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The borderless boardroom and extraterritorial reality check

Compliance is no longer a local issue. Whether your company is located in Silicon Valley or Singapore, if its data or AI touches the European Union or does business in California, the EU AI Act, the California AI Transparency Act and SB 253 will shape how you operate.

Driven by their size and the critical nature of their economies, EU and California laws were deliberately written to have extraterritorial reach, binding companies beyond their home jurisdictions. This design has turned these rules into high-priority boardroom issues, where the commercial consequences often outweigh the legal details. Compliance risk quickly becomes contagion risk, showing up as delayed sales cycles, due diligence friction, loss of supplier status, weakened negotiating leverage and reputational damage. Policy debates and their theoretical implications have now given way to concrete realities as regulatory deadlines and enforcement cutoffs rapidly approach.

The August milestone and transparency

As of Aug. 2, 2026, the EU AI Act's transparency provisions and California's AI transparency requirements converge, obliging companies to use clear labeling so users know when they are interacting with chatbots or synthetic media, such as deepfakes. In addition, California SB 942 will require large AI providers to offer a free public tool to help users detect content generated by their systems, while the EU AI Act begins active enforcement and potential fines tied to existing AI literacy and high-risk system obligations.

On Aug. 10, less than three months from now, California SB 253 will take effect, requiring large businesses, regardless of location, to file Scope 1 and Scope 2 emissions reports. Companies with more than \$1 billion in global revenue doing business in the state will likely have a meaningful footprint in the world's fifth-largest economy and fall within scope. Beyond disclosure, SB 253 includes administrative penalties for noncompliance and potential fees for late or inaccurate filings. While "good faith" efforts may be accepted for some organizations, this is not a pass for leadership to wait or do nothing. Good faith requires having a clear process in place.

The ripple effect and the new procurement standard

Even companies below California's \$1 billion threshold or outside the EU will feel the impact of these rules through their customers. Large companies subject to SB 253 will need more reliable emissions data from suppliers to support current Scope 1 and Scope 2 filings and prepare for Scope 3. At the same time, companies subject to the EU AI Act will begin pressuring vendors, agencies and software providers to demonstrate how chatbots, synthetic media and other customer-facing AI tools are disclosed and controlled.

As these compliance standards stabilize, procurement, onboarding and renewal processes will begin to demand evidence that has often sat outside ordinary commercial diligence: emissions methodologies, source data quality, AI system inventories, disclosure controls and contract language allocating responsibility for transparency failures. The result will ripple through Tier 1 and Tier 2 suppliers. Firms that can respond with organized, audit-ready information will be simpler to buy from, easier to diligence and lower risk to keep in the value chain. Those that cannot meet indirect and customer-implied regulatory demands may face slower sales cycles, tougher terms or exclusion from preferred vendor lists.

The next horizon for the EU AI Act and California SB 253

By Dec. 2, 2026, the Omnibus package requires machine-readable labeling or watermarking for AI-generated content. This is an operationally significant deadline for any company using synthetic marketing videos, AI chatbots, virtual brand ambassadors or generated product content across Europe. These organizations must maintain an inventory of where content is generated, how it is deployed, who owns the controls and how disclosures follow the content into customer-facing channels.

California SB 253 will expand to Scope 3 reporting, effective Jan. 1, 2027. Vendor due diligence will push emissions and sourcing questions into Tier 2 and beyond, especially in packaging, components, logistics, contract manufacturing and raw materials. It can take months to map the value chains for large companies required to report Scope 3. Beginning that work now is the only realistic way to meet this critical deadline.

Shifting from reactive to proactive

Over the next 100 days and beyond, executives who take a disciplined, proactive approach to strengthening visibility, documentation and oversight will lay the foundation for systems that withstand scrutiny over time. Here's a three-tiered approach to shift from reactive to proactive:

Tier 1: Visibility and scoping audit. Start by identifying where the business is exposed, which systems, products, legal entities and customer relationships are in scope and where the underlying data sits.

- **EU AI Act.** Inventory customer-facing and decision-support AI systems, determine whether they are placed on the EU market or produce outputs used in the EU, and flag any synthetic content workflows that will need labeling or watermarking by Dec. 2, 2026.
- **SB 253 Scope 1 and Scope 2.** Confirm whether the company is a direct filer or a Tier 1 or Tier 2 supplier to SB 253-covered customers, then map the entities doing business in California and the data needed for Scope 1 and Scope 2 calculations by Aug. 10, 2026, and align with key customers on Scope 3 expectations ahead of Jan. 1, 2027.

Tier 2: Documentation and controls. Once exposure is clear, build the records, methodologies and review processes that make the company's position defensible to regulators, customers, auditors and acquirers.

- **EU AI Act.** Prepare technical documentation for relevant systems, including intended purpose, model or system description, risk controls, oversight measures, testing and internal ownership of compliance tasks.
- **SB 253 Scope 1 and Scope 2.** Document emissions methodologies, organizational boundaries, source data, calculation logic, assumptions and signoff procedures so reported numbers are consistent, traceable and ready for assurance and customer review.

Tier 3: Governance and executive oversight. Establish long-term governance processes so scope decisions, documentation, disclosure judgments and remediation priorities are made quickly and escalated when needed.

- **EU AI Act.** Assign named owners across legal, product, engineering and commercial teams for system classification, transparency requirements and high-risk readiness, especially where products or outputs touch the EU market.
- **SB 253 Scope 1 and Scope 2.** Establish executive ownership across finance, operations, sustainability and legal so emissions reporting is treated as controlled enterprise reporting rather than ownership siloed in ESG.

Sources for further Reading

[EU AI Act | Final Text](#)

[Timeline for the Implementation of the EU AI Act](#)

[EU AI Act Article 2: Scope](#)

[EU AI Act Article 50: Transparency Obligations](#)

[California SB 253 | Climate Corporate Data Accountability Act](#)

[SB 942: California AI Transparency Act](#)

At CSHR, we work with executive leaders and investors in high-risk, supply chain-intensive businesses to implement sustainable governance systems aligned with overlapping California, federal and EU expectations, helping them identify, plan for and manage organizational risk in a shifting regulatory landscape. We specialize in ESG, AI Governance and human rights due diligence.

Amid short regulatory time frames, we are actively supporting both companies directly in scope for SB 253 and SMEs that sit in their Tier 1 and Tier 2 value chains, helping them prepare for Scope 1 and Scope 2 reporting and EU AI Act enforcement before the August deadlines, and design practical plans for the Jan. 1 SB 253 Scope 3 and CSRD milestones.

A practical note: This 100-day timeline assumes a dedicated internal team and active executive support. Companies starting from zero may need to compress phases, prioritize the highest-risk business lines first or bring in outside support to stay on schedule.

DAYS 1-30: SCOPE AND INVENTORY

Goal: Know where the company is exposed and who owns what.

Day 30 Milestone: Exposure map completed, workstreams assigned and major data gaps identified.

Enterprise

- Confirm whether the company has direct exposure, indirect supplier exposure, or both under the [EU AI Act](#), [California AI Transparency Act](#) and [SB 253](#).
- Build a working exposure map aligned to the corresponding regulation, showing legal entities, business lines, systems, customers, suppliers and internal data owners.
- Assign executive and functional owners to each workstream.
- Identify the top five assumptions management is making that still need supporting evidence.

EU/CA AI

- Inventory all customer-facing AI systems, including chatbots, generative tools and synthetic media workflows.
- Identify which systems produce outputs and/or are placed in the EU/CA markets.
- Flag any missing disclosure, labeling or watermarking controls.
- Separate internal-use systems from systems that affect customers, patients, applicants or other third parties.

SB 253

- Confirm whether the company is a direct filer or an indirect Tier 1 or Tier 2 supplier to an SB 253-covered customer.
- Identify the legal entities doing business in California.
- List facilities, energy sources and the owners of utility, fuel and refrigerant data.
- Assess current data quality and note where information is incomplete, manually tracked or difficult to reconcile.

DAYS 31-60: DOCUMENTATION AND CONTROL

Goal: Build defensible records and a repeatable reporting process.

Day 60 Milestone: Core documentation substantially complete and ready for internal review.

Enterprise

- Create a master evidence folder for each regime with version control and named owners.
- Define what counts as review-ready documentation, not just internal notes.
- Record key assumptions, open questions and decision logs.
- Establish a process for updating records as facts change.

EU/CA AI

- Draft system records for in-scope tools, including purpose, deployment context and owner.
- Document how chatbot disclosures and synthetic-content labeling will appear to users.
- Record testing, monitoring and escalation procedures for relevant systems.
- Create a short issue log for any gaps that cannot be resolved immediately.

SB 253

- Finalize emissions methodology, organizational boundaries and calculation logic for the first filing cycle.
- Document data sources, conversion factors, assumptions and reconciliation steps.
- Build a monthly or biweekly review cadence so the filing is not assembled at the last minute.
- Identify where finance, legal or outside assurance review will be needed.

DAYS 61-90: GOVERNANCE, REVIEW AND TESTING

Goal: Ensure a proven, repeatable process with clearly defined ownership.

Day 90 Milestone: Governance structure in place, dry runs completed and major issues escalated.

Enterprise

- Name executive sponsors for AI transparency and emissions reporting.
- Put both topics on the board, audit or risk committee or agenda.
- Set a 30-60-90 operating cadence with decision points and escalation triggers.
- Require each workstream to identify one commercial or legal consequence if deadlines slip.

EU AI Act

- Assign clear accountability across legal, product, engineering, marketing and compliance.
- Run a tabletop exercise or mock review for chatbot disclosures and synthetic-content labeling.
- Test how issues will be escalated if disclosures are missing or inconsistent.
- Review vendor contracts tied to third-party AI tools used in customer-facing contexts.

SB 253

- Conduct a full dry run of emissions calculations and supporting documentation.
- Obtain finance and legal review of methodology and assumptions.
- Prepare customer/supplier communications for cases where Scope 3 expectations are likely to affect vendor relationships.
- Identify any final gaps that could affect filing quality or timing.

DAYS 91-100: FINAL REVIEW AND FILING

Goal: Final quality control, approvals and submission, filing, and post-deadline governance plan

Day 100 Milestone: Filing submitted, transparency controls finalized and governance process embedded.

Enterprise

- Conduct final executive review of documentation, disclosures and open issues.
- Complete a final gap analysis and risk-ranking exercise.
- Prepare a short board or leadership memo summarizing readiness, open items and next steps.

EU AI Act

- Finalize disclosure, labeling and internal escalation controls for August implementation.
- Confirm system owners and incident-response contacts.
- Document any residual gaps and remediation deadlines.

SB 253

- Complete the final emissions calculation and quality check.
- Obtain final executive signoff.
- Submit the SB 253 filing by the Aug. 10 deadline.
- Archive supporting records in a way that is easy to retrieve for customer, auditor or regulatory review.

This article and checklist provide general information about regulatory developments and are not intended as legal advice. Compliance obligations vary by company, jurisdiction and specific circumstances. CSHR recommends consulting qualified legal counsel to assess your organization's particular situation and requirements. The timelines, thresholds and interpretations discussed here are based on publicly available information as of May 13, 2026 and may be subject to change through legislation, guidance or enforcement practice. CSHR and its authors assume no liability for actions taken in reliance on this content.