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Technical Line

How the climate-related disclosures under the SEC rules, the ESRS and the ISSB standards compare

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What you need to know

- The SEC recently adopted final rules requiring registrants to make climate-related disclosures both within and outside the audited financial statements.
- The European Commission's first set of European Sustainability Reporting Standards require entities to make sustainability disclosures, including certain climate-related disclosures.
- The ISSB's general and climate-related sustainability disclosure standards need to be adopted by authorities in a particular jurisdiction to be mandatory.
- Entities with significant operations in multiple jurisdictions need to understand the key differences among the SEC rules, the ESRS and the ISSB standards because they may be subject to more than one set of requirements.

Overview

Certain regulators and standard setters have issued standards or rules requiring public entities and certain other entities to make various climate-related disclosures in their annual reports. While many entities already make voluntary disclosures about environmental, social and governance (ESG) matters in separate sustainability reports, the regulators and standard setters are responding to calls from investors for more consistent, comparable information they can use to make investment decisions.

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In this publication, we compare some of the key differences between the rules issued by the Securities and Exchange Commission (SEC),[1] the first set of European Sustainability Reporting Standards (ESRS) issued by the European Commission (EC)[2] and the climate-related disclosure requirements in the standards issued by the International Sustainability Standards Board (ISSB),[3] which are all, to some extent, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

US-based entities with significant operations in other jurisdictions need to be aware of the differences because they may be subject to more than one set of requirements. Entities should consider evaluating each set of requirements in detail to determine how they are affected. They should also consider evaluating how they would be affected by proposals and laws in other national and local jurisdictions (e.g., Canada, Australia, California).

The SEC adopted in March 2024 its climate-related disclosure rules to require disclosures both within and outside the audited financial statements.

The Corporate Sustainability Reporting Directive (CSRD), a European Union (EU) legislative act that was finalized in January 2023, includes a mandate to report sustainability information under a reporting framework provided by the ESRS that were initially developed by the European Financial Reporting Advisory Group (EFRAG). The first set of ESRS were issued through a regulation (referred to as a delegated act) in July 2023 by the EC, the executive arm of the EU. Future delegated acts will be required for the other sets of ESRS (e.g., sector-specific standards, standards for listed small and medium-sized entities, standards for non-EU entity reporting), which will be developed by the EFRAG.

EU Member States must include the CSRD's requirements into their local law by 6 July 2024.

How we see it

While EU Member States are bound by any EU directive, including the CSRD, they have some authority to choose the form and methods to achieve the required result as they incorporate the directive into their local laws. Individual EU Member States are permitted to broaden the scope and reporting requirements (often referred to as gold plating).

The CSRD also contains options individual EU Member States can apply (e.g., allowing an independent assurance provider other than the entity's statutory auditor to provide assurance). Therefore, entities should monitor the local laws of the relevant EU jurisdictions to determine how they will be affected.

The ISSB, which was established by the IFRS Foundation to develop a comprehensive set of standards to serve as a global baseline, issued its first two IFRS Sustainability Disclosure Standards in June 2023. These standards require adoption by authorities in local jurisdictions before compliance would be mandatory in any jurisdiction, similar to other International Financial Reporting Standards (IFRS). In July 2023, the International Organization of Securities Commissions endorsed the ISSB standards and called on its members to consider how they might adopt, apply or otherwise be informed by the ISSB Standards.[4] Brazil has announced that the ISSB standards will be required, and several jurisdictions, including the United Kingdom, Canada and Australia, have indicated they expect to require the adoption of the ISSB or similar standards.

For more information about the SEC rules, the ESRS and the ISSB standards, see our To the Point publication, ***SEC adopts rules requiring registrants to disclose certain climate-related information***; our Technical Line, ***How the EU's Corporate Sustainability Reporting Directive affects non-EU based multinationals***; and our IFRS Sustainability Developments publication, ***ISSB issues inaugural IFRS Sustainability Disclosure Standards***.

Key differences

Scope

The SEC rules will apply to substantially all SEC registrants, including foreign private issuers, smaller reporting companies (SRCs), emerging growth companies (EGCs) and entities entering the US capital markets for the first time by conducting initial public offerings. The rules do not apply to issuers of asset-backed securities or Canadian registrants that use the multijurisdictional disclosure system (MJDS). The rules focus only on climate-related disclosures, but entities should be aware that the SEC is expected to propose additional rules on human capital and board diversity disclosures this year.

The CSRD and ESRS apply to the following entities:

- All entities with securities (equity or certain debt) listed on EU-regulated markets, except for micro companies (i.e., companies with fewer than 10 employees and annual turnover (i.e., revenue) below €900,000 or balance sheet total (i.e., total assets) below €450,000)
- A "large undertaking" that is an EU entity, meaning an entity that meets at least two of the following three criteria: (1) more than €50 million in net turnover, (2) more than €25 million in balance sheet total and (3) more than an average of 250 employees during the year
- Insurance entities and credit institutions regardless of their legal form, except for micro companies

These criteria need to be applied on both a legal entity basis (i.e., an individual EU subsidiary basis) and a consolidated basis for the EU entity, including any non-EU subsidiaries of the EU entity (i.e., the EU entity needs to evaluate whether it, together with its EU and non-EU subsidiaries, meet the thresholds above on a consolidated basis), regardless of whether the EU entity has financial reporting requirements at that level.

A subsidiary of an EU entity is exempt from issuing a standalone report if the EU parent entity includes the subsidiary in its consolidated report that fully complies with the ESRS.

A subsidiary located in the EU that does not have an EU parent and that meets the thresholds in the bullets above is required to comply with the ESRS, unless it is included in the non-EU parent's sustainability report that fully complies with either the ESRS or standards the EC deems equivalent to those of the EU. While the EC has not yet determined the equivalence criteria and what standards are equivalent, the CSRD requires that any equivalent standards cover ESG topics (e.g., not just climate topics) and require the use of the double materiality concepts discussed below.

As a transitional provision until 2030, a non-EU parent can select for purposes of its CSRD report an EU subsidiary to consolidate all of the non-EU parent's EU subsidiaries in the scope of the CSRD (including those subsidiaries' EU and non-EU subsidiaries). The selected entity would include EU subsidiaries that are not consolidated for financial reporting purposes. That is, the entities consolidated by the selected EU subsidiary for the CSRD report would not be the same as the entities consolidated by it for financing reporting purposes. However, the EU subsidiary selected must be one of the EU subsidiaries that generated the greatest turnover in the EU during at least one of the preceding five financial years, on a consolidated basis where applicable.

Any large and listed subsidiaries (i.e., those that meet the criteria in the first two bullet points above) must report on their own and cannot apply the subsidiary exemptions.

Separately, a non-EU company that generates €150 million in net turnover in the EU and has at least one subsidiary in the scope of the CSRD (as defined in the bullets above) or, if the non-EU company has no EU subsidiary, a branch with net turnover of more than €40 million in the EU is required (starting in 2028) to apply at the consolidated level either separate EU sustainability reporting standards that EFRAG will develop, the ESRS or standards that are deemed equivalent to those of the EU. While separate EU sustainability reporting standards for non-EU companies haven't been developed, they aren't expected to cover all reporting areas that are included in the ESRS.

The ESRS require disclosures of climate-related and other ESG matters, including other environmental matters (e.g., pollution, water and marine resources), social matters (e.g., own workforce, affected communities, consumers and end users) and governance matters (e.g., business conduct).

The type of entity to which the ISSB standards would apply is left to the discretion of authorities in any jurisdiction that chooses to adopt them. The application of ISSB standards is not linked to the application of IFRS accounting standards. Therefore, an entity applying IFRS accounting standards for financial reporting purposes is currently not required to also apply the ISSB standards, and vice versa. The initial two standards cover general requirements for all sustainability topics (IFRS S1, *General Requirements for Disclosure of Sustainability-related Financial Information*) and climate-related disclosure requirements (IFRS S2, *Climate-related Disclosures*), but the ISSB has a broad remit to deliver a comprehensive set of sustainability-related disclosure standards. The ISSB is currently consulting on which other topics should be included in its standard-setting agenda.

The various sets of guidance define or apply materiality differently.

Materiality and disclosure thresholds

The various sets of guidance define or apply materiality concepts differently and, in certain cases, require the application of disclosure thresholds (rather than materiality) to various disclosures.

The materiality determination for most disclosures required by the SEC rules will be based on US Supreme Court precedent, under which 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.

However, the SEC rules will require disclosures of capitalized costs and charges on the balance sheet and incurred expenses and losses on the income statement resulting from severe weather events or other natural conditions if the respective criterion is met:

- The aggregate amount of capitalized costs and charges, excluding any recoveries, equals or exceeds 1% of the absolute value of stockholders' equity or deficit (unless it is less than $500,000)
- The aggregate amount of incurred expenses and losses, excluding any recoveries, equals or exceeds 1% of the absolute value of pre-tax income or loss (unless it is less than $100,000)

Certain disclosures, such as those related to the board's oversight of climate-related risks, will be required regardless of materiality.

The ESRS use the concept of "double materiality," which means a disclosure is material if it is material from what is called an "impact" perspective, a financial perspective or a combination of both. A sustainability matter is material from an impact perspective if it pertains to the entity's material actual or potential, positive or negative impacts on people or the environment. A sustainability matter is material from a financial perspective if it triggers or may trigger material financial effects on the entity, including its cash flows, development, performance, position and cost of capital or access to financing.

Unlike the materiality definitions or concepts used in the disclosure requirements of the ISSB standards and the SEC rules, the materiality definition in the ESRS considers both affected stakeholders (e.g., employees, customers, vendors, the community) and other users of the sustainability reporting information (e.g., investors, creditors). However, materiality does not apply (i.e., all disclosures are required, including their datapoints) to ESRS 2, which addresses disclosures on governance, strategy, impact, risk and opportunity management, and monitoring of the effectiveness of actions and progress toward targets. In addition, if an entity concludes that climate change is not material, it must disclose a detailed explanation of its conclusion. Certain datapoints in the ESRS that are required by other EU law are also required.

The ISSB's definition of materiality aligns with the definition of materiality in IFRS accounting standards. It focuses on what is material to the primary users of the general purpose financial report (i.e., existing and potential investors, lenders and other creditors). This definition applies to all disclosure requirements in the ISSB standards. That is, if a disclosure is not material, no disclosure would be required.

How we see it

The concept of double materially in the ESRS is broader than the definitions or concepts of materiality used by the SEC and the ISSB and will require management to apply additional judgment to determine which matters should be disclosed from an impact perspective. Because double materiality is a new concept for entities, EFRAG has issued draft interpretive guidance on how to evaluate double materiality that will be finalized in 2024.

Scope 1 and Scope 2 GHG emissions

The SEC rules, the ISSB standards and the ESRS require disclosure of Scope 1 and Scope 2 GHG emissions,[5] subject to the general materiality concepts described above. However, the nature of the required disclosures differ among the rules and standards.

The SEC rules will require only disclosures of Scope 1 and Scope 2 emissions for accelerated and large accelerated filers (therefore, non-accelerated filers, EGCs and SRCs will be exempt from the emissions disclosure requirements entirely). The SEC rules will not require registrants to use a particular methodology to calculate GHG emissions. While registrants will be able to use the GHG Protocol,[6] a widely used framework for measuring and managing GHG emissions, the SEC rules will allow them to use other methodologies, as long as those methodologies comply with the general requirements of the rules. Registrants will be required to describe the methodology, significant inputs and assumptions used to calculate their GHG emissions, including the protocol or standards used and the organizational boundaries. If the boundaries materially differ from the entities and operations included in the consolidated financial statements, a brief explanation of the difference will need to be provided.

The SEC rules will require disclosure of material Scope 1 and Scope 2 emissions in metric tons of carbon dioxide equivalents (CO_2e), both in the aggregate for each scope and on a disaggregated basis for any of the seven constituent GHGs that are individually material. The impact of purchased or generated offsets will be excluded from these calculations. The SEC rules will not require the disclosure of any GHG intensity metrics. The SEC rules will allow entities to calculate their Scope 2 GHG emissions according to the chosen framework (e.g., location-based and market-based methods under the GHG Protocol).

The ESRS include specific guidance for calculating GHG emissions but also require an entity to consider the principles, requirements and guidance provided by the GHG Protocol when preparing the information for reporting GHG emissions. It allows an entity to also consider the requirements in International Organization for Standardization (ISO) 14064-1:2018.

The ESRS also require an entity to separately disclose aggregate Scope 1 and Scope 2 emissions in metric tons of CO_2e, with the impact of purchased or generated offsets excluded and separately disclosed. An entity is permitted to disaggregate those emissions, including by the seven GHGs or by country, but disaggregation is not required.

The ESRS require additional disclosures, including the percentage of Scope 1 GHG emissions under regulated emissions trading schemes and Scope 2 emissions using both location- and market-based methods. For an intensity metric, the ESRS require an entity to only disclose its total emissions (inclusive of Scope 1, Scope 2 and Scope 3 emissions) using both a location-based and market-based method per monetary unit of net revenue.

In addition, the ESRS require an entity to include Scope 1 and Scope 2 emissions of equity method investments and joint ventures that it has operational control over in its reported Scope 1 and Scope 2 emissions. The ESRS also require an entity to disaggregate Scope 1 and Scope 2 emissions for (1) consolidated entities and (2) equity method investments, joint ventures and other unconsolidated subsidiaries for which it has operational control.

The ISSB standards require an entity to use the GHG Protocol to calculate its GHG emissions, unless a jurisdictional authority or an exchange on which the entity is listed requires the use of a different method for measuring GHG emissions. The ISSB standards require entities to separately disclose aggregate Scope 1 and Scope 2 emissions in metric tons of CO_2e, but entities aren't required to disaggregate those emissions. The impact of purchased or generated offsets must be excluded from these calculations and separately disclosed.

The ISSB standards also allow, under certain conditions, an entity to measure its Scope 1 and Scope 2 emissions using information from entities in its value chain with reporting cycles that are not aligned with the entity's reporting period. Disclosure of intensity metrics are not required. The ISSB standards require an entity to report its Scope 2 emissions using a location-based method and provide relevant information about contractual instruments related to the source of those emissions.

The GHG Protocol provides different approaches (e.g., equity share, financial control, operational control) for calculating GHGs. As such, the ISSB standards require an entity to separately disclose Scope 1 and Scope 2 emissions for (1) consolidated entities and (2) other investees, such as equity method investments, joint ventures and other unconsolidated subsidiaries. In addition, the entity would be required to disclose the approach used for calculating the emissions.

Scope 3 GHG emissions

The SEC rules will not require disclosure of Scope 3 GHG emissions, unlike the ESRS and ISSB standards.

The ESRS require entities to disclose Scope 3 emissions from each significant Scope 3 category, subject to the general materiality thresholds described above, and only disclose an intensity metric for their total emissions of all three scopes.

The ISSB standards require entities to disclose Scope 3 emissions, subject to the general materiality assessment based on the definition included in the standards. An entity is required to disclose the categories of upstream or downstream activities from the GHG Protocol that are included in the Scope 3 emissions calculation. Entities participating in financial activities, including commercial and investment banks, asset managers and insurance entities are required to report on financed emissions as part of their Scope 3 emission reporting.

The ISSB standards provide certain relief to address practical challenges of disclosing Scope 3 emissions. This includes allowing, under certain conditions, an entity to measure its Scope 3 emissions using information from entities in its value chain with reporting cycles that are not aligned with the entity's reporting period and providing a temporary exemption for disclosing Scope 3 emissions for one year in the first annual reporting period in which an entity applies IFRS S2. In addition, an entity may use only reasonable and supportable information that is available at the reporting date without undue cost or effort in measuring its Scope 3 emissions.

Scenario analysis

The SEC rules will not require a registrant to use a scenario analysis to assess the impact of climate-related risks. However, if a registrant (1) uses a scenario analysis to assess the impact of climate-related risks on its business, results of operations or financial condition and (2) determines that a climate-related risk is reasonably likely to have a material impact based on the results of that analysis, it will be required to disclose information about each scenario used and the expected material impacts on the registrant under each scenario.

The ESRS require an entity to use a climate-related scenario analysis, with at least one scenario in line with the Paris Agreement (i.e., limiting global warming to 1.5 degrees Celsius), to assess the resilience of its business strategy. Quantitative and qualitative information about the results of the analysis, how it was conducted and how it was used to inform the identification and assessment of climate-related risks also are required.

The ISSB standards require an entity to use climate-related scenario analysis to assess its climate resilience, using an approach that is commensurate with its circumstances. The assessment should consider the entity's exposure to climate-related risks and opportunities and the skills, resources and capabilities available to it. An entity is required to use all reasonable and supportable information available at the reporting date without undue cost or effort in developing the analysis. An entity is also required to disclose quantitative and qualitative information about the results of the analysis and how it was conducted (including whether the entity has used, among its scenarios, a scenario aligned with the latest international agreement on climate change[7]).

Climate-related impact on financial statements

While the SEC rules, the ESRS and the ISSB standards require disclosures of climate-related impacts on the financial statements, the nature and location of those disclosures under those rules and standards differ.

The SEC rules will require registrants to disclose the following in an audited note to the financial statements:

- Capitalized costs and charges on the balance sheet and incurred expenses and losses on the income statement resulting from severe weather events or other natural conditions if the respective criterion is met:
  - The aggregate amount of capitalized costs and charges, excluding any recoveries, equals or exceeds 1% of the absolute value of stockholders' equity or deficit (unless it is less than $500,000)
  - The aggregate amount of incurred expenses and losses, excluding any recoveries, equals or exceeds 1% of the absolute value of pre-tax income or loss (unless it is less than $100,000)
- If disclosure of the above expenditures is required, any recoveries recognized as a result of severe weather events and other natural conditions

- If carbon offsets or renewable energy credits or certificates (RECs) are deemed a material component of the registrant's plans to achieve its disclosed climate-related targets:
  - The aggregate amounts of (1) carbon offsets and RECs expensed, (2) carbon offsets and RECs capitalized and (3) losses incurred on the capitalized carbon offsets and RECs during the fiscal year
  - The beginning and ending balances of the capitalized carbon offsets and RECs for the fiscal year
  - The registrant's accounting policy for carbon offsets and RECs
- Whether and how severe weather events or other natural conditions and disclosed climate-related targets or transition plans materially impacted the estimates and assumptions used in preparing the financial statements

The SEC rules also will require registrants to disclose outside the audited financial statements whether and how any climate-related risks or targets or goals have had or are reasonably likely to have a material impact on their business, results of operations or financial condition. In describing a material risk, a registrant will need to explain whether the risk is reasonably likely to manifest in the short term (i.e., the next 12 months) and separately in the long term (i.e., beyond the next 12 months).

The ESRS require an entity to disclose in its management report how material climate-related risks and opportunities have affected its current financial performance, financial position and cash flows and the material risks and opportunities for which there is a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period.

Under the ESRS, an entity is also required to disclose how it anticipates financial performance, financial position and cash flows will change over the short term (i.e., the period adopted by the entity as the reporting period, which is generally one year), medium term (i.e., from the end of the short-term reporting period to five years) and long term (i.e., more than five years) under the effects of material climate-related risks and opportunities.

Similarly, the ISSB standards require an entity to disclose, as part of its sustainability-related disclosures, the effects of climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long terms, including quantitative information, unless it is unable to do so. An entity could use only reasonable and supportable information that is available at the reporting date without undue cost or effort in determining these effects.

The ISSB standards do not define short, medium and long terms, but instead require an entity to explain how the entity defines these time horizons, as well as how these definitions are linked to the entity's strategic planning horizons and capital allocation plans. The standards also require an entity to disclose the amount of capital expenditure, financing or investment deployed toward sustainability-related risks and opportunities.

Location of disclosures

The SEC rules will require disclosures in annual reports and registration statements, and it will be largely up to each registrant to decide on the placement of the disclosures, other than the financial statement disclosures. Disclosures outside the audited financial statements will be subject to disclosure controls and procedures, while the financial statement impacts will be disclosed in a note to the audited financial statements and subject to internal control over financial reporting.

The CSRD and the ESRS require presentation of the required sustainability information in the management report for an EU entity. However, if an EU subsidiary in the scope of the CSRD fulfills its reporting requirement by being included in a sustainability report of a non-EU parent, the EU subsidiary may include the required disclosures in a consolidated sustainability report (rather than a consolidated management report) of the non-EU parent (e.g., an entity registered with the SEC would not be required to include that information in Form 10-K), with a link to that report in the management report of the EU subsidiary.

The CSRD also requires an entity to mark up its sustainability report using an electronic reporting format. This will allow interested parties to access the reports in the European Single Access Point, which is currently under development.

The ISSB standards require that disclosures be included as part of an entity's general purpose financial report or that an entity cross-reference to disclosures that meet the requirements in another report it publishes. The cross-referenced information needs to be available on the same terms and at the same time (subject to short-term transitional relief in the year of adoption), and the complete set of sustainability-related financial disclosures cannot be less understandable by including information by cross-reference.

Neither the CSRD/ESRS nor the ISSB standards require information in the audited financial statements. However, the ISSB standards require an entity to draw connections between disclosures about sustainability-related risks and opportunities (including climate-related risks and opportunities) included in the sustainability report and other general purpose financial reports published by the entity, such as information in the related financial statements.

Disclosures under the SEC rules and the CSRD are subject to some third-party assurance.

How we see it

Because the SEC rules, the ISSB standards and the ESRS require entities to provide climate-related disclosures at the same time as the financial statements, many entities in the US will likely have to provide climate-related disclosures earlier in the year than they provide sustainability information in voluntary reports today. The SEC rules allow registrants to delay filing the GHG emissions disclosures for the most recent fiscal year as part of their Form 10-Q for the second quarter or in an amendment to their annual report on Form 10-K. A company filing a registration statement will need to file the information for the most recently completed fiscal year that is at least 225 days before the date of effectiveness of the registration statement.

Assurance requirements

Under the SEC rules, disclosures required in the financial statements will need to be audited for all registrants, and the controls related to such disclosures will also be in the scope of an audit of internal control over financial reporting.

In addition, subject to phased-in compliance dates, disclosures of material Scope 1 and Scope 2 emissions will initially be subject to limited assurance for both accelerated and large accelerated filers and later reasonable assurance for large accelerated filers only. Assurance providers will need to be independent and have significant experience in measuring, analyzing, reporting or attesting to GHG emissions.

In addition, registrants will be required to disclose certain information about the current assurance provider and any previously engaged providers who resigned, declined to stand for reappointment or were dismissed. Non-accelerated filers, EGCs and SRCs will not be required to obtain assurance over any voluntary emissions disclosures, but those that do so voluntarily will need to provide certain disclosures about the engagement and the provider.

The CSRD requires the financial statement auditor or, if an EU Member State chooses when incorporating the CSRD into its local law, an other professional service firm or independent assurance service provider accredited by an EU Member State, to provide limited assurance, with a planned transition to reasonable assurance after the EC conducts a feasibility analysis, over the following:

- Compliance with the CSRD, including the ESRS
- The process carried out by the entity to identify the information reported in accordance with the ESRS
- Compliance with the requirement to mark up the sustainability report using an electronic reporting format
- Compliance with the reporting requirements of Article 8 of the EU Taxonomy Regulation, which applies to all entities in the scope of the CSRD (excluding non-EU entities that are required to report at the consolidated level in fiscal year 2028)

This limited assurance is required on the initial year of reporting. There is a planned transition to reasonable assurance after the EC conducts a feasibility analysis. Entities should continue to monitor for developments in this area.

Auditors and other assurance service providers, if applicable, will be required to apply assurance standards for sustainability reporting that will be issued by the EC through a delegated act before 1 October 2026.

The ISSB standards do not address assurance. Instead, authorities in jurisdictions that choose to adopt the standards would need to decide whether any assurance would be required.

Governance, strategy, risk management and targets and goals

The SEC rules, the ESRS and the ISSB standards all require disclosures about governance, strategy, risk management, and targets and goals, but the specific requirements vary. For example, the ESRS and ISSB standards include various disclosures about board (or other governance body) members' climate-related expertise and board oversight of climate matters, including how boards oversee the entities' strategy, targets and goals, while the SEC rules will require a narrower set of disclosures, such as board oversight of climate-related risks and the progress made toward targets and goals only if they have been disclosed. In addition, the SEC rules, the ESRS and the ISSB standards require disclosures about how entities identify, assess and manage their climate-related risks, including disclosures about any internal carbon price used.

Industry-specific requirements

The SEC rules do not require the use of industry-specific standards.

A subsequent set of ESRS will include sector-specific requirements. However, these requirements have not yet been proposed for public comment. While the ISSB standards do not currently require industry-specific disclosures, they do require an entity to refer to and consider the applicability of the industry-based disclosure topics in the standards previously issued by the Sustainability Accounting Standards Board.

Other reporting requirements

Other differences include:

- The ESRS and the ISSB standards require entities to disclose both climate-related risks and opportunities (unless, under the ISSB standards, disclosure of the information about opportunities is prohibited by law or meets the criteria to be considered "commercially sensitive"), but the SEC rules only will require registrants to disclose climate-related risks. While the rules do not preclude companies from disclosing climate- related opportunities, they do not explicitly address them.
- The ESRS and the ISSB standards require entities to disclose qualitative and quantitative information about executive compensation that is linked to climate-related considerations. The SEC rules do not include similar requirements because the SEC believes that its existing rules already provide a framework for disclosure of any connection between executive remuneration and achieving progress in addressing climate-related risks.
- The ESRS and ISSB standards require an entity to disclose the amount and percentage of assets or business activities that are (1) vulnerable to climate-related transition risks and (2) vulnerable to climate-related physical risks. The ISSB standards also require an entity to disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.
- The SEC rules provide more flexibility to determine the granularity of disclosures about locations of properties, processes or operations subject to physical risks, as long as the disclosures provide information necessary to understand the nature of material climate-related transition and physical risks (e.g., whether a transition risk relates to regulatory, technological, market or other transition-relayed factors; the geographic location and nature of the properties, processes or operations subject to a physical risk).
- The ESRS require detailed quantitative information about energy consumption by source (i.e., fossil fuel sources, nuclear sources and types of renewable sources), including further disaggregation for entities with operations in high-climate-impact sectors and intensity metrics for activities in high-climate-impact sectors. The SEC rules and the ISSB standards do not have similar requirements.

Effective dates

The compliance dates for the SEC rules are based on the registrant's filing status (i.e., large accelerated, accelerated (other than SRC and EGC), non-accelerated, SRC and EGC) and the type of disclosure.

- Large accelerated filers will need to make the first set of disclosures in fiscal years beginning (FYB) in 2025, and they will be required to disclose material Scope 1 and Scope 2 emissions in FYB 2026. Limited assurance will be required in FYB 2029, and reasonable assurance will be required in FYB 2033.
- Accelerated filers (other than SRCs and EGCs) will need to make the first set of disclosures one year after large accelerated filers (i.e., FYB 2026) and will not have to disclose material Scope 1 and Scope 2 emissions until FYB 2028. Limited assurance will be required in FYB 2031.
- SRCs, EGCs and non-accelerated filers will need to make the required disclosures in FYB 2027. SRCs, EGCs and non-accelerated filers are exempt from providing disclosures about GHG emissions.

Under the SEC rules, disclosures will be required for the most recently completed fiscal year and, if previously disclosed or required to be disclosed, for the historical fiscal year(s) for which audited consolidated financial statements are included in the filing. For example, a large accelerated filer will first be required to make disclosures pertaining to severe weather events in FYB 2025 only for FYB 2025. In the annual report filed for FYB 2026, the filer will have to provide the disclosures for FYB 2026 and FYB 2025 but not for any comparative periods prior to FYB 2025.

The CSRD and ESRS are effective for the following periods, with reporting in the following year, based on an entity's size:

- Fiscal year 2024 for entities currently subject to the Non-Financial Reporting Directive (NFRD) (i.e., large entities that are public-interest companies with more than an average of 500 employees during the year) and, based on our current understanding, other listed entities such as non-EU entities that have equity or certain debt securities listed on an EU-regulated market that meet the NFRD thresholds
- Fiscal year 2025 for large entities that are not subject to reporting in fiscal year 2024
- Fiscal year 2026 for listed small- and medium-sized entities, unless they opt out for two additional years and disclose why they haven't provided the sustainability information, and small and noncomplex credit institutions and captive insurance entities
- Fiscal year 2028 for non-EU companies that are subject to the CSRD (e.g., a non-EU parent with an EU subsidiary or branch that meets the thresholds described in the scope section above)

Disclosures are required for comparative periods, but an entity can defer the presentation of comparative information by one year (i.e., not provide the comparative information in the year of adoption). To ease transition to reporting under the CSRD, certain disclosure requirements in the ESRS (e.g., Scope 3 emissions, certain value chain metrics, quantitative and anticipated financial effects) are phased in, with some phase-ins dependent on an entity's size.

The ISSB standards are effective for annual reporting periods beginning on or after 1 January 2024 and are required to be adopted by authorities in local jurisdictions before compliance is mandatory in any jurisdiction, similar to IFRS accounting standards. Jurisdictions that choose to apply the ISSB standards could also set their own effective dates. Earlier application is permitted, including voluntary adoption, provided that an entity applies both standards at the same time and discloses that it has applied the standards early. Entities may apply the standards prospectively in the fiscal year of adoption and also apply the following transitional relief:

- An entity has the option to not disclose comparative sustainability-related financial information in the first annual reporting period in which the entity applies the standards.
- An entity can elect to report on only climate-related risks and opportunities in the first year it applies the standards under the "climate first" transition relief. If the entity elects this relief, it must disclose that fact and the transition relief for comparative periods described above will also apply, meaning the entity would not have to disclose comparative information for climate-related (or other sustainability-related) financial information in the first year it applies the standards. In the second year of application, comparative information would be required only for climate-related disclosures.
- An entity has the option to report its sustainability-related financial disclosures in the first annual reporting period in which it applies the standards after it has published its related general purpose financial statements.

- An entity has the option to continue using a measurement method other than the GHG Protocol to measure its Scope 1, Scope 2 and Scope 3 GHG emissions in the first annual reporting period in which it applies the standards, if it has been using that other measurement method to measure its GHG emissions in the annual reporting period immediately preceding the date of initial application of the standards.
- An entity has the option to not disclose its Scope 3 GHG emissions, including financed emissions if it participates in asset management, commercial banking or insurance activities, in the first annual reporting period in which it applies the standards.

Next steps

- Entities should consider which of the various sets of requirements they are subject to and identify information they need to disclose. For example, entities should evaluate whether they are subject to the requirements of the CSRD and monitor whether any jurisdictions in which they operate plan to require the ISSB standards.
- Entities should consider how they will gather the information and whether they will need to set up new processes, systems and controls.

Endnotes:

[1] "The Enhancement and Standardization of Climate-Related Disclosures for Investors," Securities and Exchange Commission, March 2024. Available online at: https://www.sec.gov/files/rules/final/2024/33-11275.pdf

[2] ESRS available online at: European sustainability reporting standards – first set (europa.eu), and the final CSRD available online at: https://data.consilium.europa.eu/doc/document/PE-35-2022-INIT/en/pdf

[3] "IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information," IFRS Foundation, June 2023. Available online at: https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements.html/content/dam/ifrs/publications/html-standards-issb/english/2023/issued/issbs1/

"IFRS S2 Climate-related Disclosures," IFRS Foundation, June 2023. Available online at: https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures.html/content/dam/ifrs/publications/html-standards-issb/english/2023/issued/issbs2/

[4] https://www.iosco.org/library/pubdocs/pdf/IOSCOPD741-Endorsement-Decision.pdf

[5] The definitions of Scope 1, Scope 2 and Scope 3 emissions are based on the Greenhouse Gas Protocol. Scope 1 emissions result directly from sources that are owned or controlled by an entity, Scope 2 emissions result from the generation of electricity, heat or steam purchased by an entity and Scope 3 emissions result from sources not owned or controlled by an entity but that exist in an entity's value chain.

[6] The GHG Protocol requested feedback (due March 2023) to understand whether there is a need to update the GHG Protocol's *Corporate Accounting and Reporting Standard*, *Scope 2 Guidance*, *Corporate Value Chain (Scope 3) Standard*, *Scope 3 Calculation Guidance* and supporting documents, as well as the scope of potential updates and potential approaches to any updates. Stakeholders should monitor developments for potential changes to the GHG Protocol's standards.

[7] The "latest international agreement on climate change" is defined as the latest agreement between members of the United Nations Framework Convention on Climate Change. The Basis for Conclusions of IFRS S2 acknowledges that the latest such agreement is the Paris Agreement (April 2016); its signatories agreed to limit global warming to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit warming to 1.5 degrees Celsius above pre-industrial levels.

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Appendix: Key differences between the climate-related disclosures under the SEC rules, the ESRS and the ISSB standards

<table>
<tr><th>SEC</th><th>EC</th><th>ISSB</th></tr>
<tr><td colspan="3">Scope — Entities</td></tr>
<tr><td>

Will apply to:

SEC registrants, including foreign private issuers, smaller reporting companies and emerging growth companies
Companies entering the US capital markets for the first time by conducting initial public offerings

Will not apply to asset-backed issuers or Canadian registrants that use the MJDS

</td><td>

Applies to:

All entities with securities (equity or certain debt) listed on EU-regulated markets, except for micro companies
A “large undertaking” that is an EU entity, meaning an entity that meets at least two of the following three criteria: (1) more than €50 million in net turnover, (2) more than €25 million in balance sheet total and (3) more than an average of 250 employees during the year
Insurance entities and credit institutions regardless of their legal form, except for micro companies

These criteria need to be applied on both a legal entity basis (i.e., an individual EU subsidiary basis) and a consolidated basis for the EU entity, including any non-EU subsidiaries of the EU entity (i.e., the EU entity needs to evaluate whether it, together with its EU and non-EU subsidiaries, meet the thresholds above on a consolidated basis), regardless of whether the EU entity has financial reporting requirements at that level
A subsidiary of an EU entity is exempt from issuing a standalone report if the EU parent entity includes the subsidiary in its consolidated report that fully complies with the ESRS
A subsidiary located in the EU that does not have an EU parent and that meets the thresholds in the bullets above is required to comply with either the ESRS, unless it is included in the non-EU parent’s sustainability report that fully complies with the ESRS or standards the EC deems equivalent to those of the EU (until 2030, a non-EU parent can select an EU subsidiary to consolidate all of its EU subsidiaries, including those that are not consolidated by the subsidiary for accounting purposes, for sustainability reporting purposes, but the subsidiary selected must be one of the EU subsidiaries that generated the greatest turnover in the EU in at least one of the preceding five financial years, on a consolidated basis where applicable)
Any large and listed subsidiaries (i.e., those that meet the criteria in the first two bullet points above) must report on their own and cannot apply the subsidiary exemption

</td><td>

The type of entity to which the ISSB standards would apply is left to the discretion of authorities in any jurisdiction that chooses to adopt them

</td></tr>
</table>

SEC	EC	ISSB
	‣ Separately, a non-EU company that generates €150 million in net turnover in the EU and has at least one subsidiary in the scope of the CSRD (as defined in the bullets above) or, if the non-EU company has no EU subsidiary, a branch with net turnover of more than €40 million in the EU is required (starting in 2028) to apply at the consolidated level either separate EU sustainability reporting standards that EFRAG will develop, the ESRS or standards that are deemed equivalent to those of the EU	
Scope — Type of disclosures		
‣ Includes disclosure only for climate-related matters	‣ Includes disclosures for climate-related and other ESG matters, including other environmental matters, social matters and governance matters	‣ One standard covers general requirements for all sustainability topics ‣ One standard covers climate-related disclosure requirements ‣ However, the ISSB has a broad remit to deliver a comprehensive set of sustainability-related disclosure standards
Disclosure thresholds and materiality		

‣ Primarily applies a disclosure threshold based on the US Supreme Court's definition of materiality
‣ Materiality definition primarily considers users of the financial reporting information (e.g., investors, creditors)
‣ The disclosures of the aggregate amounts of capitalized costs and charges on the balance sheet and incurred expenses and losses on the income statement (excluding recoveries) resulting from severe weather events or other natural conditions will apply a threshold of the following:
  ‣ 1% of the absolute value of stockholders' equity or deficit (unless it is less than $500,000)
  ‣ 1% of the absolute value of pre-tax income or loss (unless it is less than $100,000)
‣ Certain disclosures, such as those related to the board's oversight of climate-related risks, will be required regardless of materiality
	‣ Uses the concept of "double materiality," which means a disclosure is material if it is material from what is called an "impact" perspective, a financial perspective or a combination of both
	‣ Materiality definition considers both affected stakeholders (e.g., employees, customers, vendors, the community) and other users of the sustainability reporting information (e.g., investors, creditors)
	‣ Materiality is the threshold for all disclosure requirements, except for disclosure requirements and datapoints in ESRS 2
	‣ If an entity concludes that climate change is not material, it must disclose a detailed explanation of its conclusion
	‣ Certain datapoints in the ESRS that are required by other EU law are also required
		‣ Applies a definition of materiality that aligns with that of IFRS accounting standards
		‣ Materiality definition considers primary users of the general purpose financial report (e.g., investors, creditors)
		‣ Applies to all disclosure requirements in the standards

Scope 1 and Scope 2 GHG emissions — Disclosure threshold		
‣ Will require disclosure only for large accelerated and accelerated filers, subject to the general materiality threshold described above	‣ Requires disclosure if the general materiality threshold described above is met	‣ Requires disclosure if the information is material to primary users of general purpose financial reports as described above

SEC	EC	ISSB
Scope 1 and Scope 2 GHG emissions — Use of GHG Protocol		
▸ Will not require the use of the GHG Protocol to calculate emissions	▸ Includes specific guidance for calculating GHG emissions but also requires an entity to consider the principles, requirements and guidance provided by the GHG Protocol when preparing the information for reporting GHG emissions ▸ Allows an entity to also consider the requirements in ISO 14064-1:2018	▸ Requires the use of the GHG Protocol to calculate emissions unless a jurisdictional authority or an exchange on which an entity is listed requires the use of a different method for measuring GHG emissions ▸ Allows, under certain conditions, entities to measure its Scope 1 and Scope 2 emissions using information from entities in its value chain with reporting cycles that are not aligned with the entity's reporting period
Scope 1 and Scope 2 GHG emissions — Disaggregation		
▸ Will require disclosure of material Scope 1 and Scope 2 emissions in metric tons of CO_2e, both in the aggregate for each scope and for each of the seven constituent GHGs that are individually material	▸ Requires separate disclosure of aggregate Scope 1 and Scope 2 emissions in metric tons of CO_2e ▸ Permits disaggregation of emissions, including by the seven GHGs or by country, but disaggregation is not required ▸ Requires disclosure of the percentage of Scope 1 GHG emissions under regulated emissions trading schemes	▸ Requires separate disclosure of aggregate Scope 1 and Scope 2 emissions in metric tons of CO_2e ▸ Does not require emissions disclosure for each of the seven GHGs
Scope 1 and Scope 2 GHG emissions — Offsets		
▸ The impact of purchased or generated offsets is excluded from the calculation ▸ If offsets are a material component of a company's plan to achieve their disclosed targets and goals, disclosure will be required even if the company was not required to disclose GHG emissions	▸ The impact of purchased or generated offsets is excluded from the calculation and separately disclosed	▸ The impact of purchased or generated offsets is excluded from the calculation and separately disclosed
Scope 1 and Scope 2 GHG emissions — Intensity metrics		
▸ Does not require disclosure of intensity metrics	▸ Requires disclosure of intensity metrics for total emissions (inclusive of Scope 1, Scope 2 and Scope 3) using both a location-based and market-based method per monetary unit of net revenue	▸ Does not require disclosure of intensity metrics
Scope 1 and Scope 2 GHG emissions — Scope 2 method		
▸ Will allow companies to calculate their Scope 2 GHG emissions using any method (including location-based and market-based) that is consistent with the chosen framework, as long as the required methodology disclosures are provided	▸ Requires disclosure of Scope 2 emissions using both location-based and market-based methods	▸ Requires disclosure of Scope 2 emissions using a location-based method and relevant information about contractual instruments related to the source of those emissions
Scope 1 and Scope 2 GHG emissions — Organizational boundaries		
▸ Will require disclosure of the organizational boundaries used ▸ If the boundaries used to calculate emissions materially differ from the scope of entities and operations included in the consolidated financial statements, a brief explanation of the difference, in sufficient detail for a reasonable investor to understand, is also required	▸ Requires Scope 1 and Scope 2 emissions of equity method investments and joint ventures that an entity has operational control over to be reported in its Scope 1 and Scope 2 emissions ▸ Requires separate disclosure of Scope 1 and Scope 2 emissions for (1) consolidated entities and (2) equity method investments, joint ventures and other unconsolidated subsidiaries for which it has operational control	▸ Requires an entity to separately disclose Scope 1 and Scope 2 emissions for (1) consolidated entities and (2) other investees, such as equity method investments, joint ventures and other unconsolidated subsidiaries ▸ Allows an entity to apply different approaches in the GHG Protocol (e.g., equity share, financial control, operational control) for calculating GHG emissions, and requires disclosure of approach

SEC	EC	ISSB
Scope 3 GHG emissions — Disclosure threshold		
‣ Will not require disclosure of Scope 3 emissions	‣ Requires disclosure of Scope 3 emissions from each significant Scope 3 category if the general materiality threshold described above is met	‣ Requires disclosure if the information is material to primary users of general purpose financial reports as described above ‣ Requires entities with activities in asset management, commercial banking and insurance to report on financed emissions as part of their Scope 3 emission reporting, regardless of materiality ‣ Provides certain relief to address practical challenges in disclosing Scope 3 emissions, including allowing, under certain conditions, an entity to measure its Scope 3 GHG emissions using information from entities in its value chain with reporting cycles that are not aligned with the entity's reporting period, and providing a temporary exemption for disclosing Scope 3 emissions for one year in the first annual reporting period in which an entity applies IFRS S2 ‣ Allows an entity to use only reasonable and supportable information that is available at the reporting date without undue cost or effort in measuring its Scope 3 emissions
Scope 3 GHG emissions — Disaggregation		
‣ Will not require disclosure of Scope 3 emissions	‣ Requires disclosure of Scope 3 emissions in metric tons of CO_2e in total ‣ Requires disaggregation by each significant Scope 3 category	‣ Requires disclosure of Scope 3 emissions in metric tons of CO_2e in total ‣ Requires disclosure of categories of upstream or downstream activities that are included in the calculation
Scope 3 GHG emissions — Intensity metrics		
‣ Will not require disclosure of Scope 3 emissions or intensity metrics	‣ Requires an entity to only disclose an intensity metric for its total emissions of all three scopes	‣ Does not require disclosure of intensity metrics
Scenario analysis		
‣ Will not require a registrant to use a scenario analysis to assess the impact of climate-related risks ‣ Will require a registrant that (1) uses a scenario analysis to assess the impact of climate-related risks on its business, results of operations or financial condition and (2) determines, based on the results of the analysis, that a climate-related risk is reasonably likely to have a material impact to disclose information about each scenario used and the expected material impacts on the registrant under each scenario	‣ Requires an entity to use a climate-related scenario analysis, with at least one scenario in line with the Paris Agreement, to assess the resilience of its business strategy ‣ Requires disclosure of quantitative and qualitative information about the results of the analysis, how it was conducted and how it was used to inform the identification and assessment of climate-related risks	‣ Requires an entity to use a climate-related scenario analysis to assess its climate resilience, using an approach that is commensurate with its circumstances, considering the entity's exposure to climate-related risks and opportunities and the skills, resources and capabilities available to the entity ‣ Requires an entity to use all reasonable and supportable information that is available at the reporting date without undue cost or effort in developing the analysis ‣ Requires disclosure of quantitative and qualitative information about the results of the analysis and how it was conducted (including whether the entity has used, among its scenarios, a scenario aligned with the latest international agreement on climate change)

SEC	EC	ISSB
Climate-related impact on financial statements		

► Will require registrants to disclose, in an audited note to the financial statements, capitalized costs and charges on the balance sheet and incurred expenses and losses on the income statement resulting from severe weather events or other natural conditions if the respective criterion is met:
  ► The aggregate amount of capitalized costs and charges, excluding any recoveries, equals or exceeds 1% of the absolute value of stockholders' equity or deficit (unless it is less than $500,000)
  ► The aggregate amount of incurred expenses and losses, excluding any recoveries, equals or exceeds 1% of the absolute value of pre-tax income or loss (unless it is less than $100,000)
  ► If the above disclosure is required, any recoveries recognized as a result of severe weather events and other natural conditions
► If carbon offsets or RECs are deemed a material component of the registrant's plans to achieve its disclosed climate-related targets, will require a registrant to disclose:
  ► The aggregate amounts of (1) carbon offsets and RECs expensed, (2) carbon offsets and RECs capitalized and (3) losses incurred on the capitalized carbon offsets and RECs during the fiscal year
  ► The beginning and ending balances of the capitalized carbon offsets and RECs for the fiscal year
  ► The registrant's accounting policy for carbon offsets and RECs
► Will require registrants to disclose whether and how severe weather events or other natural conditions and disclosed climate-related targets or transition plans materially impacted the estimates and assumptions used in preparing the financial statements
► Will require registrants to disclose outside the audited financial statements whether and how any climate-related risks or targets or goals have had or are reasonably likely to have a material impact on their business, results of operations or financial condition
► In describing a material risk, will require explanation from registrant as to whether the risk is reasonably likely to manifest in the short term (i.e., the next 12 months) and separately in the long term (i.e., beyond the next 12 months)
	► Requires an entity to disclose in its management report how material climate-related risks and opportunities affected its current financial performance, financial position and cash flows and the material risks and opportunities for which there is a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period
	► Requires an entity to disclose how it anticipates financial performance, financial position and cash flows will change over the short, medium and long terms (which are defined as the period adopted as the reporting period (generally one year), from the end of the period adopted as the reporting period to five years and more than five years, respectively) under the effects of material climate-related risks and opportunities
		► Requires an entity to disclose, as part of its sustainability-related disclosures, the effects of climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long terms (which are undefined in the proposal), including quantitative information, unless it is unable to do so
		► Allows an entity to use only reasonable and supportable information that is available at the reporting date without undue cost or effort in determining these effects
		► Requires an entity to disclose the amount of capital expenditure, financing or investment deployed toward climate-related risks and opportunities

SEC	EC	ISSB
Location of disclosures		
▸ Will require disclosures in annual reports and registration statements ▸ Will leave the placement of the disclosures, other than the financial statement disclosures, largely up to each registrant ▸ Disclosures outside the audited financial statements will be subject to disclosure controls and procedures, while the financial statement impacts will be disclosed in a note to the audited financial statements and subject to internal control over financial reporting	▸ Requires presentation of the required sustainability information in the management report for an EU entity ▸ However, if an EU subsidiary in the scope of the CSRD fulfills its reporting requirement by being included in a sustainability report of a non-EU parent, the EU subsidiary may include the required disclosures in a consolidated sustainability report (rather than a consolidated management report) of the non-EU parent (e.g., an entity registered with the SEC would not be required to include that information in Form 10-K), with a link to that report in the management report of the EU subsidiary ▸ Requires an entity to mark up its sustainability report using an electronic reporting format ▸ Does not require information in the audited financial statements	▸ Requires that disclosures be included as part of an entity's general purpose financial report or that an entity cross-reference to disclosures that meet the requirements in another report it publishes (cross-referenced information needs to be available on the same terms and at the same time, and the complete set of sustainability-related financial disclosures cannot be less understandable by including information by cross-reference) ▸ Would not require information in the audited financial statements ▸ Requires an entity to draw connections between disclosures about climate-related risks and opportunities included in the sustainability report and other general purpose financial reports published by an entity, such as information in the related financial statements
Assurance requirements		

▸ Will require limited assurance and later reasonable assurance for material Scope 1 and Scope 2 emissions for large accelerated filers with phased-in effective dates
▸ Will require limited assurance for material Scope 1 and Scope 2 emissions for accelerated filers with phased-in effective dates
▸ Will not require emissions disclosures or assurance for non-accelerated filers, SRCs or EGCs
▸ Disclosures in the financial statements will need to be audited for all registrants and controls related to such disclosures will also be in the scope of an audit of internal control over financial reporting
▸ Will require assurance providers to be independent and have significant experience in measuring, analyzing, reporting or attesting to GHG emissions
▸ Will require a registrant to disclose information about the current and certain former assurance provider(s)
	▸ Requires limited assurance, with a planned transition to reasonable assurance in the future after the EC conducts a feasibility analysis, over the following:
	  ▸ Compliance with the CSRD, including the ESRS
	  ▸ The process carried out by the entity to identify the information reported in accordance with the ESRS
	  ▸ Compliance with the requirement to mark up the sustainability report using an electronic reporting format
	  ▸ Compliance with the reporting requirements of Article 8 of the EU Taxonomy Regulation, which applies to all entities in the scope of the CSRD (excluding non-EU entities that are required to report at the consolidated level in fiscal year 2028)
	▸ Assurance providers need to be the financial statement auditor, or if an EU Member State chooses when incorporating the CSRD into its local law, an other professional service firm or independent assurance service provider accredited by an EU Member State
	▸ Auditors and other assurance service providers, if applicable, will be required to apply assurance standards for sustainability reporting that will be issued by the EC through a delegated act before 1 October 2026
		▸ Does not address assurance requirements
		▸ Authorities in jurisdictions that choose to adopt the standards would need to decide whether any assurance would be required

SEC	EC	ISSB
Industry-specific requirements		
▸ Does not include industry-specific requirements	▸ A second set of ESRS will eventually include sector-specific requirements, but these requirements have not yet been proposed	▸ Does not currently require industry-specific disclosures but requires an entity to refer to and consider the applicability of the industry-based disclosure topics in the standards that were previously issued by the Sustainability Accounting Standards Board
Other reporting requirements		
▸ Will require registrants to disclose material climate-related risks ▸ Does not address disclosure of climate-related opportunities, but does not preclude it	▸ Requires entities to disclose both climate-related risks and opportunities	▸ Requires entities to disclose both climate-related risks and opportunities (unless disclosure of the information about opportunities is prohibited by law or meets the criteria to be considered "commercially sensitive")
▸ Will not require entities to disclose qualitative and quantitative information about executive compensation that is linked to climate-related considerations because the SEC believes that its existing rules already provide a framework for disclosure of any connection between executive remuneration and achieving progress in addressing climate-related risks	▸ Requires entities to disclose qualitative and quantitative information about executive compensation that is linked to climate-related considerations	▸ Requires entities to disclose qualitative and quantitative information about executive compensation that is linked to climate-related considerations
▸ Will require disclosure of information necessary to understand the nature of material climate-related transition and physical risks (e.g., whether a transition risk relates to regulatory, technological, market or other transition-related factors; the geographic location and nature of the properties, processes or operations subject to a physical risk)	▸ Requires disclosure of the amount and percentage of assets or business activities that are (1) vulnerable to climate-related transition risks and (2) vulnerable to climate-related physical risks	▸ Requires disclosure of the amount and percentage of assets or business activities that are (1) vulnerable to climate-related transition risks, (2) vulnerable to climate-related physical risks and (3) aligned with climate-related opportunities
▸ Does not require disclosure of energy consumption	▸ Requires detailed quantitative information about energy consumption by source, including further disaggregation for entities with operations in high-climate-impact sectors and intensity metrics for activities in high-climate-impact sectors	▸ Does not require disclosure of energy consumption
Effective dates		
▸ The compliance dates for the SEC rules are based on the registrant's filing status (i.e., large accelerated, accelerated (other than SRC and EGC), non-accelerated, SRC and EGC) and the type of disclosure ▸ Large accelerated filers will need to make the first required disclosures in FYB 2025, and they will then be required to disclose material Scope 1 and Scope 2 emissions in FYB 2026; limited assurance will be required in FYB 2029, and reasonable assurance will be required in FYB 2033	▸ The CSRD and the ESRS are effective for the following periods, with reporting in the following year, based on an entity's size: ▸ Fiscal year 2024 for entities currently subject to the NFRD (i.e., large entities that are public-interest companies with more than an average of 500 employees during the year) and, based on our current understanding, other listed entities (e.g., a non-EU entity that has equity or certain debt securities listed on an EU-regulated market) that meet the NFRD thresholds	▸ The standards are effective for annual reporting periods beginning on or after 1 January 2024 ▸ Jurisdictions that choose to apply the standards could also set their own effective dates ▸ Earlier application is permitted, including voluntary adoption, provided an entity applies both IFRS S1 and IFRS S2 standards at the same time and discloses that it has applied them early

SEC	EC	ISSB
‣ Accelerated filers (other than SRCs and EGCs) will need to make the first required disclosures one year after large accelerated filers (i.e., FYB 2026) and will not be required to disclose material Scope 1 and Scope 2 emissions until FYB 2028; limited assurance will be required in FYB 2031 ‣ SRCs, EGCs and non-accelerated filers will need to make the required disclosures in FYB 2027; SRCs, EGCs and non-accelerated filers are exempt from providing GHG emissions disclosures	‣ Fiscal year 2025 for large entities that are not subject to reporting in fiscal year 2024 ‣ Fiscal year 2026 for listed small- and medium-sized entities, unless they opt out for two additional years and disclose why they haven't provided the sustainability information, and small and noncomplex credit institutions and captive insurance companies ‣ Fiscal year 2028 for non-EU companies that are subject to the CSRD (e.g., a non-EU parent with an EU subsidiary or branch that meets the thresholds described in the scope section above) ‣ Disclosures are required for comparative periods, but an entity can defer the presentation of comparative information by one year (i.e., not provide the comparative information in the year of adoption) ‣ To ease transition to reporting under the CSRD, certain disclosure requirements in the ESRSs (e.g., Scope 3 emissions, certain value chain metrics, quantitative and anticipated financial effects) are phased in, with some phase-ins dependent on an entity's size	‣ Disclosures may be required prospectively in the fiscal year of adoption ‣ An entity may also apply the following transitional relief: ‣ An option to not disclose comparative sustainability-related financial information in the first annual reporting period in which the entity applies the standards ‣ A "climate first" transition relief that allows an entity to report on only climate-related risks and opportunities in the first year it applies the standards ‣ In the first annual reporting period in which the entity applies the standards, an option to report its sustainability-related financial disclosures after it has published its related general purpose financial statements ‣ In the first annual reporting period in which an entity applies the standards, an option to continue to use a measurement method other than the GHG Protocol to measure its Scope 1, Scope 2 and Scope 3 GHG emissions if it has been using that other measurement method to measure its GHG emissions in the annual reporting period immediately preceding the date of initial application of the standards ‣ In the first annual reporting period in which an entity applies the standards, an option to not disclose its Scope 3 GHG emissions, including financed emissions if an entity participates in activities in asset management, commercial banking or insurance