



WATERSHED GUIDE

Sustainability disclosure for companies

2025 EDITION



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Navigating sustainability disclosure in 2025

2025 is a turning point for corporate sustainability: it marks the moment when climate reporting becomes mandatory and standardised across much of the world.

The first wave of companies will disclose extensive ESG data under the EU's Corporate Sustainability Reporting Directive (CSRD), establishing unprecedented expectations of rigour on ESG for both European and non-European companies.

The International Sustainability Standards Board (ISSB) new standards are in full swing and will come into force as mandatory requirements in several countries, including Australia and Hong Kong—a turning point in the global alignment of sustainability reporting.

Additionally, 2025 continues the trend towards formalised climate transition plans, as regulators and investors ask companies to go beyond disclosure and develop a true business strategy to both reduce environmental impact and adapt to climate change.

As climate risks intensify, and investors, regulators, and the public demand deeper insights into corporate sustainability, the stakes for accurate, comprehensive, and forward-looking climate disclosures have never been higher. At Watershed, we work with leading companies to make sense of an expanding ESG policy landscape and prepare for global disclosure requirements—and we're excited to share that expertise with you.

This guide is designed to help your company stay informed of the latest regulatory updates, understand new reporting requirements, and successfully navigate the climate policy landscape of 2025 and beyond.

We hope this resource supports your continued success in a complex and rapidly changing policy environment. And if you're looking for more hands-on support, don't hesitate to [reach out](#)—we're here to help.

Anna Cerf
Product policy lead, Watershed

Disclosure 101

Before we get into the weeds on individual programs, here are a few big-picture ideas to help explain the logic behind all this legislation.

1. It's all about the scopes

The Greenhouse Gas (GHG) Protocol—the basis of climate accounting—categorises emissions by three buckets, also called “scopes”.

Scope 1

Your company owns something—a car, a boiler, a smokestack—that directly emits greenhouse gases into the atmosphere. Examples: burning natural gas to heat a building; driving a company-owned car that burns petrol.

Scope 2

Indirect emissions from purchased electricity, heat, or cooling. Examples: purchasing electricity for an office or warehouse from a local utility.

Scope 3

Everything else. Divided into “upstream” emissions (from the production and transportation of products and services you purchase) and “downstream” emissions (from your customers when they use and dispose of your product). Examples: methane from cows used to make leather for a shoe company or emissions released from recycling cans for a beer company.

Most disclosure frameworks require companies to report full scope 1 and 2 emissions; some also call for companies to start reporting scope 3 emissions.

2. The cascade effect

Most regulators are starting with major portfolios and the largest companies. Why? A natural cascade effect. If investors need to report on carbon within their portfolios, they'll ask the companies they invest in for their data. And large companies will then need this data from their suppliers.

Most rules are designed to give medium-sized companies a grace period where they start by reporting scope 1-2 emissions (which are scope 3 for the larger companies upstream of them).

3. Regulation consolidation

Until now, climate disclosure frameworks have called for different data, organised differently—creating significant overhead for companies trying to meet multiple requirements. Now, regulators are working to align their programs so disclosures can take on similar formats across jurisdictions. While each country or bloc may add its own specifics, there is movement towards a common language between requirements.

Companies will be collecting enormous amounts of data on emissions, risks, plans, and progress that they'll need to publish in multiple places in different packages. The public-facing outlets for these reports will include, at a minimum, major annual financial reports along with consumer-facing websites.

4. Consumer labelling

The endpoint of many of these programs is creating the climate equivalent of nutrition labels. Physical and financial products alike will need to come with at-a-glance breakdowns of their sustainability characteristics—including associated emissions. While this will happen at different speeds in different regions, it's likely that products across the developed world will eventually be expected to have these labels—often supported by more in-depth disclosures.

Sustainability labels*

ESG equivalent of nutrition labels for financial products

Qualifiers

Have a sustainability objective	1
Define how the product's investment policy and strategy support the objective	2
List its relevant KPIs	3
Outline its relevant use of resources and governance	4
Articulate its view of investor stewardship	5
Disclose any "unexpected investments" that consumers are likely to view as inconsistent with its sustainability objective	6

Labels

Sustainability impact
Sustainability focus
Sustainability improvers
Sustainability mixed goals

*As outlined by the UK financial regulator in November 2023.

Three essential sustainability disclosure acronyms

The sustainability space is full of acronyms. These three are important to know, since each plays a foundational role in the sustainability disclosure landscape.

TCFD

The Task Force on Climate-related Financial Disclosures

To promote global consistency in voluntary reporting, the Financial Stability Board—a UN-style body for global financial policy—created TCFD and tasked it with establishing a global baseline for climate disclosures. TCFD released its standard in 2017: a set of 11 questions spread across four major “pillars” that guide filers to ensure their disclosures go far enough. Though intended for voluntary filing, TCFD’s standard was widely adopted by the first wave of national and regional mandatory disclosure programs. The work of the TCFD has now been taken over by the ISSB as of 2024.



GOVERNANCE

How is climate being prioritised throughout the organisation?



STRATEGY

What is being done about known risks and consequences?



RISK MANAGEMENT

What is being done to flag and respond to new risks?



METRICS & TARGETS

What concrete goals are being worked towards?

ISSB

The International Sustainability Standards Board

If TCFD was the backbone of the first generation of climate disclosure programs, ISSB plays a similar role in this next iteration as it officially takes over the work of the TCFD. It takes the TCFD pillars and creates a general sustainability reporting framework accompanied by a suite of standards, which can be applied to other topics like water, waste, and biodiversity—while also asking for some additional data and analysis on climate items. Of these environmental standards, today only S1 (general disclosures) and climate standard have been published. Topics under research for future inclusion include nature and human capital disclosures.

In June 2023 it was announced that ISSB will take the UK Transition Plan Taskforce (TPT) framework to a global level, as the foundation for its own guidance on transition planning. Over time the ISSB will assess whether the TPT's materials could be integrated into its climate standards (IFRS S2). More detail is provided on the TPT framework later in this guide.

Most other global standards and frameworks have one of two relationships with ISSB:

Formally consolidating with ISSB. Factoring in recent mergers between some of these frameworks, this now includes the Value Reporting Foundation,

which previously rolled together the Sustainability Accounting Standards Board, the International Integrated Reporting Council, and the Climate Disclosure Standards Board.

Collaborating with ISSB to align some climate-related disclosures. This includes the two major voluntary programs, [GRI](#) and [CDP](#), along with most of the national and regional regulatory programs we'll cover here. The idea is that these programs, when they ask for climate-related data, should ask for similar data in a similar way. Countries around the world have already adopted or are planning to adopt mandatory ISSB reporting, including Australia, Turkey, Costa Rica, Singapore, and the UK.

SBTi

The Science Based Targets initiative

SBTi works backwards from the emissions reductions we'll need in order to hit major goals (like the Paris Agreement's 1.5°C) and sets guidelines for industries—i.e., their fair share of reductions—as well as validates targets submitted by companies. Their requirements have real teeth: companies must consider all emissions and reduce them deeply. Nearly 1,000 companies—with more than 1 billion¹ tonnes of CO₂e, or 2% of the world's total—have set their own science-based targets (or SBTs).

Many national and regional programs are likely to gradually require SBTs, where companies will be required to ensure their emissions reduction targets go far enough.



PLANETARY LEVEL

The best science on needed emissions reductions



INDUSTRY LEVEL

Translation into sector-level targets

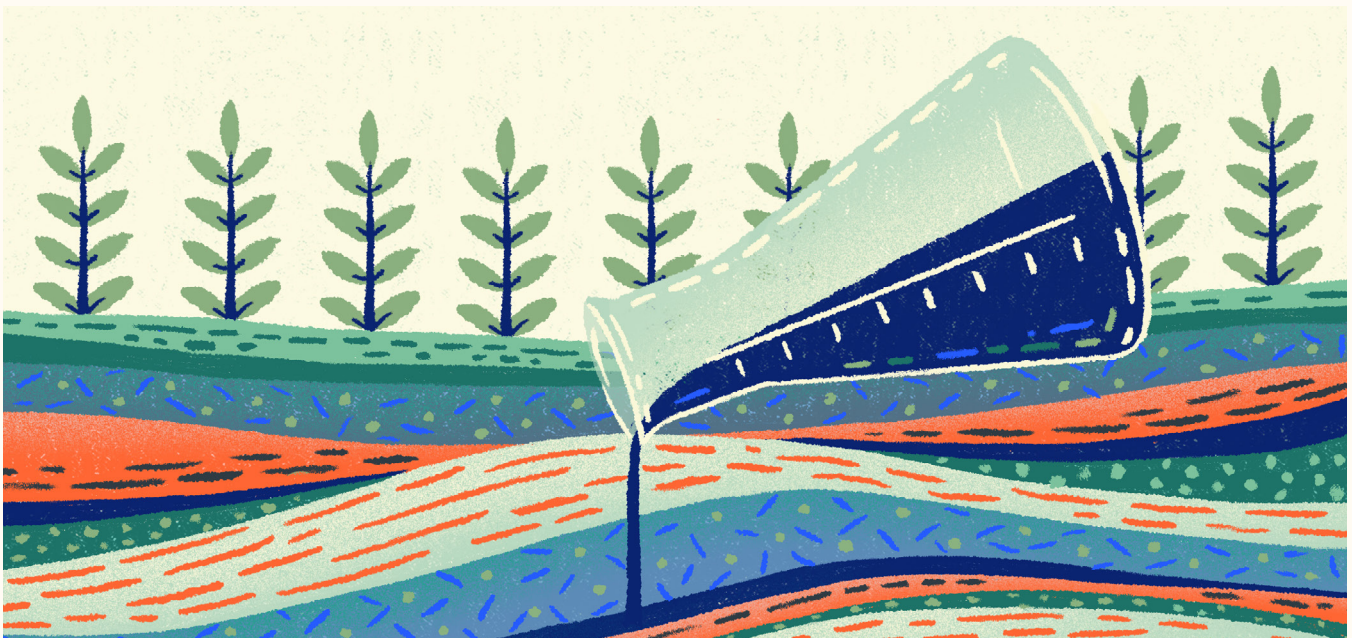


COMPANY LEVEL

Committing to eliminating your fair share

¹ CO₂e stands for carbon dioxide equivalent. The “e” is because, while carbon dioxide is the most common greenhouse gas, it's not the only one. Methane from cows, nitrous oxide from fertilisers, and dozens of other gases also cause global warming. For consistent scorekeeping, scientists convert these gases into measures equivalent to a tonne of carbon dioxide.

Mandatory reporting requirements for companies



Turning now to the mandatory disclosure programs, we'll begin with those affecting companies operating in the European Union, followed by the United Kingdom and United States. (While we won't be covering other jurisdictions here, most are expected to adopt similarly focused climate disclosure rules that will be adjusted to reflect their national or regional context.)

The EU has been a leader in mandating disclosures. With the election of a new government ambitious about implementing robust sustainability reporting, the UK is working towards outlining its own new reporting frameworks. The US has followed with its own climate disclosure rules, with an initial focus on public companies. Legislatures in individual states like California and New York have either already finalised, or are expected to pass, their own requirements that will additionally target large private companies.

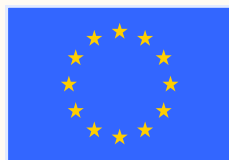
In the EU

THE CSRD

The Corporate Sustainability Reporting Directive



THE EU



THE CSRD

As part of the EU's push for robust environmental action, they've replaced their legacy ESG reporting program, NFRD, with the CSRD. This switch is expected to **roughly quadruple** the number of covered organisations to over 50,000 companies—many of which will be required to report their full carbon emissions for the first time.

The first filing dates will begin in 2025, based on 2024 data. CSRD significantly raises the bar for robustness in ESG reporting, making it crucial that companies prepare by setting clear climate goals and building out audit-ready reporting infrastructure.

Covered organisations

The CSRD will apply to all EU-based non-microcap public companies, alongside all EU-based private organisations considered to be “large”—i.e., that have two or more of (1) 250+ employees, (2) €50M+ annual revenues, (3) €25M+ balance sheet.

If a non-EU parent has €150M+ in annual EU revenues, with at least one branch or subsidiary where: (1) the branch has €40M+ in annual EU revenues, (2)

the subsidiary is either EU-listed or meets the large criteria above, then the firm will need to file a CSRD report as part of their wider EU reporting.

What the CSRD asks for

While the CSRD is built atop the **TCFD** framework, it covers additional sustainability categories beyond just climate impact—like pollution, water, and biodiversity. It also gets far more specific. Filers must start with a double materiality assessment: assessing risks, opportunities, and impacts across their operations and value chains.

Where filers find that climate change is material for them, this assessment must then be expanded to include detailed commentary on:

- The organisation's physical and transition climate risks—time horizons of 1 year, 1-5 years, and 5+ years—as well as the potential financial effects of these risks.
- The organisation's exposure to activities related to the use of coal, oil, and gas.
- Any use of compensation schemes to drive increased sustainability.
- Any actions undertaken to “prevent, mitigate, remediate, or bring an end to” actual or potential negative sustainability impacts—all the way down through the value chain.

This commentary must also be paired with [six metric and target-based disclosures](#), including information on:

- Energy consumption and greenhouse gas emissions totals, including scope 3 emissions from suppliers.
- Intensity ratios (i.e., relativising absolute emission and consumption totals by comparing them against metrics like revenue).
- The amount of funding provided for mitigation projects (i.e., carbon credits purchased).

Here again, what's unique to the CSRD are the levels of detail and assurance required. For example, filers will be required to include a statement outlining how their targets are based on "conclusive scientific evidence." They'll also need to describe the relevant expertise of the managers, boards, and partners leading their sustainability efforts.

Timeline

The rules are now final. The EU Parliament and EU Council have both signed off on the program, and the CSRD became law on 5 January 2023, and the specific reporting standards that underpin it (the ESRS, European Sustainability Reporting Standards) became law later that year. More detailed sector-specific reporting standards are close to being finalised, whilst standards for non-EU groups and SMEs are also still under development.

How and when to report

CSRD disclosures will require auditing, and the formatting needs to be [machine readable](#) so submissions can be aggregated into [a single EU-wide database](#). While some specifics are still being ironed out, each filing will be a clearly identifiable section within a larger existing annual report that combines financial and non-financial information.

Organisations already reporting under NFRD will need to submit their first CSRD filing in 2025, covering 2024 data. Newly eligible companies that didn't have a prior NFRD obligation can file in 2026, or in 2027 if they're a publicly listed small or medium-sized enterprise (SME). Non-listed SMEs can also report on a voluntary basis against the standards, should they wish to.

Non-EU firms caught in scope must report in 2029. Crucially, though, investors and other stakeholders are likely to ask for many of these inputs far in advance of those dates to satisfy their own enhanced disclosure obligations under related programs.

Companies will need to digitally tag their sustainability statements by providing XBRL tags for every datapoint defined in the final XBRL taxonomy. Statements need to be submitted to specific national authorities who will feed the data into the ESAP (European Single Access Point).

Complementary sector-specific programs

In parallel with the CSRD, the EU has developed a suite of complementary programs to encourage sustainability action and target high-impact sectors. These programs include:

Corporate Sustainability Due Diligence Directive (CSDDD): The CSDDD was passed by the previous European Commission ahead of June's election, with national member states required to transpose the law into national law by Q2 2026.

The objective of the CSDDD is to ensure that companies tackle potential and existing adverse impacts on the environment and human rights within supply chains. This in turn should address fragmentation linked to the development and

adoption of national rules on supply chain due diligence and ensure a level playing field for both EU and non-EU operators.

Climate transition plans are required under the CSDDD, and these will need to lay out how a company is planning to reach climate neutrality throughout its value chain by 2050, in line with the Paris Agreement's target to limit global warming to 1.5°C. Plans will have detailed, time-bound targets for 2030 and five-year increments until 2050. They will describe the “decarbonisation levers” being used to reach these targets (including changes in product/service offerings and adoption of new tech).

The scope applies to all EU companies with over 1,000 employees and a €450M annual revenue. All non-EU companies that generate over €450M of their annual revenue in the EU will fall within the scope.

The obligations will apply in a cascading system:

→ Companies with > 5,000 employees and €1.5B in revenue: three years after entry into force, with reporting for the financial year starting on 1 January 2028.

→ Companies with > 3,000 employees and €900M in revenue: four years after entry into force, with reporting for the financial year starting on 1 January 2029.

→ Companies with > 1,000 employees and €450M in revenue: five years after entry into force, with reporting for the financial year starting on 1 January 2030.

For EU companies, enforcement will be via the authorities within the member state (MS) in which the company is registered. For non-EU companies, it's the authority of the MS where the company has a branch or generates its most EU revenue.

Member states will set rules on penalties. Fines for non-compliance can be a maximum of 5% of a company's net worldwide revenue. Companies can be held liable for causing direct harm due to improper due diligence, allowing for compensation demands.

The EU's Circular Economy Package (CEP):

Spanning multiple pieces of legislation, CEP is meant to nudge supply chains towards reduced waste, improved transparency, and more “circularity by design”—where care must be taken to how goods are ultimately disposed of. Taken together with related initiatives, apparel companies will need to present retail consumers with a “Digital Product Passport” covering key sustainability details—likely including a materials overview, recycling information, and the product's carbon footprint.

Proposal on the Substantiation of Green Claims:

Meant to address greenwashing, this draft builds on existing measures to mandate that marketing claims like “net zero,” “carbon neutral,” or “50% lower emissions” will only be allowed when both specific and substantiated. The proposal will also require any green claims that rely on the use of carbon offsets to be substantiated by methodologies that ensure integrity.

In the UK

As a new United Kingdom government brings renewed ambition to climate reporting obligations, companies will need to adhere to a higher standard of sustainability reporting.

A new government came into power in the UK in 2024 with ambitions to pursue further disclosure measures. This includes: (1) plans to endorse ISSB IFRS S1 and S2 standards; (2) mandating climate-related transition plans; (3) a UK green taxonomy; and (4) extending the FCA (Financial Conduct Authority) sustainability labelling system to overseas funds.

ISSB

International Sustainability Standards Board



THE UK



ISSB

The UK has announced its intention to develop standards for climate disclosure in line with the recently released ISSB framework from the IFRS. The ISSB standards align closely with the TCFD framework. The FCA will initially introduce the ISSB framework to replace its TCFD-based rules for listed companies, and then, over time, other UK rulesets will also change to be based on ISSB.

SECR

Streamlined Energy and Carbon Reporting



THE UK



SECR

This program replaces the former Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. 11,900 large UK organisations must now disclose their electricity usage and greenhouse gas emissions alongside their annual financial reports—many for the first time.

SECR continues the CRC's mission of encouraging more efficient operations, while expanding the reporting scope to ensure companies are taking real action on carbon.

Covered organisations

The new obligations cover all UK quoted companies. They also cover private companies and non-profits that have two or more of:

- 250+ employees
- £36M+ annual turnover
- £18M+ balance sheet

Reporting as a subsidiary

These thresholds are calculated at a subsidiary level. For groups that contain subsidiaries that would have their own reporting requirement, the group can do a single bulk report that aggregates all the group's data so long as the subsidiary was part of the group by the end of the relevant financial year. If the subsidiary's financial year ends after that of the parent or group, the latter must use their own financial year as a data cutoff instead.

Subsidiaries with non-UK parents are exempt, as are public sector organisations. Any organisations that consumed less than 40,000 kWh of energy in the past year can also forgo full SECR reporting, but must confirm their total energy usage in their regular annual filings.

What SECR asks for

SECR requirements are different for public and private companies, but, at a high level, SECR mandates companies to disclose three metrics and two pieces of commentary:

- 1. Total energy consumption:** Most organisations can calculate this by adding their gas and electricity bills. Unquoted organisations and LLPs must also include fuel purchased for all business travel beginning and ending in the UK.
- 2. Scope 1 and 2 greenhouse gas emissions:** These

include all direct emissions from company-controlled infrastructure, and all emissions associated with the purchase of electricity, steam, heat, and cooling. Quoted companies under SECR additionally need to disclose emissions from business travel in rental cars or employee-owned vehicles, where the company is responsible for purchasing the fuel.

3. An emissions intensity ratio: To put your emissions in context, they must also be expressed relative to some business activity—e.g., tonnes of CO₂e per dollar of turnover. The chosen ratio (see options in [Annex F](#)) must be considered “most appropriate” for your core business activity.

- **Brief commentary on actions taken:** You must list all actions taken in the past year to improve energy efficiency across your infrastructure and operations.
- **Notes on methodology:** You must make it clear how you calculated your consumption, emissions, and intensity ratio.

Metrics 1 and 2 must also include annual totals for the prior reporting year for reference. Quoted companies must disclose metrics 1-3 for their entire global footprints, broken out between UK and non-UK totals.

How to report

Filing requirements are based on organisation type:

- For quoted companies, the required information must be included in their annual Director's Report to Companies House. Though, if the details are considered of strategic importance, this filing can be included in their Strategic Report instead.
- LLPs must prepare a standalone “Energy and Carbon Report” covering this information, then have it approved by all members and signed by a designated member before submitting it to Companies House.
- For charitable companies, this information should be included in their Directors' and Trustees' Annual Report.

CRFD

Climate Related Financial Disclosures



THE UK



CRFD

CRFD reporting regime requires covered organisations—including banks and insurance companies—to include eight sustainability-related disclosures each year. These new rules apply to accounting periods starting on or after 6 April 2022.



What you need to know

CRFD covers the same substance as TCFD, narrowed down to **just eight disclosures**, each of which references an organisation's climate-related risks and opportunities:

1. What they are.
2. How they're handled at a governance level.
3. How they're assessed practically.
4. How they're integrated into overall risk management.
5. What their actual and potential impacts are on the organisation.
6. How resilient the organisation is in various climate scenarios.
7. Which broad targets are used to manage the risks and realise the opportunities.
8. Which KPIs (key performance indicators) are used to assess progress against these targets.

These answers must then be submitted as part of the organisation's non-financial and sustainability (NFIS) statement within their Strategic Report, or else via the Energy and Carbon Report section of their standard Annual Report.

While there is no specific requirement to disclose carbon emissions, all organisations reporting under CRFD will also be reporting under SECR—which already requires scope 1 and 2 emissions. And as the targets and KPIs from disclosures 7 and 8 will increasingly involve reductions to scope 3 emissions, it's best practice to begin measuring and including all emissions data early.

FCA

TCFD requirement for listed firms



THE UK



FCA

The FCA listing rules mandate that both premium-listed and standard-listed companies provide disclosures in line with the TCFD framework. These companies must include a statement in their annual report indicating whether they have complied with the TCFD framework on a “comply or explain” basis. This requirement has been in force for premium-listed companies since 1 January 2021, and, for standard-listed companies, it became effective from 1 January 2022.

ESOS

Energy Savings Opportunity Scheme



THE UK



ESOS

The Energy Savings Opportunity Scheme (ESOS) is a legacy program inherited from the EU that requires an energy audit every four years.

What it requires

Covered organisations must measure and document their total energy consumption across their buildings, industrial processes, and transportation use—along with commentary on:

- Which business areas consumed the most energy.
- How they plan to reduce consumption in those areas.
- What other reductions they considered.
- Who their lead assessor (auditor) and board-level reviewer were.

How it's submitted

There is no set audit format and no submission requirement for any findings. Companies are merely asked to send notice that an audit has been completed, and to keep whatever records they have for potential inspection.

- An organisation's eligibility will be determined by its size as of 31 December 2022.
- Reports must cover 12 consecutive months that include the eligibility date.

In the US

CCDAA: CALIFORNIA'S CLIMATE CORPORATE DATA ACCOUNTABILITY ACT



THE US



SB 253 & 261

Companies conducting business in California that meet certain thresholds will need to comply with the climate disclosure rules starting in 2026.

Originally passed as two bills, Senate Bills 253 and 261 (SB 253 and SB 261), the legislation was finalized by a third bill—SB 219—and signed into law as the Climate Corporate Data Accountability Act on 27 September 2024.

The CCDAA requires most US-based public and private companies doing business in California to disclose their scope 1 and 2 emissions beginning in 2026 based on 2025 data. Scope 3 emissions reporting will be required starting in 2027 based on 2026 data.

Scope 1 and 2 emissions disclosures must be independently assured by a third party. Scope 3 emissions may also require assurance; the California Air Resources Board (CARB) is set to make that decision in 2027, and can legally introduce the requirement from 2030. All emissions disclosures will be housed on a publicly available digital registry.

In addition to emissions disclosures, the rule also requires certain entities doing business in California to prepare and publish climate-related financial risk reports that are consistent with recommendations from the Task Force on Climate-Related Financial Disclosure (TCFD) framework.

Those reports must be published on a company's website. For example, businesses would have to disclose whether they've budgeted for increased compliance and insurance costs and quantified potential opportunities and strategic priorities related to climate change. The first report would be required to be prepared by 1 January 2026, and then refreshed biennially.

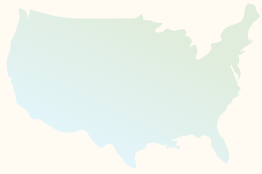
Who does the CCDAA apply to?

The scope of the rule is broken into two parts. The emissions disclosure requirements apply to US public and private companies with annual revenue in excess of \$1B, that are doing business in California.

The requirement to publish climate-related financial risk reports captures a wider set of companies: US public and private companies that do business in California, with annual revenue of at least \$500M.

SEC

Disclosure Rule



THE US



SEC

To help the US catch up to regulators in Europe, the Securities and Exchange Commission (SEC) put forward its own carbon disclosure [proposal](#) in March 2022. The final rules were released in March 2024, and they are currently subject to legal proceedings.

But the most important thing for companies to plan for isn't just the specifics of this proposal; it's the trendline. Major national governments are acting in unison, and individual US states like New York and California are following close behind. Many growing US companies will have robust climate reporting obligations in multiple jurisdictions as soon as 2025.

Which companies are affected by this proposal?

This proposal affects all public companies with an existing SEC reporting requirement, including all non-US companies with US-traded shares that currently file a Form 20-F. While most private US companies are exempt, those on path to an IPO often elect to begin filing public disclosures in advance—in which case their investors are likely to ask them to include this data. These disclosures will also be part of their eventual IPO registration statements.

What does the proposed rule ask for?

The SEC's proposal is for a [TCFD+](#) filing—to be reported alongside financial results, within a company's annual 10-K report—with focus on three particular areas:

1. Measuring and disclosing climate data

The SEC wants companies to disclose their emissions, plans, and progress in detail, including at least:

- All scope 1 and 2 greenhouse gas emissions—i.e., direct emissions and those from purchasing electricity, heating, and cooling—with any carbon credits listed separately so investors can see total emissions in isolation. Importantly, these disclosures are only required for large accelerated filers (LAFs) and accelerated filers (AFs) when deemed material.
- Any [internal carbon price](#) used and the logic used to calculate it (this price also has to be consistent between internal use and external PR; there can't be two prices). This must be provided only if a company deems it material to how it evaluates and manages a climate-related risk.
- Updates on plans and progress against any climate pledges or targets.



2. Assessing and disclosing climate risks

The upshot: climate risks are financial risks and must be identified and managed with unprecedented rigour.

These risks can be physical (e.g., extreme weather impacts) or transitional (e.g., customer tastes shifting as climate change worsens). When assessing and disclosing these risks, filers must break them down over short-, medium-, and long-term time horizons. They must also disclose actual and potential impacts on their business models, strategies, and outlooks—stretching across their products, physical operations, and even R&D expenditures.

Large public companies also need to spell out the financial implications. First, in narrative form. A freight company, for example, might discuss impairment charges for older equipment that it expects won't pass coming regulatory thresholds. Then, in quantitative form, where line items like revenue, inventory, and debt are matched with projected impacts from these climate risks (for each line item where expected impact is likely to be greater than 1%).

Lastly, these filings must outline the methodology used to identify and assess risks, and detail how they factored dynamics like existing or likely regulations, shifts in customer or counterparty preferences, technological changes, etc.

Requirement dates

FILER TYPE	SCOPES 1 & 2 GHG DISCLOSURE COMPLIANCE DATE	LIMITED ASSURANCE	REASONABLE ASSURANCE
Large accelerated filer	Fiscal year beginning 2026	Fiscal year beginning 2029	Fiscal year beginning 2033
Accelerated filer	Fiscal year beginning 2028	Fiscal year beginning 2031	Not applicable

3. Integrating climate thinking

Investors want more than just plans and data; they want evidence that climate action isn't just the product of one isolated team within a company. They want to understand exactly how climate data—really, climate thinking—is incorporated into daily decision-making, especially within the C-suite and the boardroom. This includes the level of board expertise on climate-related risks, and how the board discusses those risks. Companies will also have to show exactly how climate risk is integrated into their wider risk-management processes.

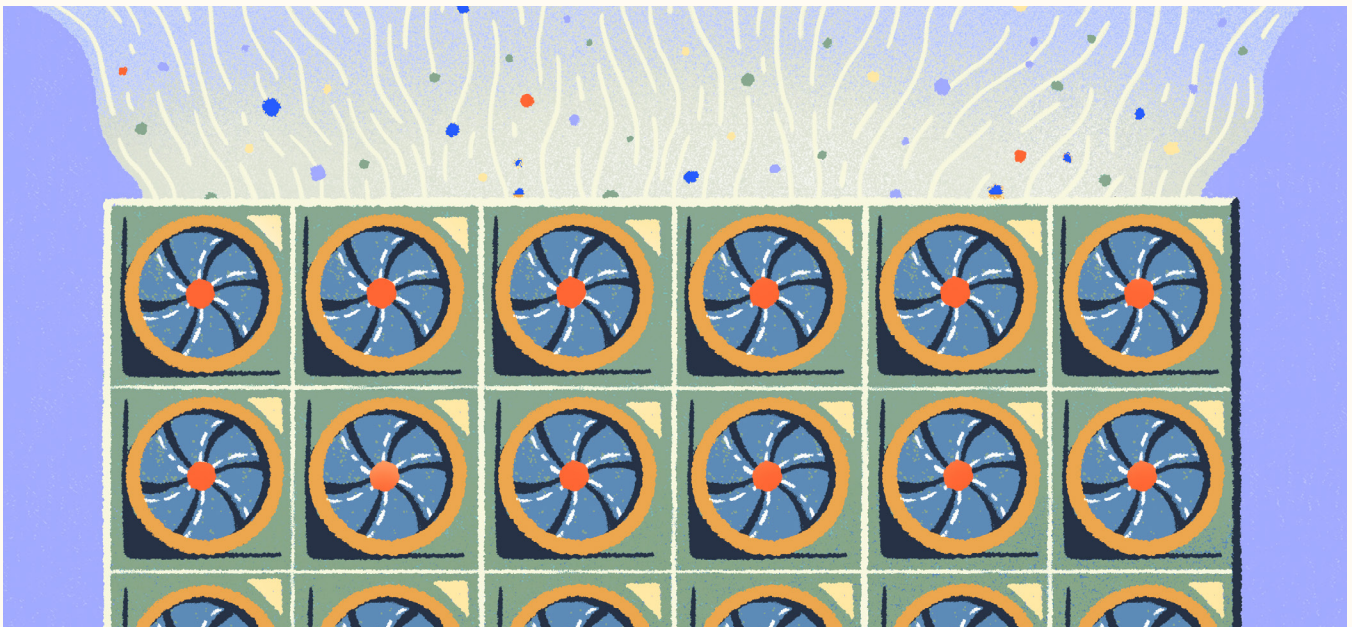
Though the proposed rules here focus on transparency rather than forcing specific actions, they will be a significant measure by which investors themselves judge the quality of disclosures. ESG isn't just a buzzword to them. They know that climate action (or inaction) will soon affect the financial trajectory of every company.

Will climate data require attestation?

Yes, scope 1 and 2 emissions data will require attestation for [large filers](#). The attestation requirement will be phased in, moving first to a limited assurance standard and then to reasonable assurance.

NOTE: As this guide was being finalized, voters in the US elected Donald Trump to the presidency. What this means for federal climate policy, including the SEC rule, is not yet clear, but based on the new administration's stated views, ambitious federal climate policy is less likely than state-level action.

Mandatory reporting requirements for asset managers



As climate change progresses and climate risks turn into real losses, regulators want to ensure that anyone considering buying into broad investment portfolios can easily and precisely understand the climate component of the underlying companies.

The European Union has set the bar here, though the United Kingdom has pushed some rules further and has taken a firm step in working to mandate at least TCFD-style reporting through their entire economy by 2025—including asset managers.

The US has also taken initial action on greenwashing, and is likely to follow on with similar programs—both federally and at a state-by-state level.

Crucially, many global financial firms will soon be reporting into several of these regimes in parallel. While these programs are meant to align on key points—particularly through the ISSB's efforts to harmonise ESG disclosures globally—that harmonisation is still in its early days.

In the EU

SFDR

Sustainable Finance Disclosure Regulation



As demand for sustainable financial products grows, investors are increasingly looking for data on how investments actually promote sustainability—and on how climate risks may impact their value. The EU's mandatory Sustainable Finance Disclosure Regulation (SFDR) program directs financial firms and advisors on how to offer this transparency.

The [latest SFDR technical standards](#), released 6 April 2022, demand far more data than the first wave of requirements—including detailed emissions data from portfolio companies, many of which are still measuring their carbon footprints for the first time.

These new rules took effect 1 January 2023 (applicable to 30 June 2023 filings).

Covered organisations

SFDR covers all EU investment management firms and advisors, including asset managers, banks, and insurers—along with all non-EU firms that target the EU market through the Alternative Investment Fund Managers (AIFM) Directive.

The specific rules, however, vary based on three broad groupings:

- Large financial market participants (FMPs)—e.g., banks, asset managers, investment firms, insurance companies, venture capital firms, pension funds.
- Smaller FMPs with fewer than 500 employees (counted at a group level, including headcount from any non-EU entities).
- Financial advisors—whether individuals, entities, or intermediaries—who guide EU consumers on investment, insurance, and pension products.

We'll get into how the rules vary by group as we discuss the rules in turn.

SFDR's relationship with the EU Taxonomy for sustainable activities

SFDR is a twin project with the EU's new [Green Taxonomy](#): an in-progress rulebook that determines which economic and business activities officially count as green.

Under SFDR, a covered organisation that labels or markets a financial product as sustainable must disclose the degree to which the underlying investments meet this taxonomy's minimum qualifications—i.e., how green they really are.

Combined with the EU's corporate disclosure program ([the CSRD](#)), companies will face strong pressures to align their activities with this taxonomy—and sustainability-focused funds will need to report on the collective progress of their portfolio companies.

A great first step for fund managers is to commission a [footprint measurement](#) to identify where their portfolio companies' carbon hotspots are.

What SFDR asks for

In the long run, SFDR is about creating the sustainability equivalent of nutrition labels for financial products—which will outline two things for investors:

- Sustainability risks, or how a changing climate will affect the underlying investments.
- Principal Adverse Impacts (PAIs), or how the investments will impact the world/climate.

The EU is pushing towards this by gradually increasing the stringency of their minimum disclosure requirements—which must now be made at two “levels”:

- At an entity level (applies to FMPs* but not financial advisors).
- At an individual product level (applies to both).

* While all FMPs must provide product-level disclosures, those with 500 or fewer employees can opt out of entity-level disclosures if they explain their reasoning in writing.

Entity-level disclosures

Covered FMPs need to regularly disclose four things:

- How they factor sustainability risks when making investment decisions—e.g., when it happens in the selection process, who's responsible for deciding, and which specific climate-risk considerations or benchmarks might disqualify an investment.
- If and how their remuneration policies reflect the above approach.

- How they factor a specific list of 14 [PAIs](#)—covering both the environment and broader social issues.
- How they approach due diligence for the above, including which recognised codes and standards they're referencing in their self-evaluations.

Of the 14 core PAIs that each FMP must cover, six are climate related (precise formulas [here](#)):

1. Scope 1-3 GHG emissions—i.e., their own emissions plus a share of total emissions from each portfolio company (proportional to the FMP's investment in them).
2. Their carbon footprint—i.e., their total scope 1-3 GHG emissions divided by the current value of all investments.
3. The aggregate GHG intensity of portfolio company and other asset emissions—i.e., the emissions of each company relativised to a financial metric like revenue.
4. The share of investments in fossil fuel companies.
5. The share of energy produced or consumed by the portfolio companies that came from renewable vs. non-renewable sources.
6. Energy consumption (per million euros of portfolio company revenue) for each high-impact climate sector.

The new rules also require the disclosure of at least one additional non-core PAI indicator from each of the environmental and social categories. The Commission has provided additional guidance that the additional non-core PAI indicator should be based on materiality. For example, if material, an impactful climate-related option is “how many of your portfolio companies don't have carbon emissions reductions initiatives yet?”—which spurs lagging companies to take their first step towards real action.



Product-level disclosures

The rules ask that all financial products be clearly bucketed into one of three categories:

- Article 6 products don't have sustainability* as a core objective, nor is sustainability a screening consideration during investment selection.
- Article 8 ("light green") products also don't have sustainability as a core objective, but some investments are screened for [sustainable characteristics](#)* and marketed accordingly.
- Article 9 ("dark green") products have sustainability as a core objective, and all component investments are marketed as sustainable.*

* Once the Taxonomy is complete, the definition of "sustainability" is likely to be increasingly linked to the Taxonomy. For now, products must just disclose how aligned they are with the Taxonomy's finished sections.

As we'll cover in the next section, each product's disclosure obligations correspond to its strongest ESG marketing claims. Article 9 products claim the

most impact, and thus have the highest bar to clear. Article 6 products aren't considered green, so they require no disclosures.

How and where to file

SFDR disclosures fall into two categories:

- Pre-contractual disclosures are to be provided to potential investors and must include both entity- and product-level sections. They're meant to be forward-looking, focusing on sustainability objectives and expected performance.
- Periodic disclosures are for product-level disclosures only, and they serve as report cards on how each product is doing relative to its goals.

Both types of disclosures must be summarised and uploaded to a prominent place on the filer's website. These filings must be dated and must include the next anticipated publication date.

Disclosure templates: entity level (pre-contractual only)

1. How do you factor in sustainability risks when making investment decisions?
2. Do your remuneration policies reflect the above approach? If so, how?
3. How do you factor the 14 core (PAIs)?
4. How do you factor two additional PAI (one environmental, one social)?
5. How do you approach due diligence for the above?

Note that entity-level disclosures must address all 14 core PAIs, while product-level disclosures are free to leave out the carbon-related PAI. But many investors want to see at least scope 1-3 emissions data on a product-by-product basis, and we strongly encourage including it.

DISCLOSURE	PRE - CONTRACTUAL	PERIODIC
Entity-level disclosure	✓	✗
Article 8 product disclosure	✓	✓
Article 9 product disclosure	✓	✓

Product level (pre-contractual)

Answer the left or right column based on product classification:

ARTICLE 8
1. Which generic environmental and/or social characteristics does this product promote?
ARTICLE 9
1. Which specific sustainable investment objective does this product promote?

Product level (periodic)

The following questions apply to both Article 8 and Article 9 classified products:

ARTICLE 8 & ARTICLE 9
2. Which reference benchmark(s) (if any) will determine whether this product aligns with its characteristic or objective?
3. How does this product consider PAI?
4. What's this product's investment strategy?
5. What percentage of this product is reserved for investments that align with at least one EU Taxonomy objective?
6. Where can I find more product-specific information online?



Here, Article 8 and 9 disclosures cover the same questions:

Since your last report...

1. How did this product perform compared to its reference benchmark?
2. How did this product perform on its PAI considerations vs. the past five years?
3. Which actions were taken to improve performance?
4. What were this product's top 15 investments (by total value)?
5. What proportion of investments aligned with at least one Taxonomy objective?

Getting started

SFDR filings are based on calendar years, where each year's data must be shared by 30 June of the following year—e.g., 2022 data by 30 June 2023. All PAI-related metrics must be calculated at the end of each calendar quarter and then averaged for each annual report.

The ruleset covered here went into effect 1 January 2023.

A significant criticism levied against the SFDR relates to its appropriation as a labelling regime, which has weakened the regulation's ability to fulfil its transparency aims. This is primarily a result of the SFDR establishing a fund classification system. The system classifies funds as Article 6, Article 8, and Article 9 depending on the strength of claims about a product's sustainability. Rather than being used to determine the level of disclosure required by different funds, instead the classification system has been adopted as a labelling system by funds.

A public consultation was therefore launched in September 2023 as part of a comprehensive assessment intended to address these issues.

As a result of the consultation, a new product categorisation system has been proposed, which would result in significant changes to rules governing the marketing and content of sustainable funds in the EU.

In the UK

Note that the Climate Related Financial Disclosures (CRFD) program covered in the Companies section above also applies to banks and insurance companies.

SDR FOR UK ASSET MANAGERS & OWNERS



THE UK



SDR

In November 2023 the UK released its SDR and investment labels regime, starting with a suite of five proposed rules for UK-regulated asset managers. Taken together, these proposals require all UK financial products marketed with words like “sustainable” to be backed by real action. Those actions must be summarised for consumers via consistent, easily-parsed, easily-located disclosures.

Crucially, this means that the firms creating financial products will soon be approaching the companies that make up their portfolios and asking for their climate and sustainability data.

These proposals are just the first wave of a larger push to minimise greenwashing and promote meaningful sustainability across the British economy. Future waves are expected to strengthen these requirements and to include rules for UK companies more broadly, as SDR begins to slowly consolidate most existing UK sustainability disclosures initiatives.

Covered organisations

The proposed rules cover all investment funds administered by UK-regulated asset managers and distributors of financial products. Unlike similar programs, these proposals apply to all covered firms regardless of size—with one limited exception in Proposal #4 below.

The UK government has also signalled its intent to gradually expand the SDR regime to include pension products, listed issuers, and overseas products marketed into the UK.

The six proposed rules

1. Anti-greenwashing rule
2. Sustainability labels
3. Customer-facing disclosures
4. Detailed disclosures
5. Naming and marketing rules
6. Requirements for distributors

1. Anti-greenwashing rule

On 23 April 2024, the Financial Conduct Authority (FCA) published finalised guidance on how firms should implement the new anti-greenwashing rule introduced in November 2023 as part of its broader Sustainability Disclosure Requirements (SDR). The FCA outlined four key principles that firms’ sustainability references should be: correct and capable of being substantiated; clear and presented in a way that can be understood; complete—not omitting or hiding important information, and considering the full life-cycle of the product or service; and fairly and meaningfully compared to other products where appropriate.

The FCA outlined that the anti-greenwashing rule will apply to all communications to a UK-based client, which includes claims about the sustainability (environmental or social) characteristics of the product or service. The anti-greenwashing rule is the first component of SDR and came into force on 31 May 2024.

2. Sustainability labels

The core idea here is creating the ESG equivalent of nutrition labels for financial products, giving potential buyers granular context on whether and how the underlying investments actually promote greater sustainability. The UK has opted towards making sure buyers can shop by the aspects of sustainability that are important to them, backed by clear objectives and meaningful data.

To qualify for any of the four available SDR labels, a financial product must (1) have a sustainability objective, (2) define how its investment policy and strategy support the objective, (3) list its relevant KPIs, (4) outline its relevant use of resources and governance, (5) articulate its view of investor stewardship, and (6) disclose any “unexpected investments” that consumers are likely to view as inconsistent with its sustainability objective.

- Label 1: “Sustainability Focus.” Products where at least 70% of underlying investments meet “credible” ESG standards. The UK’s [Green Taxonomy](#), once finished, is likely to be one such standard. Alternative standards are also still being discussed.
- Label 2: “Sustainability Improvers.” Investments that may not meet credible ESG standards today, but that are on a clear course towards greater sustainability. Each covered product must also disclose its “escalation triggers,” or the steps it will take if progress doesn’t come—all the way up to potential divestment.
- Label 3: “Sustainability Impact.” These products must have an objective that contributes to solving an environmental or social problem—i.e., a sustainability ambition that’s clearly significant. These products must also have a divestment plan for any assets that fail that ambition.

- Label 4: “Sustainability Mixed Goals,” a label for funds that predominantly invest in assets that are a mix of the three first labels.

While products aren’t required to have a label, all will still be subject to Proposal #4 below, which restricts them from otherwise suggesting sustainability in their names or marketing.

3. Customer-facing disclosures

While financial products may be sold without an SDR label, all products—regardless of whether they’re marketed as sustainable—will need to come with easily-understood disclosures that outline: (1) the product’s sustainability objective, if it has one, (2) how it performs against that objective, and (3) how its asset selection factors sustainability, if it does.

While the requirements will be softer at first for products that don’t have an SDR label, this is likely to change over time.

4. Detailed disclosures

As the disclosures from Proposal #2 are intended to be parsed at a glance, the UK is also set to require more comprehensive disclosures to be made available covering additional details like how firms are managing sustainability-related risks and opportunities.

The more advanced disclosures fall into three categories—the second and third of which only apply to financial products that have SDR labels.

Category #1: entity-level reports

Covered firms must publish a report covering the firm as a whole, using an extended version of [TCFD](#) that covers broader sustainability-related disclosures. (The [ISSB’s new standards](#) will likely supplant TCFD

as the basis here.) This report must also cover the firm's "financed emissions"—i.e., their fair share of emissions from portfolio companies. This requirement applies regardless of whether a firm applies for SDR labels for their products. However, firms with under £5B in AUM (calculated on a three-year rolling basis) don't come into scope until December 2026—the only threshold-based exemption in these new rules. Firms that offer at least one product with an SDR label must also disclose additional information on governance and resource allocation.

Category #2: pre-contractual product reports

Before selling a financial product, firms are required to provide potential investors with a disclosure that covers key sustainability information in detail—i.e., a more fleshed-out version of the glossier summary required in Proposal #2.

This requirement only applies to products that use an SDR label or that otherwise advertise having a sustainable investment strategy.

Category #3: progress product reports

To ensure that investors can access up-to-date information on how well financial products are performing against their sustainability objectives, firms must compile and publish progress reports on at least an annual basis—building on the information disclosed in the pre-contractual reports, detailed in a way that meets [TCFD](#) (and eventually [ISSB](#)) disclosure minimums. This requirement only applies to products that use an SDR label.

5. Naming and marketing rules

To prevent firms from opting against the rigour of qualifying for an SDR label while still trying to convince customers that its financial products are sustainable,

SDR will restrict the language that firms can use in naming and marketing their products.

Products without an SDR label will be prohibited from using the word "sustainability" or any equivalent that implies sustainability characteristics—including at least "ESG," "environmental," "climate," "green," "net zero," "impact," "responsible," "SDG," and "Paris-aligned." In addition, a companion anti-greenwashing rule requires all sustainability claims to be "clear, fair, and not misleading."

6. Requirements for distributors

While most of these rules are focused on the firms that create financial products, SDR will also require the firms that distribute these products to display labels prominently and make all consumer-facing disclosures available to potential buyers. If you're buying a financial product in the UK—no matter from whom—the same data should be readily available in a prominent way.

Timeline

Different components of SDR are being introduced incrementally as follows:

- 31 May 2024—anti-greenwashing rule and guidance come into force.
- 31 July 2024—firms can begin to use labels and accompanying disclosures.
- 2 December 2024—naming and marketing rules and accompanying disclosures come into force.
- 2 December 2025—ongoing product-level and entity-level disclosures come into force for firms with assets under management over £50B.
- 2 December 2026—entity-level disclosure rules come into force for firms with assets under management under £5B.

TPT

Transition Plan Taskforce



THE UK



TPT

Global regulators are converging on shared goals for climate disclosure. Publicly reporting greenhouse gas emissions and climate risks is now the baseline, and the next step for many companies will be to develop and publicly disclose a transition plan to explain how they will achieve their decarbonisation targets. Transition plans are required in current and upcoming climate regulation in the EU, UK, and US.

In the UK, the government created a Transition Plan Taskforce (TPT) to develop their own framework for transition plans. The framework launched in early October 2023 and is broadly expected to be adopted into UK climate regulations as part of the upcoming transition to ISSB in 2025.

The UK TPT framework will challenge companies to define how they will achieve their decarbonisation goals and prepare for the transition to a lower-carbon economy. Defining this plan will be a cross-functional effort, and organisations will need to work across teams to embed their climate transition plan into their business strategy, as they would to implement any other sweeping shifts to the business model.

DWP'S RULES FOR PENSION FUNDS



THE UK



DWP

Under the Department for Work and Pensions (DWP) program, trustees of covered pension funds must publish an annual report that's a slight riff on TCFD.

What it asks for

A core section of the report is “metrics and targets,” which requires trustees to calculate:

- The “financed emissions” of their fund—i.e., their proportional share of the emissions from the companies and assets they've invested in. This ought to be calculated using “[The Standard](#)” created by the Partnership for Carbon Accounting Financials (PCAF).
- Their emissions intensity, which relativises absolute emissions by comparing them to the total value of the fund's investments.
- One additional climate change metric (from [this list](#))—the most straight-forward and useful of which is “data quality,” or the proportion of the portfolio for which emissions data was included. (Driving this number up to 100% has positive cyclical effects.)

The resulting report must be published on a free-to-access website within seven months of each pension's year end. If a fund's assets fall below £500M, the trustees must submit a final report for that accounting year. Trustees are also allowed to exclude the scope 3 emissions of their investments in their first reporting year, though they're encouraged to measure and report what they can.

In the US

SEC

Fund Labelling



THE US



SEC

The Securities and Exchange Commission released two rules covering how US investment firms label and market funds. In October 2022, the SEC proposed that stronger ESG claims be matched with emissions data for certain funds, in order to combat greenwashing. In September 2023, the SEC published the final version of the fund names rule. We await the publication of the final fund categorisation rule.

Which firms are affected by these proposals?

Any investment company or advisor currently required by the SEC to file one of the following [forms](#) and who have ESG-integrated or focused funds: N-1A, N-2, N-CSR, N8B-2, S-6, N-CEN, or ADV Part 2A.

This covers most registered investment funds and some investment advisors.

What do the proposals ask for?

The [first proposal](#) covers fund categorisation. The core idea: the more central that ESG is to the objectives of the fund, the stronger the disclosure

requirements should be. To make this explicit for investors, the SEC wants funds to identify as one of three distinct tiers:

ESG-integrated funds, where ESG qualities are a routine selection factor, but only as one factor among many.

If ESG is a consideration, the fund needs to disclose its methodologies and data sources used in their evaluation. Funds will then be accountable to either consistently evaluate accordingly or remove the ESG labelling.

ESG-focused funds, where ESG qualities are a “significant” or “main” consideration.

- Funds that don’t consider greenhouse gas emissions will need to say so explicitly in a prominent place in their disclosures.
- Funds that do consider emissions will need to disclose both their total carbon footprints (mostly scopes 1 and 2; see later section on scope 3) and weighted average carbon intensities (emissions divided by a business metric like revenue) across their portfolios, with any offsets left out. They’ll also need to outline their methodologies for including and excluding assets, along with any relevant information on how they’ve voted on ESG-related proxies.
- A summary of all this information will also need to be published in a standardised table to allow for easy comparison, with links in that table to fuller explanations, e.g.:

Impact-focused funds, where specific ESG outcomes are the explicit intent of the funds. They’ll need to disclose how they measure qualitative and quantitative progress towards those objectives—including relevant emissions data for any environmental goals.

DOES THIS FUND...	YES	NO
Incorporate ESG factors	X	
Screen to exclude non-ESG assets	X	
Screen to include ESG assets	X	
Seek to achieve a specific impact		X
Vote proxies on ESG issues		X
Engage on ESG issues		X

The [second proposal](#) covers fund naming. The SEC wants to extend the 1940 “Names Rule” to cover ESG labelling, where any fund that includes a specific type of investment in its name (like ESG) would need to allocate at least 80% of the fund’s value accordingly—which for ESG would also require a clear definition of the criteria used. Under both proposals, these disclosures would need to be included in all fund prospectuses, annual reports, and advisor brochures.

How does this relate to similar rules in the EU?

The major difference is that the US still lacks a vital piece of the puzzle: a formal taxonomy that defines which economic activities are officially “green,” in the form of specific carbon-intensity benchmarks that activities must fall below to qualify. Unless the US develops its own taxonomy, it will remain up to each investor to grade emissions using their own values.

What about scope 3 emissions?

While excluding emissions data from suppliers gives a very incomplete picture, the SEC will for now only require funds to include scope 3 data for portfolio companies that have already measured and publicly shared this data themselves.

Requirements aside, though, more companies are voluntarily measuring and reporting their scope 3 data knowing that it’s the best way to identify carbon hot spots and meaningfully reduce emissions. Asset managers can accelerate decarbonisation of their portfolios by commissioning measurements for any companies that haven’t done so yet.

Do these disclosures need to be audited first?

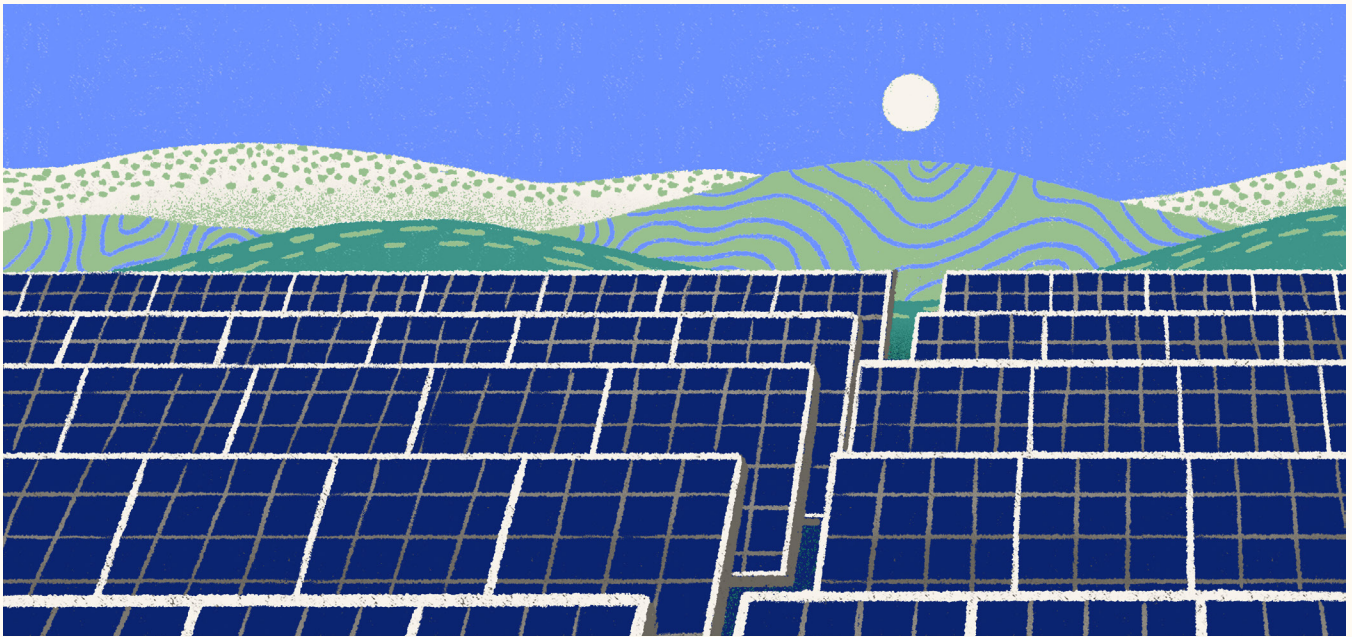
While neither proposal calls for any new auditing component, accuracy issues on most disclosure forms are already subject to SEC review.



When should companies begin preparing?

The SEC is still in the process of finalising the Funds Rule. The Names Rule became effective on 11 December, 2023, but compliance deadlines are yet to hit. Fund groups with net assets of \$1 billion or more have until December 2025 to comply with the amendments, and fund groups with net assets of less than \$1 billion have until May 2026. But in the meantime, the SEC and other global regulators are taking strong interim action on misstated or omitted ESG-related information. These proposals aren't just about future rules; they're active guidance on how firms and advisors should act today to ensure that their ESG funds are onside of the SEC's current expectations.

Voluntary sustainability reporting frameworks



When it comes to voluntary reporting standards, which drive the most value for your business? And how can you ensure that you're preparing the most useful data in the most efficient way?

Voluntary reporting can have significant benefits—from increased reputational trust and financial ROI to ensuring you have the right foundation for mandatory disclosures. But most of all it's about demonstrating to investors, customers, and employees that you're using your carbon data to drive real emissions reductions across your operations and supply chains.

All of the frameworks discussed in this section are global, and companies from all over the world file reports with them.

ISSB disclosure: the standard to rule them all



GLOBAL



ISSB

The International Sustainability Standards Board (ISSB) has drafted a [new global baseline](#) for sustainability disclosures—which will largely replace TCFD as a meatier alternative that covers more sustainability categories.

ISSB's final standards were published in June 2023. Companies are now able to use them for annual reporting periods beginning on or after 1 January 2024.

Getting more granular, many existing disclosure programs are going to either:

1. Direct filers to do an annual ISSB submission instead of a TCFD report (e.g., many FCA-mandated programs in the UK, CSRD in the EU).
2. Fully merge with ISSB (e.g., IRF, SASB, and CDSB; see joint progress update [here](#)).
3. Align with ISSB so that overlapping disclosures should ask for similar data in a similar way (e.g., GRI, CDP, and most mandatory national programs).

TCFD: the world's voluntary reporting baseline

The TCFD framework, described earlier with our essential acronyms, is a set of 11 disclosure questions that force filers to consider how they've integrated climate thinking into their ongoing practices and governance structures—ensuring that their climate programs go beyond PR and superficial goals.

From 2024 ISSB took up control of TCFD progress as the ISSB standards begin to be applied globally. ISSB has, however, based its own reporting standards off of the same four pillars of the TCFD: governance, strategy, risk management, and metrics and targets.

While the major voluntary standards have all added their own spin on the original TCFD framework, preparing for the climate section of each generally means pulling the same data and asking the same questions—with the different frameworks just asking for additional detail in one area or another.

Other common voluntary reporting frameworks

There are a handful of important reporting standards, some of which interact with and inform others.

FRAMEWORK	WHY FILE
<p>CDP: A clearinghouse for vetting and aggregating sustainability disclosures, now covering two-thirds of global market cap.</p>	<p>It reassures stakeholders that your disclosures conform to best practices, and it enables a global view of climate progress. CDP also scores disclosures, which can be a point of independent third-party validation of sustainability work.</p>
<p>Global Reporting Initiative (GRI): A broad ESG disclosures standard that covers climate as one key category, with a focus on how each organisation is affecting the economy/society at large.</p>	<p>Many boards and investors view GRI filings as a core piece of good governance.</p>
<p>Sustainability Accounting Standards Board (SASB): A sector-specific complement to GRI that focuses more on disclosing financially-material information that's likely to impact an organisation's performance.</p>	<p>Many investors and analysts use SASB data to gauge sustainability risks, where good disclosures can allay fears and boost confidence that risks are being managed.</p>

Getting started with voluntary reporting

While smaller companies may not be ready yet for broader and more consuming programs like GRI and SASB, we recommend starting with CDP submissions (due annually). Their disclosures are narrower but still ensure your organisation is embedding climate thinking at every level. It's also the least resource intensive.



Five steps to successful sustainability disclosure

Regardless of which program(s) your company is mandated to report to, or decides to voluntarily disclose with, it's crucial to create the right foundation for effective reporting.

1. Know what applies

Identify which mandatory reporting programs apply to your business. Watershed's [sustainability assessment tool](#) will automatically identify the most important programs.

2. Start with ISSB

Use ISSB's core pillars and disclosures to assess where your organisation is at and where it needs to improve at incorporating climate thinking—be that risk management, governance, etc. The ISSB will prepare your company with a solid foundation to meet any regulations being introduced in markets in which you operate.

3. Measure emissions

Make sure you're measuring the right things—including emissions from your supply chain and often-overlooked business activities like marketing and legal spend.

4. Evaluate pressures

Consider internal and external pressures. What are your peers doing? What do your investors, consumers, or employees expect? Transparently sharing your sustainability data through voluntary reports is critical to reaping the benefits and staying competitive.

5. Future-proof

Stay ahead of regulations. As we've seen in the past few years, sustainability disclosure mandates are only becoming more rigorous. The most successful companies in this new era of transparency and action will future-proof their business by looking not just to what's on the horizon in terms of regulatory compliance, but what's just beyond it.

However your business chooses to approach this challenge and seize the opportunities of this new era, Watershed can help. Watershed assists in validating your data, preparing your filings, and ensuring your disclosures are vetted and audit ready. We'll also help you set targets and take concrete steps to reduce your emissions and mitigate your climate risks.

About Watershed

Watershed is the enterprise sustainability platform. Companies like Airbnb, Carlyle Group, FedEx, Visa, and Dr. Martens use Watershed to manage climate and ESG data, produce audit-ready metrics for voluntary and regulatory reporting including CSRD, and drive real decarbonisation. Watershed is the platform of choice for companies seeking to reduce emissions; meet customer, investor and regulatory requirements; and modernise their sustainability programs. Watershed customers also have exclusive access to a marketplace of pre-vetted, high-quality carbon projects and groundbreaking virtual power purchase agreements.

Learn more at watershed.com

