

Enhancement and Standardization of Climate-Related Disclosures



The Securities and Exchange Commission proposed rule amendments that would require a domestic or foreign registrant to include certain climate-related information in its registration statements and periodic reports, such as on Form 10-K, including:

- Climate-related risks and their actual or likely material impacts on the registrant's business, strategy, and outlook;
- The registrant's governance of climate-related risks and relevant risk management processes;
- The registrant's greenhouse gas ("GHG") emissions, which, for accelerated and large accelerated filers and with respect to certain emissions, would be subject to assurance;
- Certain climate-related financial statement metrics and related disclosures in a note to its audited financial statements; and
- Information about climate-related targets and goals, and transition plan, if any.

The proposed disclosures are similar to those that many companies already provide based on broadly accepted disclosure frameworks, such as the Task Force on Climate-Related Financial Disclosures and the Greenhouse Gas Protocol.

Background

The Commission began efforts to provide investors with material information about environmental risks facing public companies in the 1970s and most recently provided related [guidance in 2010](#). Many investors are concerned about the potential impacts of climate-related risks to individual businesses. As a result, investors are seeking more information about the effects of climate-related risks on a company's business to inform their investment decision-making. Investors also have expressed a need for more consistent, comparable, and reliable information about how a registrant has addressed climate-related risks when conducting its operations and developing its business strategy and financial plan. The proposed rules are intended to enhance and standardize climate-related disclosures to address these investor needs. Many issuers currently seek to provide this information to meet investor demand, but current disclosure practices are fragmented and inconsistent. The proposed rules would help issuers more efficiently and effectively disclose these risks, which would benefit both investors and issuers.

Content of the Proposed Disclosures

The proposed rules would require a registrant to disclose information about:

- The oversight and governance of climate-related risks by the registrant's board and management;

- How any climate-related risks identified by the registrant have had or are likely to have a material impact on its business and consolidated financial statements, which may manifest over the short-, medium-, or long-term;
- How any identified climate-related risks have affected or are likely to affect the registrant's strategy, business model, and outlook;
- The registrant's processes for identifying, assessing, and managing climate-related risks and whether any such processes are integrated into the registrant's overall risk management system or processes;
- If the registrant has adopted a transition plan as part of its climate-related risk management strategy, a description of the plan, including the relevant metrics and targets used to identify and manage any physical and transition risks;
- If the registrant uses scenario analysis to assess the resilience of its business strategy to climate-related risks, a description of the scenarios used, as well as the parameters, assumptions, analytical choices, and projected principal financial impacts;
- If a registrant uses an internal carbon price, information about the price and how it is set;
- The impact of climate-related events (severe weather events and other natural conditions) and transition activities on the line items of a registrant's consolidated financial statements, as well as the financial estimates and assumptions used in the financial statements;
- The registrant's direct GHG emissions (Scope 1) and indirect GHG emissions from purchased electricity and other forms of energy (Scope 2), separately disclosed, expressed both by disaggregated constituent greenhouse gases and in the aggregate, and in absolute terms, not including offsets, and in terms of intensity (per unit of economic value or production);
- Indirect emissions from upstream and downstream activities in a registrant's value chain (Scope 3), if material, or if the registrant has set a GHG emissions target or goal that includes Scope 3 emissions, in absolute terms, not including offsets, and in terms of intensity; and
- If the registrant has publicly set climate-related targets or goals, information about:
 - The scope of activities and emissions included in the target, the defined time horizon by which the target is intended to be achieved, and any interim targets;
 - How the registrant intends to meet its climate-related targets or goals;
 - Relevant data to indicate whether the registrant is making progress toward meeting the target or goal and how such progress has been achieved, with updates each fiscal year; and
 - If carbon offsets or renewable energy certificates ("RECs") have been used as part of the registrant's plan to achieve climate-related targets or goals, certain information about the carbon offsets or RECs, including the amount of carbon reduction represented by the offsets or the amount of generated renewable energy represented by the RECs.

When responding to any of the proposed rules' provisions concerning governance, strategy, and risk management, a registrant may also disclose information concerning any identified climate-related opportunities.

Presentation and Attestation of the Proposed Disclosures

The proposed rules would require a registrant (including a foreign private issuer) to:

- Provide the climate-related disclosure in its registration statements and Exchange Act annual reports, for example on Form 10-K;

- Provide the Regulation S-K mandated climate-related disclosure in a separate, appropriately captioned section of its registration statement or annual report;
- Provide the Regulation S-X mandated climate-related financial statement metrics and related disclosure in a note to its consolidated financial statements;
- Electronically tag both narrative and quantitative climate-related disclosures in Inline XBRL; and
- If an accelerated or large accelerated filer, obtain an attestation report from an independent attestation service provider covering, at a minimum, Scopes 1 and 2 emissions disclosure.

Phase-In Periods and Accommodations for the Proposed Disclosures

The proposed rules would include:

- A phase-in period for all registrants, with the compliance date dependent on the registrant's filer status, and an additional phase-in period for Scope 3 emissions disclosure (see tables);
- A phase-in period for the assurance requirement and the level of assurance required for accelerated filers and large accelerated filers (see assurance table);
- A safe harbor for liability for Scope 3 emissions disclosure;
- An exemption from the Scope 3 emissions disclosure requirement for smaller reporting companies; and
- Forward-looking statement safe harbors pursuant to the Private Securities Litigation Reform Act, to the extent that proposed disclosures would include forward-looking statements.

For explanatory purposes, the following tables assume that the proposed rules will be adopted with an effective date in December 2022 and that the filer has a December 31st fiscal year-end:

| Registrant Type | Disclosure Compliance Date | |
|--|---|--|
| | All proposed disclosures, including GHG emissions metrics: Scope 1, Scope 2, and associated intensity metric, but excluding Scope 3 | GHG emissions metrics: Scope 3 and associated intensity metric |
| Large Accelerated Filer | Fiscal year 2023 (filed in 2024) | Fiscal year 2024 (filed in 2025) |
| Accelerated Filer and Non-Accelerated Filer | Fiscal year 2024 (filed in 2025) | Fiscal year 2025 (filed in 2026) |
| SRC | Fiscal year 2025 (filed in 2026) | Exempted |

| Filer Type | Scopes 1 and 2 GHG Disclosure Compliance Date | Limited Assurance | Reasonable Assurance |
|-------------------------|---|----------------------------------|----------------------------------|
| Large Accelerated Filer | Fiscal year 2023 (filed in 2024) | Fiscal year 2024 (filed in 2025) | Fiscal year 2026 (filed in 2027) |
| Accelerated Filer | Fiscal year 2024 (filed in 2025) | Fiscal year 2025 (filed in 2026) | Fiscal year 2027 (filed in 2028) |

Additional Information:

The proposing release will be published on SEC.gov and in the Federal Register. The comment period will remain open for 30 days after publication in the Federal Register, or 60 days after the date of issuance and publication on sec.gov, whichever period is longer.