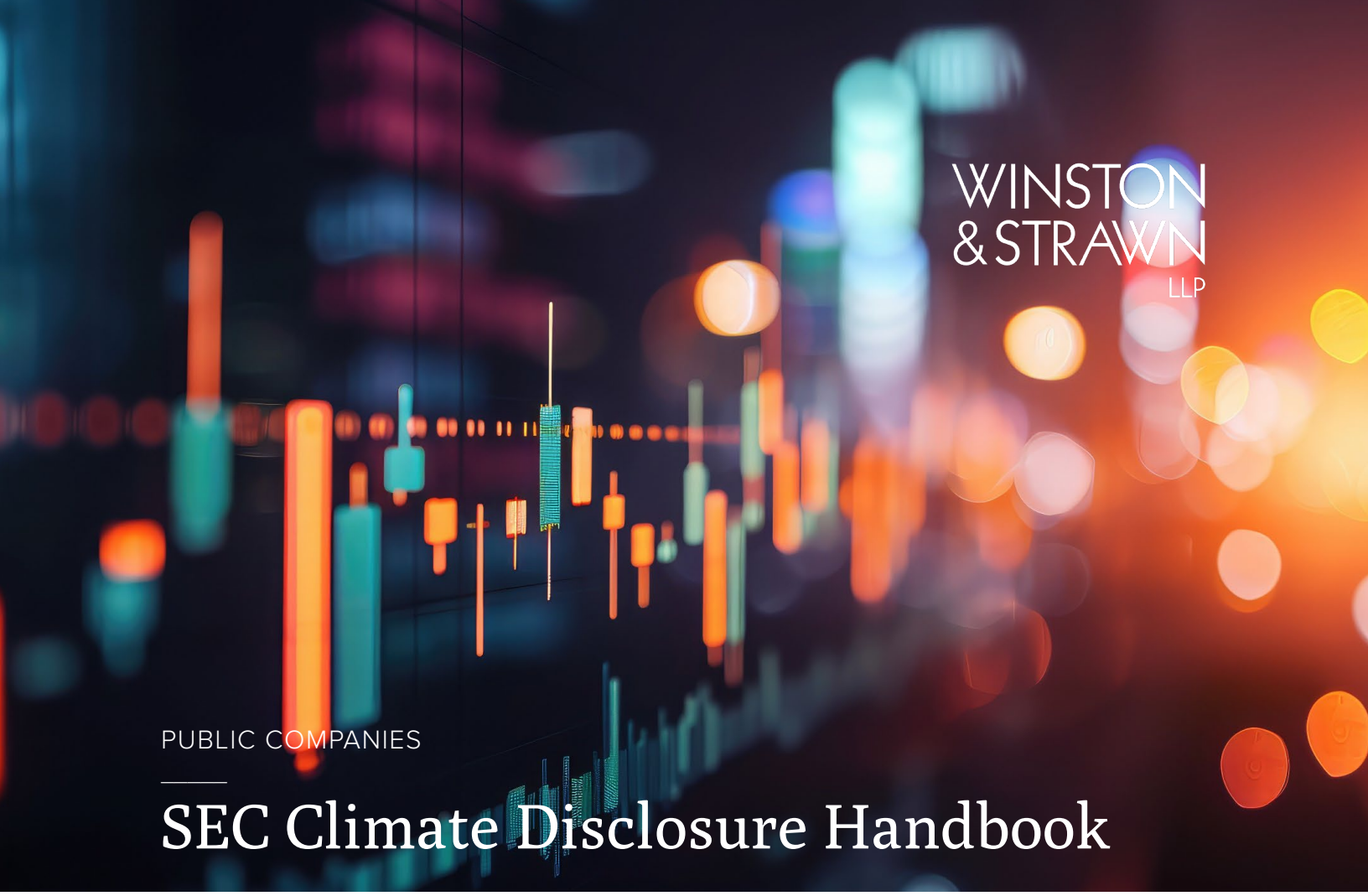

WINSTON & STRAWN LLP

PUBLIC COMPANIES

SEC Climate Disclosure Handbook

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I. Overview

a. Generally

On March 6, 2024, the U.S. Securities and Exchange Commission (SEC or Commission) announced the adoption of final rules requiring registrants – both domestic companies and foreign private issuers – to include climate-related information in their registration statements and annual reports.

The final rules' reporting framework has structural elements, definitions, concepts, and, in some cases, substantive requirements that are similar to those proposed by the Task Force on Climate-related Financial Disclosure (TCFD), an industry-led task force charged with promoting better-informed investment, credit, and insurance underwriting decisions. The TCFD reporting framework was designed to elicit information to help investors better understand a registrant's climate-related risks in order to make more informed investment decisions. The rules also use concepts developed by the Greenhouse Gas Protocol (GHG Protocol), a leading reporting standard for GHG emissions. Nevertheless, while the final rules use concepts from both the TCFD and the GHG Protocol where appropriate, the rules diverge from both of those frameworks, in certain respects, where necessary to account for the specific requirements of U.S. markets and registrants and to achieve the SEC's specific goals of increasing investor protection and facilitating capital formation.

The full text of the final rules can be viewed online on the Federal Register.[1]

b. Rule Status

Numerous lawsuits have been filed in different jurisdictions challenging the final rules, alleging both that the SEC fell short of its statutory mandate to protect investors and that the SEC erred by exceeding its statutory authority. The following is a list of the initial lawsuits challenging the final rules:

Petitioner(s)	Venue	Link to Petition
States of West Virginia, Georgia, Alabama, Alaska, Indiana, New Hampshire, Oklahoma, South Carolina, Wyoming, and Virginia	11th Circuit Court of Appeals	Petition
Sierra Club and Sierra Club Foundation	U.S. Court of Appeals for the D.C. Circuit	Petition
States of Iowa, Arkansas, Idaho, Missouri, Montana, Nebraska, North Dakota, South Dakota, Utah, and American Free Enterprise Chamber of Commerce	8th Circuit Court of Appeals	Petition

[1] The URL for the final rules as published on the Federal Register is https://www.federalregister.gov/documents/2024/03/28/2024-05137/the-enhancement-and-standardization-of-climate-related-disclosures-for-investors.

Chamber of Commerce of the United States of America, Texas Association of Business, and Longview Chamber of Commerce	5th Circuit Court of Appeals	Petition
Liberty Energy Inc., Nomad Proppant Services LLC	5th Circuit Court of Appeals	Petition
Natural Resources Defense Council	2nd Circuit Court of Appeals	Petition
Ohio Bureau of Workers' Compensation vs. SEC	6th Circuit Court of Appeals	Petition

On March 15, 2024, the 5th Circuit Court of Appeals temporarily paused the final rules in connection with the Liberty Energy Inc. and Nomad Proppant Services LLC suit referenced above.

On March 19, 2024, the SEC requested that the U.S. Judicial Panel on Multidistrict Litigation (Judicial Panel) consolidate all of the legal challenges to the final rules before one federal appeals court. On March 21, 2024, the Judicial Panel lottery system selected the 8th Circuit Court of Appeals as the venue for hearing the consolidated cases being brought against the final rules.

On April 4, 2023, the SEC issued a stay order for the final rules to facilitate the orderly judicial resolution of the legal challenges thereto and to avoid any regulatory uncertainty if any registrants were to become subject to any of the final rules' requirements pending such resolution. The SEC noted in the stay that they believe the rules are consistent with applicable law and within their authority and thus the Commission will continue to vigorously defend the final rules' validity in court.

On April 12, 2024, the SEC issued an update on the final rules confirming that the effective date of the final rules is delayed indefinitely and that a subsequent notification will be published in the Federal Register announcing the new effective date of the final rules following the completion of judicial review in the consolidated proceedings in the Eighth Circuit.

On May 20, 2024, the 8th Court of Appeals set the briefing schedule for the consolidated litigation challenging the final rules. Final briefing is due September 3, 2024. Under this schedule, oral arguments could occur before the end of 2024. In one of its court filings, the SEC has stated that it will set new effective dates for the rules at the conclusion of the litigation and their stay order. Companies may wish to delay implementation of their compliance efforts pending resolution of the litigation. However, companies subject to climate disclosure regulations in other jurisdictions should continue their preparations.

II. Registrants Subject to the Climate-Related Disclosure Rules and Affected Forms

a. Domestic and Foreign Private Issuers

The final rules apply to periodic reports required under the Securities Exchange Act of 1934 (the '34 Act or Exchange Act) and registration statements issuable under the Securities Act of 1933 (the '33

Act or Securities Act) and Exchange Act. Specifically, the final rules require domestic registrants that file their Exchange Act annual reports on Forms 10-K, as well as their Exchange Act and Securities Act registration statements on Form 10 and Form S-1, S-4 (except as provided below), or S-11, as applicable, to include the climate-related disclosures required by the final rules in these forms. However, the final rules do not apply to Forms S-8 and 11-K.

The final rules will also require foreign private issuers that file their Exchange Act annual reports or registration statements on Form 20F and their Securities Act registration statements on Form F-1 or Form F-4 (except as provided below) to provide the same climate-related disclosures as domestic registrants.

b. Interim Updating Not Required in Form 10-Q or Form 6-K

The final rules do not require registrants to disclose any material change to the climate-related disclosures provided in a registration statement or annual report in its Form 10-Q or, in certain circumstances, Form 6-K for a registrant that is a foreign private issuer.

c. Private Company Targets in Business Combination Transactions

The final rules do not apply to private companies that are parties to business combination transactions, as defined by Securities Act Rule 165(f), involving a securities offering registered on Forms S-4 and F-4.

d. Canadian Registrants Using MJDS

The final rules do not apply to Canadian registrants that use the Multijurisdictional Disclosure System (MJDS) and file their Exchange Act registration statements and annual reports on Form 40-F.

e. SRCs and EGCs; Registrants Engaged in an IPO

Most of the final rules apply to smaller reporting companies (SRCs) and emerging growth companies (EGCs), except for the disclosures requiring Scopes 1 and 2 emissions, from which SRCs will be exempted. There is no special exemption or transitional relief for registrants engaged in an initial public offering (IPO), as the vast majority of such registrants are typically EGCs and are already eligible to receive the relief noted above.

f. Asset-Backed Securities Issuers

The final rules do not apply to asset-backed securities issuers.

III. Compliance Dates

The final rules include delayed and staggered compliance dates that vary according to the filing status of the registrant.

The following table summarizes the phased in compliance dates of the final rules, both for subpart 1500 of Regulation S-K and Article 14 of Regulation S-X.[2] The compliance dates in the table apply to both annual reports and registration statements; in the case of registration statements, compliance would be required beginning in any registration statement that is required to include financial information for the full fiscal year indicated in the table.

Compliance Dates under the Final Rules[1]						
Registrant Type	**Disclosure and Financial Statement Effects Audit**		**GHG Emissions/Assurance**			**Electronic Tagging**
	All Reg. S-K and S-X disclosures, other than as noted in this table	*Item 1502(d)(2), Item 1502(e)(2), and Item 1504(c)(2)*	*Item 1505 (Scopes 1 and 2 GHG emissions)*	*Item 1506 - Limited Assurance*	*Item 1506 - Reasonable Assurance*	*Item 1508 - Inline XBRL tagging for subpart 1500[2]*
LAFs	FYB 2025	FYB 2026	FYB 2026	FYB 2029	FYB 2033	FYB 2026
AFs (other than SRCs and EGCs)	FYB 2026	FYB 2027	FYB 2028	FYB 2031	N/A	FYB 2026
SRCs, EGCs, and NAFs	FYB 2027	FYB 2028	N/A	N/A	N/A	FYB 2027
	[1] As used in this chart, "FYB" refers to any fiscal year beginning in the calendar year listed. [2] Financial statement disclosures under Article 14 will be required to be tagged in accordance with existing rules pertaining to the tagging of financial statements. *See* Rule 405(b)(1)(i) of Regulation S-T.					

Please note that the compliance dates included in the final rules will be delayed indefinitely pending the outcome of the consolidated judicial review of the final rules currently ongoing in the Eighth Circuit. The SEC will publish a notification with updated timing for the effectiveness of the final rules once judicial review is complete.

As used herein, "FYB" refers to any fiscal year beginning in the calendar year listed, "LAF" refers large accelerated filer, "AF" refers to accelerated filer, "SRC" refers to smaller reporting company, "EGC" refers to emerging growth company, and "NAF" refers to non-accelerated filer.

For example, an LAF with a January 1 fiscal-year start date and a December 31 fiscal-year end date will not be required to comply with the climate disclosure rules (other than those pertaining to GHG emissions and those related to Item 1502(d)(2), Item 1502(e)(2), and Item 1504(c)(2), if applicable) until its Form 10-K for fiscal year ended December 31, 2025, due in March 2026. If required to disclose its Scopes 1 and/or 2 emissions, such a filer will not be required to disclose those emissions until its Form 10-K for fiscal year ended December 31, 2026, due in March 2027, or in a registration statement that is required

[2] The SEC has stated that it will set new effective dates once the litigation is resolved. See more in Section 1.b above.

to include financial information for fiscal year 2026. Such emissions disclosures would not be subject to the requirement to obtain limited assurance until its Form 10-K for fiscal year ended December 31, 2029, due in March 2030, or in a registration statement that is required to include financial information for fiscal year 2029. The registrant would be required to obtain reasonable assurance over such emissions disclosure beginning with its Form 10-K for fiscal year ended December 31, 2033, due in March 2034, or in a registration statement that is required to include financial information for fiscal year 2033. If required to make disclosures pursuant to Item 1502(d)(2), Item 1502(e)(2), or Item 1504(c)(2), such a filer will not be required to make such disclosures until its Form 10-K for fiscal year ended December 31, 2026, due in March 2027, or in a registration statement that is required to include financial information for fiscal year 2026.

As another example, an AF that is not an SRC or EGC with a January 1 fiscal-year start and December 31 fiscal year-end date will not be required to comply with the climate disclosure rules (other than those pertaining to GHG emissions and those related to Item 1502(d)(2), Item 1502(e)(2), and Item 1504(c)(2), if applicable) until its Form 10-K for the fiscal-year ending December 31, 2026, due in March 2027. If required to disclose its Scopes 1 and 2 emissions, such a filer will not be required to disclose those emissions until its Form 10-K for fiscal year ending December 31, 2028, due in March 2029, or in a registration statement that is required to include financial information for fiscal year 2028, and it would not be required to obtain limited assurance over such disclosure until its Form 10-K for fiscal year ending December 31, 2031, due in March 2032, or in a registration statement that is required to include financial information for fiscal year 2031. If required to make disclosures pursuant to Item 1502(d)(2), Item 1502(e)(2), or Item 1504(c)(2), such a filer will not be required to make such disclosures until its Form 10-K for fiscal year ended December 31, 2027, due in March 2028, or in a registration statement that is required to include financial information for fiscal year 2027.

IV. Treatment for Purposes of the Securities Act and the Exchange Act

The climate-related disclosures provided pursuant to the final rules will be treated as "filed" rather than "furnished." Climate-related disclosures will therefore be subject to potential liability pursuant to Exchange Act section 18 and, if included or otherwise incorporated by reference into a Securities Act registration statement, Securities Act section 11 as well.

V. Regulation S-K Disclosure Requirements

a. Climate-Related Risks

i. General Requirements and Definitions

The final rules (Item 1502(a)) require the disclosure of any climate-related risks that have materially impacted, or are reasonably likely to have a material impact, on the registrant, including on its business strategy, results of operations, or financial condition.

The rule uses similar definitions (set forth in Item 1500) and is based on the climate-related disclosure framework of the TCFD, with which many registrants and investors are already familiar. The definition of climate-related risks includes both physical risks and transition risks.

The final rules define "*physical risks*" to include both acute and chronic risks to a registrant's business operations. "Acute risks" is defined as event-driven risks and may relate to shorter-term severe weather events, such as hurricanes, floods, tornadoes, and wildfires. "Chronic risks" is defined as those risks that the business may face as a result of longer-term weather patterns, such as sustained higher temperatures, sea level rise, and drought, as well as related effects such as decreased arability of farmland, decreased habitability of land, and decreased availability of fresh water. These enumerated risks are provided as examples of the types of physical risks to be disclosed and many represent physical risks that have already impacted and may continue to impact registrants across a wide range of economic sectors.

The final rules define "*transition risks*" largely to mean the actual or potential negative impacts on a registrant's business, results of operations, or financial condition attributable to regulatory, technological, and market changes to address the mitigation of, or adaptation to, climate-related risks. Transition risks include, but are not limited to, increased costs attributable to climate-related changes in law or policy, reduced market demand for carbon-intensive products leading to decreased sales, prices, or profits for such products, the devaluation or abandonment of assets, risk of legal liability and litigation defense costs, competitive pressures associated with the adoption of new technologies, reputational impacts (including those stemming from a registrant's customers or business counterparties) that might trigger changes to market behavior, changes in consumer preferences or behavior, or changes in a registrant's behavior.

The final rules provide that a registrant that has identified a climate-related risk pursuant to Item 1502 must disclose whether the risk is a physical or transition risk, provide information necessary to an understanding of the nature of the risk presented and describe the extent of the registrant's exposure to the risk. The final rules then provide a non-exclusive list of disclosures that a registrant must disclose as applicable:

- If a physical risk, whether it may be categorized as an acute or chronic risk, and the geographic location and nature of the properties, processes, or operations subject to the physical risk; and

- If a transition risk, whether it relates to regulatory, technological, market (including changing consumer, business counterparty, and investor preferences), or other transition-related factors, and how those factors impact the registrant.

ii. Time Horizons and Materiality

The final rule (Item 1502(a)) provides that, in describing any climate-related risks that have materially impacted or are reasonably likely to have a material impact, a registrant should describe whether such risks are reasonably likely to manifest in both the short term (i.e., the next 12 months) and in the long term (i.e., beyond the next 12 months). This temporal standard is generally consistent with an existing standard in MD&A.

When evaluating whether any climate-related risks have materially impacted or are reasonably likely to have a material impact on the registrant, including on its business strategy, results of operations, or financial condition, registrants should rely on traditional notions of materiality. As defined by the Commission and consistent with Supreme Court precedent, a matter is material if there is a substantial likelihood that a reasonable investor would consider it important when determining whether to buy or sell securities or how to vote or such a reasonable investor would view omission of the disclosure as having significantly altered the total mix of information made available. The materiality determination is fact-specific and one that requires both quantitative and qualitative considerations.

b. Impacts of Climate-Related Risks on Strategy, Business Model, and Outlook

i. Material Impacts Generally

The final rule provision (Item 1502(b)) requires a registrant to describe the actual and potential material impacts of any climate-related risk identified in response to Item 1502(a) on the registrant's strategy, business model, and outlook. Information about the actual and potential material impacts of climate-related risks on a registrant's strategy, business model, and outlook is central to understanding the extent to which a registrant's business strategy or business model has changed, is changing, or is expected to change to address those impacts. This information is also central to evaluating management's response to the impacts and the resiliency of the registrant's strategy to climate-related factors as it pertains to the registrant's results of operations and financial condition.

The final rule includes a non-exhaustive list of the types of potential material impacts of climate-related risks:

- Business operations, including the types and locations of its operations;
- Products or services;
- Suppliers, purchasers, or counterparties to material contracts, to the extent known or reasonably available;
- Activities to mitigate or adapt to climate-related risks, including adoption of new technologies or processes; and
- Expenditure for research and development.

If none of the listed types of impacts or any other impacts are material, a registrant need not disclose them.

ii. Strategy, Financial Planning, and Capital Allocation Considerations

Item 1502(c) will require a registrant to discuss whether and how the registrant considers any material impacts described in response to Item 1502(b) as part of its strategy, financial planning, and capital allocation. The final rule requires a registrant to include in its disclosure:

- Whether the impacts of the climate-related risks described in response to Item 1502(b) have been integrated into the registrant's business model or strategy, including whether and how resources are being used to mitigate climate-related risks; and

- How any of the targets referenced in Item 1504 or in a described transition plan relate to the registrant's business model or strategy.

iii. Business, Results of Operations, Financial Condition

Item 1502(d) requires a registrant to provide a narrative discussion of whether and how climate-related risks that a registrant has identified as having had or being reasonably likely to have a material effect on the registrant described in response to proposed Item 1502(a) have affected or are reasonably likely to affect the registrant's business, results of operations, and financial condition.

iv. Expenditures; Financial Estimates and Assumptions

Item 1502(d)(2) requires a registrant to describe both quantitatively and qualitatively the material expenditures incurred and material impacts on financial estimates and assumptions that, in management's assessment, directly result from activities to mitigate or adapt to climate-related risks disclosed pursuant to Item 1502(b)(4). This disclosure requirement is intended to capture actual material expenditures, both capitalized and expensed, made during the fiscal year for the purpose of climate-related risk mitigation or adaptation. Requiring the disclosure of material impacts on financial estimates and assumptions that, from management's assessment, directly result from mitigation or adaptation activities will also provide investors with important information that will help them understand a registrant's climate risk management and assess any effects on its asset valuation and securities pricing.

The SEC recognized that registrants may need to develop new systems to ensure the accurate tracking and reporting of material expenditures and material impacts on financial estimates and assumptions that directly result from climate-related mitigation or adaptation activities. To accommodate such development and adjustment, the SEC provided an additional phase in for the requirement to disclose this information in the context of Item 1502. Accordingly, a registrant will not be required to comply with the Item 1502(d)(2) requirement until the fiscal year immediately following the fiscal year of its initial compliance date for subpart 1500 disclosures based on its filer status.

v. Transition Plan

The final rule (Item 1502(e)) requires a registrant to describe a transition plan if it has adopted the plan to manage a material transition risk. The final rules define (in Item 1500) a "transition plan" to mean a registrant's strategy and implementation plan to reduce climate-related risks, which may include a plan

to reduce its GHG emissions in line with its own commitments or commitments of jurisdictions within which it has significant operations. The final rules do not mandate that registrants adopt a transition plan; if a registrant does not have a plan, no disclosure is required.

The final rule requires a registrant to update its annual report disclosure about the transition plan each fiscal year by describing any actions taken during the year under the plan, including how such actions have impacted the registrant's business, results of operations, or financial condition. This updating requirement will help investors understand the registrant's progress under the plan over time, track the impacts of a transition plan on a registrant's business, and help inform investment decisions.

The final rule requires a registrant, as part of its updating disclosure, to include quantitative and qualitative disclosure of material expenditures incurred and material impacts on financial estimates and assumptions as a direct result of the disclosed actions taken under the plan. While this provision is similar to Item 1502(d), Item 1502(e) differs in that it is intended to elicit disclosure about material expenditures and material impacts on financial estimates and assumptions that directly result from actions taken under a transition plan (e.g., material expenditures made for climate-related research and development). Item 1502(e) is not limited to disclosure concerning expenditures and impacts that directly result from mitigation or adaptation activities; however, to the extent that a registrant's disclosure made in response to Item 1502(d) or Item 1502(e) overlap with each other or with disclosure required under any other subpart 1500 provision, the registrant need not repeat the disclosure.

Similar to Item 1502(d)(2), to allow for the development of systems, controls, and procedures to track and report material expenditures and material impacts on financial estimates and assumptions directly resulting from actions taken under a transition plan, the SEC is phasing in compliance with Item 1502(e)(2). A registrant will not be required to comply with either provision until the fiscal year immediately following the fiscal year of its initial compliance date for the subpart 1500 rules based on its filer status.

vi. Scenario Analysis If Used

The final rule (Item 1502(f)) requires the disclosure of scenario analysis under certain circumstances. The disclosure of a registrant's use of scenario analysis can provide important forward-looking information to help investors evaluate the resilience of the registrant's strategy under various climate-related circumstances.

The final rule's scenario analysis disclosure requirement depends on whether and how a registrant uses such analysis. Importantly, the rule will not require any registrant to conduct scenario analysis.

The final rule provides that, if a registrant uses scenario analysis to assess the impact of climate-related risks on its business, results of operations, or financial condition, and if, based on the results of scenario analysis, a registrant determines that a climate-related risk is reasonably likely to have a material impact on its business, results of operations, or financial condition, then the registrant must describe each such scenario, including a brief description of the parameters, assumptions, and analytical choices used, as well as the expected material impacts, including financial impacts, on the registrant under each such scenario.

vii. Maintained Internal Carbon Price

The final rule (Item 1502(g)) requires a registrant that uses internal carbon pricing to disclose certain information about the internal carbon price, if such use is material to how it evaluates and manages a climate-related risk that, in response to Item 1502(a), it has identified as having materially impacted or is reasonably likely to have a material impact on the registrant, including on its business strategy, results of operations, or financial condition.

If a registrant's use of internal carbon pricing is material, the final rule will require it to disclose in units of the registrant's reporting currency:

- The price per metric ton of CO_2e; and
- The total price, including how the total price is estimated to change over the time periods referenced in Item 1502(a), as applicable.

If a registrant uses more than one internal carbon price to evaluate and manage a material climate-related risk, it must provide the required disclosures for each internal carbon price, and disclose its reasons for using different prices. If the scope of entities and operations involved in the use of a described internal carbon price is materially different than the organizational boundaries used for the purpose of calculating a registrant's GHG emissions pursuant to the final rule, the registrant must briefly describe this difference.

c. Governance

i. Board Oversight

The final rule requires a description of a board of directors' oversight of climate-related risks. The final rule will also require the identification, if applicable, of any board committee or subcommittee responsible for the oversight of climate-related risks and a description of the processes by which the board or such committee or subcommittee is informed about such risks. Further, if there is a target or goal disclosed pursuant to Item 1504 or transition plan disclosed pursuant to Item 1502(e)(1), the final rule requires disclosure of whether and how the board oversees progress against the target or goal or transition plan. These disclosures are not required for registrants that do not exercise board oversight of climate-related risks.

ii. Management Oversight

The final rules require that registrants describe management's role in assessing and managing material climate-related risks. The final rules specify that a registrant should address, as applicable, the following non-exclusive list of disclosure items when describing management's role in assessing and managing the registrant's material climate-related risks:

- Whether and which management positions or committees are responsible for assessing and managing climate-related risks, and the relevant expertise of such position holders

or committee members in such detail as necessary to fully describe the nature of the expertise;

- The processes by which such positions or committees assess and manage climate-related risks; and

- Whether such positions or committees report information about such risks to the board of directors or a committee or subcommittee of the board of directors.

d. Risk Management

The final rules (Item 1503) require a registrant to describe any processes the registrant has for identifying, assessing, and managing material climate-related risks. If a registrant has not identified a material climate-related risk, no disclosure is required. The final rule provides that a registrant should address, as applicable, how it identifies whether it has incurred or is reasonably likely to incur a material physical or transition risk. The final rule also provides that a registrant should address, as applicable, how it:

- Decides whether to mitigate, accept, or adapt to the particular risk; and

- Prioritizes whether to address the climate-related risk.

The final rule provides that, if a registrant is managing a material climate-related risk, it must disclose whether and how any of the processes it has described for identifying, assessing, and managing the material climate-related risk have been integrated into the registrant's overall risk management system or processes.

e. Targets and Goals

i. Overall

The final rule (Item 1504(a)) requires a registrant to disclose any climate-related target or goal if such target or goal has materially affected or is reasonably likely to materially affect the registrant's business, results of operations, or financial condition. Investors need detailed information about a registrant's climate-related targets or goals in order to understand and assess the registrant's transition risk strategy and how the registrant is managing the material impacts of its identified climate-related risks.

The final rule (Item 1504(b)) will require a registrant that is disclosing its targets and goals pursuant to Item 1504 to provide any additional information or explanation necessary to an understanding of the material impact or reasonably likely material impact of the target or goal, including, as applicable, a description of:

- The scope of activities included in the target;

- The unit of measurement;

- The defined time horizon by which the target is intended to be achieved, and whether the time horizon is based on one or more goals established by a climate-related treaty, law, regulation, policy, or organization;

- If the registrant has established a baseline for the target or goal, the defined baseline time period and the means by which progress will be tracked; and

- A qualitative description of how the registrant intends to meet its climate-related targets or goals.

The final rule requires disclosure, as applicable, of how the registrant intends to meet its climate-related targets or goals. The final rule specifies that this discussion of prospective activities need only be qualitative.

The final rule (Item 1504(c)) will require a registrant to disclose any progress toward meeting the target or goal and how such progress has been achieved. Also, the final rule will require the registrant to update this disclosure each fiscal year by describing the actions taken during the year to achieve its targets or goals.

The final rule requires a registrant to include in its targets and goals disclosure a discussion of any material impacts to the registrant's business, results of operations, or financial condition as a direct result of the target or goal or the actions taken to make progress toward meeting the target or goal. This discussion must include quantitative and qualitative disclosure of any material expenditures and material impacts on financial estimates and assumptions as a direct result of the target or goal or the actions taken to make progress toward meeting the target or goal.

The final rule permits a registrant to provide the required targets and goals disclosure as part of its discussion pursuant to Item 1502 regarding its transition plan or when otherwise discussing material impacts of climate-related risks on its business strategy or business model. A registrant will also be permitted to provide the required targets and goals disclosure in its risk management discussion pursuant to Item 1503.

Similar to Items 1502(d)(2) and 1502(e)(2), and for similar reasons, there is a phase in for compliance with the Item 1504(c)(2) disclosure requirement. A registrant will not be required to comply with the requirements of Item 1504(c)(2) until the fiscal year immediately following the fiscal year of its initial compliance date for the subpart 1500 rules based on its filer status.

Some practitioners have expressed concern that Item 1504 could include a "back door" requirement to include Scope 3 emissions disclosure if a registrant has a transition plan or targets or goals that incorporate reductions in Scope 3 emissions. In early April 2024, Corp Fin Director Erik Gerding confirmed that quantifying Scope 3 emissions in SEC filings is purely voluntary and that the SEC had no intent of introducing any back door requirement. But Director Gerding did acknowledge that any registrant with Scope 3 emissions reductions in their transition plans or targets or goals would need to describe qualitatively how they are managing that process under Item 1504. Given the broad disclosure requirements of Item 1504 described above, a registrant with a Scope 3 emission reduction target or goal that has materially affected, or is reasonably likely to materially affect, its business, results of operations

or financial condition, may need to disclose Scope 3 emissions data on an annual basis to comply with Item 1504.

ii. Carbon Offsets and RECs

A registrant will be required to disclose certain information about the carbon offsets or renewable energy certificates ("RECs") only if they have been used as a material component of a registrant's plan to achieve climate-related targets or goals. Under the final rule, registrants will need to make a determination, based upon their specific facts and circumstances, about the importance of such carbon offsets and credits to their overall transition plan and provide disclosure accordingly.

If carbon offsets or RECs have been used as a material component of a registrant's plan to achieve climate-related targets or goals, then the registrant will be required to disclose:

- the amount of carbon avoidance, reduction, or removal represented by the offsets or the amount of generated renewable energy represented by the RECs;
- the nature and source of the offsets or RECs;
- a description and location of the underlying projects;
- any registries or other authentication of the offsets or RECs; and
- the cost of the offsets or RECs.

f. GHG Emissions

i. Overview and Materiality

The final rules require the disclosure of Scope 1 emissions and/or Scope 2 emissions metrics by LAFs and AFs that are not SRCs or EGCs, on a phased in basis, if such emissions are material.

A registrant should apply traditional notions of materiality under the Federal securities laws when evaluating whether its Scopes 1 and/or 2 emissions are material. Thus, materiality is not determined merely by the amount of these emissions. Rather, as with other materiality determinations under the Federal securities laws and Regulation S-K, the guiding principle for this determination is whether a reasonable investor would consider the disclosure of an item of information, in this case the registrant's Scope 1 emissions and/or its Scope 2 emissions, important when making an investment or voting decision or such a reasonable investor would view omission of the disclosure as having significantly altered the total mix of information made available.

A registrant's Scopes 1 and/or 2 emissions may be material because their calculation and disclosure are necessary to allow investors to understand whether those emissions are significant enough to subject the registrant to a transition risk that will or is reasonably likely to materially impact its business, results of operations, or financial condition in the short term or long term. For example, where a registrant faces a material transition risk that has manifested as a result of a requirement to report its

GHG emissions metrics under foreign or state law because such emissions are currently or are reasonably likely to be subject to additional regulatory burdens through increased taxes or financial penalties, the registrant should consider whether such emissions metrics are material under the final rules. A registrant's GHG emissions may also be material if their calculation and disclosure are necessary to enable investors to understand whether the registrant has made progress toward achieving a target or goal or a transition plan that the registrant is required to disclose under the final rules.

Conversely, the fact that a registrant is exposed to a material transition risk does not necessarily result in its Scope 1 and Scope 2 emissions being de facto material to the registrant. For example, a registrant could reasonably determine that it is exposed to a material transition risk for reasons other than its GHG emissions, such as a new law or regulation that restricts the sale of its products based on the technology it uses, not directly based on its emissions. Such a risk may trigger disclosure under other provisions of subpart 1500, but may not necessarily trigger disclosure of Scope 1 and Scope 2 emissions information under Item 1505.

ii. Presentation

The final rule requires the disclosure of any described scope of emissions to be expressed in the aggregate in terms of CO_2e. In addition, if a registrant is required to disclose its Scope 1 and/or Scope 2 emissions, and any constituent gas of the disclosed emissions is individually material, it must also disclose such constituent gas disaggregated from the other gases. For example, if a registrant has included a particular constituent gas, such as methane, in a GHG emissions reduction target that is disclosed pursuant to Item 1504(a) because it is reasonably likely to materially affect the registrant's business, such constituent gas may be material and, therefore, required to be disclosed in disaggregated fashion.

A registrant that is required to disclose its Scope 1 and/or Scope 2 emissions must disclose those emissions in gross terms by excluding the impact of any purchased or generated offsets.

The final rule requires a registrant to describe the methodology, significant inputs, and significant assumptions used to calculate the registrant's disclosed GHG emissions. The final rule will require a registrant to disclose the organizational boundaries used when calculating its Scope 1 emissions and/or its Scope 2 emissions, the method used to determine the organizational boundaries, and if the organizational boundaries materially differ from the scope of entities and operations included in the registrant's consolidated financial statements, the registrant must provide a brief explanation of this difference in sufficient detail for a reasonable investor to understand.

The final rule requires a brief description of, in sufficient detail for a reasonable investor to understand, the protocol or standard used to report the GHG emissions, including the calculation approach, the type and source of any emission factors used, and any calculation tools used to calculate the GHG emissions. Rather than potentially requiring a lengthy explanation of the calculation approach used, this provision will require a registrant to disclose whether it calculated its GHG emissions metrics using an approach pursuant to the GHG Protocol's Corporate Accounting and Reporting Standard, an EPA regulation, an applicable ISO standard, or another standard. Pursuant to this provision, the SEC would expect a registrant to also disclose whether it calculated its Scope 2 emissions using a particular method (which may differ from the method used to calculate Scope 1 emissions, to the extent both Scope 1 and 2 emissions are required to be disclosed under the final rules), such as the location-based method,

market-based method, or both. Similarly, a registrant should disclose the identity of any calculation tools used, such as those provided by the GHG Protocol or pursuant to GHG emissions calculation under the ISO standards.

Under the final rule, registrants are not required to disclose their GHG emissions in terms of intensity.

The final rule provides that a registrant may use reasonable estimates when disclosing its GHG emissions as long as it also describes the assumptions underlying, and its reasons for using, the estimates.

iii. Exclusions

The final rules do not require a registrant to disclose Scope 3 emissions, and exempt SRCs and EGCs from any requirement to disclose their GHG emissions, including their Scopes 1 and 2 emissions.

The final rules provide that a registrant is not required to include GHG emissions from a manure management system when disclosing its overall Scopes 1 and 2 emissions. This exclusion from the GHG emissions disclosure requirement has been included in light of the 2023 Consolidated Appropriations Act, which provides that none of the funds made available under that Act or any other Act (including to the Commission) may be used to implement any provision in a rule, if that provision requires mandatory reporting of greenhouse gas emissions from manure management systems. Accordingly, an agricultural producer or other registrant that operates a manure management system will not be required to include GHG emissions from that system when disclosing its overall Scopes 1 and 2 emissions for so long as implementation of such a provision is subject to restrictions on appropriated funds or otherwise prohibited by Federal law.

iv. Timeline for Reporting

Under the final rules, if a registrant is required to disclose its Scope 1 and/or Scope 2 emissions, it must disclose those emissions for its most recently completed fiscal year and, to the extent previously disclosed in a Commission filing, for the historical fiscal year(s) included in the consolidated financial statements included in the filing. By contrast, a registrant that has not previously disclosed its Scopes 1 and 2 emissions in a Commission filing for a particular historical fiscal year will not be required to estimate and report those emissions for such period.

The final rules provide that any GHG emissions metrics required to be disclosed pursuant to Item 1505 in an annual report filed with the Commission on Form 10-K may be incorporated by reference from the registrant's Form 10-Q for the second fiscal quarter in the fiscal year immediately following the year to which the GHG emissions metrics disclosure relates. To provide comparable treatment for foreign private issuers, the final rules provide that the GHG emissions metrics required to be disclosed pursuant to Item 1505 may be disclosed in an amendment to their annual report on Form 20-F, which shall be due no later than 225 days after the end of the fiscal year to which the GHG emissions metrics disclosure relates. Whether a registrant is a domestic registrant or foreign private issuer, the final rules provide that the registrant must include an express statement in its annual report indicating its intention to incorporate by reference or amend its filing for this information.

To provide similar treatment to GHG emissions metrics required to be disclosed under Item 1505 in a Securities Act or Exchange Act registration statement, the final rules state that the GHG emissions metrics must be provided as of the most recently completed fiscal year that is at least 225 days prior to the date of effectiveness of the registration statement. For example, if a calendar year-end LAF files a Form S-1 registration statement in 2028, which goes effective on or after Monday, August 7, 2028, its GHG emissions metrics disclosure must be as of 2027 since the Form S-1's date of effectiveness is at least 225 days after the 2027 fiscal year-end. If, however, the Form S-1 registration statement goes effective on Friday, August 4, 2028, which is less than 225 days after its 2027 fiscal year-end, the registrant may provide its GHG emissions metrics disclosure as of its 2026 fiscal year-end.

g. Attestation Over GHG Emissions Disclosure

i. Overview and Assurance Levels

The final rules (Item 1506(a)(1)) require a registrant, including a foreign private issuer, that is required to provide Scope 1 and/or Scope 2 emissions disclosure pursuant to Item 1505 to include an attestation report covering the disclosure of its Scope 1 and/or Scope 2 emissions in the relevant filing.

Under the final rules, the attestation engagement must, at a minimum, be at the following assurance level for the indicated fiscal year for the required GHG emissions disclosure:

Filer Type	Scopes 1 and 2 Emissions Disclosure Compliance Date	Limited Assurance Compliance Date	Reasonable Assurance Compliance Date
LAFs	Fiscal year 2026	Fiscal year 2029	Fiscal year 2033
AFs (other than SRCs and EGCs)	Fiscal year 2028	Fiscal year 2031	N/A

AFs (excluding SRCs and EGCs) and LAFs are required to obtain an attestation report under the final rules, consistent with the scope of registrants that are required to comply with the GHG emissions disclosure requirements in Item 1505. As illustrated in the table above, the final rules (Item 1506(a)(1)(i), (ii)) require both AFs and LAFs to obtain limited assurance beginning the third fiscal year after the compliance date for Item 1505; however, under the final rules (Item 1506(a)(1)(iii)), only LAFs are required to obtain an attestation report at a reasonable assurance level beginning the seventh fiscal year after the compliance date for Item 1505. The final rules do not require an AF to obtain an attestation report at a reasonable assurance level. The final rules will exempt SRCs and EGCs from the requirement to obtain an attestation report.

The primary difference between the two levels of assurance relates to the nature, timing, and extent of procedures required to obtain sufficient, appropriate evidence to support the limited assurance conclusion or reasonable assurance opinion. For example, in a limited assurance engagement, the procedures performed by attestation providers are generally limited to analytical procedures and inquiries, but in a reasonable assurance engagement, they are also required to perform risk assessment

and detail testing procedures to respond to the assessed risk. However, the outcome of a reasonable assurance engagement results in positive assurance (e.g., the provider forms an opinion about whether the registrant's GHG emissions disclosures are in accordance with Item 1505 in all material respects) while the outcome of a limited assurance engagement results in negative assurance (e.g., the provider forms a conclusion about whether it is aware of any material modifications that should be made to the disclosures for it to be in accordance with Item 1505).

Additional voluntary assurance obtained by a filer would be subject to the following requirements:

	After the Compliance Date for GHG Emissions Disclosure but before the Compliance Date for Assurance	**After the Compliance Date for Assurance**
LAFs and AFs subject to Items 1505 and 1506(a) through (d) (e.g., registrants that are required to disclose GHG emissions and obtain assurance)	Any voluntary assurance over any GHG emissions disclosure must comply with the disclosure requirements in Item 1506(e).	Any voluntary assurance obtained over GHG emissions disclosures that are not required to be assured pursuant to Item 1506(a) (e.g., voluntary Scope 3 disclosures) must follow the requirements of Item 1506(b) through (d), including using the same attestation standard as the registrant's required assurance over Scope 1 and/or Scope 2 disclosure.
Registrants not subject to Items 1505 or 1506(a) through (d) (e.g., registrants that are not required to disclose GHG emissions)	Any voluntary assurance over any GHG emissions disclosure must comply with the disclosure requirements in Item 1506(e)	Any voluntary assurance over any GHG emissions disclosure must comply with the disclosure requirements in Item 1506(e).

ii. Attestation Provider Requirements, Liability, and Consents

The rules require the GHG emissions attestation report required by Item 1505(a) for AFs and LAFs to be prepared and signed by a GHG emissions attestation provider. A GHG emissions attestation provider means a person or firm that has all the following characteristics:

- Is an expert in GHG emissions by virtue of having significant experience in measuring, analyzing, reporting, or attesting to GHG emissions. Significant experience means having sufficient competence and capabilities necessary to:
    - Perform engagements in accordance with attestation standards and applicable legal and regulatory requirements; and
    - Enable the service provider to issue reports that are appropriate under the circumstances.
- Is independent with respect to the registrant, and any of its affiliates, for whom it is providing the attestation report, during the attestation and professional engagement period.

The SEC amended Rule 436 to provide that a report by an attestation provider covering Scope 1 and/or Scope 2 emissions at a limited assurance level shall not be considered a part of the registration statement that is prepared or certified by an expert or person whose profession gives authority to the statements made within the meaning of sections 7 and 11 of the Securities Act. The amendment to Rule 436 also states that a report covering Scope 3 emissions at a limited assurance level shall not be considered a part of the registration statement that is prepared or certified by an expert or person whose profession gives authority to the statements made within the meaning of sections 7 and 11 of the Securities Act. Although no registrants are required to disclose Scope 3 emissions or obtain an attestation report for Scope 3 emissions under the final rules, the SEC included Scope 3 emissions within the exception contained in Rule 436 in the event that a registrant voluntarily discloses its Scope 3 emissions.

One result of the amendments to Rule 436 is that a GHG emissions attestation provider that has performed an attestation engagement over GHG emissions at a limited assurance level is not required to submit a consent in connection with the registration statement under section 7 of the Securities Act. However, we think it is nonetheless important that a GHG emissions attestation provider have some awareness about whether its attestation report is included in a registration statement under the Securities Act. Therefore, the SEC also amended Item 601 of Regulation S-K, which details the exhibits required to be included in Securities Act and Exchange Act filings, to require registrants to file as an exhibit to certain registration statements under the Securities Act or reports on Form 10-K or 10-Q that are incorporated into these registration statements a letter from the attestation provider that acknowledges its awareness of the use in certain registration statements of any of its reports which are not subject to the consent requirement of section 7. The SEC also amended the Instructions as to Exhibits section of Form 20-F to include the same requirement for Form 20-F filers to the extent the Form 20-F is incorporated into a registration statement under the Securities Act.

iii. Attestation Engagement and Report Requirements

The final rules (Item 1506(a)(2)) provide that the attestation report must be provided pursuant to standards that are established by a body or group that has followed due process procedures, including the broad distribution of the framework for public comment and, in addition to being developed using due process, are either (i) publicly available at no cost, or (ii) widely used for GHG emissions assurance.

The SEC is of the view that the PCAOB, AICPA, and IAASB standards meet the due process requirements and are publicly available at no cost to investors. In addition, in light of the modifications to its final rules, the SEC also believes that the ISO standards related to the attestation of GHG emissions disclosures would meet these requirements. It is important to note that by highlighting these standards, the SEC stated that it did not mean to imply that other standards, either those currently in existence, or those that may develop in the future, would not be suitable for use under the final rules.

The final rules (Item 1506(c)) require the form and content of the GHG emissions attestation report to follow the requirements set forth by the attestation standard or standards used; however, the final rules do not prescribe minimum report requirements.

The final rules apply on a prospective basis only with disclosure for historical periods phasing in over time. Specifically, in the first year that an AF or LAF is required to provide an attestation report, such report is only required to cover the Scope 1 and/or Scope 2 emissions for its most recently completed fiscal year. To the extent the AF or LAF disclosed Scope 1 and/or Scope 2 emissions for a historical period, it would not be required to obtain an assurance report covering such historical period in the first year of the attestation rule's applicability. However, for each subsequent fiscal year's annual report, the registrant will be required to provide an attestation report for an additional fiscal year until an attestation report is provided for the entire period covered by the registrant's GHG emissions disclosures. In circumstances where more than one GHG emissions provider may have provided an attestation report for the different fiscal years included in the filing, a GHG emissions attestation provider should be clear about its involvement with any historical information, including disclaiming any such involvement where applicable.

The final rules do not require a registrant to obtain an attestation report specifically covering the effectiveness of internal control over GHG emissions disclosure. Such a report would not be required even when the GHG emissions attestation engagement is performed at a reasonable assurance level.

The final rules do not require that GHG emissions disclosure be provided in a separately captioned "Climate-Related Disclosure" section in the relevant filing. Therefore, the final rules do not require a registrant to include an attestation report in such a section, although a registrant may choose to do so.

iv. Additional Disclosures

1. Oversight Inspection Programs

The final rules (Item 1506(d)) require registrants to disclose whether the GHG emission attestation engagement is subject to "any" oversight inspection program, and if so, which program (or programs). The SEC would consider a GHG emissions attestation engagement to be subject to an oversight inspection program if it is possible that the assurance services could be inspected pursuant to the oversight program, even if it is not certain that the services will be inspected in a particular inspection cycle. To be clear, this requirement is not limited to oversight inspection programs that include within their scope, or require the inspection of, the GHG emissions attestation engagement. Rather, the final rules require the disclosure of "any" oversight inspection program that applies to the GHG emissions attestation provider. Therefore, a registrant must disclose any oversight inspection program the GHG

emissions attestation provider is subject to for any type of engagement (e.g., a financial statement audit or other review).

2. Changes in or Disagreements with Attestation Provider

The final rules (Item 1506(d)(2)) will require an AF or LAF subject to Item 1506(a) to disclose whether its former GHG emissions attestation provider resigned or was dismissed and the date thereof. If so, the registrant must state whether during the performance of the attestation engagement for the fiscal year covered by the attestation report there were any disagreements with the former GHG emissions attestation provider over any measurement or disclosure of GHG emission or attestation scope of procedures. The final rules will require the registrant to describe each such disagreement and state whether the registrant has authorized the former GHG emissions attestation provider to respond fully to the inquiries of the successor GHG emissions attestation provider concerning the subject matter of each such disagreement. Like the other elements of the disclosure requirement, this is modeled on the requirement to disclose disagreements between a registrant and its independent auditor in connection with the auditor's dismissal or resignation in Item 304 of Regulation S-K. Item 1506(d)(2) does not apply to registrants that voluntarily obtain assurance over their GHG emissions disclosure and provide certain information about the engagement pursuant to Item 1506(e).

v. Disclosure of Voluntary Assurance

The final rules (Item 1506(e)) that require any registrant that is not required to include a GHG emissions attestation report pursuant to Item 1506(a) to disclose certain information about the assurance engagement if the registrant's GHG emissions disclosure was voluntarily subject to assurance. Under the final rules, a registrant will be required to disclose the following information if the registrant's GHG emissions disclosure was subject to third-party assurance:

- Identification of the service provider of such assurance;
- Description of the assurance standard used;
- Description of the level and scope of assurance services provided;
- Brief description of the results of the assurance services;
- Whether the service provider has any material business relationships with or has provided any material professional services to the registrant; and
- Whether the service provider is subject to any oversight inspection program, and if so, which program (or programs) and whether the assurance services over GHG emissions are included within the scope of authority of such oversight inspection program.

The final rules do not require a registrant to provide Item 1506(e) information about any voluntary non-assurance services (e.g., agreed-upon procedures) obtained over its GHG emissions disclosure.

h. Safe Harbor for Certain Climate-Related Disclosures

The final rule (Item 1507) states that disclosures (other than historic facts) provided pursuant to the following subpart 1500 provisions constitute "forward-looking statements" for purposes of the PSLRA safe harbors:

- 17 C.F.R. § 229.1502(e) (transition plans);
- 17 C.F.R. § 229.1502(f) (scenario analysis);
- 17 C.F.R. § 229.1502(g) (internal carbon pricing); and
- 17 C.F.R. § 229.1504 (targets and goals).

The PSLRA statutory provisions define "forward-looking statement" to include a number of different types of statements. Several of these definitional provisions are potentially applicable to statements made in the context of disclosures regarding transition plans, scenario analysis, and internal carbon pricing made pursuant to Item 1502 and regarding targets and goals made pursuant to Item 1504. To the extent that disclosures made in response to these Items or to any other subpart 1500 provision contain one or more of the following statements, they will fall within the PSLRA statutory definition of "forward-looking statement":

- A statement containing a projection of revenues, income (including income loss), earnings (including earnings loss) per share, capital expenditures, capital structure, or other financial items;
- A statement of the plans and objectives of management for future operations, including plans or objectives relating to the products or services of the issuer;
- A statement of future economic performance, including any such statement contained in a discussion and analysis of financial condition by the management, made pursuant to Commission rules;
- Any statement of the assumptions underlying or relating to the above statements; and
- A statement containing a projection or estimate of items specified by Commission rule or regulation.

The SEC recognized, however, the concern of some commenters that the PSLRA safe harbors may not be applicable to disclosures related to transition plans, scenario analysis, internal carbon price, and targets and goals to the extent the disclosures consist of a complex mix of factual and forward-looking statements and because the PSLRA safe harbors do not apply to certain parties and certain transactions. Thus, the SEC provided a safe harbor for these disclosures to avoid having to disentangle the information to claim protection for forward-looking statements under the PSLRA safe harbors, which would increase the compliance burden under the final rules and potentially reduce the usefulness of those disclosures for investors. Consistent with the operation of the PSLRA safe harbor, the final rules' forward-looking safe harbor will not be available for statements consisting solely of historical fact because

such information does not involve the assumptions, judgments, and predictions about future events that necessitates additional protections. And the final rules' safe harbor will not be available for forward-looking statements included in a registrant's consolidated financial statements.

Furthermore, statements made by issuers and/or in connection with transactions currently excluded from the PSLRA statutory safe harbor for forward-looking statements that will be eligible for the final rules' safe harbor include forward-looking statements: made in connection with an offering of securities by a blank check company; made with respect to the business or operations of an issuer of penny stock; made in connection with a rollup transaction; or made in connection with an IPO, or in connection with an offering by, or relating to the operations of, a partnership, limited liability company, or a direct participation investment program.

Note that the safe harbor does not apply to Scopes 1 and 2 emissions disclosures.

i. Structured Data Requirement

Registrants are required to tag climate-related disclosures in Inline eXtensible Business Reporting Language ("Inline XBRL") in accordance with 17 C.F.R. § 232.405 (Rule 405 of Regulation S-T) and the EDGAR Filer Manual, including block text tagging and detail tagging of narrative and quantitative disclosures provided pursuant to subpart 1500 of Regulation S-K and Article 14 of Regulation S-X.

VI. Regulation S-X Disclosure Requirements

a. Expenditure Effects

i. Scope

The final rules focus on requiring the disclosure of capitalized costs, expenditures expensed, charges, and losses incurred as a result of severe weather events and other natural conditions. Specifically, a registrant must disclose:

- The aggregate amount of expenditures expensed as incurred and losses, excluding recoveries, incurred during the fiscal year as a result of severe weather events and other natural conditions, and

- The aggregate amount of capitalized costs and charges, excluding recoveries, recognized during the fiscal year as a result of severe weather events and other natural conditions.

The capitalized costs, expenditures expensed, charges, and losses that will be disclosed under the final rules are already captured in a registrant's income statement or balance sheet and measured and reported in accordance with U.S. GAAP or IFRS.

ii. Disclosure Threshold

The final rules require disclosure of:

- Expenditures expensed as incurred and losses if the aggregate amount of such expenditures expensed as incurred and losses equals or exceeds *one percent* of the absolute value of income or loss before income tax expense or benefit for the relevant fiscal year; and

- Capitalized costs and charges recognized if the aggregate amount of the absolute value of capitalized costs and charges recognized equals or exceeds one percent of the absolute value of stockholders' equity or deficit, at the end of the relevant fiscal year.

Such disclosure is not required, however, if the aggregate amount of expenditures expensed and losses as incurred in the income statement is less than $100,000 for the relevant fiscal year. With respect to the balance sheet, registrants are not required to provide disclosure if the aggregate amount of capitalized costs and charges is less than $500,000 for the relevant fiscal year.

The final rules provide that the disclosure thresholds should be calculated using the absolute values of the relevant denominator. The SEC thinks it is appropriate to use the absolute values because the balances for these line items may represent debit or credit balances (which are not inherently either positive or negative) in the books and records, and thus using an absolute value will avoid any confusion that could arise from using a negative number resulting from an accounting convention for the disclosure threshold. In addition, the final rules require registrants to use the absolute value of capitalized costs and charges recognized for the numerator to determine whether the applicable disclosure threshold is triggered for the balance sheet disclosures, since capitalized costs and charges can offset one another.

iii. Attribution Principle

The final rules (Rule 14-02(g)) require a registrant to attribute a cost, expenditure, charge, loss, or recovery to a severe weather event or other natural condition and disclose the entire amount of the expenditure or recovery when the event or condition is a significant contributing factor in incurring the cost, expenditure, charge, loss, or recovery.

iv. Recoveries

The final rules (Rule 14-02(f)) provide that, if a registrant is required to disclose capitalized costs, expenditures expensed, charges, or losses incurred as a result of severe weather events and other natural conditions, then it must separately disclose the aggregate amount of any insurance or other recoveries recognized during the fiscal year as a result of the severe weather events and other natural conditions for which capitalized costs, expenditures expensed, charges, or losses have been disclosed.

v. Severe Weather Events and Other Natural Conditions

The final rules in both Regulation S-K and Regulation S-X use the phrase "severe weather events." And both include the same examples. The SEC expects there will be significant overlap between the

severe weather events and other natural conditions a registrant identifies for purposes of disclosure under Rule 14-02 and the types of physical risks (i.e., acute risks (including severe weather events) and chronic risks) a registrant identifies for purposes of disclosure under the amendments to Regulation S-K.

However, a registrant is not required to make a determination that a severe weather event or other natural condition was, in fact, caused by climate change in order to trigger the disclosure required by Rule 14-02 related to such event or condition. In this way, although there is significant overlap between the disclosure of climate-related physical risks pursuant to Regulation S-K and the severe weather events and other natural conditions that a registrant identifies pursuant to Rule 14-02, the events covered by Rule 14-02 would also cover severe weather events and other natural conditions that are not necessarily related to climate.

vi. Carbon Offsets and RECs

If carbon offsets or RECs have been used as a material component of a registrant's plan to achieve its disclosed climate-related targets or goals, the final rules (Rule 14-02(e)) require registrants to disclose (1) the aggregate amount of carbon offsets and RECs expensed, (2) the aggregate amount of capitalized carbon offsets and RECs recognized, and (3) the aggregate amount of losses incurred on the capitalized carbon offsets and RECs, during the fiscal year. In addition, the final rules require registrants to disclose the beginning and ending balances of capitalized carbon offsets and RECs on the balance sheet for the fiscal year. The final rules also require a registrant to disclose where on the balance sheet and income statement these capitalized costs, expenditures expensed, and losses are presented. If a registrant is required to disclose capitalized costs, expenditures expensed, and losses related to carbon offsets and RECs, the final rules provide that a registrant must also state, as part of the contextual information required, the registrant's accounting policy for carbon offsets and RECs.

vii. Presentation of Disclosure

Registrants must separately aggregate the (1) capitalized costs and charges on the balance sheet, and (2) expenditures expensed as incurred and losses in the income statement to determine whether the applicable disclosure threshold is triggered and for purposes of disclosure. The capitalized costs, expenditures expensed, charges, and losses must be segregated between the balance sheet and the income statement depending on which financial statement they are recorded within upon recognition in accordance with applicable GAAP. For each of the balance sheet and income statement disclosures, if the applicable disclosure threshold is met, a registrant is required to disclose the aggregate amount of expenditures expensed and losses and the aggregate amount of capitalized costs and charges incurred during the fiscal year and separately identify where on the income statement and balance sheet these amounts are presented as illustrated in greater detail below.

With respect to capitalized costs, expenditures expensed, and losses related to carbon offsets and RECs, registrants must disclose these amounts if carbon offsets or RECs have been used as a material component of a registrant's plan to achieve its disclosed climate-related targets or goals. Unlike the disclosures related to severe weather events and other natural conditions, a registrant is not required to separately determine whether the disclosure threshold is triggered for costs, expenditures, and losses that are recorded on the balance sheet versus the income statement for disclosures related to carbon offsets and RECs. If disclosure is required because carbon offsets or RECs have been used as a material

component of a registrant's plan to achieve its disclosed climate-related targets or goals, then a registrant must separately disclose the following: (1) the aggregate amount of each of the capitalized costs, expenditures expensed, and losses related to carbon offsets and RECs during the fiscal year; (2) the beginning and ending balances of capitalized carbon offsets and RECs on the balance sheet for the fiscal year; and (3) where on the balance sheet and the income statement the capitalized costs, expenditures expensed, and losses related to carbon offsets and RECs are presented, as illustrated in greater detail below.

The SEC provided the following example to help illustrate the operation of the final rules. Assume a registrant (1) capitalized $1,200,000 of expenditures related to Severe Weather Event A; (2) incurred an impairment charge of $750,000 in the income statement to write-off $750,000 of inventory from the balance sheet related to Natural Condition B; (3) capitalized $1,000,000 of expenditures to replace the inventory written off related to Natural Condition B; (4) expensed $2,000,000 of expenditures related to Severe Weather Event C; and (5) received $400,000 in insurance recoveries related to Severe Weather Event A. The registrant determined that Severe Weather Events A and C and Natural Condition B were significant contributing factors in incurring the capitalized costs, expenditures expensed, charges, losses, and recovery described above. In addition, the registrant used carbon offsets and RECs as a material component of its plan to achieve a disclosed climate-related target or goal, and it capitalized $1,000,000 and expensed $3,000,000 of carbon offsets or RECs during the period. The registrant had a beginning balance of capitalized carbon offsets or RECs of $2,500,000 and ended the year with $500,000 in capitalized carbon offsets or RECs remaining on its balance sheet. The registrant would determine whether the financial statement effects as a result of severe weather events and other natural conditions would trigger the disclosure requirements based on the thresholds, as illustrated below:

Expenditure Category	Current Fiscal Year Balances (Stockholders' Equity from Balance Sheet, Income or Loss Before Income Tax Expense or Benefit from Income Statement)	Severe Weather Event A	Natural Condition B	Severe Weather Event C	Percentage Impact
Balance Sheet (capitalized costs and charges)	$150,000,000	$1,200,000	$1,750,000		1.97%
Income Statement (expenditures expensed as incurred and losses)	$75,000,000		$750,000	$2,000,000	3.67%

In the above example, the expenditures incurred toward Severe Weather Event A were $1,200,000 (capitalized on balance sheet), the capitalized cost, charge, and loss incurred as a result of Natural Condition B were $1,750,000 (charge on balance sheet and loss in income statement of $750,00 and capitalized cost of $1,000,000 on the balance sheet), and the expenditures incurred toward Severe Weather Event C were $2,000,000 (expense in the income statement). The aggregate amount of the

absolute value of capitalized costs and charges on the balance sheet ($2,950,000) exceeded the one percent threshold of stockholders' equity, and therefore disclosure would be required for these costs and charges. The aggregate amount of expenditures expensed as incurred and losses in the income statement ($2,750,000) exceeded the one percent threshold of income or loss before income tax expense or benefit, and therefore disclosure would be required for the expenses and loss. In addition, the registrant used carbon offsets and RECs as a material component of its plan to achieve a disclosed climate-related target or goal, and therefore disclosure would be required for the carbon offsets and RECs. The registrant's resulting disclosure of such costs and expenditures may be provided, for example, as illustrated in the following table (excluding disclosure of contextual information):

Note X. Financial statement effects related to severe weather events and other natural conditions and carbon offsets and renewable energy credits:

Category	Balance Sheet		Income Statement		
	Year Ended Dec. 31,		Year Ended Dec. 31,		
	20X2	20X3	20X1	20X2	20X3
Severe Weather Events and Other Natural Conditions					
Capitalized Costs and Charges:					
Inventory	$ -	$ 250,000[a]			
PP&E	$ -	$1,200,000			
Expenditures Expensed as Incurred and Losses:					
General & Administrative			$ -	$ -	$ (2,000,000)
Other Income/(Loss)			$ -	$ -	$ (750,000)

a. $1,000,000 + ($750,000) = $250,000

In this example, the required contextual information may include disclosure such as the specific severe weather events, natural conditions, and transactions that were aggregated for purposes of determining the effects on the balance sheet and income statement amounts and, if applicable, policy decisions made by a registrant, such as any significant judgments made to determine the amount of capitalized costs, expenditures expensed, charges, and losses. Also, as part of the contextual information, a registrant would be required to disclose the $400,000 in insurance recoveries recognized in the consolidated financial statements as a result of Severe Weather Event A, including identification of where it is presented in the income statement or balance sheet.

Carbon Offsets and RECs	
Carbon Offsets and RECs at Jan. 1, 20X3	$2,500,000
Capitalized Carbon Offsets and RECs	$1,000,000
Expensed Carbon Offsets and RECs	$(3,000,000)
Carbon Offsets and RECs at Dec. 31, 20X3	$500,000

Carbon offsets and RECs are presented in the Intangible Assets line item on the balance sheet and expensed in the General and Administrative line item on the income statement.[a]

a. As noted above, there is diversity in practice in accounting for carbon offsets and RECs. *See supra* note 2110 and accompanying text. In this example, the entity capitalizes all of its costs of carbon offsets and RECs and presents these amounts within the intangible assets line item. We are providing this example for illustrative purposes only and this is not meant to indicate a preferred method of accounting or presentation. Registrants should consider their specific facts and circumstances when determining the appropriate accounting treatment and disclose their accounting policy in accordance with 17 CFR 210.14-02(e)(2).

In this example, the required contextual information would include the registrant's accounting policy for the carbon offsets and RECs.

The final rules state that a registrant may be required to disclose the aggregate amount of expenditures expensed and losses as incurred as a result of severe weather events and other natural conditions, for example, to restore operations, relocate assets or operations affected by the event or condition, retire affected assets, repair affected assets, recognize impairment loss of affected assets, or otherwise respond to the effect that severe weather events and other natural conditions had on business operations. The final rules also state that a registrant may be required to disclose the aggregate amount of capitalized costs and charges incurred as a result of severe weather events and other natural conditions, for example, to restore operations, retire affected assets, replace or repair affected assets, recognize an impairment charge for affected assets, or otherwise respond to the effect that severe weather events and other natural conditions had on business operations.

b. Financial Estimates and Assumptions

The final rules require registrants to disclose whether the estimates and assumptions used to prepare the consolidated financial statements were materially impacted by exposures to risks and uncertainties associated with, or known impacts from, severe weather events and other natural conditions, such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise, or any climate-related targets or transition plans disclosed by the registrant. If so, then the final rules require registrants to provide a qualitative description of how the development of such estimates and assumptions were impacted by the events, conditions, and disclosed targets or transition plans identified above.

For example, a registrant's climate-related targets and related commitments, such as a disclosed commitment to achieve net-zero emissions by 2040, may impact certain accounting estimates and assumptions. Also, for example, if a registrant disclosed a commitment that would require decommissioning an asset by a target year, then the registrant's useful life and salvage value estimates used to compute depreciation expense as well as its measurement of asset retirement obligation should reflect alignment with that commitment. Financial statement estimates and assumptions that may require disclosure pursuant to the final rules may include those related to the estimated salvage value of certain

assets, estimated useful life of certain assets, projected financial information used in impairment calculations, estimated loss contingencies, estimated reserves (such as environmental reserves, asset retirement obligations, or loan loss allowances), estimated credit risks, fair value measurement of certain assets, and commodity price assumptions.

c. Financial Statement Disclosure Requirements

i. Contextual Information and Basis of Calculation

Under the final rules, a registrant must "[p]rovide contextual information, describing how each specified financial statement effect . . . was derived, including a description of significant inputs and assumptions used, significant judgments made, [and] other information that is important to understand the financial statement effect and, if applicable, policy decisions made by the registrant to calculate the specified disclosures."

The final rules (Rule 14-01(c)) require registrants to calculate the financial statement effects using financial information that is consistent with the scope of the rest of the registrant's consolidated financial statements and to apply the same set of accounting principles that a registrant is required to apply in preparation of the rest of its consolidated financial statements, consistent with the proposal.

ii. Historical Periods

A registrant is required to provide disclosure for historical fiscal year(s) included in a registrant's consolidated financial statements on a prospective basis only. Under the final rules (Rule 14-01(d)), disclosure must be provided for the registrant's most recently completed fiscal year, and to the extent previously disclosed or required to be disclosed, for the historical fiscal year(s), for which audited consolidated financial statements are included in the filing. Subject to the relevant compliance date, registrants will be required to provide disclosure for the registrant's most recently completed fiscal year for which audited financial statements are included in the filing in any filings to which the final rules apply; however, registrants are not required to provide disclosure for historical fiscal year(s) included in that filing. For example, subject to the compliance date, a registrant that files its annual report will only be required to provide the applicable disclosure for the registrant's most recently completed fiscal year for which audited financial statements are included in the filing. For each subsequent fiscal year's annual report, the registrant will be required to provide the applicable disclosure for an additional fiscal year until the required disclosure is provided for the entire period covered by the registrant's financial statements.

Initial registration statements are subject to the final rules to the same extent as the other Commission filings to which the rules apply. Specifically, a registrant engaged in an IPO that has a fiscal year that is subject to the final rules is required to provide disclosure for the registrant's most recently completed fiscal year for which audited financial statements are included in the filing. However, such registrant will not be required to provide disclosure for any preceding fiscal years included in the initial registration statement because as new entrants to the public markets, such registrants would not have previously disclosed or been required to disclose the information required by the final rules.

d. Inclusion of Disclosures in the Financial Statements

The financial statements effects disclosure is required to be presented in a note to the financial statements (Rule 1401(a)).

Appendix A: The SEC's Rules

Regulation S-X

Article 14
Disclosure of Severe Weather Events and Other Information

§ 210.14-01 Instructions related to disclosure of severe weather events and other information.

(a) *General*. A registrant must include disclosure pursuant to § 210.14-02 in any filing that is required to include disclosure pursuant to subpart 229.1500 of this chapter and that also requires the registrant to include its audited financial statements. The disclosure pursuant to § 210.14-02 must be included in a note to the financial statements included in such filing.

(b) *Definitions*. The definitions in § 229.1500 (Item 1500 of Regulation S-K) apply to §§ 210.14-01 and 210.14-02 (Article 14) except where otherwise indicated.

(c) *Basis of calculation*. When calculating the financial statement effects in this Article 14, except where otherwise indicated, a registrant must:

(1) Use financial information that is consistent with the scope of its consolidated financial statements included in the filing; and

(2) Apply the same accounting principles that it is required to apply in the preparation of its consolidated financial statements included in the filing.

(d) *Periods to be disclosed*. Disclosure must be provided for the registrant's most recently completed fiscal year, and to the extent previously disclosed or required to be disclosed, for the historical fiscal year(s), for which audited consolidated financial statements are included in the filing.

§ 210.14-02 Disclosures related to severe weather events and other information.

(a) *Contextual information*. Provide contextual information, describing how each specified financial statement effect disclosed under § 210.14-02(b) through (h) was derived, including a description of significant inputs and assumptions used, significant judgments made, other information that is important to understand the financial statement effect and, if applicable, policy decisions made by the registrant to calculate the specified disclosures.

(b) *Disclosure thresholds*.

(1) Disclosure of the aggregate amount of expenditures expensed as incurred and losses pursuant to paragraph (c) of this section is required if the aggregate amount of expenditures expensed as incurred and losses equals or exceeds one percent of the absolute value of income or loss before income tax expense or benefit for the relevant fiscal year. Such disclosure is not required, however, if

the aggregate amount of expenditures expensed as incurred and losses is less than $100,000 for the relevant fiscal year.

(2) Disclosure of the aggregate amount of capitalized costs and charges incurred pursuant to paragraph (d) of this section is required if the aggregate amount of the absolute value of capitalized costs and charges equals or exceeds one percent of the absolute value of stockholders' equity or deficit at the end of the relevant fiscal year. Such disclosure is not required, however, if the aggregate amount of the absolute value of capitalized costs and charges is less than $500,000 for the relevant fiscal year.

(c) *Expenditures expensed as incurred and losses resulting from severe weather events and other natural conditions*. Disclose the aggregate amount of expenditures expensed as incurred and losses, excluding recoveries, incurred during the fiscal year as a result of severe weather events and other natural conditions, such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise. For example, a registrant may be required to disclose the amount of expense or loss, as applicable, to restore operations, relocate assets or operations affected by the event or other natural condition, retire affected assets, repair affected assets, recognize impairment loss on affected assets, or otherwise respond to the effect that severe weather events and other natural conditions had on business operations. Disclosure pursuant to this paragraph must separately identify where the expenditures expensed as incurred and losses are presented in the income statement.

(d) *Capitalized costs and charges resulting from severe weather events and other natural conditions*. Disclose the aggregate amount of capitalized costs and charges, excluding recoveries, incurred during the fiscal year as a result of severe weather events and other natural conditions, such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise. For example, a registrant may be required to disclose the amount of capitalized costs or charges, as applicable, to restore operations, retire affected assets, replace or repair affected assets, recognize an impairment charge for affected assets, or otherwise respond to the effect that severe weather events and other natural conditions had on business operations. Disclosure pursuant to this paragraph must separately identify where the capitalized costs and charges are presented in the balance sheet.

(e) *Carbon offsets and RECs*.

(1) If carbon offsets or RECs have been used as a material component of a registrant's plans to achieve its disclosed climate-related targets or goals, disclose the aggregate amount of carbon offsets and RECs expensed, the aggregate amount of capitalized carbon offsets and RECs recognized, and the aggregate amount of losses incurred on the capitalized carbon offsets and RECs, during the fiscal year. In addition, disclose the beginning and ending balances of the capitalized carbon offsets and RECs for the fiscal year. Disclosure pursuant to this paragraph must separately identify where the expenditures expensed, capitalized costs, and losses are presented in the income statement and the balance sheet.

(2) If a registrant is required to provide disclosure pursuant to paragraph (e)(1) of this section, then a registrant must state its accounting policy for carbon offsets and RECs as part of the contextual information required by paragraph (a) of this section.

(f) *Recoveries*. If a registrant is required to provide disclosure pursuant to paragraphs (c) or (d) of this section, then as part of the contextual information required by paragraph (a) of this section, a

registrant must state separately the aggregate amount of any recoveries recognized during the fiscal year as a result of severe weather events and other natural conditions for which capitalized costs, expenditures expensed, charges, or losses are disclosed pursuant to paragraphs (c) or (d) of this section. Disclosure pursuant to this paragraph must separately identify where the recoveries are presented in the income statement and the balance sheet.

(g) *Attribution*. For purposes of providing disclosure pursuant to paragraphs (c), (d), and (f) of this section, a capitalized cost, expenditure expensed, charge, loss, or recovery results from a severe weather event or other natural condition when the event or condition is a significant contributing factor in incurring the capitalized cost, expenditure expensed, charge, loss, or recovery. If an event or condition is a significant contributing factor in incurring a cost, expenditure, charge, loss, or recovery, then the entire amount of such cost, expenditure, charge, loss, or recovery must be included in the disclosure pursuant to paragraphs (c), (d), and (f) of this section.

(h) *Financial estimates and assumptions materially impacted by severe weather events and other natural conditions or disclosed targets or transition plans*. Disclose whether the estimates and assumptions the registrant used to produce the consolidated financial statements were materially impacted by exposures to risks and uncertainties associated with, or known impacts from, severe weather events and other natural conditions, such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise, or any climate-related targets or transition plans disclosed by the registrant. If yes, provide a qualitative description of how the development of such estimates and assumptions were impacted by such events, conditions, targets, or transition plans.

Regulation S-K

Subpart 229.1500—Climate-Related Disclosure

§ 229.1500 (Item 1500) Definitions.

As used in this subpart, these terms have the following meanings:

Carbon offsets represents an emissions reduction, removal, or avoidance of greenhouse gases ("GHG") in a manner calculated and traced for the purpose of offsetting an entity's GHG emissions.

Climate-related risks means the actual or potential negative impacts of climate-related conditions and events on a registrant's business, results of operations, or financial condition. Climate-related risks include the following:

(1) Physical risks include both acute risks and chronic risks to the registrant's business operations.

(2) Acute risks are event-driven and may relate to shorter term severe weather events, such as hurricanes, floods, tornadoes, and wildfires, among other events.

(3) Chronic risks relate to longer term weather patterns, such as sustained higher temperatures, sea level rise, and drought, as well as related effects such as decreased arability of farmland, decreased habitability of land, and decreased availability of fresh water.

(4) Transition risks are the actual or potential negative impacts on a registrant's business, results of operations, or financial condition attributable to regulatory, technological, and market changes to address the mitigation of, or adaptation to, climate-related risks, including such nonexclusive examples as increased costs attributable to changes in law or policy, reduced market demand for carbon-intensive products leading to decreased prices or profits for such products, the devaluation or abandonment of assets, risk of legal liability and litigation defense costs, competitive pressures associated with the adoption of new technologies, and reputational impacts(including those stemming from a registrant's customers or business counterparties) that might trigger changes to market behavior, consumer preferences or behavior, and registrant behavior.

Carbon dioxide equivalent or CO2e means the common unit of measurement to indicate the global warming potential ("GWP") of each greenhouse gas, expressed in terms of the GWP of one unit of carbon dioxide.

Emission factor means a multiplication factor allowing actual GHG emissions to be calculated from available activity data or, if no activity data are available, economic data, to derive absolute GHG emissions. Examples of activity data include kilowatt-hours of electricity used, quantity of fuel used, output of a process, hours of operation of equipment, distance travelled, and floor area of a building.

GHG or Greenhouse gases means carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), nitrogen trifluoride (NF3), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF6).

GHG emissions means direct and indirect emissions of greenhouse gases expressed in metric tons of carbon dioxide equivalent (CO2e), of which:

(1) Direct emissions are GHG emissions from sources that are owned or controlled by a registrant.

(2) Indirect emissions are GHG emissions that result from the activities of the registrant but occur at sources not owned or controlled by the registrant.

Internal carbon price means an estimated cost of carbon emissions used internally within an organization.

Operational boundaries means the boundaries that determine the direct and indirect emissions associated with the business operations owned or controlled by a registrant.

Organizational boundaries means the boundaries that determine the operations owned or controlled by a registrant for the purpose of calculating its GHG emissions.

Renewable energy credit or certificate or REC means a credit or certificate representing each megawatt-hour (1 MWh or 1,000 kilowatt-hours) of renewable electricity generated and delivered to a power grid.

Scenario analysis means a process for identifying and assessing a potential range of outcomes of various possible future climate scenarios, and how climate-related risks may impact a registrant's business strategy, results of operations, or financial condition over time.

Scope 1 emissions are direct GHG emissions from operations that are owned or controlled by a registrant.

Scope 2 emissions are indirect GHG emissions from the generation of purchased or acquired electricity, steam, heat, or cooling that is consumed by operations owned or controlled by a registrant.

Transition plan means a registrant's strategy and implementation plan to reduce climate related risks, which may include a plan to reduce its GHG emissions in line with its own commitments or commitments of jurisdictions within which it has significant operations.

§ 229.1501 (Item 1501) Governance.

(a) Describe the board of directors' oversight of climate-related risks. If applicable, identify any board committee or subcommittee responsible for the oversight of climate-related risks and describe the processes by which the board or such committee or subcommittee is informed about such risks. If there is a climate-related target or goal disclosed pursuant to § 229.1504 or transition plan disclosed pursuant to § 229.1502(e)(1), describe whether and how the board of directors oversees progress against the target or goal or transition plan.

(b) Describe management's role in assessing and managing the registrant's material climate-related risks. In providing such disclosure, a registrant should address, as applicable, the following non-exclusive list of disclosure items:

(1) Whether and which management positions or committees are responsible for assessing and managing climate-related risks and the relevant expertise of such position holders or committee members in such detail as necessary to fully describe the nature of the expertise;

(2) The processes by which such positions or committees assess and manage climate related risks; and

(3) Whether such positions or committees report information about such risks to the board of directors or a committee or subcommittee of the board of directors.

Instruction 1 to Item 1501: In the case of a foreign private issuer with a two-tier board of directors, for purposes of paragraph (a) of this section, the term "board of directors" means the supervisory or non-management board. In the case of a foreign private issuer meeting the requirements of § 240.10A–3(c)(3) of this chapter, for purposes of paragraph (a) of this section, the term "board of directors" means the issuer's board of auditors (or similar body) or statutory auditors, as applicable.

Instruction 2 to Item 1501: Relevant expertise of management in paragraph (b)(1) of this section may include, for example: Prior work experience in climate-related matters; any relevant degrees or certifications; any knowledge, skills, or other background in climate-related matters.

§ 229.1502 (Item 1502) Strategy.

(a) Describe any climate-related risks that have materially impacted or are reasonably likely to have a material impact on the registrant, including on its strategy, results of operations, or financial condition. In describing these material risks, a registrant must describe whether such risks are reasonably likely to manifest in the short-term (i.e., the next 12 months) and separately in the long-term (i.e., beyond the next 12 months). A registrant must disclose whether the risk is a physical or transition risk, providing information necessary to an understanding of the nature of the risk presented and the extent of the registrant's exposure to the risk, including the following non-exclusive list of disclosures, as applicable:

(1) If a physical risk, whether it may be categorized as an acute or chronic risk, and the geographic location and nature of the properties, processes, or operations subject to the physical risk.

(2) If a transition risk, whether it relates to regulatory, technological, market (including changing consumer, business counterparty, and investor preferences), or other transition-related factors, and how those factors impact the registrant. A registrant that has significant operations in a jurisdiction that has made a GHG emissions reduction commitment should consider whether it may be exposed to a material transition risk related to the implementation of the commitment.

(b) Describe the actual and potential material impacts of any climate-related risk identified in response to paragraph (a) of this section on the registrant's strategy, business model, and outlook, including, as applicable, any material impacts on the following non-exclusive list of items:

(1) Business operations, including the types and locations of its operations;

(2) Products or services;

(3) Suppliers, purchasers, or counterparties to material contracts, to the extent known or reasonably available;

(4) Activities to mitigate or adapt to climate-related risks, including adoption of new technologies or processes; and

(5) Expenditure for research and development.

(c) Discuss whether and how the registrant considers any impacts described in response to paragraph (b) of this section as part of its strategy, financial planning, and capital allocation, including, as applicable:

(1) Whether the impacts of the climate-related risks described in response to paragraph (b) have been integrated into the registrant's business model or strategy, including whether and how resources are being used to mitigate climate-related risks; and

(2) How any of the targets referenced in § 229.1504 or transition plans referenced in paragraph (e) of this section relate to the registrant's business model or strategy.

(d)(1) Discuss how any climate-related risks described in response to paragraph (a) of this section have materially impacted or are reasonably likely to materially impact the registrant's business, results of operations, or financial condition.

(2) Describe quantitatively and qualitatively the material expenditures incurred and material impacts on financial estimates and assumptions that, in management's assessment, directly result from activities disclosed under paragraph (b)(4) of this section.

(e)(1) If a registrant has adopted a transition plan to manage a material transition risk, describe the plan. To allow for an understanding of the registrant's progress under the plan over time, a registrant must update its annual report disclosure about the transition plan each fiscal year by describing any actions taken during the year under the plan, including how such actions have impacted the registrant's business, results of operations, or financial condition.

(2) Include quantitative and qualitative disclosure of material expenditures incurred and material impacts on financial estimates and assumptions as a direct result of the transition plan disclosed under paragraph (e)(1) of this section.

(f) If a registrant uses scenario analysis to assess the impact of climate-related risks on its business, results of operations, or financial condition, and if, based on the results of such scenario analysis, the registrant determines that a climate-related risk is reasonably likely to have a material impact on its business, results of operations, or financial condition, the registrant must describe each such scenario including a brief description of the parameters, assumptions, and analytical choices used, as well as the expected material impacts, including financial impacts, on the registrant under each such scenario.

(g)(1) If a registrant's use of an internal carbon price is material to how it evaluates and manages a climate-related risk identified in response to paragraph (a) of this section, disclose in units of the registrant's reporting currency:

(i) The price per metric ton of CO2e; and

(ii) The total price, including how the total price is estimated to change over the time periods referenced in paragraph (a) of this section, as applicable.

(2) If a registrant uses more than one internal carbon price to evaluate and manage a material climate-related risk, it must provide the disclosures required by this section for each internal carbon price and disclose its reasons for using different prices.

(3) If the scope of entities and operations involved in the use of an internal carbon price described pursuant to this section is materially different from the organizational boundaries used for the purpose of calculating a registrant's GHG emissions pursuant to § 229.1505, briefly describe this difference.

§ 229.1503 (Item 1503) Risk management.

(a) Describe any processes the registrant has for identifying, assessing, and managing material climate-related risks. In providing such disclosure, registrants should address, as applicable, the following non-exclusive list of disclosure items regarding how the registrant:

(1) Identifies whether it has incurred or is reasonably likely to incur a material physical or transition risk;

(2) Decides whether to mitigate, accept, or adapt to the particular risk; and

(3) Prioritizes whether to address the climate-related risk.

(b) If managing a material climate-related risk, the registrant must disclose whether and how any processes described in response to paragraph (a) of this section have been integrated into the registrant's overall risk management system or processes.

§ 229.1504 (Item 1504) Targets and goals.

(a) A registrant must disclose any climate-related target or goal if such target or goal has materially affected or is reasonably likely to materially affect the registrant's business, results of operations, or financial condition. A registrant may provide the disclosure required by this section as part of its disclosure in response to §§ 229.1502 or 229.1503.

(b) In providing disclosure required by paragraph (a) of this section, a registrant must provide any additional information or explanation necessary to an understanding of the material impact or reasonably likely material impact of the target or goal, including, as applicable, but not limited to, a description of:

(1) The scope of activities included in the target;

(2) The unit of measurement;

(3) The defined time horizon by which the target is intended to be achieved, and whether the time horizon is based on one or more goals established by a climate-related treaty, law, regulation, policy, or organization;

(4) If the registrant has established a baseline for the target or goal, the defined baseline time period and the means by which progress will be tracked; and

(5) A qualitative description of how the registrant intends to meet its climate-related targets or goals.

(c) Disclose any progress made toward meeting the target or goal and how any such progress has been achieved. A registrant must update this disclosure each fiscal year by describing the actions taken during the year to achieve its targets or goals.

(1) Include a discussion of any material impacts to the registrant's business, results of operations, or financial condition as a direct result of the target or goal or the actions taken to make progress toward meeting the target or goal.

(2) Include quantitative and qualitative disclosure of any material expenditures and material impacts on financial estimates and assumptions as a direct result of the target or goal or the actions taken to make progress toward meeting the target or goal.

(d) If carbon offsets or RECs have been used as a material component of a registrant's plan to achieve climate-related targets or goals, separately disclose the amount of carbon avoidance, reduction or removal represented by the offsets or the amount of generated renewable energy represented by the RECs, the nature and source of the offsets or RECs, a description and location of the underlying projects, any registries or other authentication of the offsets or RECs, and the cost of the offsets or RECs.

§ 229.1505 (Item 1505) GHG emissions metrics.

(a)(1) A registrant that is a large accelerated filer or an accelerated filer, each as defined in § 240.12b-2 of this chapter, must disclose its Scope 1 emissions and/or its Scope 2 emissions, if such emissions are material, for its most recently completed fiscal year and, to the extent previously disclosed in a Commission filing, for the historical fiscal year(s) included in the consolidated financial statements in the filing.

(2) For any GHG emissions required to be disclosed pursuant to paragraph (a)(1) of this section:

(i) Disclose the registrant's Scope 1 emissions and/or Scope 2 emissions separately, each expressed in the aggregate, in terms of CO2e. In addition, if any constituent gas of the disclosed emissions is individually material, disclose such constituent gas disaggregated from the other gases.

(ii) Disclose the registrant's Scope 1 emissions and/or Scope 2 emissions in gross terms by excluding the impact of any purchased or generated offsets.

(3)(i) A smaller reporting company, as defined by §§ 229.10(f)(1), 230.405, and 240.12b-2 of this chapter, and an emerging growth company, as defined by §§ 230.405 and 240.12b-2 of this chapter, are exempt from, and need not comply with, the disclosure requirements of this section.

(ii) A registrant is not required to include GHG emissions from a manure management system when disclosing its overall Scopes 1 and 2 emissions pursuant to paragraph (a)(1) of this section so long as implementation of such a provision is subject to restrictions on appropriated funds or otherwise prohibited under federal law.

(b)(1) Describe the methodology, significant inputs, and significant assumptions used to calculate the registrant's GHG emissions disclosed pursuant to this section. This description must include:

(i) The organizational boundaries used when calculating the registrant's disclosed GHG emissions, including the method used to determine those boundaries. If the organizational boundaries materially differ from the scope of entities and operations included in the registrant's consolidated

financial statements, provide a brief explanation of this difference in sufficient detail for a reasonable investor to understand;

(ii) A brief discussion of, in sufficient detail for a reasonable investor to understand, the operational boundaries used, including the approach to categorization of emissions and emissions sources; and

(iii) A brief description of, in sufficient detail for a reasonable investor to understand, the protocol or standard used to report the GHG emissions, including the calculation approach, the type and source of any emission factors used, and any calculation tools used to calculate the GHG emissions.

(2) A registrant may use reasonable estimates when disclosing its GHG emissions as long as it also describes the underlying assumptions, and its reasons for using, the estimates.

(c)(1) Any GHG emissions metrics required to be disclosed pursuant to this section in a registrant's annual report on Form 10-K filed with the Commission may be incorporated by reference from the registrant's Form 10-Q for the second fiscal quarter in the fiscal year immediately following the year to which the GHG emissions metrics disclosure relates, or may be included in an amended annual report on Form 10-K no later than the due date for such Form 10-Q. If the registrant is a foreign private issuer, as defined in §§ 230.405 and 240.3b-4(c) of this chapter, such information may be disclosed in an amendment to its annual report on Form 20-F (§ 249.220f of this chapter), which shall be due no later than 225 days after the end of the fiscal year to which the GHG emissions metrics disclosure relates. In either case, the registrant must include an express statement in its annual report indicating its intention to incorporate by reference this information from either a quarterly report on Form 10-Q or amend its annual report on Form 10-K or Form 20-F to provide this information by the due date specified by this section.

(2) In the case of a registration statement filed under the Securities Act of 1933 [15 U.S.C. § 77a et seq.] or filed on Form 10 (§ 249.210 of this chapter) or Form 20-F (§ 249.220f of this chapter) under the Securities Exchange Act of 1934 [15 U.S.C. § 78a et seq.], any GHG emissions metrics required to be disclosed pursuant to paragraph (a) of this section must be provided as of the most recently completed fiscal year that is at least 225 days prior to the date of effectiveness of the registration statement.

§ 229.1506 (Item 1506) Attestation of Scope 1 and Scope 2 emissions disclosure

(a) *Attestation*.

(1) A registrant that is required to provide Scope 1 and/or Scope 2 emissions disclosure pursuant to § 229.1505 must include an attestation report covering such disclosure in the relevant filing, subject to the following provisions:

(i) For filings made by an accelerated filer beginning the third fiscal year after the compliance date for § 229.1505 and thereafter, the attestation engagement must, at a minimum, be at a limited assurance level and cover the registrant's Scope 1 and/or Scope 2 emissions disclosure;

(ii) For filings made by a large accelerated filer beginning the third fiscal year after the compliance date for § 229.1505, the attestation engagement must, at a minimum, be at a limited assurance level and cover the registrant's Scope 1 and/or Scope 2 emissions disclosure; and

(iii) For filings made by a large accelerated filer beginning the seventh fiscal year after the compliance date for § 229.1505 and thereafter, the attestation engagement must be at a reasonable assurance level and cover the registrant's Scope 1 and/or Scope 2 emissions disclosure.

(2) Any attestation report required under this section must be provided pursuant to standards that are:

(i) Publicly available at no cost or that are widely used for GHG emissions assurance; and

(ii) Established by a body or group that has followed due process procedures, including the broad distribution of the framework for public comment.

(3) A registrant that is required to provide Scope 1 and/or Scope 2 emissions disclosure pursuant to § 229.1505 that obtains voluntary assurance over its GHG emissions disclosure prior to the first required fiscal year for assurance must comply with paragraph (e) of this section. Voluntary assurance obtained by such registrant after the first required fiscal year that is in addition to any required assurance must follow the requirements of paragraphs (b) through (d) of this section and must use the same attestation standard as the required assurance over Scope 1 and/or Scope 2 emissions disclosure.

(b) *GHG emissions attestation provider*. The GHG emissions attestation report required by paragraph (a) of this section must be prepared and signed by a GHG emissions attestation provider. A GHG emissions attestation provider means a person or a firm that has all of the following characteristics:

(1) Is an expert in GHG emissions by virtue of having significant experience in measuring, analyzing, reporting, or attesting to GHG emissions. Significant experience means having sufficient competence and capabilities necessary to:

(i) Perform engagements in accordance with attestation standards and applicable legal and regulatory requirements; and

(ii) Enable the service provider to issue reports that are appropriate under the circumstances.

(2) Is independent with respect to the registrant, and any of its affiliates, for whom it is providing the attestation report, during the attestation and professional engagement period.

(i) A GHG emissions attestation provider is not independent if such attestation provider is not, or a reasonable investor with knowledge of all relevant facts and circumstances would conclude that such attestation provider is not, capable of exercising objective and impartial judgment on all issues encompassed within the attestation provider's engagement.

(ii) In determining whether a GHG emissions attestation provider is independent, the Commission will consider:

(A) Whether a relationship or the provision of a service creates a mutual or conflicting interest between the attestation provider and the registrant (or any of its affiliates), places the attestation provider in the position of attesting to such attestation provider's own work, results in the attestation provider acting as management or an employee of the registrant (or any of its affiliates), or places the attestation provider in a position of being an advocate for the registrant (or any of its affiliates); and

(B) All relevant circumstances, including all financial or other relationships between the attestation provider and the registrant (or any of its affiliates), and not just those relating to reports filed with the Commission.

(iii) The term "affiliate" as used in this section has the meaning provided in § 210.2-01 of this chapter, except that references to "audit" are deemed to be references to the attestation services provided pursuant to this section.

(iv) The term "attestation and professional engagement period" as used in this section means both:

(A) The period covered by the attestation report; and

(B) The period of the engagement to attest to the registrant's GHG emissions or to prepare a report filed with the Commission ("the professional engagement period"). The professional engagement period begins when the GHG attestation service provider either signs an initial engagement letter (or other agreement to attest to a registrant's GHG emissions) or begins attest procedures, whichever is earlier.

(c) *Attestation report requirements*. The form and content of the attestation report must follow the requirements set forth by the attestation standard (or standards) used by the GHG emissions attestation provider.

(d) *Additional disclosure by the registrant*. In addition to including the GHG emissions attestation report required by paragraph (a) of this section, a large accelerated filer and an accelerated filer must disclose, alongside the GHG emissions disclosure to which the attestation report relates, after requesting relevant information from any GHG emissions attestation provider as necessary:

(1) Whether the GHG emissions attestation provider is subject to any oversight inspection program, and if so, which program (or programs), and whether the GHG emissions attestation engagement is included within the scope of authority of such oversight inspection program.

(2)(i) Whether any GHG emissions attestation provider that was previously engaged to provide attestation over the registrant's GHG emissions disclosure pursuant to paragraph (a) of this section for the fiscal year period covered by the attestation report resigned (or indicated that it declined to stand for re-appointment after the completion of the attestation engagement) or was dismissed. If so,

(A) State whether the former GHG emissions attestation provider resigned, declined to stand for re-appointment, or was dismissed and the date thereof; and

(B) State whether during the performance of the attestation engagement for the fiscal year period covered by the attestation report there were any disagreements with the former GHG emissions attestation provider on any matter of measurement or disclosure of GHG emissions or attestation scope of procedures. Also,

(1) Describe each such disagreement; and

(2) State whether the registrant has authorized the former GHG emissions attestation provider to respond fully to the inquiries of the successor GHG emissions attestation provider concerning the subject matter of each such disagreement.

(ii) The term "disagreements" as used in this section shall be interpreted broadly, to include any difference of opinion concerning any matter of measurement or disclosure of GHG emissions or attestation scope or procedures that (if not resolved to the satisfaction of the former GHG emissions attestation provider) would have caused it to make reference to the subject matter of the disagreement in connection with its report. It is not necessary for there to have been an argument to have had a disagreement, merely a difference of opinion. For purposes of this section, however, the term "disagreements" does not include initial differences of opinion based on incomplete facts or preliminary information that were later resolved to the former GHG emissions attestation provider's satisfaction by, and providing the registrant and the GHG emissions attestation provider do not continue to have a difference of opinion upon, obtaining additional relevant facts or information. The disagreements required to be reported in response to this section include both those resolved to the former GHG emissions attestation provider's satisfaction and those not resolved to the former provider's satisfaction. Disagreements contemplated by this section are those that occur at the decision-making level, i.e., between personnel of the registrant responsible for presentation of its GHG emissions disclosure and personnel of the GHG emissions attestation provider responsible for rendering its report.

(iii) In determining whether any disagreement has occurred, an oral communication from the engagement partner or another person responsible for rendering the GHG emissions attestation provider's opinion or conclusion (or their designee) will generally suffice as a statement of a disagreement at the "decision-making level" within the GHG emissions attestation provider and require disclosure under this section.

(e) *Disclosure of voluntary assurance*. A registrant that is not required to include a GHG emissions attestation report pursuant to paragraph (a) of this section must disclose in the filing the following information if the registrant's GHG emissions disclosure in the filing were subject to third-party assurance:

(1) Identification of the service provider of such assurance;

(2) Description of the assurance standard used;

(3) Description of the level and scope of assurance services provided;

(4) Brief description of the results of the assurance services;

(5) Whether the service provider has any material business relationships with or has provided any material professional services to the registrant; and

(6) Whether the service provider is subject to any oversight inspection program, and if so, which program (or programs) and whether the assurance services over GHG emissions are included within the scope of authority of such oversight inspection program.

(f) *Location of Disclosure*. A registrant must include the attestation report and disclosure required by this section in the filing that contains the GHG emissions disclosure to which the report and disclosure relate. If, in accordance with the requirements in § 229.1505, a registrant elects to incorporate by reference its GHG emissions disclosure from its Form 10-Q (§ 249.308a of this chapter) for the second fiscal quarter in the fiscal year immediately following the year to which the GHG emissions disclosure relates or to provide this information in an amended annual report on Form 10-K (§ 249.310 of this chapter) or 20-F (§ 249.220f of this chapter), then the registrant must include an express statement in its annual report indicating its intention to incorporate by reference the attestation report from either a quarterly report on Form 10-Q or amend its annual report on Form 10-K or Form 20-F to provide the attestation report by the due date specified in § 229.1505.

Instruction 1 to Item 1506: A registrant that obtains assurance from an attestation provider at the limited assurance level should refer to § 229.601(b)(27) and paragraph 18 of Form 20-F's Instructions as to Exhibits.

§ 229.1507 (Item 1507) Safe harbor for certain climate-related disclosures

(a)(1) The safe harbors for forward-looking statements in section 27A of the Securities Act of 1933 (15 U.S.C. § 77z-2) and section 21E of the Securities Exchange Act of 1934 (15 U.S.C. § 78u-5) ("statutory safe harbors") apply as provided in this section to information provided pursuant to §§ 229.1502(e), 229.1502(f), 229.1502(g), and 229.1504.

(2) The safe harbor provided by this section applies to a forward-looking statement specified in the statutory safe harbors:

(i) Made in connection with an offering of securities by a blank check company, as specified in 15 U.S.C. § 77z-2(b)(1)(B) and 15 U.S.C. § 78u-5(b)(1)(B);

(ii) Made with respect to the business or operations of an issuer of penny stock, as specified in 15 U.S.C. § 77z-2(b)(1)(C) and 15 U.S.C. §78u-5(b)(1)(C);

(iii) Made in connection with a rollup transaction, as specified in 15 U.S.C. § 77z2(b)(1)(D) and 15 U.S.C. § 78u-5(b)(1)(D);

(iv) Made in connection with an initial public offering, as specified in 15 U.S.C. § 77z2(b)(2)(D) and 15 U.S.C. § 78u-5(b)(2)(D); and

(v) Made in connection with an offering by, or relating to the operations of, a partnership, limited liability company, or a direct participation investment program, as specified in 15 U.S.C. § 77z-2(b)(2)(E) and 15 U.S.C. § 78u-5(b)(2)(E).

(3) Notwithstanding 15 U.S.C. § 77z-2(a)(1) and 15 U.S.C. § 78-u(a)(1), the safe harbor provided by this section will apply where an issuer that, at the time that the statement is made, is not subject to the reporting requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934.

(b) For purposes of paragraph (a) of this section, all information required by §§ 229.1502(e), 229.1502(f), 229.1502(g), and 229.1504 is considered a forward-looking statement for purposes of the statutory safe harbors, except for historical facts, including, as nonexclusive examples, terms related to carbon offsets or RECs described pursuant to § 229.1504 and statements in response to §§ 229.1502(e) or 229.1504 about material expenditures actually incurred.

§ 229.1508 (Item 1508) Interactive data requirement.

Provide the disclosure required by this subpart 1500 in an Interactive Data File as required by § 232.405 of this chapter (Rule 405 of Regulation S-T) in accordance with the EDGAR Filer Manual.

Appendix B:
Comparison of the SEC Rules with EU CSRD, ISSB, and California Disclosure Requirements

With the SEC climate rules in final form (subject to the various outcomes of legal, political, and other challenges in 2024 described above in Section I), registrants subject to the SEC rules now have increased clarity around what will be required for compliance in the U.S. However, even with the SEC's dilutive substantive changes to the final rules, for many companies, especially larger cap companies with significant operations in the EU or California, the path forward for compliance with mandated climate disclosure rules may not have significantly changed. Other mandatory sustainability reporting requirements are already in effect or will be soon, including:

(i) the three California climate disclosure rules (Senate Bills 253 and 261, and Assembly Bill 1305)[3] enacted in 2023;

(ii) the EU's Corporate Sustainability Directive (CSRD) adopted in 2022 and its Corporate Sustainability Due Diligence Directive (CSDDD) expected to be adopted in 2024; and

(iii) the climate-related disclosure framework developed by the International Sustainability Standard Board (ISSB) (successor to the Task Force on Climate-Related Financial Disclosures (TCFD)), commonly used by large institutional investors, such as BlackRock) in their two new standards – International Financial Reporting Standards (IFRS) S1 and IFRS S2 – which are likely to be adopted in some form in multiple foreign jurisdictions.

There are significant differences in the reporting requirements under the SEC rules and the requirements imposed by California, the EU's CSRD and CSDDD, and ISSB's IFRS S1 and S2. For example, each of the California laws, the CSRD and the ISSB standards require disclosure of Scope 3 GHG emissions, while the SEC rules do not. With respect to materiality, disclosures under the ISSB, the SEC rules and SB 261 are governed by financial materiality. However, CSRD rules are subject to a double materiality analysis – both a traditional financial analysis and, irrespective of such analysis, an environmental and social impact assessment. And California's rules are mandatory, irrespective of materiality. These wide variations in climate disclosure requirements (combined with existing pressure from corporate stakeholders, customers, and competitors) will likely lead to wide variations in compliance strategies and processes.

The following is a high-level comparison of certain aspects of the above-described rules. Note that even when the various rules are similar in scope as noted below, there may be nuances in the specific requirements that will trigger different or incremental disclosure.

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[3] See Newly Enacted California Climate Bills Create Sweeping Disclosure Requirements for Companies Across the Country | Winston & Strawn.

Who is Covered?	
SEC	All SEC registrants, both domestic and FPIs.
California	Public and private companies that do business in California and exceed revenue thresholds (SB 253 > $1billion, SB 261 > $500 million). Companies that operate in California and make climate claims (AB 1305).
CSRD	Public and private companies, including non-EU companies, which exceed certain financial or employee count thresholds.
ISSB	TBD by local jurisdiction.
When is Compliance Required?	
SEC	See table in Section III above. Initial requirements for LAFs for FYB 2025 (10-K filed in 2026).
California	Initial requirements under SB 253 and SB 261 in 2026. AB 1305 currently in 2024.
CSRD	Begins phasing in between 2024 and 2028.
ISSB	TBD by local jurisdiction.
Climate-Related Risks	
SEC	See Section V.a. above.
California	Similar to SEC.
CSRD	Similar to SEC.
ISSB	Similar to SEC.
Strategy	
SEC	See Section V.b. above.
California	Disclose actions taken to reduce and adapt to climate-related financial risks.
CSRD	Disclose strategies related to sustainability matters (regardless of materiality and beyond just climate).

	Disclose transition plans for climate change mitigation including compatibility with a 1.5^0 target and finance plans to achieve same. CSDDD may require certain companies to adopt and implement a transition plan.
ISSB	Similar to SEC.
Governance	
SEC	See Section V.c. above.
California	N/A
CSRD	Similar to SEC. If climate matters are determined to be material, must also disclose how climate performance is used in management compensation programs and policies.
ISSB	Similar to SEC. Must also disclose how climate performance is used in management compensation programs and policies.
Risk Management	
SEC	See Section V.d. above.
California	N/A
CSRD	Must identify systems to identify and assess climate-related risks. Required to disclose scenario analysis. Required to describe how sustainability risks are incorporated into overall risk management systems including internal controls.
ISSB	Similar to CSRD and must use scenario analysis to assess climate resilience.
Targets and Goals	
SEC	See Section V.e. above.
California	Irrespective of materiality, must provide disclosures regarding claims about achievement of net-zero emissions, carbon-neutral status or significant reductions in GHG emissions, including how progress is being measured and any third-party verification.
CSRD	Targets must be disclosed on a gross basis, whether or not they are based on scientific evidence, and provided for 2030 and, if available, 2050. If climate is material, companies must disclose whether management

	compensation is tied to emission reduction targets. CSDDD requirements to adopt a transition plan would likely trigger a company to set emission reduction targets.
ISSB	Similar to SEC.
Scope 1 and Scope 2 Emissions	
SEC	See Section V.f. above. Limited to LAFs and AFs and only if material.
California	Must be disclosed regardless of materiality.
CSRD	Must be disclosed or explain why not material from either a financial or impact materiality standpoint.
ISSB	Must be disclosed.
Scope 3 Emissions	
SEC	N/A
California	Must be disclosed regardless of materiality.
CSRD	Must be disclosed or explain why not material from either a financial or impact materiality standpoint.
ISSB	Must be disclosed, but ultimate scope TBD by local jurisdiction.
Assurance	
SEC	See Section V.g. above. Limited assurance on Scopes 1 and 2 for LAFs due FYB 2029 (filed in 2030) and reasonable for LAFs due FYB 2033 (filed in 2034).
California	Limited assurance required as of 2026 for Scopes 1 and 2, with reasonable assurance required in 2030. Scope 3 limited assurance in 2030.
CSRD	Limited assurance required in first year. Reasonable assurance could begin as early as 2028.
ISSB	TBD by local jurisdiction.
GHG Intensity	
SEC	N/A
California	N/A

CSRD	Required to disclose intensity (total emissions per net revenue).
ISSB	N/A
Financial Statement Metrics	
SEC	See Section VI. above.
California	N/A
CSRD	Must disclose cap ex and op ex related to sustainable activities, regardless of materiality. Similar to SEC, must give a quantitative analysis of anticipated financial effects related to physical and transition risks if material.
ISSB	Must disclose quantitative information on how climate-related risks have impacted financial condition, operations, and cash flows.