KEY REGULATIONS

THIRD ECONOMY®

Regulation Name	Mandatory?	Region	Who Does It Impact?	Key Regulatory Components/ Requirements	Date of Implementation
Sustainable Finance Disclosure Regulation (SFDR)	✓	EU	– All financial market participants and financial advisers based in the EU over 500 employees – All investment managers or advisers who market to EU clients (outside of EU)	Under the SFDR, applicable market participants must report upon: – Their sustainability practices (firm-level) – Their financial products (product-level) – A Principle Adverse Impacts (PAI) statement covering both the firm and product levels	2022 SFDR Came into effect on March 10, 2021, with further regulations effective from January 2022.
European Sustainability Reporting Standards (ESRS)	✓	EU	– All large companies – Most listed EU companies – Large subsidiaries of non-EU parents – Non-EU companies with more than EUR 150 million turnover in the EU	ESRS is organized by twelve principles that require: – Double Materiality Principles – Reporting across broad range of environmental, social and governance topics – Governance of sustainability-related topics – Sustainability reporting aligned with financial reporting – Reporting on impacts, risks and opportunities across value chain – Reporting on policies, plans and targets – Assurance/clear audit trail	2024 Final text on first set of ESRSs was published in July 2023 by the European Commission (EC) and disclosure will be required in 2024 for the first wave of companies.
Corporate Sustainability Reporting Directive (CSRD)	✓	EU	– All large companies – Most listed EU companies – Large subsidiaries of non-EU parents – Non-EU companies with more than EUR 150 million turnover in the EU	CSRD's reporting requirements include: – Concept of double materiality – Detailed list of disclosure requirements per topic – Reporting of Scope 3 GHG emissions – Digitalized and integrated annual report – Limited third-party assurance	2024 Adopted on July 31st, 2023, CSRD amends the 2014 Non-Financial Reporting Directive (NFRD) and provides a larger coverage of companies that will be phased in in Q1 2024.
U.S. Securities and Exchange Commission (SEC)	✓	US	All publicly traded companies, including – Large Accelerated Filers (Companies with a public float of $700 million or more) – Accelerated Filers (Companies with a public float $75 million to $700 million) – Small Reporting Companies or SRCs (Companies with a public float less than $250 million or less than $100 million in annual revenues) – Non-Accelerated Filers (Companies that qualify as SRCs with annual revenues of less than $100 million and public float of less than $700 million) – Emerging growth companies or EGCs (Companies with a total annual gross revenue of less than $1.235 billion and have not sold common equity securities)	The SEC has adopted new rules requiring disclosure on topics including: All Filers: – Governance – Material Impacts – Climate-related Events – Risk Identification & Management Systems – Target and Goals Large Accelerated and Accelerated Filers Only: – Scope 1 Emissions – Scope 2 Emissions – Assurance	The SEC has proposed a "phase-in" period depending upon the filer status requirements. Large Accelerated Filers: All proposed disclosures excluding GHG emissions metrics must be filed in 2026 for fiscal year 2025. Accelerated Filers: All proposed disclosures excluding GHG emissions metrics must be filed in 2027 for fiscal year 2026. Non-Accelerated Filers, SRCs and EGCs: All proposed disclosures excluding GHG emissions metrics must be filed in 2028 for fiscal year 2027. They are exempt from disclosing Scope 1 and 2 GHG emissions metrics and assurance.
Climate Corporate Data Accountability Act and Climate-Related Financial Risk Act (CA SB-253 and SB-261)	✓	US	SB-253: Any US company (public or private) that does business in California and has total annual revenues greater than one billion dollars SB 261: Any US company (public or private) that does business in California and has total annual revenues greater than $500 million dollars	Under CA SB-253, companies would be required to: – Report all Scope 1, Scope 2 and Scope 3 emissions, in accordance with the Greenhouse Gas Protocol – Assure GHG inventory through a third-party – Aggregate data on a public digital registry (in addition to company-level disclosures) Under CA SB-261, companies would be required to: – Publish a "climate-related financial risk report" at least every two years – The report shall disclose 1) climate-related financial risk in accordance with the TCFD framework and 2) The companies measures to reduce and adapt to these climate risks – Climate financial risk is defined as a "material risk of harm to immediate and long-term financial outcomes due to physical and transition risks, including, but not limited to, risks to corporate operations, provision of goods and services, supply chains, employee health and safety, capital and financial investments, institutional investments, financial standing of loan recipients and borrowers, shareholder value, consumer demand, and financial markets and economic health."	2025 and 2026 SB-253: Annual reporting (and limited assurance) for Scope 1 and 2 emissions would begin in 2026, based upon the company's prior fiscal-year data (2026). In 2027 and annually thereafter, Scope 3 emissions must also be reported (and assured) no later than 180 days after a company files its Scope 1 and Scope 2 emissions disclosures. Reasonable assurance requirements for Scope 1/2 emissions would kick in in 2030. SB-261: Publish a report every two years on "climate-related financial risk", starting in 2026.
Canadian Securities Administrators Disclosure of Climate-related Matters		Canada	Canadian securities falling under the CSA.	The proposal is comprised of CSDS 1 and CSDS 2, which would align with IFRS S1 and S2, respectively, with several Canada-specific modifications.	TBD The Canadian Sustainability Standards Board (CSSB) is inviting feedback and comments from the public until June 10, 2024. Timeline for integration and date of implementation are TBD.