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#7

SUSTAINABILITY REGULATIONS GUIDE

Keeping pace.
What you need to
know about evolving
sustainability regulations.

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CSRD

EU TAXONOMY

CSDDD

SB253

IFRS

FTC GREEN GUIDES

ESRS

SB261

SFDR

The global sustainability landscape is evolving fast. With growing stakeholder demand for transparency, credibility and comparability of disclosures, regulators across jurisdictions are raising the bar for what good looks like. Here's what you need to know to prepare for changing corporate sustainability regulation and best practices.

There's a lot happening in the sustainability regulatory landscape. Flag can help you to review the regulatory changes, align with the latest double materiality process and ensure your sustainability strategy, communications and reporting approach are fit for purpose.

Get in touch to find out more.
info@flag.co.uk

EU Regulation

- > [EU Corporate Sustainability Reporting Directive \(CSRD\)](#)
- > [EU Corporate Sustainability Due Diligence Directive \(CSDDD/CS3D\)](#)
- > [EU Taxonomy](#)
- > [EU Pay Transparency Directive \(EUPTD\)](#)
- > [EU Sustainable Finance Disclosure Regulation \(SFDR\)](#)
- > [EU Green Transition Directive \(GTD\)](#)
- > [EU Green Claims Directive \(GCD\)](#)

UK Regulation

- > [UK Companies Act amendments: Companies \(Strategic Report\) \(Climate-related Financial Disclosure\) Regulations 2021](#)
- > [Financial Conduct Authority's \(FCA\) Listing Rule on TCFD disclosures](#)
- > [UK Digital Markets, Competition and Consumers \(DMCC\) Act 2024](#)

UK Guidance

- > [Advertising Standards Authority \(ASA\) and Committee of Advertising Practice \(CAP\) Guidance on Misleading Environmental Claims and Social Responsibility](#)

US Regulation

- > [US Securities And Exchange Commission \(SEC\) Climate-Related Disclosures rules](#)
- > [Climate Corporate Data Accountability Act and Climate-Related Financial Risk Act](#)

US Guidance

- > [US Federal Trade Commission \(FTC\) Green Guides](#)

International Standard

- > [IFRS Sustainability Disclosure Standards](#)

Other regulations to be aware of

- > [US Uyghur Forced Labor Prevention Act \(UFLPA\)](#)
- > [EU regulation on deforestation-free supply chains](#)
- > [EU Carbon Border Adjustment Mechanism \(CBAM\)](#)
- > [UK Sustainability Reporting Standards \(SRS\)](#)

Giving 'comparable status' to sustainability and financial reporting*

What is it?

New EU legislation that replaces the Non-financial Reporting Directive (NFRD).

Companies in the EU – as well as some global companies operating in the region – must ensure that sustainability and financial information have 'comparable status' in their annual reports.

Who does it apply to?

- > **Listed companies** on EU-regulated markets (except micro enterprises below a certain size)
- > **Large EU-based companies**
 - that under existing requirements meet two of the following criteria:
 - turnover >€50m
 - assets >€25m
 - 250 employees.
 - > that under the proposed Omnibus changes have more than 1,000 employees AND either:
 - €25m (balance sheet total)
 - €50m net turnover.
- > EU-based **parent companies** whose overall entities meet the criteria for a large company
- > **Non-EU companies** that are not listed on an EU regulated market but:
 - under existing requirements have a net turnover in the EU of over €150m for each of the last two years AND either:
 - at least one EU Subsidiary that is large or listed
 - an EU branch with a net turnover €40m for the previous year.
 - under the proposed Omnibus changes have net turnover in the EU of more than €450m for each of the last two years AND either:
 - at least one EU subsidiary with >1000 employees
 - an EU branch with a net turnover of at least €50m for the previous year.

When does it come into effect?

The CSRD came into effect on 5 January 2023 with certain detailed European Sustainability Reporting Standards (ESRS) that companies will need to understand reporting requirements released in July 2023. Following approval of the Omnibus ‘Stop-the-clock’ directive, reporting deadlines for the second and third wave of in-scope companies have been postponed by two years.

CSRD applies:

- > **FY24** (publishing in 2025):
 - companies previously within the scope of the NFRD – listed entities, public interest entities.
- > **FY27** (publishing in 2028):
 - all ‘large’ organisations
 - EU parent companies of large groups
 - large non-EU companies listed on an EU market.

- > **FY28** (publishing in 2029):
 - Small- and medium-sized enterprises (SMEs) listed on EU markets, regardless of whether they are based in the EU. However, if the Omnibus scope adjustments are approved listed EU SMEs with under 1,000 employees would be removed from mandatory scope.
 - non-EU companies with significant EU subsidiaries or a branch in the EU.

Requirements

- > Requires disclosure of sustainability information within a dedicated section in the company’s management report.
- > Mandates a double materiality assessment (DMA) approach is followed, with a DMA using both impact materiality and financial materiality lenses to assess sustainability matters. This process allows companies to understand their material impacts, risks and opportunities (IROs).
- > The assessment of IROs shall include the company’s direct and indirect business relationships in the upstream and/or downstream value chain.
- > There are 10 ESRS sector-agnostic standards that companies need to disclose against, subject to materiality. Disclosures are not limited to these 10 sector-agnostic standards, and sustainability matters that are material to a company, and not covered within the sector-agnostic standards, should still be reported via company-specific disclosures requirements.

Find out more about [CSRD](#)

Preventing negative impacts on human rights and the environment*

What is it?

The Corporate Sustainability Due Diligence Directive (CSDDD or CS3D) requires in-scope companies to identify, prevent, mitigate, communicate and remedy adverse impacts in their value chain relating to actual and potential adverse impacts on the environment and human rights.

The due diligence obligations are applicable to the in-scope company’s own activities and those of their subsidiaries and their upstream and downstream chain of activities.

Who does it apply to?

The thresholds for CSDDD application were increased during the early months of 2024 as the CSDDD navigated final agreement EU legislators. The following thresholds apply if they are met by companies each year for two consecutive financial years.

Relevant thresholds are:

- > Group 1: EU companies with 1,000+ employees and €450m+ turnover globally.
- > Group 2: Non-EU companies with €450m+ turnover within the Union.
- > Group 3 (EU): Royalties of more than €22.5m and generates more than €80m of net global income with an employee threshold of over 1,000.
- > Group 3 (Non-EU): Royalties of more than €22.5m, provided that the wider group generates more than €80m net EU turnover, but no employee threshold is included.

*The CSDDD does not apply to SMEs**.*

When does it come into effect?

Following the endorsement of the CSDDD and the approval of the Omnibus ‘Stop-the-clock’ directive, EU member states have until July 2027 to transpose the CSDDD into national law.

The CSDDD will be phased in based on company turnover and employee numbers:

- > Wave 1 (relevant from July 2028)
 - EU companies: Greater than 5,000 employees and greater than €1.5bn in global revenue
 - Non-EU companies: Greater than €1.5bn in revenue within the EU.
- > Wave 2 (relevant from 2028)
 - EU companies: Greater than 3,000 employees and greater than €900m in global revenue
 - Non-EU companies: Greater than €900m in revenue within the EU.
- > Wave 3 (relevant from 2029)
 - All other remaining companies that are in scope.

* Approved by the European Commission in March 2024 and approved by the European Parliament in April.

**Financial institutions are under the scope of the CSDDD, including for transition plan requirements, but are exempt from conducting due diligence on their clients.

Requirements

- > In-scope companies must conduct human rights and environmental due diligence assessments in accordance with the following six steps:
 - **Integrate** due diligence into policies and management systems
 - **Identify** and assessing adverse human rights and environmental impacts
 - **Prevent, cease or minimise** actual and potential adverse human rights and environmental impacts
 - **Monitor and assess** the effectiveness of measures
 - **Communicate**
 - Provide **remediation**
- > Due diligence measures should cover companies' own operations, those of their subsidiaries, as well as their direct and, unless removed by the Omnibus proposal, indirect business partners.
- > Companies are also required to adopt and, unless removed by the Omnibus proposal, put into effect a climate **transition plan** aligned with limiting global warming to 1.5°C. The transition plan will need to be **updated yearly** and will include:
 - **time-bound targets** relating to 2030 and every five years through to 2050
 - a description of decarbonisation levers identified and key actions
 - an explanation of financial support for the transition plan's implementation
 - a description of the role of the governance of the transition plan implantation.

Find out more about [CSDDD](#)

Introduced a classification system establishing a list of environmentally sustainable economic activities with the aim of encouraging sustainable investment*

| What is it? | Who does it apply to? | When does it come into effect? | Requirements |
|---|--|-----------------------------------|---|
| <p>The EU taxonomy is a classification system that defines criteria for economic activities that are aligned with a net-zero trajectory by 2050 and the broader environmental goals other than climate. The EU Taxonomy regulations were adopted in June 2020. It aims to provide a common definition for financial and non-financial companies of what economic activities can be considered environmentally sustainable and thereby direct investments capital to the economic activities most needed for the transition.</p> | <p>Existing requirements:</p> <ul style="list-style-type: none">> The Taxonomy Regulation of the EU applies to:<ul style="list-style-type: none">- large financial and non-financial undertakings that were already required to report under the NFRD. This scope has been increased via the CSRD- financial market participants offering financial products in the EU (where financial products are defined in the SFRD)- The EU and member states. <p>Proposed Omnibus changes:</p> <ul style="list-style-type: none">> The Commission proposes making the EU Taxonomy mandatory for only a subset of large companies – i.e. those with:<ul style="list-style-type: none">- more than 1,000 employees- a net turnover of more than €450m. <p>Companies wanting to claim voluntarily that their activities are taxonomy-aligned would need to report under an ‘opt-in’ taxonomy regime – disclosing KPIs on turnover and capital expenditure.</p> | <p>This is already in effect.</p> | <ul style="list-style-type: none">> Article 9 of the Taxonomy Regulation sets out six climate and environmental objectives, which are:<ul style="list-style-type: none">a. climate change mitigationb. climate change adaptationc. the sustainable use and protection of water and marine resourcesd. the transition to a circular economye. pollution prevention and controlf. the protection and restoration of biodiversity and ecosystems.> To qualify as environmentally sustainable, the Taxonomy Regulations also set out four overarching conditions which must be met:<ul style="list-style-type: none">a. Making a substantial contribution to at least one climate or environment objective (i.e. one of the six above).b. Doing no significant harm (DNSH) to any of the other five environmental objectives (Article 17). This is relevant to the activity and the products and services facilitated by the activity. |

* Signed into law.

Requirements continued

- c. Complying with **minimum safeguards** (Article 18)
 - d. Complying with the **technical screening criteria** (Article 19).
- > Article 8 specifies reporting criteria that **non-financial undertakings** must disclose the proportion of their:
- a. **turnover** derived from **products or services** associated with economic activities that qualify as environmentally sustainable
 - b. **capital expenditure** and **operating expenditure** related to **assets or processes** associated with economic activities that qualify as environmentally sustainable.
- > For **financial institutions**, the Disclosures Delegated Act clarifies that these institutions must disclose KPIs that relate to the proportion of taxonomy-aligned economic activities in their financial activities and provides detailed requirements for different types of investors.

Find out more about [EU Taxonomy](#)

New rules aimed to combating pay discrimination and to help close the gender pay gap in the EU*

| What is it? | Who does it apply to? | When does it come into effect? | Requirements |
|---|--|--|--|
| <p>The EUPTD’s objective is to eradicate the gender pay gap by giving job candidates access to better pay opportunities, employees access to information to determine whether they are paid fairly and to provide enforcement measures where necessary.</p> | <p>The rules are phased depending on the size of employers. The threshold sizes are employers:</p> <ul style="list-style-type: none">> with over 250 employees> with between 150 and 249 employees> with between 100 and 149 employees. <p>Employers with less than 100 employees are excluded, unless mandated by national law of member states.</p> | <p>The directive came into force in June 2023 and member states have until 7 June 2026 to transpose it into national law.</p> <p>The phasing impacts when the rules come into force for employers as well as the regularity of reporting.</p> <ul style="list-style-type: none">> Employers with over 250 employees will report annually from 2027.> Employers with between 150 and 249 employees will report every three years from 2027.> Employers with between 100 and 149 employees will report every three years from 2031. | <p>The directive requires in-scope employers to provide gender-pay-related disclosures. Such disclosures can be made on their websites, within their sustainability reports or published via national authorities.</p> <p>If the report reveals a pay gap of more than 5% that cannot be justified by objective, gender-neutral criteria, companies will be required to take action in the form of a joint pay assessment carried out in cooperation with workers’ representatives.</p> <p>Find out more about EUPTD</p> |

* Signed into law.

Delivers mandatory sustainability disclosure obligations for financial market participants and financial advisers*

What is it?

The SFDR introduces standardised disclosures for market participants on how sustainability factors are integrated at an entity and product level. It aims to support investors to make more informed decisions regarding the sustainability characteristics of their investments, assess how sustainability risks are integrated into investment decisions and ultimately attract private capital to support Europe’s net-zero and sustainability goals.

Who does it apply to?

- > Manufacturers of financial products within the EU.
- > Financial advisers to end-investors in the EU.
- > Those who market financial products in the EU.

When does it come into effect?

This is already in effect.

Requirements

- > Disclose the negative consequences an investment decision may have on sustainability factors and how they mitigate impacts.
- > Disclose where a sustainability event could negatively impact material investment and align their remuneration policies with sustainability risk management.

Entity-level disclosure requirements

- > Provide policies detailing the integration of sustainability risk into the investment decision-making processes, information on adverse sustainability impacts and remuneration policies consistent with sustainability risks.
- > Post a statement of intent on their website to demonstrate which Article they intend to align to.

Product-level disclosures

- > For Article 8 and Article 9 products, there must be a disclosure of the principal adverse impacts on sustainability factors.
- > For Article 8 and Article 9 products, the entity must disclose the extent to which environmental and social characteristics are met and a comparison between the product impact and the impacts of a designated index.

Find out more about [SFDR](#)

* Signed into law.

An update to the existing unfair commercial practices directive and includes specific greenwashing provisions

| What is it? | Who does it apply to? | Requirements |
|---|--|--|
| <p>The GTD is also known as Empowering Customers through the Green Transition.</p> <p>The directive is an amendment to the Unfair Commercial Practices Directives and Consumer Rights Directives. These existing directives aim to clamp down on unfair commercial practices including greenwashing, and the GTD aims to reinforce these. The GTD is intended to work alongside the proposed 'Green Claims Directive' (see the following page).</p> | <p>Relevant to companies in the EU engaging in business-to-consumer (B2C) commercial practices before, during and after a commercial transaction in relation to a product.</p> <p>When does it come into effect?</p> <p>The Unfair Commercial Practices, which the GTD will supplement, has been in place for many years. The GTD has been agreed and the application deadline for member states is September 2026.</p> | <p>GTD deals with sustainability labels that cover environmental or social aspects or both. Some of the key provisions relate to:</p> <ul style="list-style-type: none">> Generic environmental claims, eg 'environmentally friendly', 'natural', 'biodegradable', 'climate neutral' or 'eco', without proof of recognised excellent environmental performance relevant to the claim.> Commercial communications about a good with a feature that limits its durability if information is available on the feature and its effects on the durability.> Claims based on emissions-offsetting schemes that a product has a neutral, reduced or positive impact on the environment.> Sustainability labels not based on approved certification schemes or established by public authorities. <ul style="list-style-type: none">> Durability claims in terms of usage time or intensity under normal conditions, if not proven.> Prompting the consumer to replace consumables, such as printer ink cartridges, earlier than strictly necessary.> Presenting software updates as necessary even if they only enhance functionality features.> Presenting goods as repairable when they are not. <p>Find out more about GTD</p> |

A proposed directive introducing a verification system for companies making environmental-related claims

| What is it? | Who does it apply to? | Requirements |
|---|--|---|
| <p>A set of criteria to protect consumers from greenwashing and to make environmental claims on products and services more reliable, comparable and verifiable across the EU.</p> | <p>Businesses in EU member states with any voluntary claims stating or implying a positive environmental impact of their products, services or organisation.</p> <p>Businesses based outside the EU will also have to comply if they make voluntary environmental claims directed at EU consumers.</p> <p>The proposed requirements would apply to the majority of EU operating companies. However, sectors that have existing or forthcoming rules on environmental claims (for example, financial services) may be exempt.</p> <p>The proposed directive offers exemptions for microenterprises (fewer than 10 employees and annual turnover does not exceed €2m).</p> | <p>Ex ante substantiation is core to the GCD. The proposed directive also considers:</p> <ul style="list-style-type: none">> Specificity of claims: Companies must clearly specify the aspect of the product or the company’s operations that the environmental claim refers to.> Scientific evidence: All claims should be backed by robust scientific data, ensuring that the environmental benefits stated are factual and verifiable.> Life cycle perspective: Claims must consider the product’s entire life cycle, demonstrating that the environmental benefits are significant not just in isolation but across the product’s entire lifespan. <p>> Balanced representation: If there are any tradeoffs or negative impacts associated with the claimed benefits, these must also be disclosed.</p> <p>> Separate accounting for emissions: GHG reductions and offsets should be accounted for separately to ensure clarity and honesty in reporting.</p> <p>Find out more about GCD</p> |
| | <p>When does it come into effect?</p> <p>The directive remains under proposal.</p> | |

* Proposal/approval stage.

Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs

| What is it? | Who does it apply to? | Requirements |
|--|--|---|
| Amendments to the UK Companies Act 2006, which are based on the TCFD framework, that require in-scope UK-registered companies and financial institutions to disclose information on their governance and management of climate-related risks and opportunities, as well as analysis of their business’s resilience to climate scenarios. | <ul style="list-style-type: none">> All UK companies that are required to produce a non-financial information statement, i.e. UK companies that have more than 500 employees and have either transferable securities admitted to trading on a UK regulated market or are banking companies or insurance companies (relevant PIEs).> Alternative investment market-traded companies with more than 500 employees (required to make climate disclosures but not non-financial sustainability information).> UK-registered companies with more than 500 employees and a turnover of more than £500m.> Large LLPs with more than 500 employees and a turnover of more than £500m.> Traded or banking LLPs with more than 500 employees. | <p>For companies, the “non-financial and sustainability information statement”* section of the strategic report must contain the following climate-related financial disclosures:</p> <ul style="list-style-type: none">> a description of the company’s governance arrangements in relation to assessing and managing climate-related risks and opportunities> a description of how the company identifies, assesses and manages climate-related risks and opportunities> a description of how processes for identifying, assessing and managing climate-related risks are integrated into the company’s overall risk management process> a description of:<ul style="list-style-type: none">– the principal climate-related risks and opportunities arising in connection with the company’s operations– the time periods by reference to which those risks and opportunities are assessed. <p>> a description of the actual and potential impacts of the principal climate-related risks and opportunities on the company’s business model and strategy</p> <p>> an analysis of the resilience of the company’s business model and strategy, taking into consideration different climate-related scenarios</p> <p>> a description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets</p> <p>> a description of the key performance indicators (KPIs) used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those KPIs are based.</p> <p>Companies need not include the impacts, analysis or KPI information if the directors reasonably believe this is not necessary for an understanding of the company’s business, but in that case they must give a clear and reasoned explanation for their belief.</p> |

* Depending on a company’s size and characteristic, additional environment disclosures are required within the non-financial and sustainability information statement.

When does it come into effect?

This is already in effect.

Find out more about
[UK Companies Act Amendments](#)

Mandatory reporting on climate-related risks

What is it?

The FCA, via listing rule LR 9.8.6R (8)7, requires companies under its purview to make disclosures against the TCFD recommendations and recommended disclosures on a ‘comply or explain basis’.

Who does it apply to?

- > The listing rules relate to commercial companies with a UK premium listing and those commercial companies with standard listed shares.
- > The FCA has also introduced rules relating to TCFD recommendations for UK asset managers, life insurers and FCA-regulated pension providers.

When does it come into effect?

This is already in effect.

Requirements

- > For companies falling under the listing rules, companies must include a statement within their annual financial report:
 - Whether their disclosures are consistent with the TCFD’s recommendations and recommended disclosures within their annual financial report.
 - Where disclosures are made outside of the annual financial report, an explanation of why and a reference to where the disclosures can be found must be included.
 - Where disclosures have not been made, an explanation of why, and a description of any steps the company is taking or plans to take to be able to make consistent disclosures in the future – including relevant timeframes.
- > In-scope asset managers and asset owners must make mandatory disclosures on an annual basis covering:
 - entity-level disclosures which set out how climate-related matters are taken into account in managing or administering investments on behalf of clients and consumers
 - product-level disclosures (including a core set of climate-related metrics) on covering products and portfolios.

Find out more about FCA’s listing rule on [TCFD](#)

* Signed into law.

Protecting consumers from unfair commercial practices, including misleading actions or omissions*

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|---|---|--|---|
| <p>What is it?</p> <p>The Digital Markets, Competition and Consumers (DMCC) Act 2024 introduces major reforms to UK consumer protection law, bringing new enforcement powers to the Competition and Markets Authority (CMA) and updated rules addressing unfair commercial practices, including the use of misleading actions or omissions such as those related to environmental and social claims.</p> | <p>Who does it apply to?</p> <p>> All businesses that sell to UK consumers.</p> <p>When does it come into effect?</p> <p>The consumer law enforcement portion of the DMCC Act came into effect in April 2025.</p> <p>Requirements</p> <p>Although the DMCC Act does not mention greenwashing directly, in order to comply companies must avoid misleading actions or omissions, including those related to environmental and social claims. For example, providing false information or failing to disclose important details</p> | <p>about a product or service that might impact on a consumer’s ability to make an informed decision about whether to make a purchase.</p> <p>The CMA’s Green Claims Code serves as a benchmark for what constitutes compliant and non-misleading environmental claims. The CMA’s Green Claims Code outlines that green claims must:</p> <p>> Be truthful and accurate: Businesses must live up to the claims they make about their products, services, brands and activities.</p> <p>> Be clear and unambiguous: The meaning that a consumer is likely to take from a product’s messaging and the credentials of that product should match.</p> <p>> Not omit or hide important information: Claims must not prevent someone from making an informed choice because of the information they leave out.</p> | <p>> Only make fair and meaningful comparisons: Any products compared should meet the same needs or be intended for the same purpose.</p> <p>> Consider the full life cycle of the product: When making claims, businesses must consider the total impact of a product or service. Claims can be misleading where they don’t reflect the overall impact or where they focus on one aspect of it but not another.</p> <p>> Be substantiated: Businesses should be able to back up their claims with robust, credible and up to date evidence.</p> <p>Sanctions for non-compliance with the DMCC Act 2024 have the potential to be substantial. The CMA holds the power to impose fines of up to 10% of a business’s global turnover or £300,000 for breaches of this act and its associated laws.</p> <p>Find out more about the DMCC Act</p> |
|---|---|--|---|

Guidance to help marketers and agencies interpret existing rules that concern environment-related advertising issues*

| What is it? | Who does it apply to? | When does it come into effect? | Requirements |
|--|--|--|---|
| UK guidance by the ASA to ensure that advertisers don't make misleading claims about the environment, including recent clarification on the use of 'carbon-neutral' and 'net-zero' claims. | <div>> All businesses, from sole traders through to multinationals with UK advertisements (including print, TV, cinema, websites and social media).</div> | This is already in effect, with the most recent updates being published in 2023. | <div>Avoid using environmental claims that cannot be fully substantiated with data and a roadmap, e.g. carbon neutral and net zero. If such claims are made, they need to be explained/qualified in the same place as the advertisement.</div> <div>Clarify whether any claims about carbon emissions are based on reductions or offsetting, and specify the scope of emissions covered (e.g. Scope 1, Scope 2, Scope 3). If offsetting, information about the offsetting scheme used should be provided.</div> <div>Any environmental claim must be based on the full life cycle of the advertised product, unless communication states otherwise, and make clear the limits of the life cycle.</div> <div>Future goals relating to net zero or carbon neutrality should be based on a verifiable strategy.</div> <div>Find out more about ASA and CAP guidance on misleading environmental claims and social responsibility</div> |

* Currently in effect.

Mandatory climate-related disclosures*

| What is it? | Who does it apply to? | Requirements |
|--|---|--|
| <p>The SEC adopted rules to include climate change disclosures in registered company financial documents if climate change poses a material financial risk to the business. The climate-related disclosure rules have however been stayed and any final requirements may be substantially different.</p> | <p>SEC registrants, including foreign private issuers.</p> <p>When does it come into effect?</p> <p>SEC-registered companies will need to disclose as follows:</p> <ul style="list-style-type: none">> 2025 data for large, accelerated filers (reporting in 2026)> 2026 for accelerated filers (reporting in 2027)> 2027 for smaller reporting companies and non-accelerated filers (reporting in 2028). | <p>Governance of climate-related risks and risk-management processes.</p> <p>Current or potential material impact of climate-related risks on the business and its financial statements over the short, medium and long term.</p> <p>Limited assurance for large accelerated filers from FY2029 and for accelerated filers from FY2031. Reasonable assurance for large accelerated filers from FY2033.</p> <p>For large accelerated fillers and accelerated fillers, disclosure of direct greenhouse gas (GHG) emissions (Scope 1) and indirect emissions from purchased electricity or other forms of energy (Scope 2).</p> <p>Disclosures and forward-looking statements about transition plans, scenario analysis, the use of internal carbon pricing, and targets and goals will now be protected under the safe harbour. Additionally, statements made during certain transactions, like initial public offerings, which were previously not covered by the safe harbour, will now be eligible for its protection.</p> <p>Material climate targets and goals.</p> <p>Find out more about SEC climate-related disclosure rules</p> |

* On March 27, 2025, the SEC voted to cease its defense of the climate-related disclosure rules.

Requiring public disclosure of GHG emissions*

| What is it? | Who does it apply to? | When does it come into effect? | Requirements |
|---|--|---|---|
| Legislation that will require certain large public and private companies that conduct business in California to disclose GHG emissions reporting in compliance with the GHG Protocol (SB253) and climate-related financial risk reporting in line with the recommendations of the TCFD (SB261)**. | <p>The Climate Corporate Data Accountability Act (SB 253) will apply to entities with annual revenue over \$1 billion that do business in California.</p> <p>The Climate-Related Financial Risk Act (SB 261) will apply to entities with annual revenue over \$500 million that do business in California.</p> | <p>Phased in from 2026. Following the SB219, the Climate Corporate Data Accountability Act will require reporting on Scope 1 and 2 emissions by 2026 with Scope 3 reporting in 2027 and annually thereafter.</p> <p>Likewise the publication of the climate-related financial risk report will commence from January 2026, and biennially thereafter.</p> | <p>Registered companies will need to disclose emissions-related information from the previous fiscal year, including:</p> <ul style="list-style-type: none">> SB253: Annually, from 2026: Scope 1 and 2 emissions.> SB253: Annually, from 2027: Scope 3 emissions within 180 days of disclosing Scope 1 and 2.> SB261: Biennially, from 2026, prepare a climate-related financial risk report that is in accordance with the TCFD. <p>Find out more about Climate Corporate Data Accountability Act and Climate-Related Financial Risk Act</p> |

* Signed into law.

** On September 27, 2024, California’s Democratic governor, Gavin Newsom, signed into SB 219, which enacted several amendments to the Climate Corporate Data Accountability Act (SB 253) and the Climate-Related Financial Risk Act (SB 261).

Guidance on environmental claims in marketing

| What is it? | Who does it apply to? | When does it come into effect? | Requirements |
|---|---|--|---|
| <p>A set of guidelines and principles to ensure effective and non-deceptive environmental marketing claims.</p> | <p>Companies making claims about the environmental attributes of a product, package or service in marketing to individuals or businesses in the US.</p> <p>The guidance applies to claims made in all forms of marketing, whether stated directly or implied, through words, symbols, logos, depictions or product brand names.</p> | <p>Effective since 1992. The FTS has continued to update the guides.</p> | <p>New/revised environmental guidance is expected to be updated on topics including:</p> <ul style="list-style-type: none">> Carbon offsets and climate change: Companies may have to communicate the offsets behind their ‘carbon neutral’ and net-zero claims.> Recyclable products: Detail may be required on how, exactly, to recycle or biodegrade products or packaging.> Recyclable content: Companies may have to specify the proportion of recycled content alongside claims that products or packaging are recycled.> Sustainability claims: Assertions such as ‘compostable’, ‘degradable’, ‘ozone-friendly’, ‘organic’, ‘sustainable’ and claims in relation to energy use and energy efficiency may need qualification. <p>Find out more about FTC Green Guides</p> |

Voluntary international reporting standard developed by the International Sustainability Standards Board (ISSB) and International Financial Reporting Standards (IFRS)

| What is it? | Who does it apply to? | When does it come into effect? | Requirements |
|--|--|--|---|
| <p>IFRS S1 and S2 are part of the International Financial Reporting Standards (IFRS) issued by the International Sustainability Standards Board (ISSB). IFRS S1 provides general requirements for sustainability-related disclosures, while IFRS S2 specifically focuses on climate-related disclosures, including information about a company’s governance, strategy, risk management and metrics related to climate risks and opportunities.</p> | <p>The IFRS S1 and S2 standards themselves are voluntary; they may however be mandatory if adopted by specific jurisdictions or countries through their own regulatory processes, which is increasingly being the case. Until then, companies may choose to follow the standards voluntarily.</p> <p>The climate-related disclosure standard will be integrated into CDP’s environmental reporting platform in 2024.</p> | <p>The ISSB’s first two sustainability-related standards, IFRS S1 and S2, came into effect on 1 January 2024. International jurisdictions are increasingly using the IFRS 1 and IFRS 2 standards as the basis of their domestic reporting, and understanding these provisions will inform when reporting obligations may become mandatory.</p> | <ul style="list-style-type: none">> Sustainability-related information needs to be provided at the same time as financial statements.> Disclosure of Scopes 1, 2 and 3 GHG emissions, measured in accordance with the Greenhouse Gas Protocol, if no other measurement approach used.> Material sustainability-related risks and opportunities, along with the disclosure of material information regarding them.> Governance and risk management processes.> Material climate-related risks and opportunities (including value chain).> Company’s strategy related to climate-related risks.> Information on climate scenario analysis.> Metrics and targets. <p>Find out more about IFRS Sustainability Disclosure Standards</p> |

US Uyghur Forced Labor Prevention Act (UFLPA)

Mandatory act that ensures goods sourced from Xinjiang do not enter the US market. US companies selling goods with supply chains linked to Xinjiang are required to conduct due diligence on their supply chains and provide documentation, down to the source, to prove that they have not been made with forced labour or human rights abuses.

Find out more about [UFLPA](#)

EU regulation on deforestation-free supply chains

Mandatory rule to ensure EU consumer goods do not contribute to global deforestation or forest degradation. When it becomes applicable from December 2025, it will require all companies – from large multinationals to SMEs – placing cattle, wood, cocoa, soy, palm oil, coffee, rubber and some of their derived products on the EU market to collect evidence to ensure that their products were not produced on land deforested or degraded after 31/12/2020, carry out mandatory due diligence on their supply chain and take mitigation measures to check the origin of their products.

Find out more about [EU regulation on deforestation-free supply chains](#)

EU Carbon Border Adjustment Mechanism (CBAM)

Mandatory mechanism designed to ensure that businesses producing carbon-intensive goods, either directly within the EU or importing them into the EU, face similar carbon costs and incentives for cutting emissions. Importers are required to disclose the direct and indirect GHG emissions embedded in their imports, including their production and transportation.

Find out more about [CBAM](#)

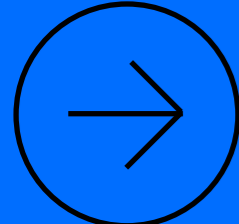
UK Sustainability Reporting Standards (SRS)

The UK Sustainability Reporting Standards are proposed standards based on the ISSB’s guidelines for sustainability disclosures. The UK government is currently consulting on these standards to determine how they will be implemented for businesses operating in the UK.

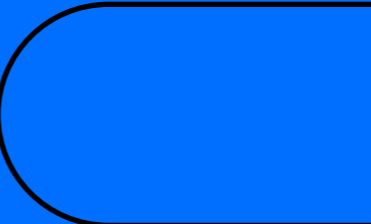
Find out more about [SRS](#)

There’s a lot happening in the sustainability regulatory landscape. Flag can help you to review the regulatory changes, align with the latest double materiality process and ensure your sustainability strategy and reporting approach are fit for purpose.

Get in touch if you’re looking for guidance. We’d be happy to help.
info@flag.co.uk



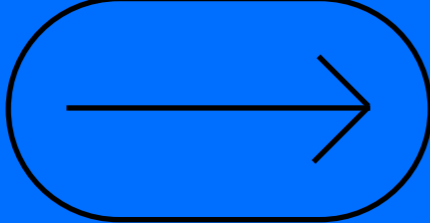
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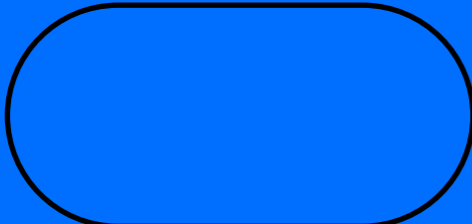
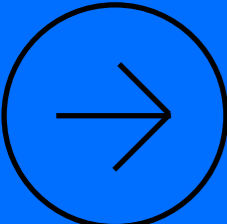
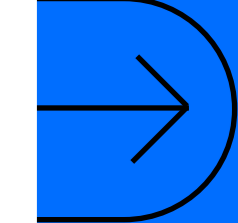
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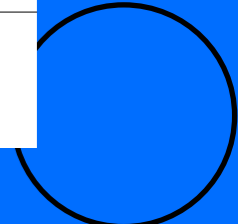
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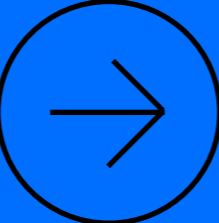
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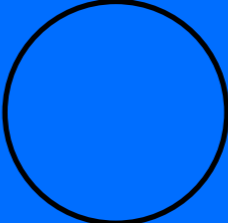
IFRS



FTC GREEN GUIDES



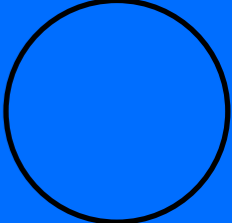
ESRS



SB261



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