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The State of **Sustainability Reporting Regulation** in 2025

What U.S. Companies Should Know in Order to Navigate the Climate Regulatory Landscape

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Introduction

Crucially, the momentum behind sustainability driven by capital markets, customers, supply chains, and technology is not slowing down. While policy may shift with each administration, the long-term push toward climate transparency, decarbonization, and resilience is deeply rooted in market and societal expectations.

In 2025, the rise in sustainability regulations across the U.S. and abroad should remain top of mind for corporations. Despite a notable stall or altogether halt in passing federal climate reporting rules, such as the long-awaited SEC Climate Disclosure Rule, the momentum seen in 2024 is growing elsewhere. States like California and New York are stepping in with sweeping climate legislation, and international mandates such as the EU's Corporate Sustainability Reporting Directive (CSRD) are reaching across borders to impact U.S.-based firms.

For many companies, 2025 understandably feels like limbo. The change in leadership and subsequent attitudes toward the ideas behind 'sustainability' and 'climate action' have slowed progress on national climate policy, leaving organizations unsure how aggressively to move forward with ESG and sustainability reporting. But waiting is not without risk. The shift toward mandatory reporting is still happening, and it's being shaped not just by laws, but also by the steady flow of investor expectations, supply chain demands, and competitive pressures.

Rather than pause, companies should view 2025 as a call to strengthen their sustainability strategies. Collecting high-quality emissions data, building automated reporting infrastructure, and managing risk across the value chain are still the cornerstones of long-term business success. The forces pushing businesses toward transparency and accountability are here to stay.

Mandatory Climate & Sustainability Disclosure

Climate disclosure regulations, like California's SB 253 and SB 61, EU's CSRD, and IFRS S1 & S2, are laws that require companies to report on scope 1, 2, and 3 emissions.

California Climate Rules

In late 2023, California enacted two landmark bills that together represent the most expansive climate disclosure mandate in the country: **the Climate Corporate Data Accountability Act (SB 253)** and the **Climate-Related Financial Risk Act (SB 261).**

SB 253 targets large public and private companies operating in California and requires them to report their greenhouse gas emissions across all scopes—Scope 1 (direct), Scope 2 (indirect from purchased energy), and Scope 3 (indirect from upstream and downstream activities). This is a significant escalation in climate reporting, particularly given the complexity of tracking Scope 3 emissions across value chains.

SB 261, meanwhile, requires companies to publicly disclose their climate-related financial risks in alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework. It also mandates a description of how those risks are being mitigated or managed. The bill broadens climate risk accountability beyond emissions to include broader financial resilience in a warming world.

While enforcement for both laws will not begin until 2026, with possible delays pending rulemaking by the California Air Resources Board (CARB) and potential legislative adjustments, companies should not wait to prepare. These laws are expected to impact thousands of businesses and will likely set a precedent that other states may follow. Every corporation must comply, whether headquartered in California or simply operating there, and now with the ruling extending requirements to private companies, the range of disclosure impacts is tremendous.

New York and Other Local Legislation

Other states are now developing their own climate disclosure rules, creating a patchwork of mandates that companies must begin to navigate. In New York, two proposed bills, S897C and S5437, signal the state's intent to mirror California's regulatory ambition. If passed, these laws would require large businesses to annually report on their climate-related risks and financial exposures. Though still in early stages, the legislative momentum suggests that compliance obligations could take effect within the next few years.

Beyond New York, states such as Washington, Illinois, and Minnesota are also exploring similar measures. Many of these efforts build upon the principles of transparency and long-term resilience, often referencing frameworks like TCFD or incorporating greenhouse gas emissions disclosures. The emergence of state-led regulation reflects a broader decentralization of climate policy in the U.S.—with progressive states filling the vacuum left by federal gridlock.

Global Regulations: The Impact of the CSRD

The **European Union's Corporate Sustainability Reporting Directive (CSRD)** significantly expands the scope and depth of mandatory sustainability disclosures for companies operating in or connected to the EU. Beginning in 2025, companies listed on EU-regulated markets with over 500 employees must report on their sustainability impacts using 2024 data. In the years that follow, reporting obligations will expand to include other large companies and, eventually, small- and medium-sized enterprises. U.S.-based companies with significant EU operations or subsidiaries will be required to comply if they meet certain thresholds for size, turnover, or activity within the European market.

CSRD-aligned disclosures must follow the European Sustainability Reporting Standards (ESRS), which require companies to report on material environmental, social, and governance issues across their full value chains. That includes Scope 1, 2, and 3 emissions, along with climate-related risks, social impacts, and governance policies.

Adding complexity is the EU's proposed Omnibus Simplification Package, which aims to streamline overlapping regulatory frameworks such as CSRD and the Corporate Sustainability Due Diligence Directive (CSDDD). While this move could eventually reduce administrative burden, the outcome and timeline remain uncertain as of now (May 2025).

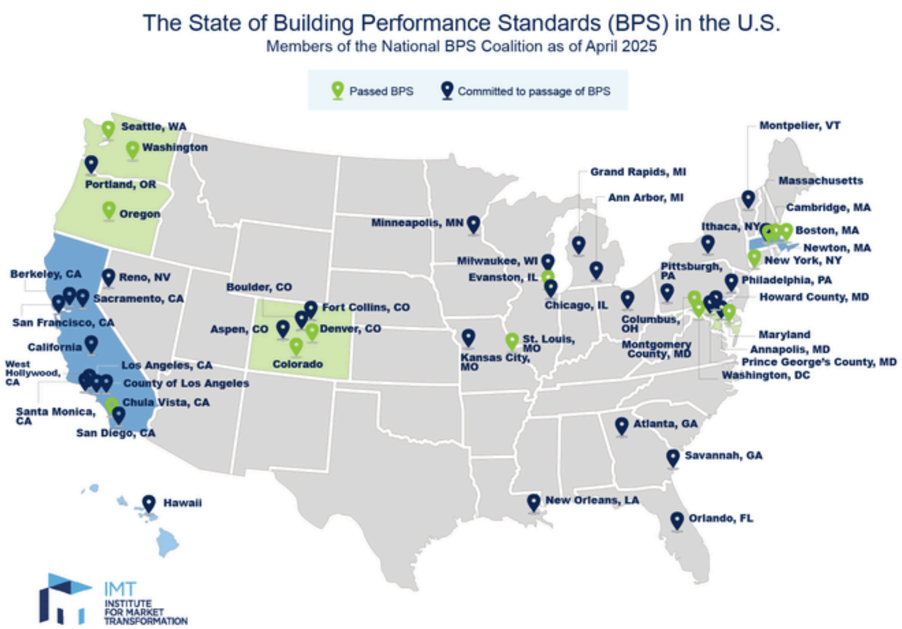
Building Performance Standards: Required Emissions Accountability at the Asset Level

Building Performance Standards (BPS) are emerging across U.S. cities and states as a tool to drive long-term reductions in building-related emissions and energy use.

BPS laws require owners and operators to measure and report performance metrics such as energy consumption, emissions, water use, or overall efficiency and to meet increasingly stringent targets over time. These standards are not just aspirational; they are enforceable mandates that create a trajectory for buildings to meet decarbonization goals through upgrades, retrofits, and operational changes.

As of early 2025, at least 13 U.S. cities have enacted BPS policies, including New York City, Boston, Seattle, Denver, and Washington, D.C. Collectively, these jurisdictions account for approximately 25% of all U.S. building floor space. Moreover, over 30 additional cities have pledged to implement BPS by 2026, signaling a significant expansion of these regulations nationwide.

For companies with extensive real estate portfolios, compliance will require robust data collection, investment in energy-efficient technologies, and strategic planning to meet escalating performance targets. However, proactive engagement can lead to operational cost savings, enhanced asset value, and alignment with broader sustainability goals.



Preparing for Mandatory Disclosure & Regulations

The Standards Your Business Should Meet:

Not all companies are created equal regarding their ESG maturity levels and ability to transform and reduce carbon emissions. However, 2025 will necessitate that companies meet certain minimum standards regarding their reporting endeavors as regulations such as the EU CSRD and California's Climate Rules start to take effect:

- Automated, Real-Time Data Collection: Manual data entry and fragmented spreadsheets are no longer viable. Companies are moving toward automated systems that capture and process sustainability data continuously, improving speed, accuracy, and audit readiness.
- Standardized, Comparable Metrics: To meet global frameworks and assure stakeholders, data must be structured and reported in consistent, comparable formats. Alignment with standards like the ESRS, TCFD, and GHG Protocol is fast becoming non-negotiable.
- Third-Party Assurance: Independent verification is emerging as a credibility marker, particularly for emissions data. Assurance can help reduce risk, increase investor confidence, and satisfy compliance requirements under laws like SB 253 and the CSRD.

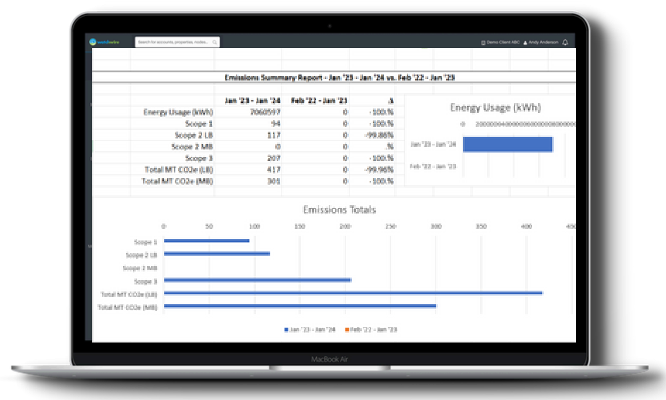
- Full Value Chain Visibility: Reporting boundaries are expanding. Companies are increasingly expected to quantify Scope 3 emissions and address sustainability performance across their supply chains—not just within their direct operations.
- Financial Risk Integration: Sustainability is being reframed as a financial issue. Organizations are quantifying the potential financial impacts of climate risks and opportunities and integrating them into enterprise risk management systems.
- Granular Benchmarking and Forecasting: Disclosures are shifting from static snapshots to dynamic performance tracking. Stakeholders now expect high-resolution data that enables scenario analysis, benchmarking, and long-term planning.
- AI-Driven Insights: Artificial intelligence is being used to process complex emissions data, assess regulatory readiness, and support predictive modeling. While still an emerging trend, it is helping companies stay ahead in a rapidly changing environment.

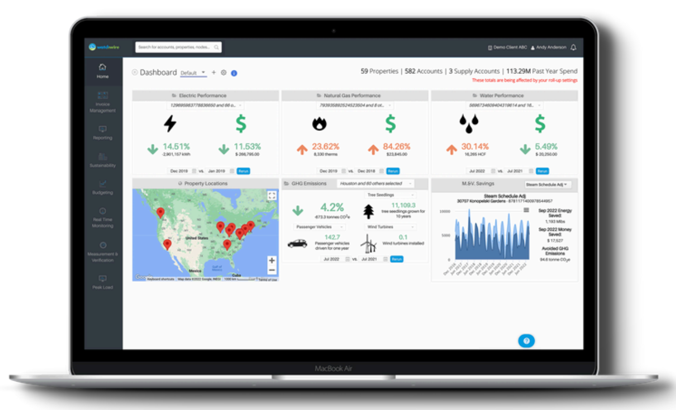
Learn More About Tango Energy & Sustainability

It will be nearly impossible to comply with any Climate Disclosure rules without utilizing a unifying technology and a platform like Tango that facilitates data collection, calculates metrics per the GHG Protocol, and reports investor-grade data within multiple areas, ready for audit scrutiny. As an integrated workplace management solution, Tango can also help build resilience and sustainability across the entire lifecycle of a building from the planning phase and construction, to operational management. WatchWire, Tango's Energy and Sustainability solution, specifically helps customers meet and comply with energy management and sustainability goals across their real estate lifecycle, whether that's spaces they own, occupy, or have leased out.

Support for Climate Compliance

- Calculate, manage, and generate custom reports for scope 1, 2, and 3 GHG emissions
- Identify applicable local, state, and global laws that affect your buildings
- As a partner of the Institute for Market Transformation (IMT), our platform can identify benchmarking/ building performance standard policies that apply to each building across your portfolio. Assess compliance pathways, potential penalties, or potentially stranded assets
- Compare building performance across your portfolio and against other corporations & gather specific benchmarking requirements
- Connect directly to ENERGY STAR Portfolio Manager with our bidirectional integration for automated, simplified reporting





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THE POWER OF KNOWING. THE IMPACT OF ACTING.

About Tango

Tango is a leading provider of Energy & Sustainability Management software. Global organizations rely on our solution to track and reduce energy consumption, manage carbon emissions, streamline utility data, and confidently meet sustainability goals. From utility data auditing to automated sustainability reporting, Tango empowers businesses to operate more efficiently and responsibly. As sustainability becomes a core business imperative and regulations evolve, data-driven insights from Tango's platform are critical to achieving long-term sustainability success.

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