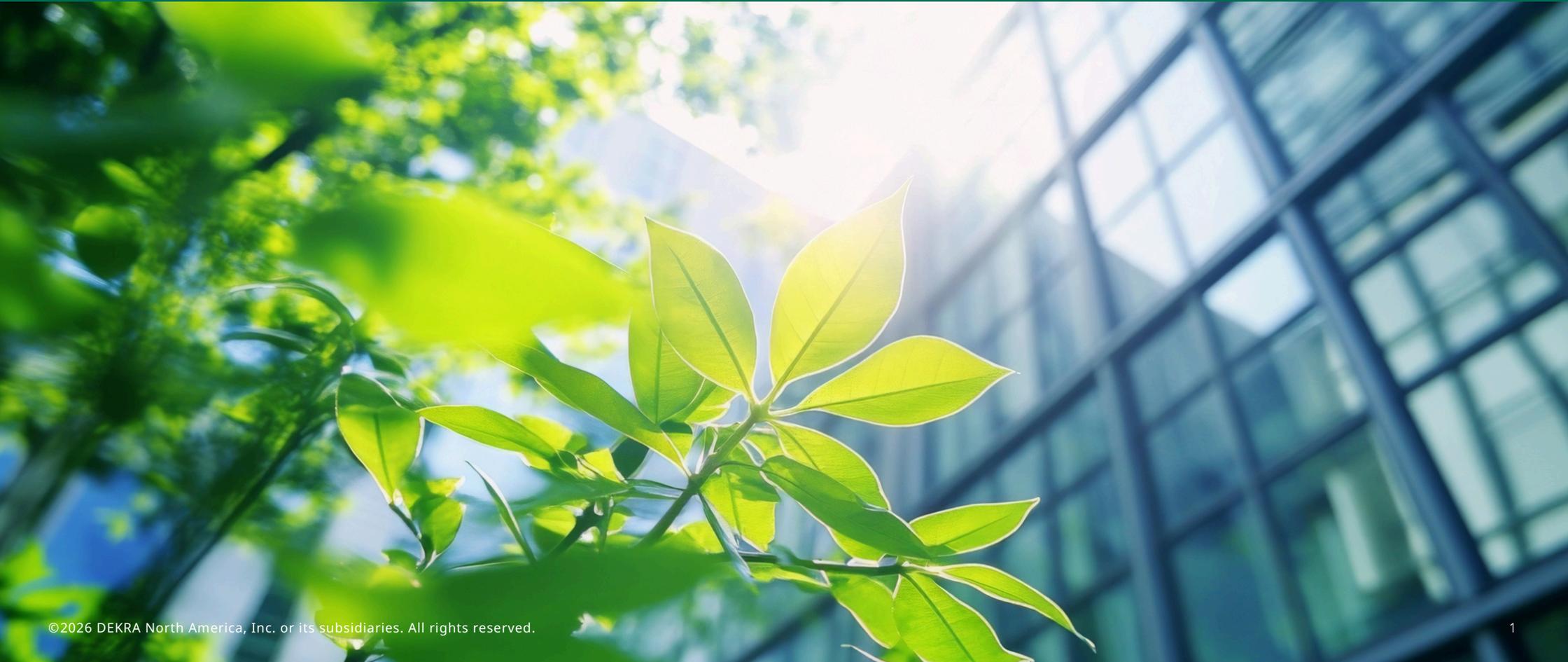


Whitepaper

# Implications of Emerging Climate Disclosure Requirements



## Executive Summary

Corporate climate disclosure is entering a new phase of regulatory maturity globally. With the publication of the [United Kingdom's \(UK\) Sustainability Reporting Standards](#) (UK SRS S1 and S2) and the continued expansion of state-level climate legislation in the United States (U.S.), organizations now face a rapidly evolving and increasingly interconnected compliance landscape. The UK is moving toward a [International Sustainability Standards Board](#) (ISSB)-aligned global baseline, while U.S. states such as California and New York are establishing mandatory greenhouse gas (GHG) reporting regimes that emphasize transparency, consistency, and third-party assurance.

Together, these developments signal a clear direction around the world that climate reporting is becoming finance grade, assurance driven, and progressively mandatory. For companies operating across jurisdictions, the challenge is no longer simply producing a disclosure document. The real difficulty lies in building a defensible, auditable line of sight from GHG emissions data through climate-related financial risk, strategy, and capital allocation. Organizations that act early will be better positioned to manage compliance risk, maintain investor confidence, bolster consumer sentiment, and capture strategic business advantages.

## The UK Sustainability Reporting Standards Are Establishing a Finance-Grade Baseline

The UK has taken a significant step forward towards making climate-related disclosure a normal business reporting practice with the publication of UK SRS S1 and UK SRS S2. These standards are intended for voluntary use but clearly represent the UK's pathway toward an ISSB-aligned corporate reporting baseline. Their structure and intent reinforce the expectation that sustainability disclosures must be decision useful for investors and tightly integrated with financial reporting.

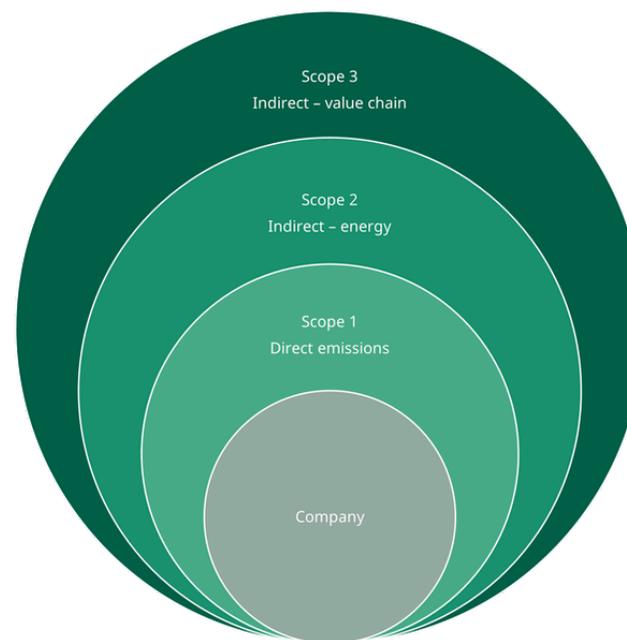
UK SRS S1 establishes the general requirements for sustainability-related financial disclosures, while UK SRS S2 focuses specifically on climate-related requirements, including scenario analysis and GHG emissions reporting. Both UK standards are built around the four core pillars that were originally published by the [Task Force on Climate-Related Disclosure](#) (TCFD) and now the backbone of the ISSB framework which superseded it: governance, strategy, risk management, and metrics and targets. This architecture mirrors the broader global shift toward embedding sustainability into enterprise risk management (ERM) and financial planning processes rather than treating it as a standalone Environmental, Social, and Governance (ESG) exercise.

For businesses, the implications are substantial. Organizations are expected to align sustainability disclosures with their financial statements using consistent assumptions, boundaries, and methodologies wherever possible. Companies must work toward quantifying how sustainability and climate risks could reasonably affect business related activities such as cash flow, access to finance, or cost of capital. Where quantification is not yet feasible, firms are expected to provide clear explanations and identify the financial line items most likely to be impacted.

*Overview of Scope 1, Scope 2, and Scope 3 greenhouse gas emissions boundaries, illustrating the distinction between direct, energy-related, and value-chain emissions.*

Under UK SRS S2 in particular, companies should anticipate meaningful expectations around climate scenario analysis and the disclosure of credible transition plans which should include key assumptions, dependencies, and measurable progress indicators. In addition, pressure will continue to build around comprehensive annual Scope 1, Scope 2, and Scope 3 GHG emissions reporting. Financial institutions face additional scrutiny through the expectation to disclose financed emissions within [Scope 3 Category 15](#).

Although the standards are currently voluntary, regulatory signals strongly suggest movement toward mandatory adoption. The [Financial Conduct Authority](#) (FCA) is consulting on potential amendments to the [UK Listing Rules](#), and phased implementation timelines have already been proposed. Organizations that treat the current period as optional experimentation rather than active preparation may face compressed implementation timelines and higher compliance costs in the near future.



## California Sets the Pace for U.S. Momentum

While the U.S does not yet have a single unified federal climate disclosure regime, state governments are moving decisively. California has emerged as the clear early leader through the enactment of the [Climate Accountability Package](#) which includes the [Climate Corporate Data Accountability Act \(SB 253\)](#) and the [Climate-Related Financial Risk Act \(SB 261\)](#).

Under SB 253, companies with more than 1 billion dollars in annual revenue that do business in California must begin reporting Scope 1 and Scope 2 GHG emissions in 2026, followed by Scope 3 emissions in 2027. SB 261 complements this requirement by mandating disclosure of climate-related financial risks and opportunities, and the measures companies are taking to mitigate those risks and take advantage of the opportunities. Together, these laws create one of the most comprehensive subnational climate disclosures globally.

California's framework is particularly notable for embedding third-party assurance expectations and for positioning GHG emissions transparency as a core component of investor protection and market integrity. As a result, many large companies are already accelerating their data governance, inventory development, and verification readiness efforts in anticipation of these requirements.

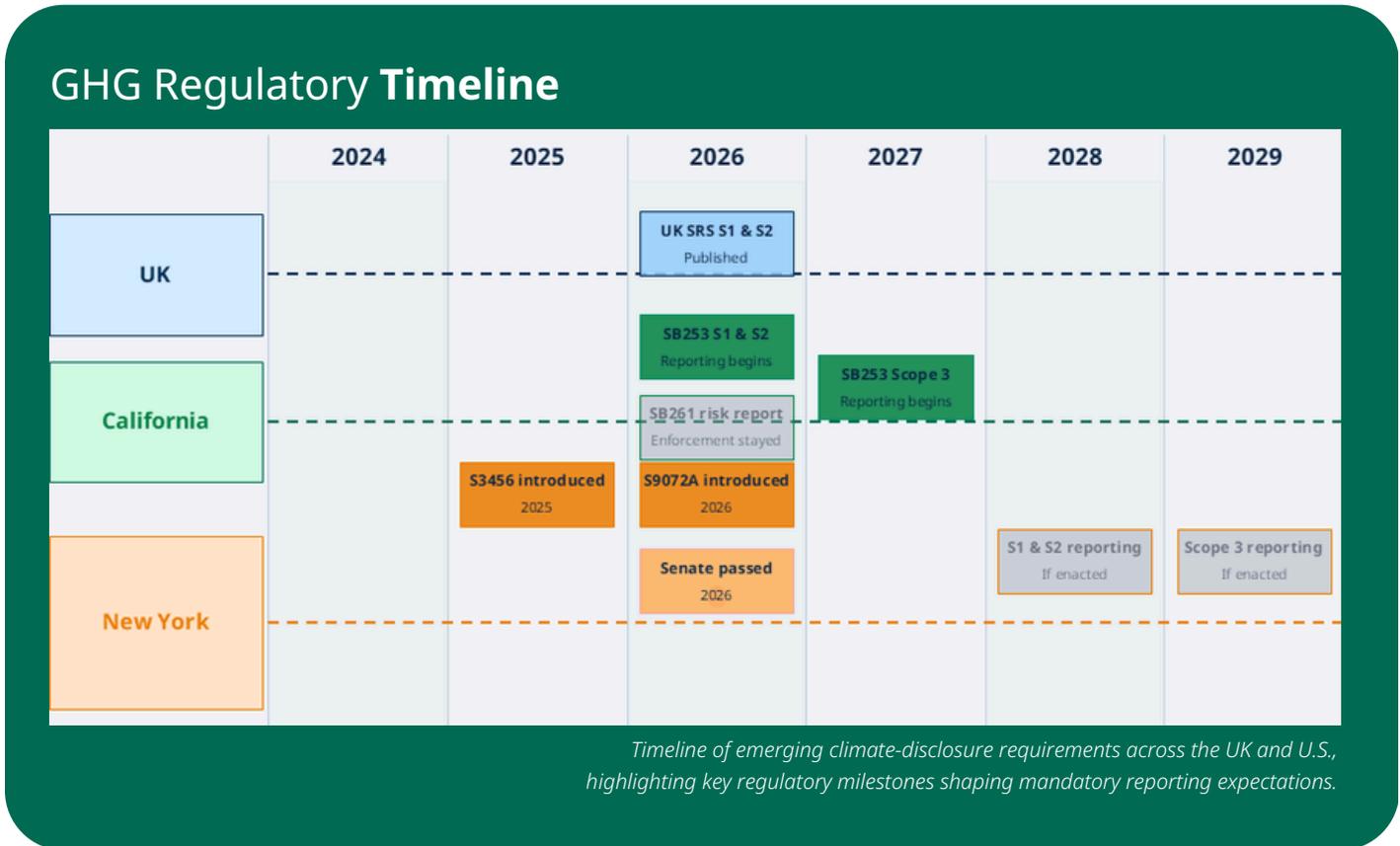
## New York is Reinforcing the State-Led Trend

New York's proposed [Climate Corporate Data Accountability Act \(CCDAA\)](#) closely mirrors California's legislative blueprint and reinforces an emerging pattern in U.S. climate regulation. If enacted, the New York measure would apply to companies with more than 1 billion dollars in revenue and would require phased disclosure of Scope 1, Scope 2, and eventually Scope 3 GHG emissions. Like California, New York's climate

disclosure proposal also calls for independent third-party verification and for GHG emissions data to be published on a public digital platform to support investor and consumer oversight through increased transparency.

The structural alignment between New York's proposal and California's existing laws is significant. Both frameworks emphasize large-company coverage thresholds, phased Scope 3 implementation, public transparency, and assurance requirements which start out as limited and move to reasonable levels of auditability. This convergence signals that U.S. climate disclosure is increasingly being shaped by state-level leadership rather than waiting for federal harmonization.

For companies operating nationally, this trend has important implications. Regulatory fragmentation is not disappearing, but it is becoming more predictable as U.S. states build on California's model. Multi-state operators should expect overlapping obligations that, while similar in structure, will still require careful jurisdictional management. At the same time, the growing consistency around Scope 1 through Scope 3 GHG emissions reporting and third-party verification suggests that organizations can begin building standardized, enterprise-wide systems rather than purely jurisdiction-specific solutions.



## States as Climate Policy Laboratories

The combined momentum from California and New York illustrates a broader market reality. U.S. states are increasingly acting as climate policy laboratories, moving faster than federal rulemaking and establishing de facto national expectations for large companies. The direction of travel is clear: comprehensive GHG emissions disclosure, integration of climate-related risks and opportunities into financial reporting, and independent assurance are becoming baseline expectations.

This state-led approach is likely to produce several near-term developments. Additional states may adopt similar frameworks, particularly those with strong investor protection mandates or climate policy agendas. Interoperability with ISSB-aligned standards is expected to improve as regulators seek global comparability. Investor demand for assured climate data will continue to intensify, and over time, third-party assurance is likely to shift from best practice to explicit regulatory requirement in more jurisdictions.

Organizations that delay preparation risk facing compressed timelines, higher compliance costs, and increased scrutiny from investors, supply chain partners, consumers, and regulators. Conversely, companies that begin building robust data, governance, and assurance capabilities now will be better positioned to adapt as requirements converge and become more consolidated globally.

## The Real Challenge is Building a Defensible Line of Sight

Many organizations remain focused on the visible output of climate reporting, namely the disclosure document itself. In practice, the most difficult and resource-intensive work occurs behind the scenes. Regulators, consumers,

and investors are increasingly evaluating whether companies can demonstrate a coherent and auditable connection between operational GHG emissions data, financial risk and opportunity exposure, climate scenarios, corporate strategy, capital allocation, and forward planning.

This line of sight must be internally consistent, supported by strong controls, and capable of withstanding independent verification. Common readiness gaps include incomplete Scope 3 methodologies, misalignment between sustainability and finance teams, weak internal controls over ESG data, limited scenario analysis capability, and insufficient verification-ready documentation. Addressing these gaps now is becoming increasingly important for organizations and it typically requires cross-functional coordination, upgraded data systems, and early engagement with assurance providers

## Strategic Actions for Companies Today

Given the pace of regulatory change, organizations should take proactive steps over the next 12 to 24 months. Priority actions include conducting a climate disclosure gap assessment, strengthening Scope 1 and Scope 2 inventories, and developing robust Scope 3 methodologies so that they are prepared to report out on these Scope 3 GHG emissions when they become mandatory. Companies should also work to align sustainability and finance functions, enhance internal ESG data controls, and build credible climate scenario analysis capabilities to better understand how climate change will impact their bottom line in the short- and long-term. Equally important is preparing for independent third-party verification. This involves establishing clear audit trails, formalizing methodologies, and documenting assumptions in a manner consistent with financial reporting discipline. Organizations that embed assurance readiness early typically experience smoother compliance transitions and greater stakeholder confidence.



## How DEKRA North America Can Help

As regulatory expectations accelerate across both the UK and the U.S., independent third-party verification and technical rigor are becoming essential components of credible sustainability reporting. DEKRA North America (DEKRA) supports organizations throughout their climate disclosure journey, from readiness assessments to full assurance. DEKRA's Sustainability Services team can assist with GHG verification, carbon neutrality verification and certification, product carbon footprint verification, climate disclosure readiness, and independent third-party assurance. Early engagement helps organizations reduce risk, take advantage of opportunities such as advances in decarbonization technologies, improve data quality, and build confidence with regulators, investors, and customers.



For support with GHG verification, carbon neutrality verification, product carbon footprint verification, and related assurance needs, please reach out to DEKRA's Senior Business Development Manager – Sustainability, James Giannantonio at [james.giannantonio@dekra.com](mailto:james.giannantonio@dekra.com).

[dekra.us/en/sustainability](https://dekra.us/en/sustainability)

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March 2026



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