

# ENHANCEMENT AND STANDARDIZATION OF CLIMATE-RELATED DISCLOSURES FOR INVESTORS

A Proposal



U.S. Securities and  
Exchange Commission

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# PROCESS

- Proposed on March 21, 2022
- Comment period ended on June 17, 2022
- Next step: finalizing the rule, Commission to vote on the final rule



# PROPOSAL OVERVIEW



# KEY POINTS

- Based on the TCFD—governance, risk management, strategy, targets and metrics
- Mandatory
- Filed, not furnished
- Generally all registrants, including foreign filers



# GOVERNANCE, RISK MANAGEMENT, STRATEGY

- 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;

(continued on the next slide)



# GOVERNANCE, RISK MANAGEMENT, STRATEGY

- 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.



# METRICS

- **Current financial impacts:** 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;
- **GHG emissions:** 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;
- 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.





# TARGETS AND GOALS

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.



# PRESENTATION AND ASSURANCE

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 AND ACCOMMODATIONS



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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 compliance date table);
- 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; and
- An exemption from the Scope 3 emissions disclosure requirement for smaller reporting companies.



**KEY LINKS:**  
**PROPOSED RULE**  
**FACT SHEET**  
**COMMENTS**



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**THANK YOU!**



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