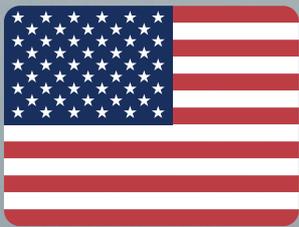


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Regulations Guide



USA

Climate Policy Overview

The United States is making progress in sustainability efforts, but significant regulatory challenges and gaps remain compared to Europe.

Commitment to Sustainability Initiatives

- Federal initiatives focus on renewable energy tax incentives, energy efficiency standards, and environmental justice programs.
- State and local governments are leading sustainability actions, with California and New York at the forefront, implementing ambitious climate goals, including carbon pricing mechanisms and renewable energy targets.

Federal and State-Level Differences

- The **Securities and Exchange Commission (SEC)** is developing climate disclosure rules that will require companies to report on greenhouse gas emissions and climate risks. However, the lack of a unified federal approach means that state regulations play a larger role in shaping climate action.
- States such as California have robust climate policies like cap-and-trade, setting stricter requirements than federal standards.

Challenges

- **Regulatory Fragmentation:** The absence of a cohesive national framework leads to a fragmented regulatory landscape, making compliance complex for businesses operating across multiple states.
- **Political Polarization:** Shifting political priorities create uncertainty about the stability and longevity of federal climate regulations.

Opportunities

- **State-Level Leadership:** Companies that align with stringent state requirements may gain an early advantage as federal regulations eventually catch up.
- **Investor Confidence:** Proactively adopting standards like those being developed by the SEC and aligning with frameworks such as TCFD or SASB can boost investor trust and position companies as leaders in sustainability.



Regulatory Framework Overview

Regulation	Start date	Details	Scope
California SB 253 (Climate Corporate Data Accountability Act)	2026 (Scope 1 & 2), 2027 (Scope 3)	Requires Scope 1, 2, and 3 GHG emission disclosures.	Public and private companies in California with over \$1 billion annual revenue.
California SB 261 (Climate-Related Financial Risk Act)	2026	Requires climate-related financial risk disclosures.	Public and private companies in California with revenues over \$500 million.
California AB 1305 (Voluntary Market Disclosures Act)	January 1, 2024	Requires disclosure of GHG reduction claims or voluntary carbon offsets.	Businesses operating in or making environmental claims visible in California, without turnover threshold.
New York Bill A 4123 (Climate Corporate Accountability Act)	Proposed	Requires Scope 1, 2, and 3 emissions reporting for large businesses.	Large businesses in New York with significant economic activity.
New York SB 897	Proposed	Requires verified Scope 1, 2, and 3 emissions reporting.	Businesses in New York with over \$1 billion revenue from subsidiaries operating in the state.
Federal SEC Climate Disclosure Rule	2026 (Large Filers)	Requires disclosure of climate risks, actions, and financial impacts.	All U.S. publicly listed companies and foreign companies with U.S.-traded shares.

Current Regulations



1. SB 253: The Climate Corporate Data Accountability Act

What is it?

- On October 7th, 2023, Governor Newsom signed the first-of-its-kind legislation, requiring both public and private US-based organizations doing business in California to disclose their greenhouse gas emissions. This includes Scope 1, 2, and 3 emissions. This regulation aims to enhance transparency regarding corporate climate impacts and is overseen by the California Air Resources Board (CARB).

Scope

- Applicable to public and private companies operating in California with annual gross revenues of over \$1 billion USD.
- Requires reporting of:
 - Scope 1 and 2 emissions: Begins in 2026, based on emissions data from 2025.
 - Scope 3 emissions: Reporting starts in 2027.



Key Requirements

- Companies must disclose GHG emissions in accordance with the Greenhouse Gas Protocol, a widely recognized framework.
- Emissions must be submitted to a digital reporting platform managed by CARB.
- Verification:
 - Third-party assurance is required for all emissions reported:
 - Limited assurance for Scopes 1 and 2 emissions begins in 2026.
 - Reasonable assurance for Scopes 1 and 2 is required by 2030.
 - Scope 3 emissions require limited assurance by 2030.
 - **Third-party verification** involves:
 - Limited assurance involves auditors verifying sufficient evidence for certain aspects.
 - Reasonable assurance demands a higher standard of evidence to prove that the data is free of material misstatements.
- Companies should prepare a concrete plan to gather auditable emissions data by the end of 2024 to ensure compliance with upcoming deadlines.

Penalties

Non-compliance will result in penalties enforced by CARB, which could include fines and reputational risks for companies that fail to meet reporting standards.



2. SB 261: The Climate-Related Financial Risk Act

What is it?

Also signed into law by Governor Newsom, SB 261 targets both public and private organizations operating in California. It mandates these companies to prepare and disclose a climate-related financial risk report that outlines their exposure to climate risks and their measures to reduce or adapt to these risks.

Scope

- Applies to organizations (both public and private) in California with annual gross revenues of over \$500 million USD.
- Targets companies operating across industries that are deemed to face significant climate-related financial risks.

Key Requirements

- **Reporting Framework:**
 - Companies must publish a climate-related financial risk report using the Task Force on Climate-related Financial Disclosures (TCFD) framework.
 - Alternatively, companies may opt for "equivalent reporting requirements," including biennial disclosures meeting TCFD criteria, IFRS Sustainability Disclosure Standards, or other government-mandated frameworks.
- The report must disclose:
 - The entity's climate-related financial risk.
 - Measures adopted to reduce and adapt to these climate-related risks.



3. AB 1305: Voluntary Market Disclosures Act

What is it?

Effective as of January 1, 2024, AB 1305 requires companies to make specific disclosures if they make claims regarding greenhouse gas emissions, or if they market, sell, or use voluntary carbon offsets. This law targets companies making such claims regardless of whether they are headquartered or registered within the state.

Scope

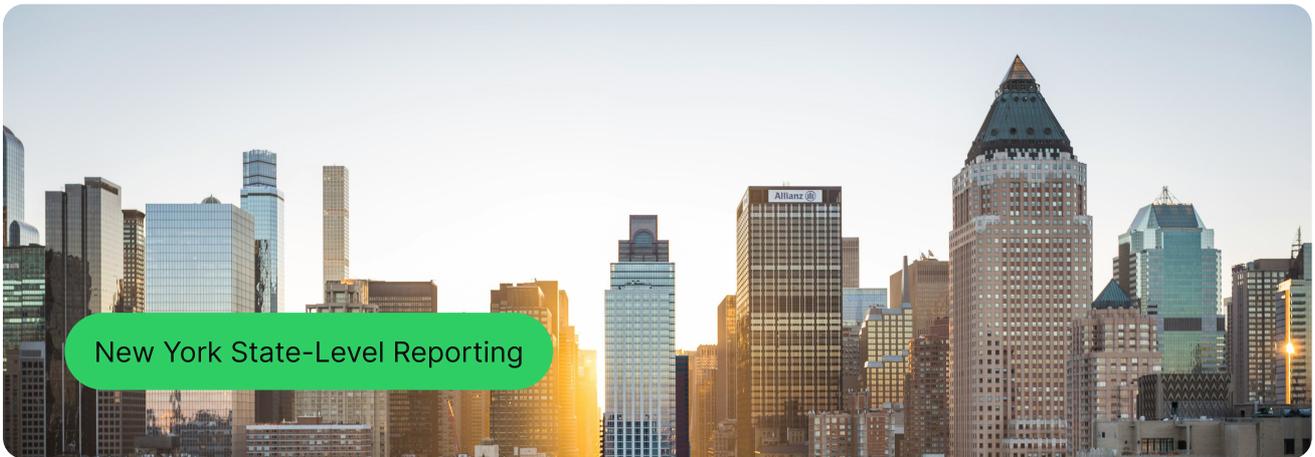
- Applies to businesses that operate within or make environmental claims viewable in California, including online claims.
- Covers claims such as "net zero" emissions, "carbon neutrality," or those implying significant reductions in GHG emissions.
- No turnover threshold or de minimis exceptions apply.

Key Requirements

- **Annual Disclosures:**
 - Companies must annually disclose the basis for any claims about carbon neutrality, emissions reductions, or use of voluntary offsets.
 - Businesses outside of California may also fall under the scope of AB 1305 if claims are viewable or made within the state.
 - Required disclosures must be updated annually.

Penalties

Violations carry civil penalties of \$2,500 per day, up to a maximum of \$500,000. Enforcement can be pursued by the state Attorney General, district or city attorneys, or county counsel.



New York State-Level Reporting

1. Bill A 4123

What is it?

- Bill A 4123 is a proposed piece of legislation that mandates certain businesses in New York to disclose their greenhouse gas emissions annually. It targets large businesses that meet specific revenue criteria, requiring them to report Scope 1, 2, and 3 emissions. The goal is to promote transparency, encourage responsibility for emissions, and align with both national and international reporting standards.

Scope

- Targets large business entities operating within New York with significant economic activities, and consequently, potential environmental impacts.
- Bill A 4123, as introduced, does not explicitly define the revenue threshold. However, it focuses on companies that have a substantial environmental impact.

Key Requirements

- Requires businesses to disclose direct (Scope 1), indirect (Scope 2), and value-chain related (Scope 3) greenhouse gas emissions annually.
- Emissions reporting must be independently verified and publicly disclosed to ensure reliability and facilitate transparency.
- Disclosures must align with national and international standards, making it easier for stakeholders to compare the environmental performance of companies.

Penalties

- Non-compliance with reporting requirements could attract significant penalties as outlined in the proposed legislative framework.



2. Bill SB 897

What is it?

Proposed in January 2023, Senate Bill S897 requires companies with revenues exceeding \$1 billion USD from subsidiaries operating in New York to report Scope 1, 2, and 3 emissions annually to an emissions registry. This bill emphasizes detailed emissions reporting verified by third-party auditors to enhance the credibility of the information provided.

Scope

- Applies to businesses with over \$1 billion in revenue from subsidiaries operating in New York. It should be noted that the \$1 billion threshold includes only revenue from subsidiaries operating in New York, excluding those not operating in the state.
- The law will be effective two years from the date the bill is signed into law.
- Requires annual disclosures of Scope 1, 2, and 3 emissions.

Key Requirements

- Requires companies to disclose Scope 1, 2, and 3 emissions to an emissions registry.
- The emissions reporting must follow the Greenhouse Gas Protocol Corporate Accounting and Reporting Standards and the Corporate Value Chain Accounting and Reporting Standards.
- Reports must be verified by a third-party auditor or the emissions registry itself to enhance the credibility of the data provided.
- Comprehensive definitions of emissions scopes are outlined to ensure businesses provide complete reports on environmental impact.

Penalties

- The penalties for non-compliance include substantial daily fines (\$100,000 per day), similar to those outlined in the California bills, emphasizing corporate accountability for climate-related emissions.



Federal Level

The United States, through the Securities and Exchange Commission (SEC), has taken significant steps towards mandating climate-related financial disclosures, focusing on enhancing transparency for investors and aligning corporate practices with global sustainability goals. As of April 2024, the SEC finalized rules that require publicly listed companies to disclose a wide range of climate-related data, covering emissions, financial risks, and corporate governance. These regulations represent a crucial federal-level approach aimed at standardizing sustainability reporting, reducing regulatory fragmentation, and addressing both investor demand and the growing risks posed by climate change. The following sections outline the key disclosure requirements, phased implementation details, and implications of these federal rules.

Introduction to the SEC Climate Disclosure Rules

Purpose and Scope

- On March 6, 2024, the SEC adopted new rules to mandate the disclosure of specific climate-related information for all U.S. publicly-listed companies.
- The rule is modeled after the Taskforce for Climate-related Financial Disclosures (TCFD), ensuring transparency and consistency for investors on carbon and climate risks.
- Applies to all U.S. public companies and non-U.S. companies with shares traded in the U.S. that file Form 20-F.
- Private U.S. companies are exempt, although those planning an IPO may start disclosures early as they will be part of their eventual IPO registration statements.



What is it?

Proposed in January 2023, Senate Bill S897 requires companies with revenues exceeding \$1 billion USD from subsidiaries operating in New York to report Scope 1, 2, and 3 emissions annually to an emissions registry. This bill emphasizes detailed emissions reporting verified by third-party auditors to enhance the credibility of the information provided.

Key Disclosure Areas

- **Climate-Related Risks:** Companies must disclose material climate-related risks affecting business operations.
- **Mitigation and Adaptation Actions:** Disclosure of measures taken to mitigate or adapt to climate-related risks is mandatory.
- **Board Oversight and Management Roles:** Information must be provided about the board's oversight of climate risks and management's role in managing them.
- **Material Climate-Related Targets:** Disclosure of climate-related targets or goals and progress towards achieving them is required.
- **Emissions Reporting:** Large registrants must disclose Scope 1 and Scope 2 greenhouse gas emissions when they are material.

Phased Implementation and Attestation Requirements

- **Scope 1 and Scope 2 Emissions:** Limited assurance of emissions is required from 2029, escalating to reasonable assurance in 2034 for large accelerated filers.
- **Financial Impact Disclosures:** Disclosure of financial impacts from severe weather events, such as costs and losses, is mandatory if they exceed a threshold of 1% of stockholders' equity.

Detailed Components of the SEC Disclosure Requirements

1 Measuring and Disclosing Climate Data

- **Emissions Data:** Companies must disclose Scope 1 and 2 GHG emissions in their annual 10-K report for fiscal years starting 2026 onwards, depending on filer status (see table below for exact timings).
- **Material Internal Carbon Price:** If a company uses an internal carbon price, it must disclose the calculation logic and its impact.
- **Climate Pledges and Targets:** Updates on material expenditures related to climate pledges are mandatory to provide transparency on actual progress.

3 Integrating Climate Thinking into Corporate Governance

- **Board-Level Integration:** Climate action should not be siloed; investors expect it to be a core component of governance. Details of how boards are incorporating climate risk into wider decision-making processes must be outlined.

2 Assessing and Disclosing Climate Risks

- **Physical and Transitional Risks:** Climate risks can be physical (e.g., severe weather) or transitional (e.g., shifts in market demands due to environmental concerns). Companies must assess these risks over short and long-term horizons.
- **Narrative and Quantitative Disclosures:** Risks must be described both qualitatively and quantitatively. For example, financial implications of new regulations, such as changes in a fleet's compliance with emissions standards, should be reported in detail.
- **Impact on Financial Statements:** Costs related to severe weather impacts must be disclosed if significant (greater than 1% of the absolute value of shareholders' equity or deficit), adding transparency to potential financial liabilities.

4 Attestation and Assurance

- **Attestation Report:** Companies must include an attestation report prepared by a GHG emissions attestation provider in their annual 10-K filing. The level of assurance escalates from limited to reasonable for large accelerated filers, emphasizing rigor.
- **Phased Attestation Requirements:** The assurance process will begin with limited assurance, moving towards reasonable assurance over time, promoting incremental capacity building.



Timeline of Implementation for SEC Disclosure Rules

The following table summarizes the timeline and requirements for various types of registrants based on the attached image and the detailed rules:

Registrant Type	Climate-Related Risk, Governance, and Supporting Information	Climate-Related Material Expenditures and Impacts on Financial Estimates	Material Scope 1 & 2 GHG Emissions	Limited Assurance (Scope 1 & 2)	Reasonable Assurance (Scope 1 & 2)
Large Accelerated Filer	Fiscal year 2025 (filed in 2026)	Fiscal year 2026 (filed in 2027)	Fiscal year 2026 (filed in 2027)	Fiscal year 2029 (filed in 2030)	Fiscal year 2033 (filed in 2034)
Accelerated Filer	Fiscal year 2026 (filed in 2027)	Fiscal year 2027 (filed in 2028)	Fiscal year 2028 (filed in 2029)	Fiscal year 2031 (filed in 2032)	N/A
Non-Accelerated Filer and Smaller Reporting Company	Fiscal year 2027 (filed in 2028)	Fiscal year 2028 (filed in 2029)	N/A	N/A	N/A

Outlook

The United States is at the threshold of a transformative regulatory shift in sustainability and climate-related disclosures. Federal and state-level regulations are gradually being introduced, with several new mandates aimed at enha



Federal Level Developments

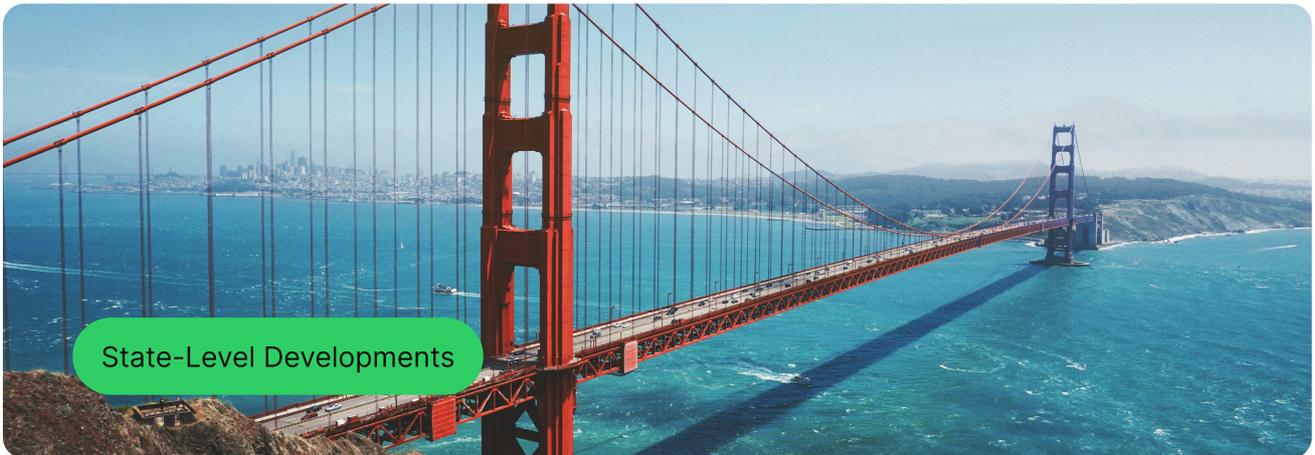


SEC Climate Disclosure Rules (Implementation from 2026 Onwards):

The upcoming SEC climate disclosure requirements mark a pivotal change in the regulatory landscape for publicly listed companies in the U.S. Beginning in fiscal year 2026, companies will need to comply with detailed climate-related disclosures, focusing on:

- **Climate Data Reporting:** Public companies, especially large accelerated filers, will be mandated to disclose Scope 1 and 2 greenhouse gas (GHG) emissions, with potential additional requirements for Scope 3 emissions depending on market and investor demands.
- **Governance and Risk Integration:** The rules are modeled on TCFD recommendations, emphasizing that companies must integrate climate-related considerations into corporate governance, including board-level oversight and risk management.
- **Assurance Requirements:** Large companies will need to provide limited assurance on emissions data three years post-first disclosure and reasonable assurance four years later.

These regulations will push companies to enhance internal data management and ensure climate risks are considered integral to business strategies and operations.



State-Level Developments



California Climate Legislation (Effective from 2026)

California remains at the forefront of state-level sustainability regulation:

- **SB 253 & SB 261 (Effective 2026 and 2027):** The **Climate Corporate Data Accountability Act** (SB 253) and the **Climate-Related Financial Risk Act** (SB 261) will require both public and private entities operating in California with substantial revenues to disclose emissions across the entire value chain (Scope 1, 2, and 3) and report on climate-related risks and mitigation measures. These acts will enforce stringent disclosure and third-party assurance requirements, promoting corporate accountability.
- **AB 1305 (Effective 2024):** This statute targets companies making claims about "net zero" emissions or carbon offsets. Regardless of whether companies are headquartered in California, AB 1305 applies to any businesses making related environmental claims visible within the state.



New York Climate Bills (Proposed, Potential Effect from 2026 Onwards)

Bill A 4123 and **SB 897** are expected to significantly enhance corporate emissions reporting for companies with considerable revenues. These proposed laws will mandate that firms operating in New York disclose comprehensive Scope 1, 2, and 3 GHG emissions and provide verified reports to the state's emissions registry.



Challenges for SMEs

Small and medium enterprises (SMEs) may face considerable challenges adapting to the complex and costly reporting and assurance requirements. Targeted support measures and simplified pathways to compliance may be necessary to ensure that SMEs are not unduly burdened by these new regulations.



Long-term Vision

The U.S. aims to strengthen its commitment to mitigating climate risks, aligning with global sustainability initiatives such as the TCFD and GHG Protocol. The coming years will see increased regulation, greater emphasis on third-party assurance, and expanding accountability for all market players, including private entities. This evolving regulatory landscape is set to promote a greener economy, where sustainability becomes an integral part of corporate growth and innovation.



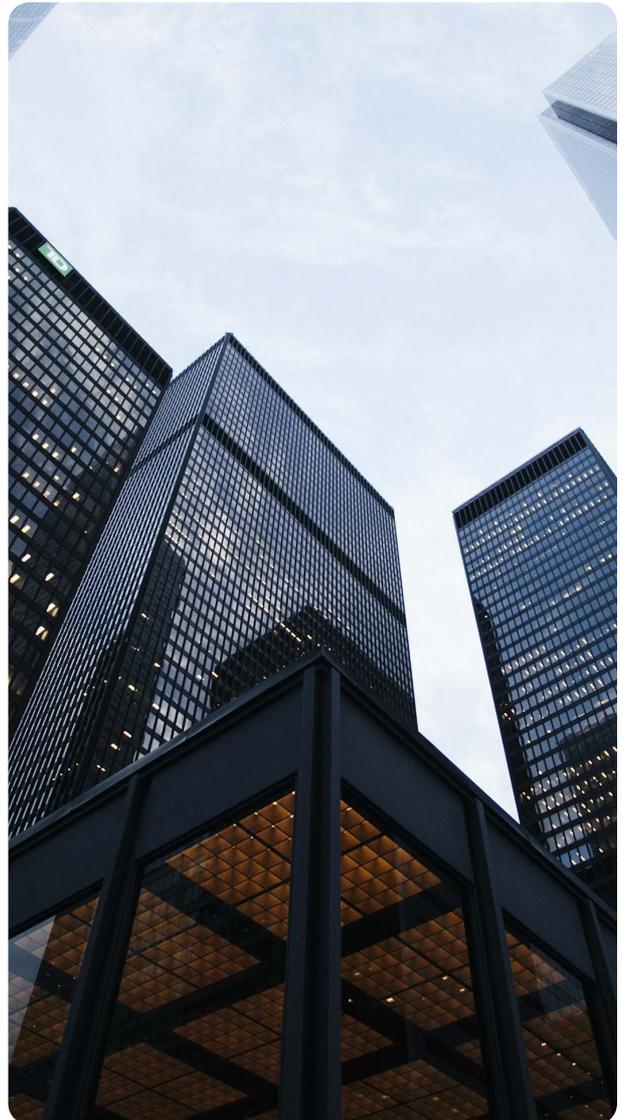
Business Adaptation

The evolving regulatory environment in the U.S. will require companies, particularly publicly listed and large revenue-generating entities, to prepare for stricter reporting requirements. This will include significant investments in data collection, third-party verification, and integrating climate-related thinking into corporate governance processes.

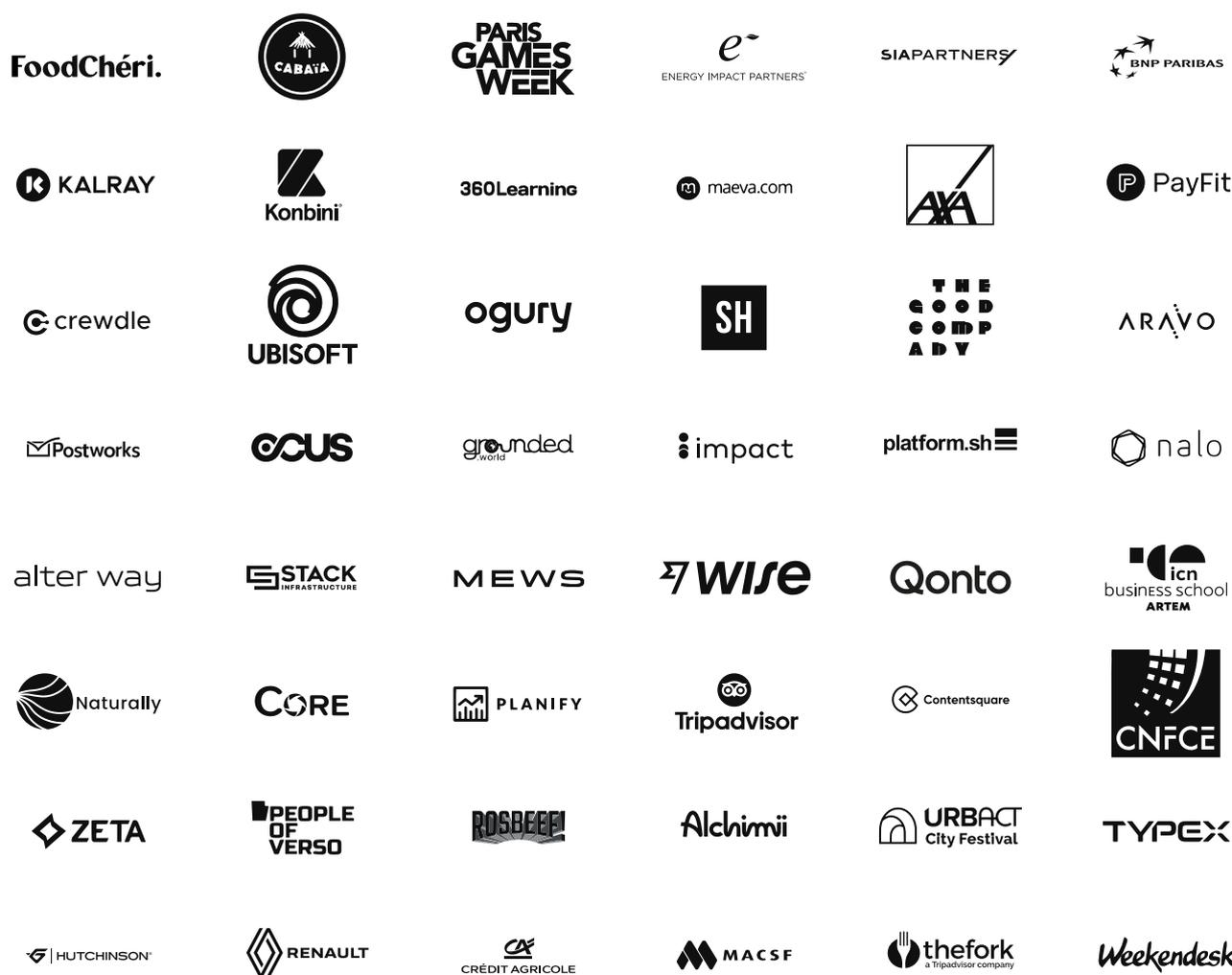


Opportunities

Proactive companies that align with these evolving requirements stand to benefit from increased investor confidence and enhanced reputation. Early adopters of SEC, California, or New York disclosure requirements can position themselves as industry leaders, demonstrating strong commitments to transparency, sustainability, and corporate responsibility.



Comme **+2500 entreprises,** ils ont confié la réalisation de leur stratégie climat à Greenly



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