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# Comparing CSRD, ISSB, SEC & California Climate-Related Disclosure Rules

Multinational companies need to consider application of the evolving global ESG regulatory landscape, and in particular understand and prepare for compliance with the mandatory climate-related disclosure requirements set forth in the:

- European Union's Corporate Sustainability Reporting Directive 2022/2464/EU (CSRD);
- International Sustainability Standards Board (ISSB) IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures);
- U.S. Securities and Exchange Commission (SEC) Climate-Related Disclosure Rules (Enhancement and Standardisation of Climate Related Disclosures: Final Rules); and
- California's Corporate Data Accountability Act (SB 253) and Climate-Related Financial Risk Act (SB 261) (together, the California Climate Accountability Package), and Voluntary Carbon Markets Disclosure Act (AB 1305).

The table below summarises and compares their key aspects. For more extensive detail, please see our briefings on the SEC climate-related disclosure rules (available here) and California Climate Accountability Package (available here) or reach out to your regular Weil contacts listed below.

| CSRD | ISSB | SEC | California |
|---|---|---|---|
| **Objectives / Background** | | | |
| ▪ Adopted in November 2022 as part of European Green Deal<br>▪ Aims to increase breadth of non-financial corporate reporting and ensure disclosure is consistent, comparable and easy to access<br>▪ Requires transposition into law by EU Member States | ▪ Published in June 2023 as a voluntary global baseline standard for sustainability reporting<br>▪ Established by International Sustainability Standards Board of the International Financial Reporting Standards (IFRS) Foundation<br>▪ Builds on internationally recognised frameworks including Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB)<br>▪ Endorsed by International Organisation of Securities Committees (IOSCO)<br>▪ UK, Canada, Japan, Hong Kong, Singapore, Australia, Nigeria, Chile, Malaysia, Brazil, Egypt, Kenya and South Africa have each indicated they are considering adopting ISSB standards and are at different stages of consultation / implementation | ▪ Adopted in March 2024<br>▪ Broadly based on existing international disclosure frameworks e.g. TCFD and the Greenhouse Gas Protocol (GHG Protocol)<br>▪ Aim to address concerns related to consistency, comparability and reliability of climate-related information disclosed voluntarily by US public companies | ▪ Enacted October 2023<br>▪ SB 261 broadly based on TCFD<br>▪ SB 253 and SB 261 require implementing regulations by California Air Resources Board |

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| **Disclosure Timeline** | | | |
| ▪ Depends on company size and whether EU or non-EU / imposed in phases from 2024 to 2029<br>▪ Earliest disclosures required by to undertakings already subject to the EU Non-Financial Reporting Directive (NFRD) in 2025 (for 2024 financial year) | ▪ Deadlines will depend on country-by-country implementation<br>▪ Earliest disclosures under voluntary standards in 2025 (for fiscal year beginning on or after 1 January 2024) for climate-related disclosure | ▪ Phase-in for annual reports and registration statements, and assurance attestation element, depending on disclosure element and company size<br>▪ Earliest disclosures required by large accelerated filers in 2026 (for fiscal year beginning in calendar year 2025), Scope 1 and Scope 2 the following year<br>▪ Currently subject to SEC stay of effectiveness pending litigation challenging rules | ▪ Disclose Scope 1 and Scope 2 emissions for prior fiscal year in 2026 (SB 253)<br>▪ Publish climate-related risk report published on or before January 1, 2026 and biennially thereafter (SB 261)<br>▪ SB 253 and SB 261 subject to challenge by US Chamber of Commerce<br>▪ Provide carbon offsets and other disclosure by January 1 2024. Efforts underway to amend to January 1 2025 to reflect bill author's intentions (AB 1305) |
| **Qualifying Criteria** | | | |
| EU thresholds<br>▪ "Large" EU incorporated undertaking meeting 2 / 3 of (i) €25m balance sheet total; (ii) €50m net turnover; and / or (iii) 250 employees<br>▪ EU public interest undertaking which is (i) listed on a regulated EU market; (ii) a specific type of financial services company; or (iii) designated as a public interest entity in its country of incorporation<br>Non EU thresholds<br>▪ Non-EU parents of undertakings that meet the "Large" EU threshold above<br>▪ Non-EU incorporated but with EU net turnover of €150m for 2 consecutive financial years plus (i) "Large" EU subsidiary (as above) or (ii) an EU branch that generated €40m net turnover in prior financial year | ▪ Applicability will depend on country-by-country implementation | ▪ Applies to US public companies and foreign private issuers | ▪ U.S.-based corporations, partnerships, limited liability companies and "other business entities," whether public or private, doing business in California:<br>  ▪ Annual revenue of more than $1 billion (SB 253 applies)<br>  ▪ Annual revenue of more than $500 million (SB 261 applies)<br>▪ Businesses operating in California that market or sell, purchase or use voluntary carbon offsets, and / or make claims regarding the achievement of net zero emissions, carbon neutral status about the company or a product or significant carbon emissions reductions (AB 1305) |

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| **Disclosures Required (General)** | | | |
| ▪ European Sustainability Reporting Standards (ESRS) comprised of 2 mandatory general, cross-cutting standards and 10 topical standards including data points. Disclosure under topical standards depends on materiality to undertaking but may cover environmental (climate change, pollution, water and marine resources, biodiversity and ecosystems, resource use and circular economy); social (own workforce, workforce in value chain, affected communities and consumers and end-users); and governance (business conduct)<br>▪ Additional sector specific reporting standards have been delayed to 2026 but will apply to in-scope entities in oil and gas; coal, quarries, and mining; road transport; agriculture, farming, and fisheries; motor vehicles; energy production and utilities; food and beverages; textiles, accessories, footwear and jewellery<br>▪ Specific non-EU standards and other additional standards for SMEs are also expected to be published from 2026<br>▪ Guidance on interoperability between European and international sustainability reporting standards published by EFRAG<br>▪ For non-EU undertakings, EC has indicated it will accept sustainability standards equivalent but has not yet decided which standards will be deemed equivalent | ▪ IFRS S1 requires general disclosures on all sustainability-related risk and opportunities including in relation to governance, strategy, risk management, and metrics and targets<br>▪ IFRS S2 requires disclosure of information about climate-related risks and opportunities including physical risks and transition risks, so far as they could be expected to affect the entity's financing arrangements over the short, medium or long term, including in relation to governance, strategy, risk management, and metrics and targets<br>▪ Guidance on interoperability between European and international sustainability reporting standards published by EFRAG<br>▪ No direct equivalence but, as noted above, built on other internationally recognised standards including TCFD, SASB and Climate Disclosure Standards Board | ▪ Climate-related disclosure on (i) risks and risk management including relevant expertise of certain members of management; (ii) business impact, activities to mitigate climate-related risks, transition plans (if any) and scenario analysis; (iii) oversight and governance; (iv) targets and goals, if any, and material use of carbon offsets or renewable energy credits; see GHG emissions below<br>▪ Financial statement effects, estimates and assumptions focussed on severe weather events and other natural conditions, in a financial statement footnote | ▪ GHG emissions (SB 253); see below<br>▪ Climate-related financial risks, governance, strategies, goals and metrics (SB 261)<br>▪ Disclosure relating to marketing or sale, purchase or use of voluntary carbon offsets, and / or data supporting claims regarding achievement of net zero emissions, carbon neutral status about company or product or significant carbon emissions reductions (AB 1305)<br>▪ SB 261 incorporates TCFD requirements and can be satisfied by ISSB compliance |

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| **Disclosure Required (GHG Emissions)** | | | |
| ▪ Mandatory disclosure of Scope 1, Scope 2 and (after phase-in) Scope 3 emissions data<br>▪ Total GHG emissions and reductions, including through supply chain | ▪ Under IFRS S2, disclosure of absolute gross GHGs (including Scope 1, Scope 2 and Scope 3) is required including measurement approach and rationale | ▪ If material, Scope 1 and / or Scope 2 emissions data for Large Accelerated Filers and Accelerated Filers; smaller reporting companies, emerging growth companies and nonaccelerated filers not required to disclose Scope 1 or Scope 2 emissions | ▪ Scope 1, 2 and 3 emissions data |
| **Materiality** | | | |
| ▪ Companies subject to CSRD must conduct double materiality assessment to identify sustainability matters that are material from an impact perspective and / or a financial perspective<br>▪ Impact materiality: If sustainability matter pertains to the company's material impacts on people or the environment over the short, medium or long-term (covers operations and upstream and downstream value chain, products, services and business relationships)<br>▪ Financial materiality: If sustainability matter generates risks or opportunities that affect (or could reasonably be expected to affect) the undertaking's financial position, financial performance, cash flows, access to finance or cost of capital over the short, medium or long term | ▪ Disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the company's prospects<br>▪ Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity | ▪ Materiality determination requires quantitative and qualitative considerations and is fact-specific<br>▪ As described in the adopting release, traditional definitions of materiality apply, as defined by the SEC in rules promulgated under the Securities Act and Securities Exchange Act, and consistent with U.S. Supreme Court precedent, a matter is material "if there is a substantial likelihood that a reasonable investor would consider it important when determining whether to buy 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" | ▪ Materiality assessment not required for Scope 1, 2 and 3 emissions data disclosure (SB 253)<br>▪ "Climate-related financial risk" defined to mean material risk of harm to immediate and long-term financial outcomes due to physical and transition risks (SB 261)<br>▪ Materiality assessment not required for AB 1305 disclosures |

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| **Where & How to Report** | | | |
| ▪ Dedicated section of annual management report<br>▪ Fact specific as to whether report is prepared on a solo or consolidated basis for a group or sub-group<br>▪ Electronically tag information | ▪ Disclosure to be made at the same time and covering the same reporting period as financial performance<br>▪ Not mandatory to appear in the same report financial statements | ▪ Annual report and registration statements; companies may include emissions data in second quarter Form 10-Q and incorporate by reference into annual report (or by 20-F amendment, for foreign private issuers)<br>▪ Financial statements effects disclosure to be in footnote to financial statements<br>▪ Electronically tag information (XBRL) | ▪ Emissions to be disclosed to emissions reporting organization, which will include it in a publicly accessible digital reporting platform (SB 253)<br>▪ Biennial report disclosing climate-related financial risks, published on company website (SB 261)<br>▪ Company website disclosure updated at least annually (AB 1305) |
| **Assurance** | | | |
| ▪ Independent third-party limited assurance mandatory from 2025 (for 2024 disclosures) for large EU undertakings; limited assurance required for large non-EU undertakings from 2029 (for 2028 disclosures)<br>▪ Assurance to operate in a similar manner to statutory audit of financial information<br>▪ EC to determine whether moving from limited to reasonable assurance is feasible for auditors and companies | ▪ None specified; expect national legislation to require assurance | ▪ Attestation report required for filings with Scope 1 and Scope 2 emissions disclosure<br>▪ To be phased in, starting with limited assurance in 2030 (for prior year data) to reasonable assurance in 2034 for Large Accelerated Filers (for prior year data); limited assurance for Accelerated Filers to start in 2032 (for prior year data) (with no reasonable assurance requirement) | ▪ Scope 1, 2 and 3 emissions disclosure to be verified by an independent auditor<br>▪ To be phased in, starting with limited assurance for Scopes 1 and 2 in 2026 for prior year data; reasonable assurance for Scope 1 and 2 and limited assurance for Scope 3 from 2030 for prior year data) (SB 253)<br>▪ Disclose whether carbon offset data, net zero and other claims have been verified by an independent third party (AB 1305) |
| **Penalties** | | | |
| ▪ Subject to EU Member State implementation but may include public censure, conduct orders, administrative and criminal penalties | ▪ None unless integrated into national legislation | ▪ Climate-related disclosures will be "filed" and therefore subject to potential liability under Section 18 of the Exchange Act and Section 11 of the Securities Act if included in or incorporated by reference into a Securities Act registration statement | ▪ Civil penalties up to $500,000 per reporting year (SB 253)<br>▪ Civil penalties up to $50,000 in any one reporting year (SB 261)<br>▪ Up to $2,500 per day per violation, up to $500,000 in aggregate (AB 1305) |

## For More Information

If you would like more information about the topics raised in this briefing, please speak to your regular contact at Weil or to any of the authors listed below:


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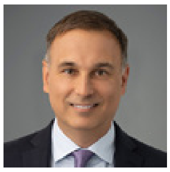

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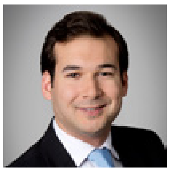

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