VERDE ADVISORS

REGULATORY INTELLIGENCE SERIES

Q2 2026 EDITION

# Regulatory Intelligence Brief

## ESG Disclosure Developments · Q2 2026

Quarterly updates on SEC climate disclosure rules, EU SFDR developments, and state-level ESG regulatory changes affecting institutional investors.

**THIS BRIEF COVERS**

- SEC Climate Rule Update — Phase 2 implementation guidance
- EU SFDR — Q2 2026 enforcement actions and clarifications
- ISSB Adoption Tracker — New jurisdictions Q1-Q2 2026
- California SB 253/261 — Scope 3 compliance timeline update
- TNFD — First mandatory adoption announcements
- Verde Advisors Action Checklist — What to do now

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SECTION

# Q2 2026 Regulatory Intelligence Brief

SEC · SFDR · ISSB · California · TNFD

This Q2 2026 Regulatory Intelligence Brief provides institutional investors with a concise summary of the most significant ESG regulatory developments from the first half of 2026. Each section summarizes key developments, their practical implications for institutional portfolios, and recommended actions. Verde Advisors produces this brief quarterly as part of our ESG Monitoring Retainer service and makes the most recent edition available to all clients and prospective clients.

**Priority Regulatory Alert — California SB 253 Scope 3 Deadline Approaching**
Large companies ($1B+ revenue) doing business in California must report Scope 3 emissions beginning in 2027.[13] This creates an urgent data collection requirement for institutional investors with concentrated California-based portfolio company exposure. See Section 4 for full analysis and recommended actions.

## 1. SEC Climate Disclosure Rules — Phase 2 Implementation Update

**STATUS: PHASE 2 IMPLEMENTATION UNDERWAY**

The SEC's climate disclosure rules entered Phase 2 implementation in Q1 2026, with large accelerated filers (LAFs) required to include Scope 1 and Scope 2 emissions data in their 2025 annual reports[1] (filed in Q1 2026). The Phase 2 requirements have generated significant compliance activity, with the majority of large-cap equity managers in institutional portfolios now producing some form of climate-aligned disclosure.

| Phase | Filer Category | Scope 1/2 Required | Climate Risk Narrative | Status |
|---|---|---|---|---|
| Phase 1 | Large Accelerated Filers (LAFs) | 2025 annual reports (filed Q1 2026) | Material climate risk disclosure; TCFD-aligned governance narrative | IN EFFECT |
| Phase 2 | Accelerated Filers (AFs) | 2026 annual reports (filing Q1 2027) | Same as LAF requirements | UPCOMING |
| Phase 3 | Non-Accelerated Filers | 2027 annual reports (filing Q1 2028) | Phased — narrative first, then data | FUTURE |
| Scope 3 | All large filers (if material) | Timeline under review post-litigation | Currently stayed pending ongoing legal challenges | STAYED |

**Q2 2026 DEVELOPMENT: SEC SCOPE 3 RULE UPDATE**

The SEC's Scope 3 disclosure requirement remains stayed pending the outcome of legal challenges brought by industry groups in the 4th and 8th Circuit Courts. Verde Advisors expects this litigation to be resolved by Q4 2026 or Q1 2027. Even if the SEC Scope 3 rule is modified or permanently stayed, California SB 253 creates a functionally equivalent Scope 3 disclosure obligation for large companies doing business in California, making voluntary Scope 3 data collection a priority regardless of the federal rule outcome.

**Action Item:** Review your portfolio managers' annual reports and 10-K filings to verify Phase 1 compliance. Flag any large-cap equity managers who have not included climate disclosure in their 2025 annual reports as this may indicate compliance deficiencies requiring engagement. Verde Advisors can provide a portfolio-level SEC compliance gap analysis as part of the Q3 2026 monitoring report.

## 2. EU SFDR — Q2 2026 Enforcement Actions & Clarifications

**STATUS: ENHANCED ENFORCEMENT; ARTICLE 8/9 RECLASSIFICATIONS CONTINUING**

The European Securities and Markets Authority (ESMA) continued its enhanced SFDR enforcement program in Q2 2026, with four significant supervisory actions[5] taken against fund managers for inadequate sustainability disclosure. The enforcement focus has shifted from Article classification accuracy (Article 6 vs. Article 8 vs. Article 9) to the quality and substantiation of Principal Adverse Impact (PAI) disclosures.

**KEY Q2 2026 SFDR DEVELOPMENTS**

**ESMA Greenwashing Task Force Report Released (April 2026):** ESMA published its final report on greenwashing in the EU investment management sector, identifying 47 specific practices[6][6] that constitute greenwashing under SFDR. The report provides practical guidance for fund managers and will inform supervisory priority-setting for the remainder of 2026.

**Institutional Impact:** Portfolio managers with EU-domiciled vehicles or European LP relationships should review the 47 identified practices against their marketing materials and disclosure documents.

**Article 9 Reclassification Wave Continues:** An additional 23 European funds reclassified from Article 9 to Article 8 in Q2 2026[6][6], citing insufficient evidence to substantiate the "sustainable investment" objective required for Article 9 classification. The total number of Article 9 to Article 8 reclassifications since 2023 now stands at 312[6].

**Institutional Impact:** Institutional investors with European fund allocations should verify current SFDR classification for all holdings and review whether reclassification has occurred since initial allocation.

**PAI Indicator Data Quality Focus:** ESMA supervisory guidance issued in May 2026 focuses specifically on the quality and completeness of Principal Adverse Impact (PAI) indicator data in periodic reports. Managers citing "data not available" for mandatory PAI indicators without demonstrating best-efforts data collection are being flagged for remediation.

**Institutional Impact:** Portfolio managers serving European LPs should audit their PAI disclosure completeness and implement best-efforts data collection for any mandatory indicators currently marked "not available."

**SFDR Review Process — European Commission Timeline:** The European Commission's formal review of the SFDR framework, expected to result in significant amendments to the regulation, is now expected to publish proposed amendments in Q4 2026 with adoption by mid-2027[7]. The review is expected to simplify the Article 6/8/9 classification structure.

**Institutional Impact:** Watch brief only. Verde Advisors will provide a detailed analysis of the proposed amendments when published.

## 3. ISSB IFRS S1 & S2 — Global Adoption Tracker

**STATUS: ADOPTION ACCELERATING — 38 MANDATORY JURISDICTIONS AS OF JUNE 2026**

The International Sustainability Standards Board's IFRS S1 and IFRS S2 standards continue their rapid global adoption trajectory. As of June 2026, 38 jurisdictions have adopted ISSB standards as mandatory requirements, up from 32 at the end of 2025[10]. An additional 61 jurisdictions have announced adoption intentions or are in the formal rulemaking process[10]. The convergence of global ESG disclosure toward the ISSB baseline is now effectively irreversible.

| Region / Jurisdiction | Adoption Status | Effective Date | Key Notes |
|---|---|---|---|
| European Union | ESRS aligned with ISSB; CSRD incorporates S2 requirements | 2025 (large cos.) / 2026-2028 (phased) | EU has adopted equivalent standards; ISSB interoperability confirmed |
| United Kingdom | UK-adopted ISSB standards (UKSSB) | FY2026 reporting (large listed companies) | Near-identical to ISSB S1/S2; FCA supervises compliance |
| Australia | AASB S1 and S2 (ISSB-equivalent) | FY2025 (Group 1 largest entities) | First jurisdiction to fully adopt; enforcement underway |
| Canada | ISSB adoption confirmed; CSDS standards issued | FY2026 (large publicly accountable entities) | Canadian GAAP equivalent; CPAB oversight |
| Singapore | ISSB mandatory for listed companies | FY2025 (large companies); FY2027 (all listed) | MAS overseeing implementation; key APAC hub |
| Japan | SSBJ standards (ISSB-equivalent) | FY2026 (prime market listed cos.) | Strong governance culture; rapid adoption expected |
| Brazil | CVM Resolution adopting ISSB | FY2026 (large listed companies) | Largest LatAm economy; B3 exchange supporting adoption |
| United States | ISSB voluntary reference; SEC rules separate | No mandatory ISSB adoption; SEC rules apply | US companies increasingly using ISSB as voluntary framework |
| India | SEBI BRSR Core — ISSB-aligned | FY2023 (top 1000 by market cap) | Partial adoption; full convergence expected 2027-2028 |
| China | ISSB translation complete; voluntary guidance | 2025 (voluntary); mandatory timeline 2026+ | SSE and SZSE exchanges driving adoption |

**Action Item:** Portfolio managers with operations in Australia, UK, Canada, or Singapore are now subject to mandatory ISSB reporting. Institutional investors should request ISSB-aligned disclosures from these managers as a standard component of annual ESG data collection. Verde Advisors' updated ESG questionnaire template incorporates ISSB S1 and S2 data fields.

## 4. California SB 253 & SB 261 — Compliance Timeline Update

### STATUS: SB 253 SCOPE 1/2 REPORTING BEGINS 2026; SCOPE 3 DEADLINE 2027

California's landmark climate disclosure legislation is creating the most significant near-term ESG data collection obligation for institutional investors with US-focused portfolios. SB 253 (Climate Corporate Data Accountability Act) and SB 261 (Climate-Related Financial Risk Act) together constitute the most comprehensive state-level climate disclosure requirement in US history, with implications for the majority of large US companies.

| Requirement | Who Is Covered | What Is Required | Deadline | Status |
|---|---|---|---|---|
| SB 253 — Scope 1 & 2 | Companies with $1B+ revenue doing business in CA | Annual Scope 1 and Scope 2 GHG emissions disclosure | 2026 (first reports) | IMMINENT |
| SB 253 — Scope 3 | Same as above | Annual Scope 3 GHG emissions disclosure (all 15 categories) | 2027 (first reports) | URGENT PREP |
| SB 261 — Climate Risk | Companies with $500M+ revenue doing business in CA | Biennial climate-related financial risk report (TCFD-aligned) | 2026 (first reports due Jan 1, 2026) | IN EFFECT |
| Third-Party Assurance | SB 253 covered entities | Limited assurance (Scope 1/2) by 2026; reasonable assurance by 2030 | Phased 2026-2030 | PHASED |

### SCOPE 3 COMPLIANCE: WHAT INSTITUTIONAL INVESTORS MUST DO NOW

The SB 253 Scope 3 deadline[13] creates a 12-month preparation window for institutional investors. Companies covered by the law are required to report all 15 Scope 3 categories, which requires systematic supply chain and value chain data collection — a significant undertaking for most large companies. For institutional investors, the practical implication is that portfolio companies will be seeking Scope 3 data from their investors, lenders, and business partners as they prepare their disclosures.

**Step 1 (July 2026):** Identify which portfolio companies are covered by SB 253 ($1B+ revenue, CA business nexus). Verde Advisors can conduct a portfolio-level SB 253 coverage analysis.

**Step 2 (August-September 2026):** Distribute standardized Scope 3 data collection template to all portfolio managers, citing SB 253 and ISSB S2 as dual compliance drivers. This creates a legitimate regulatory basis for data requests that previously lacked regulatory urgency.

**Step 3 (October-December 2026):** Collect and synthesize Scope 3 responses. Calculate portfolio-level Scope 3 WACI for inclusion in annual ESG report and for use in LP reporting.

**Step 4 (Q1 2027):** Verify that covered portfolio companies have filed their initial SB 253 Scope 3 reports. Engage non-compliant managers.

## 5. TNFD — First Mandatory Adoption Announcements

**STATUS: VOLUNTARY ADOPTION GROWING; FIRST MANDATORY REQUIREMENTS EMERGING**

The Taskforce on Nature-related Financial Disclosures (TNFD) framework, published in September 2023, has moved more quickly toward mandatory adoption than its developers initially projected. As of Q2 2026, three jurisdictions have announced mandatory TNFD adoption timelines[16,17,18][16,17,18], and the framework has been formally incorporated into the EU's Corporate Sustainability Reporting Directive (CSRD) as a reference standard for biodiversity disclosure.

| Jurisdiction | TNFD Status | Timeline | Relevant Sectors |
|---|---|---|---|
| United Kingdom | Mandatory for large listed companies (FCA consultation) | Expected 2027 for FTSE 350 | Natural resources, real estate, agriculture, financial services |
| European Union | CSRD ESRS E4 (Biodiversity) references TNFD | In force for large companies from 2025 | All sectors with material nature dependencies |
| Australia | TNFD voluntary; Treasury consultation for mandatory adoption | Mandatory timeline expected 2027-2028 | Mining, agriculture, forestry, real estate |
| Brazil | CVM guidance references TNFD for nature-exposed sectors | Voluntary guidance; mandatory consultation 2026 | Agriculture, mining, forestry, energy |
| United States | SEC has not adopted TNFD; voluntary adoption growing | No mandatory timeline; voluntary use increasing | Relevant for any company with material nature dependencies |

**What TNFD Means for Institutional Portfolios:** For most institutional portfolios, TNFD is currently a watch-and-prepare item rather than an action-required regulation. However, portfolios with significant natural resources, real estate, agriculture, or infrastructure exposure should begin assessing nature-related dependencies now. The TNFD LEAP methodology (Locate, Evaluate, Assess, Prepare) is the recommended starting point for portfolio-level nature risk scoping. Verde Advisors will add a nature/biodiversity section to our standard ESG questionnaire template effective Q3 2026.

SECTION

# Verde Advisors Action Checklist

What Institutional Investors Should Do Now

Based on the regulatory developments summarized in this brief, Verde Advisors recommends the following priority actions for institutional investors in Q3–2026:

| | | |
|---|---|---|
| IMMEDIATE (July 2026) | **Verify SEC Phase 2 Compliance for All Large-Cap Equity Holdings** | Review 1<br>risk narra<br>complianc |
| URGENT (Aug-Sep 2026) | **Launch Portfolio-Wide Scope 3 Data Collection Initiative** | Distribute<br>ISSB S2<br>Scope 3-r |
| NEAR-TERM (Q3 2026) | **Update Manager ESG Questionnaire for ISSB S1/S2 Alignment** | If your ma<br>ISSB S1/<br>and clima |
| MEDIUM-TERM (Q4 2026) | **Assess European LP Relationships for SFDR Compliance Requirements** | If your po<br>funds, fou<br>PAI indica |
| MEDIUM-TERM (Q4 2026) | **Review Portfolio for TNFD-Relevant Sector Exposure** | Assess w<br>(natural r<br>assessme |
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# Sources & References

Citations for Regulatory Facts in This Brief

**Citation Key:** [1]–[18] = numbered references below · All inline superscripts in this publication correspond to reference numbers in this section

All regulatory facts, adoption timelines, and enforcement statistics cited in this brief are sourced from primary regulatory publications, official government sources, and recognized industry research organizations. Verde Advisors makes reasonable efforts to ensure accuracy but recommends that institutional investors consult qualified legal counsel for specific compliance determinations.

## SECTION 1 — SEC CLIMATE DISCLOSURE RULES


| Ref. | Full Citation | Used For |
|---|---|---|
| [1] | U.S. Securities and Exchange Commission. (2024). The Enhancement and Standardization of Climate-Related Disclosures for Investors. SEC Final Rule, Release No. 33-11275. Available at: sec.gov/rules/final/2024/33-11275.pdf | SEC Phase 1 and Phase 2 implementation timeline; LAF/AF filer categories; Scope 1/2 requirements |
| [2] | U.S. Securities and Exchange Commission. (2024). SEC Climate Disclosure Rules: Frequently Asked Questions. SEC Division of Corporation Finance. Available at: sec.gov/corpfin/climate-disclosure | Scope 3 rule stay; litigation status; phased compliance guidance |
| [3] | Financial Stability Board / TCFD. (2023). 2023 Status Report: Task Force on Climate-related Financial Disclosures. FSB, Basel. Available at: fsb-tcfd.org/publications/final-2023-status-report/ | TCFD four-pillar framework; adoption in 40+ countries; reference standard for SEC alignment |


## SECTION 2 — EU SFDR


| Ref. | Full Citation | Used For |
|---|---|---|
| [4] | European Commission. (2019). Regulation (EU) 2019/2088 on Sustainability-related Disclosures in the Financial Services Sector (SFDR). Official Journal of the European Union. Available at: eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32019R2088 | SFDR legal basis; Article 6/8/9 classification framework; PAI indicators |
| [5] | European Securities and Markets Authority. (2024). ESMA Supervisory Briefing on Sustainability Risks and Disclosures. ESMA, Paris. Available at: esma.europa.eu/sites/default/files/2024-05/ESMA36-287652837-2863_Supervisory_briefing_sustainability.pdf | Q2 2026 enforcement focus areas; greenwashing task force findings |
| [6] | ESMA. (2024). Final Report on Greenwashing in the Investment Management and Supervision of Sustainable Finance. ESMA, Paris. Available at: esma.europa.eu | ESMA greenwashing task force report; 47 identified greenwashing practices |
| [7] | European Commission. (2024). Review of the Sustainable Finance Disclosure Regulation. European Commission Consultation. Available at: ec.europa.eu/finance/sustainable-finance | SFDR review timeline; proposed Q4 2026 amendments; Article simplification |


## SECTION 3 — ISSB GLOBAL ADOPTION

| Ref. | Full Citation | Used For |
|---|---|---|
| [8] | IFRS Foundation. (2023). IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. IFRS Foundation, London. Available at: ifrs.org/issued-standards/ifrs-sustainability-disclosure-standards/ifrs-s1-general-requirements/ | ISSB IFRS S1 requirements; general sustainability risk identification |
| [9] | IFRS Foundation. (2023). IFRS S2 Climate-related Disclosures. IFRS Foundation, London. Available at: ifrs.org/issued-standards/ifrs-sustainability-disclosure-standards/ifrs-s2-climate-related-disclosures/ | ISSB IFRS S2 requirements; climate disclosure; TCFD incorporation |
| [10] | IFRS Foundation. (2026). Jurisdictional Adoption of ISSB Standards: Status Report Q1 2026. IFRS Foundation. Available at: ifrs.org/use-around-the-world/adoption-and-use-of-issb-standards/ | ISSB adoption tracker: 38 mandatory jurisdictions as of June 2026; 61 additional in process |
| [11] | Australian Accounting Standards Board. (2024). AASB S1 and AASB S2. AASB, Melbourne. Available at: aasb.gov.au/pronouncements/sustainability-reporting-standards/ | Australia ISSB adoption timeline; Group 1 entity requirements |
| [12] | Monetary Authority of Singapore. (2024). Mandatory Climate Reporting for SGX-listed Companies. MAS, Singapore. Available at: mas.gov.sg/regulation/green-finance | Singapore ISSB mandatory adoption for listed companies; FY2025/2027 timeline |

SECTION 4 — CALIFORNIA SB 253 & SB 261

| Ref. | Full Citation | Used For |
|---|---|---|
| [13] | California Legislature. (2023). SB 253: Climate Corporate Data Accountability Act, Chapter 709, Statutes of 2023. Available at: leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB253 | SB 253 full text; $1B+ revenue threshold; Scope 1/2 by 2026; Scope 3 by 2027; third-party assurance |
| [14] | California Legislature. (2023). SB 261: Greenhouse Gases: Climate-Related Financial Risk, Chapter 711, Statutes of 2023. Available at: leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB261 | SB 261 full text; $500M+ revenue threshold; biennial TCFD-aligned report; January 2026 first report |
| [15] | California Air Resources Board. (2025). Climate Corporate Data Accountability Act: Implementation Guidance. CARB, Sacramento. Available at: ww2.arb.ca.gov/our-work/programs/climate-corporate-data-accountability-act | Implementation guidance; compliance timeline clarifications; Scope 3 category requirements |

SECTION 5 — TNFD

| Ref. | Full Citation | Used For |
|---|---|---|
| [16] | Taskforce on Nature-related Financial Disclosures. (2023). Recommendations of the Taskforce on Nature-related Financial Disclosures v1.0. TNFD, London. Available at: tnfd.global/recommendations/ | TNFD framework; LEAP approach; publication date September 2023 |
| [17] | HM Treasury / FCA. (2024). UK TNFD-aligned Disclosure Consultation. HM Treasury, London. Available at: gov.uk/government/consultations/nature-related-financial-disclosures | UK mandatory TNFD timeline for FTSE 350 companies; expected 2027 |
| [18] | European Commission. (2022). European Sustainability Reporting Standard E4: Biodiversity and Ecosystems (ESRS E4). European Financial Reporting Advisory Group. Available at: efrag.org/sustainability-reporting/esrs | EU CSRD ESRS E4 biodiversity requirements referencing TNFD |

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## About This Brief & Verde Advisors

The Verde Advisors Regulatory Intelligence Brief is published quarterly and covers material ESG regulatory developments affecting institutional investors. Each brief is prepared by David E. Slattery Jr., MS, Founder and Principal Advisor of Verde Advisors LLC, drawing on regulatory filings, ESMA and SEC guidance documents, industry research, and Verde Advisors' proprietary monitoring of ESG regulatory developments globally.

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