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LUNCH & LEARN

Understanding Recent Developments in Climate Risk Disclosure

Wednesday, July 24th
12:00 - 2:30 p.m.

Join us on Zoom or in person at:
Orrick LLP, 405 Howard Street, San Francisco

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Climate Risk Disclosure: Recent Developments in the United States

**Lunch and Learn
July 24, 2024**

**Dave Jones
Director, Climate Risk Initiative
CA Insurance Commissioner 2011-2018**

Berkeley
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Center for Law, Energy,
& the Environment

Climate Change: Risk to Financial System

- G-20 Task Force on Climate Related Financial Disclosure (TCFD) (2017)
- Managing Climate Risks to the United States Financial System (CFTC 2020):
 - Climate change poses systemic risk to United States and global financial system
- Biden Executive Order 14030 (2021):
 - Directs all US financial regulators and agencies to take action on climate risk to US financial system and financial institutions

Climate Risk to Financial System

- Two major categories of risk
 - Physical Risk: impacts of climate change
 - Transition Risk: financial risks associated with transition to economy with major reductions in greenhouse gas emissions

California Climate Risk Disclosure

California Responsible Investment Roadmap (CLEE 2020):

- Recommends CA enact Climate Risk Disclosure Law
- CLEE drafts SB 261 (2021)

Senate Bill 261 (Stern 2023): Climate Related Financial Risk Act

- Requires TCFD aligned climate risk disclosure
- Private and public companies
- \$500 Million/year revenue
- 10,000 companies
- Doing Business in CA = National reach
- Material Climate Related Financial Risks Must Be Reported
- Biennial Reports starting January 1, 2026

California Climate Risk Disclosure (cont.)

Senate Bill 253 (Weiner 2023): Climate Corporate Accountability Act

- Greenhouse Gas Emissions Disclosure
- Scopes 1 and 2: 2026
- Scope 3: 2027
- Private and Public companies
- \$1 Billion annual revenues
- 5,000 companies
- Doing business in CA = national reach
- No Materiality Requirement

SEC Climate Risk Disclosure Rule (2024)

- 2 years and over 24,000 comments
- Publicly traded companies
- 2026: Large companies
- 2027: Smaller filers
- Scope 1 and 2 only if material
- No Scope 3 Requirement
- Material Risks only
- Governance, Strategy, Risk Management, Targets
 - Similar to TCFD/ISSB

Challenges to Implementation

- Federal lawsuits filed to challenge SEC Climate Risk Rule
 - 11 states, energy companies, individuals
 - SEC stays rule implementation
- California & US Chamber sues to challenge SB 253 and SB 261
- Newsom Administration efforts to delay implementation of CA Laws
 - Governors initial proposed budget did not fund regulations
 - Adopted budget (June 2024) funded regulations
 - Budget Trailer Bill language proposed to delay 2 years
 - Senators Stern and Wiener oppose delay
 - Climate groups, corporates and investors oppose delay

US Lags EU and Asian Financial Regulators

- Climate Risk Disclosure
- Climate Risk Stress Testing
- Net Zero Transition Plans
- Problem for US companies: Different Climate Risk Disclosure Requirements
 - E.g. EU double materiality standard

Voluntary Climate Risk Disclosure in US

- 60 percent of Russell 3000 companies and 90 percent of Russell 1000 companies provide some form of climate-related information
- Nearly 60 percent of Russell 1000 companies disclose Scopes 1 and 2 greenhouse gas (GHG) emissions.
- Investors want disclosure

Thank You.

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The ISSB: Better Information for Better Decisions

Katie Schmitz Eulitt
Director Outreach, Global Investors
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Rationalising investor-focused standards and frameworks



A truly global baseline of disclosures



additional
building blocks

- can be added to meet jurisdiction-specific requirements
- can be added to meet broader multi-stakeholder needs

ISSB Standards

- provide a comprehensive foundation of disclosures for global jurisdictional adoption
- are a common language for comparable, decision-useful disclosures
- are designed to meet investor needs across global capital markets

Jurisdictions taking steps towards ISSB Standards

More than 20 jurisdictions have already decided to use or are taking steps to introduce ISSB Standards in their legal or regulatory frameworks.

Together, these jurisdictions account for:

~55%

of global **gross domestic product** (GDP)

40%+

of **global market capitalisation***

50%+

of **global greenhouse gas emissions**

Jurisdictional journey: adopting or otherwise using ISSB Standards

Americas	Asia/Oceania		EMEA
Bolivia	Australia	Pakistan	EU
Brazil	Bangladesh	Philippines	Kenya
Canada	China	Singapore	Nigeria
Costa Rica	Hong Kong SAR	South Korea	Türkiye
	Japan	Sri Lanka	UK
	Malaysia	Chinese Taipei	

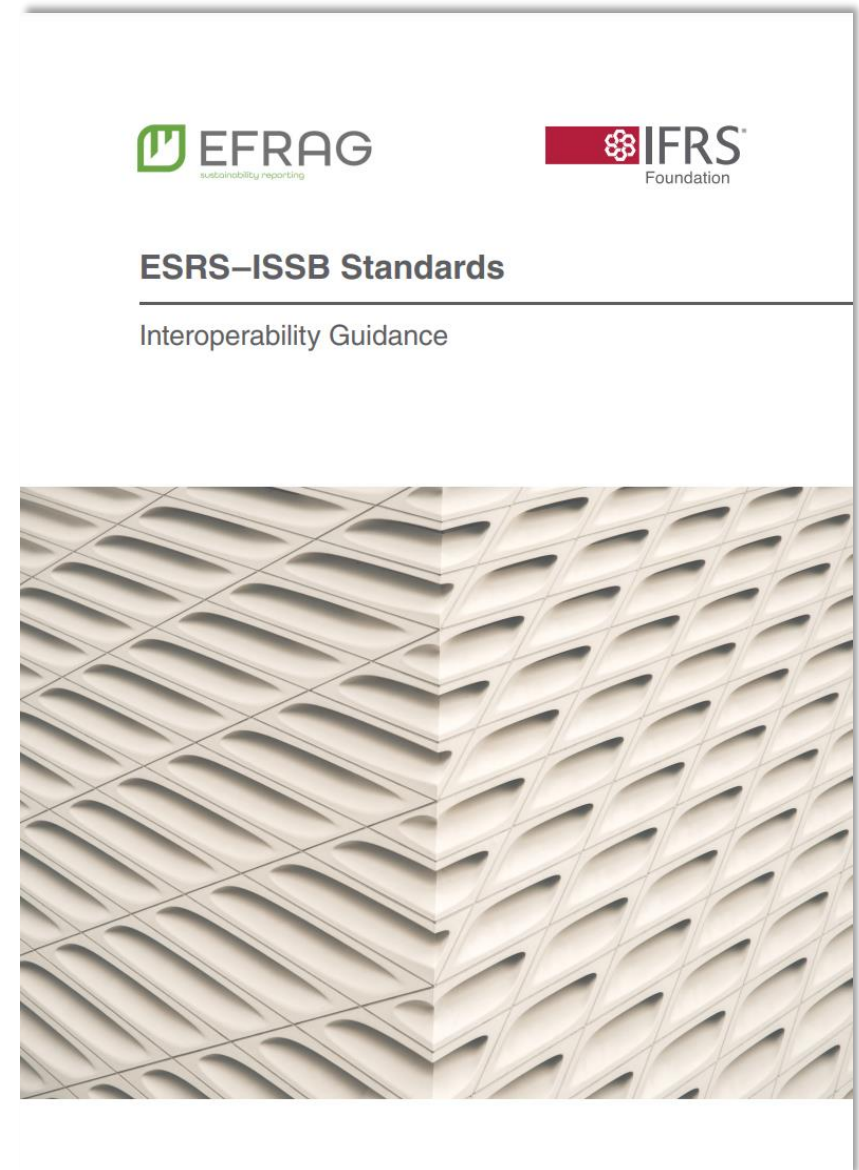
A list of ongoing and completed jurisdiction consultations on sustainability-related disclosures is available:
ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/jurisdiction-consultations-on-sustainability-related-disclosures

Achieving **efficient reporting** through **interoperability**

- Ongoing dialogue with **jurisdictions** to ensure consistency across reporting requirements, e.g., the European Commission
- ISSB Standards mark ‘**culmination of the work** of the TCFD’
- **CDP** to align platform to IFRS S2
- Work with **GRI** to further harmonise the sustainability reporting landscape

ESRS – ISSB Standards Interoperability Guidance

- **Provides practical support** that explains how companies can efficiently comply with both sets of standards.
- Illustrates the **high level of alignment** achieved between ISSB Standards and ESRS
- Describes alignment of general requirements including key concepts such as **materiality, presentation and disclosures** for sustainability topics other than climate.
- Includes **detailed analysis of climate-related disclosures**
- Explains why companies will **still need to use both** sets of standards, but makes it **easier to navigate** doing so



U.S. SEC Climate-related disclosure rules

- Climate disclosure requirements an important US milestone
- Initial analysis indicates significant **similarities with ISSB** Standards:
 - **Materiality** focus on meeting investor needs
 - **TCFD architecture**
 - Scope 1 and 2 disclosure requirements
- Recognised that requirements for Scope 3 internationally means calculation methodologies may continue to evolve
- Highlighted that **78% of Russell 1000 companies align with SASB Standards** and 50% with TCFD recommendations
- While not explicitly recognising ISSB Standards as an alternative reporting regime at this time, acknowledged similarities and that US companies may operate in jurisdictions where ISSB Standards will be a requirement
- ISSB anticipates **voluntary adoption** of the ISSB Standards for effective investor communication

