

TYPES NOT MAPPED YET March 23, 2022 | TTR not mapped yet | David J. Kaufman, Michele C. Kloeppel

# SEC proposes new rules for climate-related disclosure

On Monday, March 21, 2022 the Securities and Exchange Commission (SEC) proposed sweeping amendments to disclosure rules for public companies to require certain standardized disclosures regarding climate and its impact on the reporting company. The new requirements would include discussion of the company's greenhouse gas (GHG) emissions, climate-related financial metrics, the company's climate-related targets, goals and plans (if any), climate-related risks and their potential impact on the company and risk management processes related thereto. The proposed requirements, if adopted, would be phased in, beginning with filings regarding fiscal year 2023 for the largest public companies.

Investors have frequently expressed concerns regarding the risks posed by the potential impact of climate change and related issues to public companies, and have sought a more standardized, reliable disclosure regime. At the same time, public companies have asked for clear rules on how to present climate-related risks and risk management. The SEC's proposal seeks to address these joint concerns.

Some key aspects of the proposed requirements include:

- How climate-related risks have or are likely to impact the reporting company, its financial results, strategy, business and outlook, and how management and directors are managing those risks;
- A description of the company's transition plan for managing climate risk, and its climate-related targets, goals and scenario analyses, if any;
- The company's GHG emission metrics including from its direct emissions (Scope 1), emissions from the purchase of electricity and other forms of energy (Scope 2), and, if material, other indirect emissions in the company's value chain (Scope 3); and
- For accelerated filers and large accelerated filers, an independent attestation report covering the Scope 1 and Scope 2 emissions disclosures.

Companies would include the climate-related disclosures in certain of their registration statements and annual reports on Form 10-K or Form 20-F. The climate-related disclosures required by Regulation S-K (generally more narrative, descriptive disclosures) would appear in a separate section of the filing with an appropriate heading. Those required by Regulation S-X (financial metrics and related discussion) would appear in a note to the company's consolidated financial statements.

A complete copy of the SEC release regarding the proposal can be found [here](#). A brief fact sheet covering the requirements in more detail, including the phase-in schedule, can be found [here](#). We will continue to monitor this proposal and other SEC actions as they develop. If you have any questions, please contact [David J. Kaufman](#) or [Michele Kloeppel](#).



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