

CSRD: **EU-listed SMEs;** all FY26 disclosures with limited assurance

CSRD: **All non-EU companies with EU revenue over €150M**: all FY28 disclosures with limited assurance

SEC: Limited assurance over Scope 1 and 2 GHG emissions

SEC: Reasonable assurance over Scope 1 and 2 GHG emissions

1. The implementation timeline is subject to change, contingent on the resolution of the legal disputes challenging the SEC's final climate rule, as stipulated by the stay order.
2. Excluding Scope 1 and Scope 2 GHG emissions disclosures and material expenditures and impacts[2] disclosures under Reg S-K
3. Material expenditures and impacts refers to quantitative and qualitative information about material expenditures and impacts on financial estimates and assumptions that are the direct result of (1) mitigation of or adaption to climate-related risks, (2) disclosed transition plans, or (3) the disclosed targets or goals or actions taken to achieve or progress toward those targets or goals. These items are presented outside of the financial statements (S-K).
4. Specific reporting dates within the year to be set by the state board at a later date
5. Limited assurance, followed by reasonable assurance for Scope 1 and 2 GHG emissions; Scope 3 assurance to be determined.

SEC Final Rule: Key Changes from the Proposed Rule

Key changes from the proposed rule to the final rule

Financial Statement Disclosures

- Modification of the expenditure metric requirement to be amounts that exceed **1% of pretax income or total shareholders' equity**, subject to a de minimis threshold[2] (rather than 1% of each financial statement line item)

GHG Emissions Inventory

- **No Scope 3** GHG emission reporting requirement
- **Scope 1 and 2 emissions** disclosures only required for LAFs and AFs[1] **when those emissions are material**

Timing

- Extended **adoption and phase-in timelines** for both reporting and assurance
- Registrants have until their **2nd fiscal quarter** to report GHG emissions disclosures on their **Form 10-Q** compared to required disclosure within the annual report, as was required in the proposed rule

Organizational Boundary

- **Flexibility to select a boundary approach[3]** (such as equity share, operational control or financial control), unlike the proposed rule, which would have required a boundary consistent with the consolidated financial statements

Assurance

- **Limited assurance phase-in period extended** for AFs and LAFs for Scope 1 & 2 emissions
- **Reasonable assurance** will only be required for LAFs

1. Emerging growth companies, smaller reporting companies, and non-accelerated filers are excluded from the Scope 1 and Scope 2 emissions reporting requirement.
2. De minimis thresholds are (1) $100,000 for expenditures expensed as incurred and losses in the income statement, and (2) $500,000 for capitalized costs and charges recognized on the balance sheet
3. Companies must also disclose the boundary method used, and provide investors with information material to understanding the scope of entities and operations included in the GHG emissions calculation as compared to those included in its financial statements

SEC Final Rule: Key Provisions of S-X Disclosures

Key requirements for disclosures within the financial statements

Financial Statement Effects

Offset/REC Metrics

Estimates and Assumptions

[1] Assumptions used in the financial statements and assumptions used in the climate-related disclosures should align. If assumptions do not align, auditors should exercise professional skepticism to determine if information is presented fairly in all material aspects.

SEC Final Rule: Key Provisions of S-X Disclosures

Key requirements for disclosures within the financial statements

Financial Statement Effects

- The capitalized costs, expenditures expensed, charges, and losses incurred as a result of severe weather events and other natural conditions, such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise, subject to applicable one percent and de minimis disclosure thresholds
  - Expenditures and losses: threshold of 1% of the absolute value of income or loss before income tax expense or benefit or $100,000, whichever is greater
  - Capitalized costs and charges: threshold of 1% of the absolute value of stockholders' equity or deficit or $500,000, whichever is greater

Illustrative calculations to determine disclosure requirement:

Category	Current Fiscal Year Balances	Disclosure Threshold	Wildfire	Hurricane	Total
Balance sheet effects	Stockholders' equity of $550 million	$ 5.5 million	$ 12 million*	—	$ 12 million
Income statement effects	Pretax income (loss) of $230 million	$ 2.3 million	$ 5 million**	$ 2 million	$ 7 million

* Represents the impaired building ($5 million) and the capitalization of the replacement building ($7 million).

** Represents expenses related to the impairment of the building ($5 million).

Note X — Financial Statement Effects Related to Severe Weather Events and Other Natural Conditions:

	Balance Sheet		Income Statement		
	Year ended December 31		Year ended December 31		
Category	2026	2027	2025	2026	2027
Capitalized costs and charges:					
Plant, property, and equipment	$ —	$ 2 million*			
Expenditures expensed and losses incurred:					
Impairment expense			$ —	$ —	$ (5 million)
Cost of revenue			$ —	$ —	$ (2 million)

* Calculated as the amount capitalized for the replacement building ($7 million) less the amount of impairment recognized on the damaged building ($5 million).

[1] Assumptions used in the financial statements and assumptions used in the climate-related disclosures should align. If assumptions do not align, auditors should exercise professional skepticism to determine if information is presented fairly in all material aspects.

SEC Final Rule: Key Provisions of S-X Disclosures

Key requirements for disclosures within the financial statements

Offset/REC Metrics

- The capitalized costs, expenditures expensed, and losses related to carbon offsets and renewable energy credits or certificates (RECs) if used as a material component of a registrant's plans to achieve its disclosed climate-related targets or goals
- Disclosure includes a rollforward of beginning and ending balances, aggregate amounts expensed, capitalized, losses incurred during the year, the amounts recognized in each financial statement line item impacted and the accounting policy for such instruments

Note X — Carbon Offsets and RECs

Carbon offsets and RECs are recognized in the "intangible asset" line item. Carbon offsets and RECs are expensed in the "cost of revenue" line item on the income statement when surrendered. Impairment expense, if any, is recognized in the "intangible asset impairment" line item on the income statement.

Carbon Offsets and RECs	
Carbon offsets and RECs on January 1, 2026	$ 70 million
Capitalized carbon offsets and RECs	25 million
Expensed carbon offsets and RECs	(40 million)
Impairment of carbon offsets and RECs	(5 million)
Carbon offsets and RECs on December 31, 2026	$ 50 million

[1] Assumptions used in the financial statements and assumptions used in the climate-related disclosures should align. If assumptions do not align, auditors should exercise professional skepticism to determine if information is presented fairly in all material aspects.

SEC Final Rule: Key Provisions of S-K Disclosures

Key requirements for disclosures outside financial statements

Governance

How the registrant's board of directors (or subcommittee) and management oversee the assessment and management of climate-related risks

Risk Management

The registrant's processes for detecting, evaluating, and managing climate-related risks and whether those processes are integrated into the registrant's broader enterprise risk management program.

Material Expenditures and Impacts

Quantitative and qualitative information about material expenditures and impacts on financial estimates and assumptions that are the direct result of: (1) mitigation of or adaption to climate-related risks, (2) disclosed transition plans, or (3) the disclosed targets or goals or actions taken to achieve or progress toward those targets or goals

GHG Emissions Inventory

- Scope 1 and Scope 2[1] GHG emissions on a gross basis (before consideration of any offsets) if material for large accelerated and accelerated (excluding smaller reporting company (SRC), Emerging growth company (EGC), and Non-accelerated filer (NAF))
- Disclose whether, and if so, how organizational boundary materially differs from the basis of the financial statements
- Disclosure of voluntary assurance [2]

Strategy

Include certain information about climate-related risks, the effect of climate-related risks, internal carbon pricing, scenario analysis, and climate transition plans

Targets and Goals

Certain information about the target and goal (including the metric) if reasonably likely to materially affect the business, results of operations, or financial condition

1. Registrants should also disclose whether it calculated its Scope 2 emissions using a particular method, such as the location-based method, market-based method, or both.
2. Any registrant that is not required to include a GHG emissions attestation report are still required disclose certain information about the assurance engagement if the registrant's GHG emissions disclosure was voluntarily subject to assurance

SEC Climate Rule: Enhancement and Standardization of Climate-related Disclosures

A Deeper Look: Governance and Controls considerations for Climate-Related Data

Climate-Related Governance

- Establish **board oversight & top-down accountability** mechanisms to support robust control environment
- Clearly define **data owners' roles, responsibilities, and competencies**
- **Build organization capacity and train** Board and Management
- Incorporate climate-disclosure considerations into **data management policies & procedures**

Internal Controls over Climate-Related Data

1. Define disclosure objectives

- Establish, document and communicate climate-related data timelines, aligned with financial reporting
- Review current-state of processes and controls around existing climate disclosure
- Understand existing data governance structures, to identify gaps and meet reporting requirements

2. Assess disclosure risks

- Identify potential risks that could impact climate-related reporting objectives
- Determine relevant data sources, systems and process owners
- Document end-to-end climate processes through narratives and flowcharts
- Identify and document data/IT system limitations, assumptions and estimates

3. Identify controls

- Evaluate maturity of existing controls to enhance data accuracy and completeness
- Define internal process controls and general IT controls (GITCs) to mitigate identified climate-related risks
- Document methodologies for data collection, measurement and/ or estimation

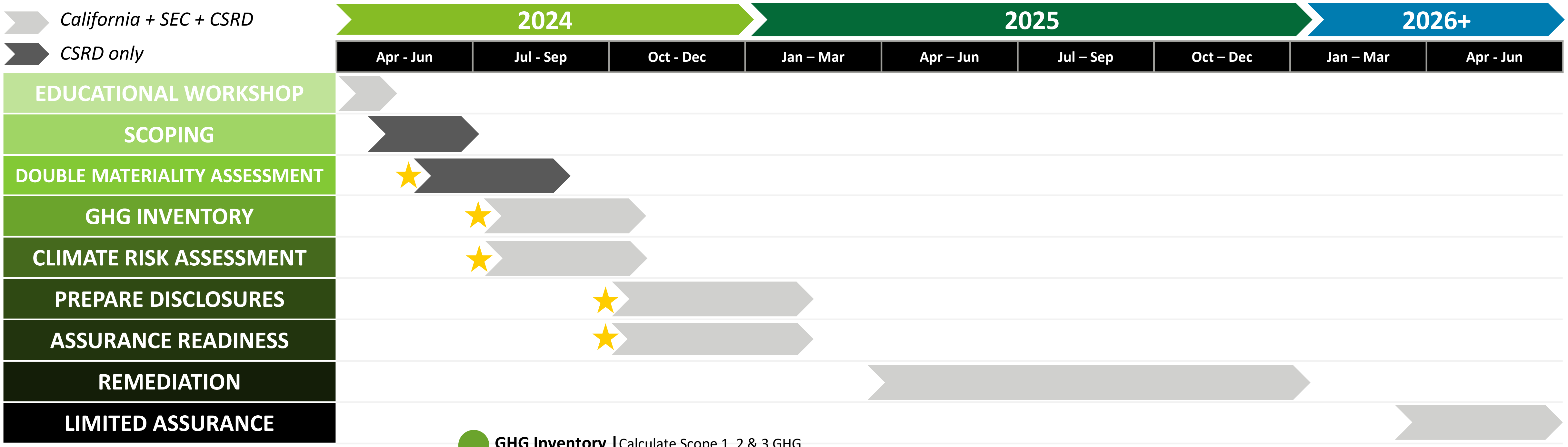
4. Evaluate effectiveness

- Regularly assess design, implementation, and effectiveness of controls
- Remediate control gaps and deficiencies and implement ongoing process improvements
- Integrate controls over climate disclosure into ERM processes and Internal Audit plans
- Engage with external assurance provider

The SEC climate rule calls for disclosure of GHG emissions, Scope 1 and 2 (if material for certain large filers) as well as certain financial statement disclosures, and qualitative and governance disclosures. The Scope 1 and Scope 2 GHG emission disclosures would be subject to limited assurance during a phase-in period, followed by reasonable assurance for certain filers.

Illustrative Activities Timeline: US Climate Regulatory Readiness

For companies preparing for California Climate, SEC Climate[1], and CSRD reporting requirements



Educational Workshop| Educate stakeholders and leadership on regulatory scope, impacts, and reporting requirements.

Scoping | Define and validate the reporting structure and strategy by identifying standalone or consolidated reporting obligations for each entity.

Double Materiality Assessment| Identify the most important E, S and G topics from an impact and financial perspective.

GHG Inventory | Calculate Scope 1, 2 & 3 GHG emissions in accordance with the GHG Protocol.

Climate Risk Assessment| Identify climate-related risks and/or opportunities, perform scenario analysis (optional for SEC), and develop resilience strategy in accordance with the TCFD.

Data Processes & Controls| Assess and enhance data processes and internal controls to strengthen the reliability of climate and GHG information and disclosures.

Prepare Disclosures| Collect and prepare disclosures for Scope 1, 2 & 3 GHG emissions, climate-related impacts, risks, and opportunities, and relevant ESRS disclosure requirements.

Assurance Readiness | Obtain advice and recommendations to prepare for assurance requirements.

Remediation| Implement advice and recommendations to close disclosure gaps.

Limited Assurance| Obtain limited assurance on Scope 1 & 2 GHG emissions for California (required for large accelerated SEC filers beginning FY29).[1] Obtain limited assurance on all reported sustainability information for CSRD.

1. The implementation timeline is subject to change, contingent on the resolution of the legal disputes challenging the SEC's final climate rule, as stipulated by the stay order.
2. SEC registrants that voluntarily obtain assurance over GHG emissions prior to required timelines must provide certain voluntary disclosures about the assurance engagement and provider.

SEC Final Rule: Summary and Takeaways

Key provisions of the final rule

Materiality

Considers qualitative and quantitative factors as well as probability and magnitude of future events from the perspective or a reasonable investor

Consistent with the US Supreme Court definition

Organizational Boundary

Filers can use any acceptable method for determining boundaries (for example, one of the methods under the GHG Protocol)

Appropriate disclosure of the method chosen is required as well as whether and how the chosen boundary differs from the scope of the consolidate financial statements

GHG Emissions

Scope 1 and Scope 2 GHG emissions are required if determined material for large accelerated filers and accelerated filers (excluding smaller reporting companies and emerging growth companies)

Scope 3 emissions are not required

Assurance

Assurance on Scope 1 and 2 GHG emissions is required[1]:

- Large accelerated filers – limited assurance for FY 2029 and reasonable assurance for FY 2033
- Accelerated filers – limited assurance for FY 2031

Disclosures

Financial Statement Disclosure (Reg S-X)

- Financial statement effects (including capitalized costs, expenditures expenses, charges, and losses) subject to a threshold of 1% of pretax income or stockholder's equity and de minimis thresholds for expenditures or costs associated with severe weather events and other natural conditions
- Expenses and costs associated with carbon offsets and RECs if material to a company's plan to achieve climate-related goals
- Whether, and if, estimates and assumptions in financial statements are impacted by severe weather events and other natural conditions, or climate-related items (risks, transition plans)

Other Required Disclosure (Reg S-K)

Disclosure of the following is required outside of the financial statements:

- Scope 1 and Scope 2 greenhouse gas (GHG) emissions
- Governance and oversight of climate-related risks
- Strategy, including climate-related risks and opportunities
- Climate risk management processes
- Climate targets and goals

Timing of Disclosure

Filers must provide disclosures other than those related to Scope 1 and Scope 2 GHG emissions in annual reports at the time of the filing. Domestic filers may disclose emission information in their second-quarter Form 10-Q for the year after the year to which the emission disclosures are related, or in an amendment to the previously filed Form 10-K[2]

Safe Harbor[3]

The final rule provides registrants safe harbor from liability for disclosures related to transition plans, scenario analysis, internal carbon pricing, targets and goals, other than disclosures related to historical facts

1. The implementation timeline is subject to change, contingent on the resolution of the legal disputes challenging the SEC's final climate rule, as stipulated by the stay order.
2. The registrant must include an express statement in its annual report indicating its intention to incorporate by reference this information from either a quarterly report on Form 10-Q or amend its annual report on Form 10-K to provide this information by the due date specified by this section.
3. The Safe Harbor provisions under the final rule do not eliminate the auditor's responsibility to exercise professional skepticism to conclude the financial statements, as a whole, are fairly stated in all material respects.

The services described herein are illustrative in nature and are intended to demonstrate our experience and capabilities in these areas; however, due to independence restrictions that may apply to audit clients (including affiliates) of Deloitte & Touche LLP, we may be unable to provide certain services based on individual facts and circumstances.

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ESG Disclosure Reporting Requirements Comparison (dependent on filing status)

	United States					Global	
			California Climate Legislation				
	SEC Climate Disclosure Rule	Federal Supplier Rule	SB 253	SB 261	AB 1305	CSRD's ESRS	ISSB's IFRS S1 and S2
Legislative Status[1]	Final legislation	Proposed requirements	Passed legislation	Passed legislation	Passed legislation	**CSRD**: final **ESRS**: final standards	Final standards
Disclosure Scope	Climate	Climate	Climate	Climate	Voluntary carbon offsets (VCOs) and certain emissions claims[4]	Sustainability	Sustainability
Company Scope	Public companies	Largest federal suppliers[3]	Public and private companies with total annual revenues exceeding $1 billion doing business in CA	Public and private companies with total annual revenues exceeding $500 million doing business in CA	Entities operating in CA and market, sell, purchase or use VCOs and/or make certain emissions claims[5]	Public and private companies	Subject to jurisdictional regulatory adoption by countries
Purpose	Regulatory disclosure requirements	Regulations to protect federal supply chains from climate-related financial risks	Regulatory disclosure requirements	Regulatory disclosure requirements	Promote transparency and enhance credibility of the VCO market	Standards to be regulated by CSRD	Standards that are jurisdictionally mandated through regulation
Assurance Requirement	Limited assurance, followed by reasonable assurance for certain filers	N/A	Limited assurance, followed by reasonable assurance	N/A	N/A[5]	Limited assurance[7]	Subject to jurisdictional regulation
Materiality	Investor-focused	Financial materiality	N/A	Financial materiality	N/A	Double materiality	Investor-focused
Penalty for Noncompliance[2]	Standard SEC penalties may apply [6]	No explicit penalties in proposed rule, but standard penalties may apply[3]	≤$500,000 fine in a reporting year	≤$50,000 fine in a reporting year	$2,500/day per violation up to $500,000 fine in a reporting year	Subject to jurisdictional regulation	Subject to jurisdictional regulation

1) Legislative Status is as of March 2024. 2) Organizations should consult with qualified legal counsel to determine exact penalties. 3) Federal Supplier Climate Risks and Resilience Proposed Rule. 4) Regarding net zero emissions, carbon neutrality, or significant emissions reductions. 5) Companies are required to disclose if they received third-party verification of the carbon offset project or of carbon neutrality claims. 6) The final rule provides registrants safe harbor from liability for disclosures related to transition plans, scenario analysis, internal carbon pricing, targets and goals, other than disclosures related to historical facts. 7) The European Commission (EC) will perform an assessment to determine whether moving from limited to reasonable assurance is feasible for auditors and companies. After this assessment, the EC will adopt standards for reasonable assurance no later than October 1, 2028.

ESG Disclosure Reporting Requirements Comparison (dependent on filing status)

	United States					Global	
	SEC Climate Disclosure Rule	Federal Supplier Rule	California Climate Legislation: SB 253	California Climate Legislation: SB 261	California Climate Legislation: AB 1305	CSRD's ESRS	ISSB's IFRS S1 and S2
Current Expected Implementation Date[1]	Starting with 2025 (due in 2026), depending on filer status and disclosure requirement	Scope 1 and 2 emissions disclosure required one year after publication of a final rule	2025 (due in 2026)	January 1, 2026	January 1, 2024[3]	Starting with 2024 (due in 2025), depending on entity structure and size	IFRS S1 and S2 in effect January 1, 2024 subject to individual jurisdictional mandate
Disclosure Location	Registration statements and annual financial reports (option to disclose GHG emissions in second-quarter Form 10-Q)	Submit to CDP and GHG inventory reported in the System for Award Management (SAM) Database	Digital platform (to be created by the regulator)	Company website	Company website	Management report within annual report	General purpose financial reports, subject to individual jurisdictional mandate
Climate Governance and Strategy	TCFD[2] scenario analysis: Optional Climate-related risks and opportunities: Climate-related risks required; opportunities optional Resiliency strategy: Optional	TCFD scenario analysis: Yes Climate-related risks and opportunities: Yes Resiliency strategy: Yes	N/A	TCFD scenario analysis: Yes Climate-related risks and opportunities: Yes Resiliency strategy: Yes	N/A	TCFD scenario analysis: Yes Climate-related risks and opportunities: Yes Resiliency strategy: Yes	TCFD scenario analysis: Yes Climate-related risks and opportunities: Yes Resiliency strategy: Yes
Climate Risk Management	Yes	Yes	N/A	Yes	N/A	Yes	Yes
Target Setting Requirement	No, companies not required to set goals however if they have set material goals, required to disclose[4]	Yes, must be published on SBTi website	N/A	N/A	No, companies not required to set targets but required to disclose if they have set targets	Yes, general sustainability targets	No, companies not required to set targets but required to disclose if they have set targets

1) Subject to change for rules in the proposed stage. 2) Task Force on Climate-related Financial Disclosures. 3) While the bill does not specify the date on which the first set of disclosures must be posted to a company's website, the intention of the bill is for the first annual disclosures to be posted by January 1, 2025 (*Legislative Intent - Assembly Bill No. 1305*). 4) Registrants must disclose information about their publicly announced or internal climate-related targets or goals if they materially affect or are reasonably likely to materially affect the business, results of operations, or financial condition (e.g., expenditures or operational changes needed to meet the targets or goals)