In depth

National Office

Navigating the SEC climate-related disclosure requirements

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What's inside

At a glance

On March 6, 2024, the SEC adopted its highly-anticipated rules which will result in a significant expansion of required climate-related disclosures in SEC filings.[1] The required disclosures are included in Regulations S-K and S-X and cover strategy, governance, risk management, targets and goals, greenhouse gas emissions, and financial statement effects (collectively, the "SEC climate disclosure rules"). The rules provide phased effective dates and transition provisions, with some entities required to adopt most elements of the new rules as early as 2025.

The final rules differ in several respects from the proposal issued in March 2022. As summarized in the Appendix, key changes include revisions to the financial statement footnote disclosures as well as reductions in the scope of, timing, and number of registrants subject to greenhouse gas emissions disclosures.

This *In depth* was updated on April 11, 2024 to add additional interpretive information and questions. New questions are marked with the date added.

The SEC climate disclosure rules are intended to enhance and standardize climate-related disclosures for SEC registrants. The rules are intended to address investor requests for more consistent, comparable, and reliable information about the effects of climate-related risks on a company's business and how the company has addressed or plans to address those risks. The new rules join the European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Standard (CSRD), the IFRS® Sustainability Disclosure Standards, and climate-related laws in California in establishing a network of global requirements. We expect most companies to be subject to more than one of these frameworks. Many companies also provide voluntary sustainability disclosures to meet investor and other stakeholder expectations.

Legal challenges have been filed against the SEC by multiple parties. On April 4, 2024, the SEC stayed its climate disclosure rules to "facilitate the orderly judicial resolution" of pending legal challenges.[2] Given ongoing interest from investors, and the overlapping nature of many of the sustainability reporting requirements worldwide, companies are encouraged to think holistically about the range of their sustainability reporting obligations. Systems, processes, and controls should be developed that position a company to produce high-quality data in support of any current or emerging sustainability reporting responsibilities. Doing so will also position registrants for compliance with the SEC rules should the stay be lifted and the rules become effective.

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[1] SEC, Final rules, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*.
[2] SEC, Order Issuing Stay, In the Matter of the Enhancement and Standardization of Climate-Related Disclosures for Investors

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1. Overview

The new SEC climate disclosure rules are included in Item 1500 of Regulation S-K (“S-K”) and Articles 8 and 14 of Regulation S-X (“S-X”).

The new rules apply to both domestic and foreign private issuers (FPIs) and create a new “Climate-Related Disclosure” section in annual reports (i.e., Forms 10-K and 20-F) and registration statements (e.g., Forms S-1, F-1).[3] The required disclosures may be included in this section or other parts of a registration statement or annual report (e.g., Management’s Discussion and Analysis (MD&A) or Risk Factors). The instructions to the new section highlight that registrants should consider including cross-references to disclosures located in other parts of the document to enhance the presentation for investors. The new rules also require certain disclosures in the audited financial statements (see section 7).

The effective dates and transition provisions vary by type of registrant and for certain disclosure provisions (see section 8). In addition, the rules provide certain relief for emerging growth companies (EGCs), smaller reporting companies (SRCs), and non-accelerated filers, which are not required to report greenhouse gas (GHG) emissions (see section 6). In addition, these registrants have longer phase-in periods for the other required disclosures.

QUESTION 1–1

How do the SEC climate disclosure rules apply to an entity planning to conduct an initial public offering (IPO)?

PwC response

The SEC’s climate disclosure rules are applicable to IPO registration statements (i.e., Forms S-1 or F-1, Form 10, and Form 20-F). As such, new offerings will be required to comply with the new climate disclosure rules, including the financial statement footnote disclosures and the disclosures regarding climate-related risks, risk management, governance, and oversight, subject to the compliance dates and transition rules (see section 8).

As noted in section 6, however, greenhouse gas emissions disclosures are only required for large accelerated and accelerated filers. A company conducting an initial public offering would generally not meet the criteria to be considered an accelerated or large accelerated filer and, as a result, would generally not be required to include GHG emissions disclosures.

QUESTION 1–2

How do the SEC disclosure rules apply to a public company’s acquisition of a private company in a business combination?

PwC response

Filings in connection with the acquisition of a private company would not need to include climate-related disclosures. Specifically:

- Any financial statements required for that private company would not need to include the financial statement footnote disclosures (see section 7).
- Certain business combination transactions may involve the filing of a Form S-4/F-4 registration statement or a proxy statement. The rules do not require those filings to include climate-related disclosures for any target that is a private company.

The registrant would, however, need to consider the acquired entity in its consideration of climate-related disclosures from the closing date of the transaction.

[3] Canadian registrants reporting on Form 40-F under the Multi-jurisdictional Disclosure System (MJDS) are exempt. Consistent with the structure and purpose of this system, MJDS registrants will need to follow their Canadian requirements, including any local jurisdiction climate-related disclosures, when filing with the SEC. (SEC, Final climate disclosure rule, page 570).

QUESTION 1–3

How could the new rules impact private companies?

PwC response

Private companies are not directly subject to the SEC rules, although they may nonetheless be impacted as follows:

- *Private company planning to go public* — A private company considering an initial public offering would need to comply with certain of the SEC climate disclosure rules in its Form S-1/F-1 or Form 10 registration statement (see Question 1-1).
- *Greenhouse gas emissions disclosures* — Depending on how a public company determines its organizational boundaries, it may need to include the emissions of equity method investees, proportionately consolidated entities, joint ventures, or other affiliates (see section 6.2). As a result, a private company that is controlled by a public company, or one in which a public company has ownership interests, may need to provide information about its GHG emissions to a public company.
- *Value chain information* — Although the final rules do not require disclosure of emissions information about companies in a registrant's value chain, a private company in the value chain of a public company may still be requested to provide information to support a registrant's required climate-related disclosures (see discussion of value chain considerations in section 3).

If a private company is acquired by an SEC registrant, the SEC registrant will be required to include the acquired company's GHG emissions and climate-related risks, impacts, and expenditures in its disclosures. As a result, it may request information about the private company's emissions and exposure to climate risk as part of pre-acquisition due diligence activities.

QUESTION 1–4 *(added April 11)*

Do the new rules impact quarterly reporting on Form 10-Q?

PwC response

No. The new rules do not require any additional disclosures in quarterly reports.

Registrants should, however, determine whether there are any climate-related matters that should be disclosed during the quarter under existing SEC rules. For example, registrants may need to disclose material changes to risk factors disclosed in their Form 10-K, material changes in financial condition or results of operations, or material changes in internal control over financial reporting.

In addition, a registrant can elect to include GHG emissions disclosures, if applicable, in its first or second fiscal Form 10-Q. See section 6.5.

QUESTION 1–5 *(added April 11)*

Do the new rules impact the existing SEC requirements applicable to climate-related disclosures?

PwC response

No. The SEC's 2010 interpretive release, *Commission Guidance Regarding Disclosure Related to Climate Change*, provides a roadmap for registrants to assess whether climate-related disclosures should be provided under existing SEC rules. Specifically, the release details how a registrant could be required to include climate-related disclosures in the description of business, legal proceedings, risk factors, and management's discussion and analysis (MD&A). Registrants should continue to ensure compliance with these requirements until the new rules are adopted. In addition, the new climate-related disclosure rules do not replace the existing requirements. Thus, registrants will need to ensure that their disclosures continue to satisfy the existing requirements even after adoption of the new rules.

For further discussion about the 2010 interpretive guidance, see our publication, [*Don't wait until the SEC staff asks you about climate change*].

QUESTION 1–6 *(added April 11)*

Do the SEC rules apply to debt-only registrants?

PwC response

Yes. The new rules apply to domestic and foreign private issuers subject to Exchange Act reporting requirements, including debt-only registrants. Debt-only registrants generally do not meet the definition of a large accelerated or accelerated filer because they do not have common equity held by non-affiliates (e.g., no public float). In this scenario, they would not be subject to the GHG emissions disclosure requirements (see section 6). Registrants should consult with legal counsel to determine their public float and filer status.

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2. Governance and oversight of climate-related risks

Building on existing emphasis in SEC rules regarding the importance of effective oversight by management and those charged with governance, S-K 1501, *Governance,* requires registrants to describe management's role in assessing and managing climate-related risks and the board's role in overseeing those risks.

2.1 Management's role related to climate-related risks

The new rules require disclosure about management's role in assessing and managing material climate-related risks. Specifically, the reporting entity must disclose if there are management positions or committees responsible for assessing and managing material climate-related risks and if so, which ones. These disclosures must include the relevant expertise of the individuals who hold the positions or are members of the committees.

The registrant must also describe how the individuals or committees assess and manage climate-related risks as well as whether the individuals or committees report such information about climate-related risks to the board or a designated subcommittee.

QUESTION 2–1

What constitutes "expertise" in climate-related risks for purposes of the required disclosures?

PwC response

The SEC notes that relevant expertise may include, for example, "work experience in climate-related matters; any relevant degrees or certifications; any knowledge, skills, or other background in climate-related matters."[4]

QUESTION 2–2

Is a reporting entity required to disclose the names of management personnel responsible for managing material climate-related risks?

PwC response

No. S-K 1501(b)(1) requires management to disclose any management positions or committees responsible for assessing and managing material climate-related risks. The names of the relevant personnel are not required although they may be apparent from other

[4] SEC, Final climate disclosure rules, page 852, Instruction 2 to Regulation S-K, Item 1501.

disclosures in the filing, the company's proxy, information statement, or other publicly available information such as the reporting entity's website.

2.2 Board of directors' oversight of climate-related risks

The new rules detail specific disclosures designed to provide investors with insight into the board's oversight of climate-related risks, targets, and goals.

- *Board organization around climate-related risks*

  S-K 1501(a) requires registrants to identify the committee or subcommittee charged with responsibility for overseeing climate-related risks. When climate-related oversight responsibility is divided across multiple committees or individuals, the disclosures should provide sufficient context to allow the reader to understand how the oversight is shared.

- *Nature of board discussions on climate-related risks*

  The rules require disclosure of specific information about how the board is informed of climate-related risks (e.g., through presentations from the reporting entity's management, third-party experts, board members with expertise, other mechanisms). When a reporting entity has multiple board committees responsible for oversight, we believe separate disclosure should be provided for each committee to the extent their activities differ. And while this disclosure may partially overlap with required disclosures of management's interaction with the board, this disclosure would also encompass other discussions carried out by the board, such as discussions with third-party experts.

- *Oversight of disclosed climate-related targets, goals, and transition plans*

  If management discloses a target or goal (see section 5) or transition plan (see section 3.5), the company must also disclose whether and how the board oversees progress against those targets, goals, and transition plans. The intention of the requirement is to help investors understand the nature and degree of board oversight to the extent it may inform their investment or voting decisions.[5]

These disclosures are similar to those required by Item 1C of Form 10-K (Item 16K of Form 20-F) relating to the oversight of cybersecurity risks.

3. Strategy

S-K 1502, *Strategy,* requires a reporting entity to disclose information about climate-related risks that have materially impacted or are reasonably likely to have a material impact on the registrant. A reporting entity should separately disclose risks that are reasonably likely to manifest in the short term (12 months) and in the long term (beyond 12 months).

The first step in developing the strategy disclosures is to identify the registrant's material climate-related risks. As defined in the rules, climate-related risks include the actual or potential negative impacts of climate-related conditions and events on a registrant's business, results of operations, or financial condition.[6]

Once the material climate-related risks are identified, a reporting entity is required to discuss:

- the nature of the climate-related risks, including specifying whether the risks relate to the physical impacts of the climate ("physical risks") (see section 3.2) or to the potential transition to a lower carbon economy ("transition risks") (see section 3.3),

[5] SEC, Final climate disclosure rules, page 169.
[6] SEC, Final climate disclosure rules, definition from S-K 1500, page 849.

- the impacts of the identified climate-related risks on its business, results of operations, or financial condition (see section 3.4.3) as well as impacts related to how the risks affect its strategy (see section 3.4.1) and planning (see section 3.4.2), and
- any use of transition plans (see section 3.5), internal carbon price (see section 3.6), or scenario analysis (see section 3.7), subject to materiality.

The disclosure threshold for climate-related risks is consistent with the guidance in S-K 303, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Excerpt from adopting release[7]
The "reasonably likely" component of the rules we are adopting, as with the same standard in MD&A regarding known trends, events, and uncertainties, is grounded in whether disclosure of the climate-related risk would be material to investors and requires that management evaluate the consequences of the risk as it would any known trend, demand, commitment, event, or uncertainty. Accordingly, management should make an objective evaluation, based on materiality, including where the fruition of future events is unknown.

Consistent with other SEC rules and regulations, materiality is evaluated using the existing securities laws framework. The Supreme Court has stated that a fact is material if there is a "substantial likelihood that a reasonable investor would consider it important" or if it would have "significantly altered the 'total mix' of information made available."[8] Determining whether a matter is material requires an objective analysis of both quantitative and qualitative factors; it benefits from an informed and deliberative process involving functions from across the organization, including legal, finance, operations, and sustainability functions, as well as external counsel.

The adopting release notes that a climate-related risk involving a registrant's value chain would generally not need to be disclosed except when such risk has materially impacted or is reasonably likely to materially impact the registrant's business, results of operations, or financial condition. The identification of the actual and potential material impacts of climate-related risk on the registrant's strategy, business model, and outlook would also need to consider impacts on its "suppliers, purchasers, or counterparties to material contracts, to the extent known or reasonably available."[9] See section 3.4.1 for additional discussion.

3.1 Safe harbors

Existing Securities Act and Exchange Act provisions provide a safe harbor from private liability for forward-looking information meeting specific criteria, assuming specified requirements are met. The SEC climate disclosure rules extend those safe harbors to forward-looking climate-related disclosures (excluding historical facts) relating to transition plans, scenario analysis, the use of an internal carbon price, and targets and goals, assuming all other criteria under the Private Securities Litigation Reform Act (PSLRA) provisions are met.[10] While IPOs are typically excluded from the PSLRA safe harbors, the new rules extend the safe harbor to include these forward looking climate-related disclosures in IPO transactions.

[7] SEC, Final climate disclosure rules, page 106.
[8] SEC, Final climate disclosure rules, footnote 381.
[9] SEC, Final climate disclosure rules, Item 1502(b)(3).
[10] SEC, Final climate disclosure rules, Item 1507.

3.2 Physical climate-related risks

Physical climate-related risks primarily relate to severe weather events. They may be classified as either acute or chronic.

Partial definition from S-K 1500

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.

A registrant is required to describe the nature of the material physical risks to which it is exposed, including whether each risk is acute or chronic. Required disclosures include the geographic location and nature of the properties, processes, or operations subject to the material risk. Registrants are permitted to use judgment in determining how best to satisfy these disclosure requirements, including with respect to defining appropriate geographic locations.

Certain physical risks could be considered to have elements of being both acute and chronic risk. While the SEC provides examples, the rules ultimately permit registrants to use judgment to determine how best to classify physical risks. For example, some entities may view wildfires in certain locations as a chronic risk, while they may consider wildfires in other locations as an acute risk, depending on their specific facts and circumstances, including the nature of the risk in the physical location. Even though the SEC's rules include wildfires as an example of an acute risk, the adopting release states "for complex and overlapping physical risks, registrants can determine how best to categorize the physical risk as either acute or chronic."[11]

If risks evolve over time such that a registrant determines the classification should change, additional disclosures may be necessary.

QUESTION 3–1

Are earthquakes climate-related risks?

PwC response

Earthquakes are not considered climate-related physical risks, but may be included in disclosures related to "severe weather and other natural conditions" in the footnotes to the financial statements. The SEC's definition of physical risks refers only to severe weather events. For purposes of identifying climate-related risks for disclosure outside the footnotes, this would not include earthquakes. In the financial statement footnotes, however, disclosure is required of "severe weather events and other natural conditions." The adopting release states that natural conditions "may include types of *non-climate related occurrences*, such as

[11] SEC, Final climate disclosure rules, page 95.

earthquakes, if severe, and depending on the registrant's particular facts and circumstances."[12] See section 7.1.1 for discussion of the footnote disclosure requirements.

Although not a climate-related risk, a registrant exposed to a material risk due to earthquakes would still need to consider if other SEC disclosure requirements apply, such as those relating to Risk Factors or Management's Discussion and Analysis.

3.3 Transition climate-related risks

S-K 1502(a)(2) requires a narrative disclosure describing the nature of each material risk, including whether it relates to regulatory, technological, market, or other transition-related factors. Transition risks are risks related to the transition to a lower carbon economy. As defined, transition risks can be wide ranging.

Partial definition from S-K 1500

(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.

An example of a transition risk may be a regulatory change arising from operations in a jurisdiction that limits (or will limit) emissions. This may occur in countries or regions that have set forth emissions reduction targets and restrictions in support of the Paris Agreement. Transition risks may also arise as a result of factors such as changing consumer sentiments.

3.4 Impacts of climate-related risks

After a reporting entity has identified its material climate-related risks, S-K 1502(b)–(d) requires the following disclosures:

- the actual and potential material impacts of any identified risks on the company's strategy, business model, and outlook,
- how the impacts on strategy, business model, and outlook are considered as part of its strategy, financial planning, and capital allocation, and
- how the identified risks have affected or are reasonably likely to affect the company's business, results of operations, or financial condition.

The SEC has previously provided examples of potential climate-related impacts in its 2010 interpretive release (see question 1-5 for further discussion of the existing rules). While not specifically called out in the SEC's climate disclosure rules, the examples in Figure 3–1 may help inform a registrant's considerations.

[12] SEC, Final climate disclosure rules, footnote 2091.

FIGURE 3–1
Examples of climate-related events and impacts

Types of events	Sample impacts on the business and its financial results
Impact of legislation and regulation	• Costs to purchase, or profits from sales of, allowances, or credits under a cap-and-trade system • Costs required to improve facilities and equipment to reduce emissions in order to comply with regulatory limits or to mitigate the financial consequences of a cap-and-trade regime • Changes to profit or loss arising from increased or decreased demand for goods and services produced by the registrant arising directly from legislation or regulation, and indirectly from changes in costs of goods sold
International accords	• The impact of treaties or international accords relating to climate change, if material to the business (e.g., the Kyoto Protocol, the European Union Emissions Trading System)
Indirect consequences of regulation or business trends	• Decreased demand for goods that produce significant greenhouse gas emissions • Increased demand for goods that result in lower emissions than competing products • Increased competition to develop innovative new products • Increased demand for generation and transmission of energy from alternative energy sources • Decreased demand for services related to carbon-based energy sources, such as drilling services or equipment maintenance services

Physical impacts of climate change	• The effects of climate change on the severity of weather (for example, floods or hurricanes), sea levels, the arability of farmland, and water availability and quality, have the potential to affect a registrant's operations and results.
	• Consequences of severe weather include:
	  ○ Property damage and disruptions to operations concentrated on coastline, including manufacturing operations or the transport of manufactured products
	  ○ Indirect financial and operational impacts from disruptions to the operations of major customers or suppliers from severe weather, such as hurricanes or floods
	  ○ Increased insurance claims and liabilities for insurance and reinsurance companies
	  ○ Decreased agricultural production capacity in areas affected by drought or other weather-related changes
	  ○ Increased insurance premiums and deductibles, or a decrease in the availability of coverage, for registrants with plants or operations in areas subject to severe weather

The above is not an all-inclusive list; registrants will need to consider the ways in which they could be impacted by climate-related risks, which may evolve over time.

3.4.1 Impact of risks on strategy, business model, and outlook

The rules require a reporting entity to disclose the actual and potential material impact of identified climate-related risks on various aspects of its business.

Excerpt from S-K 1502(b)

(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.

By limiting the criteria regarding impacts relating to “suppliers, purchasers, or counterparties to material contracts” to information that is “known or reasonably available,” the SEC expects to eliminate “any potential need for registrants to undertake unreasonable searches or requests for information from their value chains.”[13]

The SEC’s rules highlight that this list is illustrative and non-exhaustive. A registrant would still be required to disclose the impact even if the actual or potential material impact on a registrant’s strategy, business model, and outlook is not listed.

3.4.2 Consideration of impacts

Once the actual and potential impacts have been identified, S-K 1502(c) requires disclosures about how the registrant considered those impacts in its strategy, financial planning, and capital allocation decision-making processes. These disclosures are intended to provide greater insight into whether and how these impacts are integrated into the registrant’s decision making. The disclosures must include a discussion of:

- whether the impacts have been integrated into the reporting entity’s business model or strategy,
- whether and how resources are being used to mitigate climate-related risks, and
- how any transition plans (see section 3.5) or targets disclosed under S-K 1504 (see section 5.1) relate to the reporting entity’s business model or strategy.

3.4.3 Effects on business, results of operations, or financial condition

S-K 1502(d) requires a reporting entity to discuss whether and how any of its identified climate-related risks (as discussed in sections 3.2 and 3.3) have impacted or are reasonably likely to impact its business, results of operations, or financial condition. As discussed in the adopting release, the type of disclosure that is intended by this provision is more similar to that found in MD&A than that found in the financial statement footnotes.[14]

S-K 1502(d)(2) also requires quantitative and qualitative disclosure of the material expenditures incurred and material impacts on financial estimates and assumptions that directly result from activities to mitigate or adapt to disclosed climate-related risks. This disclosure is intended to provide investors with a financial metric to assess the registrant’s management of the disclosed risk as well as information to assess the financial impact of such activities. Registrants will not be required to provide this quantitative and qualitative disclosure until one year after initial adoption of the rules (see section 8).

[13] SEC, Final climate disclosure rules, page 117.
[14] SEC, Final climate disclosure rules, page 121.

3.5 Transition plans

The SEC rules define a transition plan.

Definition from S-K 1500
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.

S-K 1502(e) does not require a reporting entity to adopt a transition plan. However, when a registrant has adopted a transition plan to manage a material transition risk — for example, to reduce GHG emissions in a jurisdiction imposing regulation, to adapt to changing consumer preferences, or to emphasize its commitment to the environment — it must disclose the plan. Disclosure would also be required of a company's approach to achieving its own climate-related targets or goals (see section 5). The rules do not specify any degree of formality required to be considered a "transition plan," and the adopting release specifically states the required disclosures are not limited to transition plans approved by the board.[15] These disclosures may qualify for the forward-looking safe harbor discussed in section 3.1.
A reporting entity must also provide annual updates to describe any actions taken during the year under any disclosed plans, including how such actions have impacted its business, results of operations, or financial condition.

These updates must include quantitative and qualitative disclosure of material expenditures incurred and material impacts on financial estimates and assumptions that management believes are a direct result of the actions taken under the transition plan. In the adopting release, the SEC indicated that these disclosures are intended to provide investors with a better understanding of the company's management's of risks, as well as potential impacts of its transition plans on its results of operations and financial condition.[16] A registrant will not be required to provide the quantitative and qualitative disclosures about transition plans described in this section until one year after initial adoption (see section 8).

These disclosures about transition plans differ from the quantitative and qualitative disclosures described in section 3.4.3. The disclosures in S-K 1502(e) are intended to elicit specific information about material expenditures and impacts to estimates and assumptions directly resulting from actions taken on a transition plan. In contrast, the disclosures described in section 3.4.3 refer to activities to mitigate or adapt to climate-related risks more broadly. To the extent the two required disclosures overlap, the information does not need to be repeated.

In the financial statement footnotes, registrants are required to provide qualitative disclosure of whether and how any estimates and assumptions are materially impacted by exposures to risks and uncertainties associated with, or known impacts from, any climate-related transition plans disclosed by the registrant. The qualitative disclosures required by S-K 1502(e) relating to how actions taken on a transition plan impact estimates and assumptions may partially overlap with the qualitative financial statement footnote disclosures (see section 7.3). When applicable, to avoid duplication, registrants are permitted to cross-reference to the relevant disclosure in the footnotes.

3.6 Internal carbon price

Companies may utilize an internal carbon price to help identify climate-related risks in the business, drive greater energy efficiencies, or to guide capital investment decisions. The SEC climate disclosure rules do not require a registrant to establish or maintain an internal carbon

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[15] SEC, Final climate disclosure rules, page 211.
[16] SEC, Final climate disclosure rules, page 133.

price, nor do they set forth any required methodology for establishing a price if one is used. If a registrant, however, elects to maintain an internal carbon price and this price is material to the evaluation and management of climate-related risks, it must disclose certain qualitative and quantitative information.

S-K 1502(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 CO_2e; 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 [section] 229.1505, briefly describe this difference.

This information is intended to help investors assess the reasonableness and effectiveness of the price used.[17]

3.7 Scenario analysis

S-K 1502(f) includes required disclosures about scenario analysis if both of the following conditions are met:

- The registrant uses scenario analysis to assess the impact of climate-related risks on its business, results of operations, or financial condition, and
- 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.

When disclosure is triggered under this two-step evaluation, the registrant is required to describe each scenario. These disclosures would include a brief description of the parameters, assumptions, and analytical choices used, and also the expected material impacts, including financial impacts, under each scenario.

The SEC's rules do not specify whether the disclosures should be quantitative or qualitative. In the adopting release, the SEC stated that the disclosures may initially be qualitative, particularly in the early stages of using scenario analysis, but that the SEC expects that disclosures would include more quantitative information over time as a registrant's use of scenario analysis becomes more sophisticated.[18]

[17] SEC, Final climate disclosure rules, page 158.
[18] SEC, Final climate disclosure rules, page 150.

QUESTION 3-2 ***(added April 11)***

If a registrant uses scenario analysis for purposes of complying with other mandatory sustainability reporting, would it be required to include disclosures about that scenario analysis in its SEC filings?

PwC response

It depends. If the use of the scenario analysis identifies a climate-related risk reasonably likely to have a material impact on the registrant's business, results of operations, or financial condition, the disclosures regarding scenario analysis under the SEC's climate disclosure rules would be required. If a material climate-related risk is not identified, the disclosures about scenario analysis are not required.

4. Risk management

S-K 1503, *Risk management,* requires disclosures that are intended to provide investors with greater insight into how management incorporates climate risks into its decision making.

The disclosures required by S-K 1503(a) include information about a registrant's processes for identifying, assessing, and managing material climate-related risks and how those processes are integrated into its overall risk management processes. When describing its processes for managing material climate-related risks, a registrant must disclose, as applicable, how it:

- identifies whether it has incurred or is reasonably likely to incur a material physical or transition risk,
- decides whether to mitigate, accept, or adapt to the particular risk, and
- prioritizes whether to address climate-related risks.

One example of a climate risk management strategy is using insurance or other financial products to manage exposure to material risks. For example, climate risks could create increased volatility in the prices of raw materials that are inputs into a registrant's products. Companies may enter into derivative or hedging transactions in an effort to reduce the impacts of that volatility. Other examples might include relocating vulnerable operations, diversifying the supply chain, seeking alternative energy sources, or enhancing the geographical dispersion of operations.

Under S-K 1503(b), a registrant is also required to disclose whether and how its strategy, financial planning, and capital allocation decision-making processes are integrated into its overall risk management processes.

These disclosure requirements are intended to provide a registrant with flexibility in describing its risk management processes relating to climate-related risks, and are not intended to compel disclosure of sensitive business information or to speculate on potential future restructurings, write-downs, or impairments arising from its climate risk management processes.[19]

5. Climate-related targets and goals

S-K 1504, *Targets and goals,* does not require a registrant to set climate-related targets or goals. It does, however, require certain disclosures when a registrant has made a target or goal that has materially affected, or is reasonably likely to materially affect its business, results of operations, or financial condition.

[19] SEC, Final climate disclosure rules, page 197.

A registrant's voluntary climate targets and goals — and related progress toward achievement of those targets and goals — may impact its business, outlook, access to markets, pricing, operating expenditures, capital expenditures, liquidity, and other capital resources. S-K 1504 requires disclosures related to any climate-related target or goal that has materially affected, or is reasonably likely to materially affect, the registrant's business, results of operations, or financial condition. In the adopting release, the SEC indicated that such disclosures are intended to provide transparency, helping investors understand the scope of a registrant's climate-related targets or goals and assess impacts as it attempts to achieve those targets or goals.[20]

These disclosures may be provided in a separately labeled section, as part of the disclosures discussing the climate-related impacts on the entity's strategy, results of operations, or financial condition (required by S-K 1502), or as part of the risk management disclosures (required by S-K 1503).

QUESTION 5–1

Is disclosure required if a material climate-related target or goal is internal and has not been publicly announced or otherwise disclosed to an unrelated party?

PwC response

Yes. The disclosure provisions apply to all material climate-related targets or goals, even those that are only established internally. The adopting release specifies that investors should have access to "an internal target or goal that materially affects or is reasonably likely to materially affect the registrant's business, results of operations, or financial condition."[21] Therefore, targets or goals meeting that criteria — whether they are internal or external — require disclosure.

QUESTION 5–2

Is the disclosure of a material climate-related target or goal required if it has not been approved by the registrant's board or CEO?

PwC response

Yes. As discussed in the adopting release, approval by the board or CEO is not required as it would deprive investors of material information for procedural reasons. However, targets or goals that do not meet the materiality threshold would not require disclosure.[22]

5.1 Targets and goals — required disclosures

A registrant must disclose details relating to any material climate-related target or goal as well as progress against those targets or goals. A registrant is also required to include specific disclosures relating to its usage of carbon offsets or renewable energy credits or certificates that are a material component of its plan to meet those goals.

The SEC climate disclosure rules do not mandate use of a specific calculation method to measure progress.

5.1.1 Disclosure of climate-related targets or goals

If a registrant has set any material climate-related target or goal, it must include the disclosures in S-K 1504(b).

[20] SEC, Final climate disclosure rules, pages 213–215.
[21] SEC, Final climate disclosure rules, page 210.
[22] SEC, Final climate disclosure rules, pages 210–211.

Excerpt from S-K 1504(b)

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.

To illustrate the nature of the disclosures expected, consider a registrant with a goal of achieving "net zero" (greenhouse gas emissions are reduced to a small amount that can be durably stored) by 2040. Assuming this goal is material, the entity would be required to disclose the following:

- *The scope of the activities included in the target or goal*

  In this example, the scope of the activities would be its direct emissions (scope 1) as well as its indirect emissions associated with the purchase of electricity, steam, heat, or cooling (scope 2). If the company had picked a more specific goal (e.g., reducing emissions in a certain geographical area or relating to specific direct activities), disclosure would also be required.

- *The unit of measurement*

  The unit of measurement can vary by the target or goal set, and whether the target is absolute or intensity-based. Often, emissions targets or goals are expressed in terms of the volume of emissions (e.g., CO_2e), or the amount of electricity used or generated (e.g., megawatts).

  An absolute target is a reduction in actual emissions over time and is usually expressed in terms of a reduction in overall emissions by a set amount relative to a base year (e.g., in this example, reducing emissions to net zero). An intensity-based target, on the other hand, is a normalized metric that is set relative to some sort of economic output (e.g., CO_2e per square foot of warehouse space, per employee, or per unit of revenue). The SEC rules do not require specific disclosure of whether a target is absolute or intensity-based, though such information is likely to be apparent from the disclosure.

- *The time horizon for achieving the target or goal and whether the time horizon is based on targets or goals established by climate-related laws or regulations*

  Registrants typically set targets or goals with a specified date in mind. In this example, the time horizon for accomplishing the goal is by 2040. If this timing is based on climate-related laws or regulations, that fact would also need to be disclosed.

- *The baseline time period and means against which progress will be measured*

  The baseline time period could be a specific year against which reductions are tracked. If multiple targets are set, the registrant is required to use a consistent base year across the targets. In this example, there is no base year since the company has an overall target to reduce to net zero.

- *Qualitative description of how the registrant plans to achieve its climate-related targets or goals*

  A registrant is required to provide details about how it plans to achieve its targets or goals. For a goal of reducing GHG emissions, this discussion may include a strategy to increase energy efficiency, transition to lower carbon products, purchase carbon offsets or renewable energy credits (RECs), or engage in carbon removal and carbon sequestration. In addition, some entities may establish interim targets relating to a material target or goal. While the rules do not specifically require separate disclosure of interim targets or goals, we would generally expect these interim targets to be included in the description of how the registrant plans to achieve its targets or goals.

While this example illustrates disclosure of a GHG emissions target, the SEC rules are inclusive of all climate-related targets and goals. The adopting release further clarifies that a non-GHG emissions climate-related target or goal would also need to be considered for disclosure under these provisions.[23]

QUESTION 5–3

Does a registrant that is not required to disclose GHG emissions (e.g., because they are an EGC) need to disclose a material emissions-related target or goal?

PwC response

Yes. Even though the registrant is exempt from the GHG emissions disclosures required by S-K 1505 (see section 6), it would still need to provide the disclosures for any material climate-related targets and goals required by S-K 1504. This includes any specific targets and goals related to emissions (to the extent they are material to a registrant's business, results of operations, or financial condition). Further, as part of the required disclosures on any material climate-related target or goal, the registrant would need to also disclose progress made towards achieving the target or goal, which may include information about its emissions.

Similarly, while the GHG emissions disclosures discussed in section 6 do not include any requirements to report scope 3 GHG emissions, if a registrant has a material target or goal relating to its scope 3 emissions, it would also be required to disclose that target or goal. Further, in discussing progress toward achieving that target or goal, it may include information about its scope 3 emissions.

QUESTION 5–4

What should a company disclose if it has developed a material climate-related goal but has not yet developed specific plans on how it intends to meet that goal?

PwC response

S-K 1506(b)(5) requires a registrant that has set climate goals to qualitatively disclose how it intends to meet its goals. In some cases, the company may have set a goal without yet developing a definitive plan to achieve it. In this case, we believe the company would need to

[23] SEC, Final climate disclosure rules, pages 211–212.

disclose that it has not yet developed specific plans, with updated disclosures in subsequent annual reports when such plans have been developed.

5.1.2 Progress towards achieving climate-related targets or goals

In addition to detailed disclosure regarding any material climate-related target or goal, a registrant must disclose any progress made towards achieving those targets or goals and how that progress is being achieved. This disclosure should be updated at least annually to discuss progress made during the year.

These disclosures should 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, and

- a quantitative and qualitative discussion 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. As discussed further in section 8, registrants will not be required to provide this quantitative and qualitative disclosure until one year after it is first required to provide the other non-GHG S-K disclosures.

In the financial statement footnotes, registrants are required to provide qualitative disclosure of whether and how any estimates and assumptions are materially impacted by exposures to risks and uncertainties associated with, or known impacts from, any climate-related targets disclosed by the registrant. The qualitative disclosures required by 1504(c)(2) discussed in section 7.3 — relating to how actions taken to achieve a target or goal impact estimates and assumptions — may partially overlap with the qualitative financial statement footnote disclosures. When applicable, to avoid duplication, registrants are permitted to cross-reference to the relevant disclosure in the footnotes.

QUESTION 5–5

In setting and measuring progress against targets or goals relating to GHG emissions, are companies required to calculate GHG emissions consistent with how they are determined under S-K 1505?

PwC response

No. The SEC climate disclosure rules do not require registrants to establish targets or goals, nor do they require any specific method for setting and measuring progress against established targets or goals. As a result, companies may establish GHG emissions reduction goals utilizing a different scope of activities or different organizational boundaries than what is required for disclosure of GHG emissions under S-K 1505 (see section 6). To the extent that there are material differences in the calculations of GHG emissions for targets and goals, however, additional qualitative disclosures of those differences may be warranted.

5.1.3 Use of carbon offsets or RECs

Carbon offsets or RECs can play a significant role in a registrant's plans to achieve a target or goal.

Definition from S-K 1500
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. *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.

If carbon offsets or RECs have been used as a material component of a registrant's plan to achieve its climate-related targets or goals, S-K 1504(d) requires separate disclosure of the following:

- 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 the location of the underlying projects
- Any registries or other authentication of the offsets or RECs
- The cost of the offsets or RECs

In setting these requirements, the SEC highlighted that the information would help investors assess the role of offsets or RECs in the registrant's climate strategy as well as assess the risks, potential risks, and impacts of that strategy. For example, a registrant that relies heavily on these instruments may be exposed to increased market risks arising from changes in availability and pricing that may have a detrimental impact on its ability to meet its material climate-related targets or goals.[24] For additional discussion of carbon offsets and RECs, see sections 6.4 and 7.2.

6. Greenhouse gas emissions reporting

The SEC climate disclosure rules include reporting requirements related to greenhouse gas emissions for certain registrants as outlined in S-K 1505.

Excerpt from S-K 1505(a)
(1) A registrant that is a large accelerated filer or an accelerated filer … 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. … (3)(i) A smaller reporting company … and an emerging growth company … are exempt from, and need not comply with, the disclosure requirements of this section.

[24] SEC, Final climate disclosure rules, pages 219–220.

In order to report the GHG emissions as required by S-K 1505, a registrant first needs to determine its organizational boundaries, which include the entities and operations owned or controlled by the registrant (see section 6.2). The registrant then needs to determine its operational boundaries by (1) identifying all sources of GHG emissions within its organizational boundary and (2) classifying them as either direct or indirect emissions (see section 6.3).

Notably, the rules allow an entity flexibility in selecting its approach to determining its organizational boundaries as well as the standard or protocol used for measurement. Thus, reporting entities will be able to leverage existing frameworks, including the Greenhouse Gas Protocol (GHG Protocol), the most widely used greenhouse gas accounting standards.[25] In addition, other standards referenced in the adopting release include U.S. Environmental Protection Agency (U.S. EPA) regulations and International Organization for Standardization (ISO) 14064-1.[26] The adopting release also references "other standards" which may include available frameworks such as the ESRS under the CSRD, the IFRS Sustainability Disclosure Standards, and California Senate Bill (SB) 253, "Climate Corporate Accountability Data Act."[27]

Understanding these other frameworks and requirements will be important for entities subject to more than one reporting regime. Because the SEC allows a registrant choices in its approach to GHG measurement, it may be able to leverage decisions made to comply with other reporting requirements, as further discussed below.

6.1 Greenhouse gas emissions

The SEC climate rules define greenhouse gases to include the following constituent gases: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), nitrogen trifluoride (NF_3), and sulfur hexafluoride (SF_6).

The SEC rules require separate disclosure of scope 1 and/or scope 2 emissions, if material, each expressed in the aggregate using carbon dioxide equivalent (CO_2e), in gross terms, excluding the impact of offsets (see section 6.4). The rules also require separate disclosure of any individually material constituent gas.

QUESTION 6–1

The GHG emissions disclosure requirements reference materiality in the context of both the gross scope 1 and scope 2 disclosures and in the evaluation of whether constituent gases should be individually disclosed.

How should registrants consider materiality in this context?

PwC response

Registrants should assess materiality of GHG emissions information in a manner consistent with other SEC rules and regulations (see section 3). When evaluating whether scope 1 or scope 2 emissions are material, registrants should not only consider the amount of emissions, but also qualitative factors that may be meaningful to investors.

Factors to consider in the evaluation of whether scope 1 or scope 2 emissions are material may include if emissions are significant enough to expose the registrant to transition risks, or if emissions are critical to an investor's understanding of progress made towards achieving targets or goals set by the company. The adopting release provides further context and states:

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25 GHG Protocol

26 U.S. EPA; ISO 14064-1

27 ESRS; IFRS Sustainability Disclosure Standards; California SB 253.

Excerpt from adopting release[28]

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.

In addition, registrants should consider the impact of disclosure of GHG information as a result of other regulatory requirements or on a voluntary basis as part of this assessment.

6.2 GHG emissions organizational boundaries

The first step in calculating GHG emissions is to determine the organizational boundaries. Disclosure of the methodology used in determining such boundaries is required by S-K 1505 as follows:

Excerpt from S-K 1505(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;

The SEC rules do not define specific methods a registrant should use to determine its organizational boundaries. We believe a registrant may look to the discussion in the adopting release for guidance in defining its organizational boundaries. Specifically, the adopting release states: "a registrant will have flexibility to use, for example, one of the methods for determining control under the GHG Protocol."[29]

In discussing GHG measurement, the adopting release also references U.S. EPA, ISO, and "other standards." As discussed in section 6, this may include ESRS and the standards issued by the International Sustainability Standards Board (ISSB). Figure 6-1 highlights how organizational boundaries are defined across these sustainability reporting frameworks and standards.

[28] SEC, Final climate disclosure rules, page 246.
[29] SEC, Final climate disclosure rules, page 251.

FIGURE 6–1
Summary of organizational boundary approaches[30]

ESRS	GHG Protocol	ISSB
Emissions of the parent and consolidated subsidiaries would follow the organizational boundaries of the consolidated financial statements Emissions of associates, joint ventures, and other unconsolidated arrangements would be presented based on operational control	Allows for two approaches: 1) Equity share 2) Control approach (financial control or operational control)	Use of the GHG Protocol would be required, unless a different method is required by a jurisdictional authority or exchange

California SB 253 also requires disclosure of GHG emissions; however, these disclosures must be prepared in accordance with the GHG Protocol. ISO 14064-1 also references the same organizational boundary approaches as those prescribed by the GHG Protocol.

We would generally expect entities to look to these standards and frameworks in determining their organizational boundaries. In addition, in selecting the approach, a registrant may consider its other reporting responsibilities (e.g., CSRD, California SB 253). Further, while we believe any of the methods for determining organizational boundaries described above would be appropriate, the equity share and financial control organizational boundary approaches under the GHG Protocol will align most closely with the scope of entities and operations included in the consolidated financial statements as these methods are generally based in financial accounting and reporting guidance. S-K 1505 requires registrants to disclose any material differences between the organizational boundaries used for calculation of GHG emissions and the scope of entities and operations in the consolidated financial statements.

6.3 Operational boundaries

Once a registrant has established its organizational boundary, it then needs to determine its operational boundaries by (1) identifying all sources of GHG emissions within its organizational boundary and (2) classifying them as either direct or indirect emissions.

The SEC climate disclosure rules require a registrant to disclose the following with respect to its operational boundaries:

Excerpt from S-K 1505(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: …

(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;

[30] PwC's publications: Worldwide impact of CSRD- are you ready? and Navigating the ESG landscape.

Establishing operational boundaries requires a registrant to develop a comprehensive understanding of its emission sources — including the assets, groups of assets, or processes within its organizational boundary that generate emissions.

GHG emissions may arise from multiple sources, including stationary combustion, mobile combustion, physical or chemical processing, and fugitive sources and other chemical reactions. Different business processes, operations, and activities may have similar types of emission sources. For example, a manufacturer may identify multiple stationary combustion emission sources as a result of the use of boilers, engines or generators.

- Scope 1 emissions are direct GHG emissions from operations that are owned or controlled by the registrant. Scope 1 emissions can come from a range of activities, such as a manufacturing plant with direct emissions from combustion of fuels to operate its machinery.

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

GHG emissions also include scope 3 emissions which arise from an entity's upstream and downstream value chain, however, disclosure of scope 3 emissions is not required by the SEC. Although disclosure of scope 3 emissions is not required by the SEC rules, ESRS, the IFRS Sustainability Disclosure Standards, and California SB 253 do require disclosure of these amounts.

Once the entity establishes its organizational and operational boundaries, it may begin the process of aggregating data and calculating greenhouse gas emissions from its operations.

6.4 Measurement of GHG emissions

The SEC climate disclosure rules require a registrant to disclose the methodology used to calculate its GHG emissions metrics.

Excerpt from S-K 1505(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: …

(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.

The SEC rules also expressly permit exclusion of emissions generated from manure management systems. This exclusion is a result of the 2023 Consolidated Appropriations Act which prohibits the use of appropriated funds to implement provisions of rules mandating reporting of GHG emissions associated with manure management systems.[31]

Although S-K 1505 does not prescribe a specific calculation method, it does require disclosure of the protocol or standard used as well as other details about the registrant's calculations. The adopting release provides further context for this requirement, stating that "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

[31] SEC, Final climate disclosure rules, pages 257-258.

Reporting Standard, an EPA regulation, an applicable ISO standard, or another standard."[32] As discussed in section 6, we expect most registrants will look to the GHG Protocol or other established standards to determine their calculation and reporting methodology.

GHG emission calculation approaches generally involve use of multiple inputs and assumptions, including activity data, emission factors, and global warming potentials. These calculations often inherently require estimation where the accuracy and reliability of the results depends on the quality of the data and reasonableness of assumptions used. In addition to disclosing calculation methodologies, S-K 1505(b)(2) also permits the use of reasonable estimates in the calculation of GHG emissions, and requires disclosure of the reason for using an estimate and its underlying assumptions.

Reporting of gross emissions

Irrespective of which standard or protocol used as a framework for reporting GHG emissions, S-K 1505(a)(2) requires disclosure of gross scope 1 and scope 2 emissions, if material, for large accelerated and accelerated filers, with an exemption for SRCs and EGCs.[33]

Excerpt from S-K 1505(a)(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 CO_2e. 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.

In addition, the SEC adopting release indicates that the calculation approaches for scope 2 emissions can be based on the approaches included within the GHG Protocol (i.e., the location-based method or market-based method).[34]

QUESTION 6-2 *(added April 11)*

What is the difference between the location-based and market-based methods of calculating scope 2 GHG emissions?

PwC response

Under the location-based method, scope 2 emissions are calculated using average grid emission factors for the location in which the energy consumption occurs. In contrast, the market-based method calculates emissions using emission factors derived from contractual arrangements.

Entities with net zero and other emission reduction targets often enter into contractual arrangements to purchase instruments referred to as energy attribute certificates (EACs). Common examples of EACs include renewable energy certificates (RECs), green tags, or guarantees of origins. The market-based approach allows for these instruments to be included in the scope 2 emissions calculation, while the location-based approach does not.

[32] SEC, Final climate disclosure rules, page 253.
[33] SEC, Final climate disclosure rules, pages 243–246.
[34] SEC, Final climate disclosure rules, footnote 1030.

Note that although entities applying the market-based method are permitted to reduce scope 2 emissions through contractual instruments such as RECs, S-K 1505(a)(2)(ii) requires the disclosure of scope 1 and scope 2 emissions to exclude the impact of purchased or generated carbon offsets. See section 5.1.3 for the separate disclosures required regarding the use of certain carbon offsets and RECs.

QUESTION 6-3 *(added April 11)*

Does the inclusion of RECs in the calculation of scope 2 emissions using the market-based approach automatically trigger the disclosures about RECs required by S-K 1504(d)?

PwC response

No. The disclosure requirements under S-K 1504, *Targets and goals,* are separate from the disclosure requirements under S-K 1505, *GHG emissions metrics*. Specifically, the disclosures in S-K 1504(d) are only required if the registrant has a material climate-related target or goal and the use of carbon offsets or RECs is a material component of achieving such target or goal. These disclosures are not otherwise required, even if a registrant includes RECs in its market-based scope 2 emissions.

Similarly, the inclusion of RECs in the calculation of scope 2 emissions would not trigger the financial statement footnote disclosures required under S-X 14-02(e) unless the use of RECs is a material component of a registrant's plans to achieve disclosed climate-related targets or goals. See section 7.2 for the footnote requirements related to RECs.

6.5 GHG emissions filing requirements

The rules require a registrant to incorporate climate-related disclosures within its registration statement or annual report, but allow flexibility as to the placement of such information. Further, although the emission metrics are required to be reported as part of the annual report on Form 10-K, S-K 1505(c)(1) permits this information to be incorporated by reference from the second quarter Form 10-Q for the following year. Or, as an alternative, this information may be included in an amended annual report on Form 10-K prior to the due date for such Form 10-Q. Further, a foreign private issuer may report this information in an amendment to its annual report on Form 20-F no later than 225 days after the end of the fiscal year to which the information relates.

If a registrant elects to take the additional time afforded to file its emissions information, it 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."[35]

For registration statements filed under the Securities Act of 1933 or filed on Form 10-K or Form 20-F under the Securities Exchange Act of 1934, registrants are required to report any GHG emissions metrics as of the most recently completed fiscal year that is at least 225 days prior to the date of effectiveness of the registration statement.

Additionally, a registrant that is required to provide GHG emissions disclosures will also be required to obtain independent third-party attestation (see section 6.6).

6.6 Attestation of GHG emissions and disclosures

Large accelerated and accelerated filers are required to engage an independent third party to provide an attestation report covering their disclosure of scope 1 and/or scope 2 GHG emissions. These attestation requirements are phased in, with limited assurance beginning for large accelerated filers and accelerated filers for fiscal years beginning in 2029 and 2031,

[35] SEC, Final climate disclosure rules, page 860.

respectively (see section 8). Further, only large accelerated filers will ultimately be required to obtain reasonable assurance (for fiscal years beginning in 2033).

The attestation report must be prepared and signed by a GHG emissions attestation provider, as defined in S-K 1506(b). The attestation provider must be an expert in GHG emissions and must be independent with respect to the registrant and its affiliates during the attestation and professional engagement period. A registrant must disclose information about any oversight inspection program the attestation provider is subject to and a statement regarding whether the GHG emissions attestation is included in the scope of this oversight program. The filing must also include disclosures regarding any changes in the attestation provider, similar to disclosures regarding changes in a registrant's financial statement auditor (as set forth in S-K 304). The rules also specify standards for the attestation engagement stating that it "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."[36]

Voluntary assurance

Certain registrants may obtain assurance over emissions included in their filings, even if assurance is not required under the SEC rules. This may include (1) large accelerated and accelerated filers that obtain assurance before it is required under S-K 1506(a) and (2) registrants that are not required to provide GHG emissions (e.g., a non-accelerated filer).[37] In these cases, a registrant that obtains third-party assurance over GHG emissions included in its filing must disclose the following information:

- the identity of the assurance provider,
- a description of the standards used,
- the level and scope of assurance,
- the results of the assurance services,
- whether the service provider has any material business relationships with the registrant, and
- whether the service provider is subject to any oversight inspection program.

While the rules requiring these disclosures are referred to as "voluntary assurance," Item 1506(e) requires a registrant to disclose any assurance obtained over GHG emissions, even if the assurance was obtained to comply with other regulatory requirements (for example, California SB 253). The SEC notes that this requirement is intended to eliminate the incentive for a registrant not to disclose unfavorable results from assurance services and help investors evaluate how much reliance to place on the disclosed GHG emissions when making investment decisions.[38]

The registrant is not, however, required to include the report of the attest provider in its filing if assurance is not required by the SEC rules.

7. Financial statement footnote disclosures

S-X 14, *Disclosure of severe weather events and other information*, requires registrants to provide financial statement footnote disclosure of certain financial statement effects due to severe weather events and other natural conditions. Financial statement effect disclosures

[36] SEC, Final climate disclosure rules, page 861.
[37] SEC, Final climate disclosure rules, Items 1506(a)(3) and 1506(e).
[38] SEC, Final climate disclosure rules, page 376.

related to carbon offsets and RECs (see section 7.2) and estimates and assumptions (see section 7.3) may also be required to be disclosed in the financial statement footnotes.

As a result, these disclosures are subject to the audits of a registrant's financial statements and internal control over financial reporting, if applicable.

7.1 Financial statement effects

The rules require footnote disclosure of two general types of financial statement effects from severe weather events and other natural conditions as follows:

- *Income statement effects of expenditures expensed as incurred and losses ("expenditures and losses")*

  Examples include expenditures and losses to restore, relocate, retire, or repair assets or operations affected by the severe weather event or other natural condition, as well as impairment losses on affected assets.

- *Balance sheet effects of capitalized costs and charges*

  Examples include capitalized costs and charges to restore, replace, or repair assets affected by the severe weather event or other natural condition, as well as the write-down or write-off associated with impairment of affected assets.

The assessment of financial statement effects is specific to amounts recorded within the financial statements and do not include other impacts, such as lost revenue.

The periods covered by these footnote disclosures must be consistent with the financial statements. S-X 14-02 states that the disclosure is only required when the disclosure threshold is met for the relevant fiscal year. Prior periods can be excluded to the extent such information has not been previously disclosed or required to be disclosed in the financial statements.

A registrant must also disclose contextual information describing how any disclosed financial statement effect was derived. This includes a description of the 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.

7.1.1 Severe weather events and other natural conditions

The SEC rules do not define "severe weather events and other natural conditions," instead they provide examples such as "hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise."[39]

A registrant is not required to make a determination that a severe weather event or other natural condition was caused by climate change. As noted in the adopting release, "natural conditions" may include types of non-climate-related occurrences, such as earthquakes, if severe, and depending on the registrant's particular facts and circumstances.[40]

The adopting release emphasizes that disclosure is only required if the weather event or other natural condition is "severe" and that a particular weather event may be severe in one region but not in another. It further states that "registrants will have the flexibility to determine what constitutes a severe weather event or other natural condition based on the particular risks faced by the registrant, taking into consideration the registrant's geographic location,

[39] SEC, Final climate disclosure rules, page 844.
[40] SEC, Final climate disclosure rules, footnote 2191.

historical experience, and the financial impact of the event on the registrant, among other factors."[41]

QUESTION 7–1

What kind of factors should be considered in determining if an event is considered a "severe weather event?"

PwC response

While factors such as the designation of a state of emergency by local, state, or federal bodies in advance of or following a particular weather or other natural event may be considered, we do not believe such a designation is required for an event to be considered a severe weather event. Conversely, the lack of a state of emergency declaration would not prevent a registrant from concluding that a severe weather event had occurred. Reporting entities will need to apply judgment to determine whether to include or exclude any particular event from the analysis; the policy should be applied consistently period to period. In addition, disclosure of contextual information, including policy decisions, is required (see section 7.1).

7.1.2 Financial effect disclosure thresholds

S-X 14-02(b) requires disclosure of income statement and balance sheet financial effects if they meet or exceed the respective threshold for the relevant fiscal year:

- Income statement effects are required to be disclosed if the aggregate amount of expenditures expensed as incurred and losses are 1% or more than the absolute value of income or loss before taxes, subject to a $100,000 de minimis threshold.
- Balance sheet effects are required to be disclosed if the aggregate amount of the absolute value of capitalized costs and charges are 1% or more than the absolute value of stockholders' equity or deficit as of the end of the relevant fiscal year, subject to a $500,000 de minimis threshold.

The disclosure requirement specifically uses the term "expenditures expensed as incurred" to clarify what amounts should be captured. The adopting release explains that a registrant is not required to disclose both the capitalization of costs and the subsequent depreciation or amortization of that capitalized cost.[42] For example, a registrant that purchased new machinery to replace machinery damaged in a hurricane would be required to include the cost to purchase the new machinery as part of its capitalized costs, but the subsequent depreciation associated with the machinery would not be included as part of its expenditures expensed as incurred and losses.

When disclosure of any financial statement effect is required, registrants must separately identify where the amounts are presented in the financial statements. See Example 7–1 for an illustration of application of this guidance.

7.1.3 Financial effect of recoveries

Insurance proceeds are the most common type of recoveries related to severe weather events and other natural conditions; however, recoveries may also arise from other transactions or agreements (e.g., guarantees, indemnifications). Recoveries are excluded when determining whether disclosure is triggered, and would also be excluded from any disclosures about the financial effects on the income statement and balance sheet. However, when one or both of the financial metric disclosures is triggered, the registrant is also required to separately disclose recoveries recognized during the fiscal year as a result of

[41] SEC, Final climate disclosure rules, pages 484–485.
[42] SEC, Final climate disclosure rules, footnote 2120.

severe weather events and other natural conditions. The disclosure must separately identify the income statement and balance sheet line items where the recoveries are presented.

7.1.4 Attribution of financial effects

In many cases, severe weather and other natural conditions may be only one factor contributing to a capitalized cost, expenditure expensed, charge, loss, or recovery. The financial effect is only required to be included when the event or condition is a significant contributing factor; however, if it is, the entire amount must be included. This principle avoids the need to allocate or otherwise quantify amounts when an event or condition is not a significant contributing factor. The adopting release provides an example of a contributing factor.

Excerpt from adopting release[43]

To illustrate the application of the attribution principle, if a tornado damages the roof of a registrant's factory and the registrant incurs cost to repair the damage, the tornado would be a significant contributing factor in incurring the costs to repair the roof and the registrant would be required to disclose the entire cost incurred (if the applicable disclosure threshold is triggered), notwithstanding the fact that if the roof had been in place for some period of time there could be other factors that contributed to the roof's condition after the tornado.

The SEC rules, however, do not define a "significant contributing factor." The adopting release acknowledges that "many areas of US GAAP currently require a registrant to apply the concept of significance (even though US GAAP does not define the term 'significant'), which should help facilitate registrants' use of this attribution principle."[44] Examples within US GAAP include ASC 280, *Segment Reporting;* ASC 323, *Equity Method and Joint Ventures;* ASC 810, *Consolidation;* and ASC 820, *Fair Value Measurement*. Assessing the significant contributing factor will require judgment and should be based on all relevant facts.

EXAMPLE 7–1

Disclosure of financial effects and evaluation of disclosure threshold

During the year ended December 31, 20X1, Company XYZ's warehouse was destroyed by a wildfire, which was determined to be a severe weather event. As a result of the event, Company XYZ took an impairment loss related to write-off of the warehouse ($1,500,000) and inventory stored in the warehouse ($750,000). Company XYZ capitalized costs of $2,900,000 to replace the warehouse ($2,000,000) and its inventory ($900,000). It also received $400,000 in insurance proceeds and incurred $1,000,000 of other expenditures relating to the damage. The following table summarizes the financial statement effects.

	Income statement		Balance sheet	
	Expenditures expensed (A)	Losses (B)	Capitalized costs (C)	Charges (D)
Property, plant, and equipment	$ -	$ 1,500,000	$ 2,000,000	$ 1,500,000
Inventory	-	750,000	900,000	750,000
Other	1,000,000	-	-	-
Total	$1,000,000	$2,250,000	$2,900,000	$2,250,000

[43] SEC, Final climate disclosure rules, footnote 2077.
[44] SEC, Final climate disclosure rules, page 479.

Company XYZ's income before taxes during the year was $85,000,000 and its stockholders' equity as of December 31, 20X1 was $180,000,000.

Do these effects trigger required income statement and balance sheet financial statement effect footnote disclosures?

Analysis

Yes. The percentage impact would be calculated as follows:

Income statement

Aggregate amount of expenditures expensed as incurred and losses (E)	$3,250,000 (A+B)
Income before taxes (F)	$85,000,000
Percentage of total amounts	3.82% (E / F)

Because the total exceeds 1%, the registrant would be required to disclose the aggregate amount of expenditures expensed as incurred and losses, as well as where the amounts are reflected in the financial statements.

Balance sheet

Aggregate amount of the absolute value of capitalized costs and charges (G)	$5,150,000 (C+D)
Stockholders' equity (H)	$180,000,000
Percentage of total amounts	2.86% (G / H)

Because the total exceeds 1%, the registrant would be required to disclose the aggregate amount of capitalized costs and charges, as well as where the amounts are reflected in the financial statements.

Separately, Company XYZ would disclose that it received $400,000 insurance proceeds related to the wildfire, including where the recovery was presented in the consolidated financial statements.

The example highlights that a severe weather event or other natural condition (e.g., impairment loss) can impact both the balance sheet and income statement financial metric calculations.

7.2 Financial effect of carbon offsets and RECs

S-X 14-02(e) requires that 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 (see section 5.1), the following must be disclosed:

- The aggregate amount of carbon offsets and RECs expensed
- The aggregate amount of capitalized carbon offsets and RECs recognized
- The aggregate amount of losses incurred on the capitalized carbon offsets and RECs
- The beginning and ending balances of the capitalized carbon offsets and RECs
- Its accounting policy for carbon offsets and RECs

Registrants must also separately identify where these amounts are presented in the income statement and the balance sheet.

7.3 Financial effect on estimates and assumptions

S-X 14-02(h) requires registrants to disclose whether and how any estimates and assumptions are materially impacted by exposures to risks and uncertainties associated with, or known impacts from, severe weather events and other natural conditions, or any climate-related targets or transition plans disclosed by the registrant. Examples of areas with estimates and assumptions that could be impacted include impairment calculations, estimated loss contingencies, expected credit losses, commodity price assumptions, and estimated useful lives of certain assets. Disclosures should provide a qualitative description of how the development of such estimates and assumptions was impacted by such events, conditions, targets, or transition plans.

8. Compliance dates and transition

The compliance dates of the SEC climate disclosure rules vary both by the specific disclosure and registrant type; in the adopting release, the SEC indicated the disclosures are phased in to provide time to establish necessary processes, systems, and controls as well as gather the necessary data.[45]

FIGURE 8-1[46]
Summary of compliance dates

Registrant type	Disclosure and financial statement effects(1)		GHG emissions/Assurance		
	All S-K and S-X disclosures, other than as noted in this table	*S-K 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*
Large accelerated filers	FYB 2025	FYB 2026	FYB 2026	FYB 2029	FYB 2033
Accelerated filers (other than SRCs and EGCs)	FYB 2026	FYB 2027	FYB 2028	FYB 2031	Not applicable
SRCs, EGCs, and non-accelerated filers	FYB 2027	FYB 2028	Not applicable	Not applicable	Not applicable

(1) As used in this chart, "FYB" refers to any fiscal year beginning in the calendar year listed. For example, a calendar year-end domestic large accelerated filer would begin including disclosures in its December 31, 2025 Form 10-K. Information for prior periods is only required to the extent it was previously disclosed in an SEC filing.

Regulation S-K 1502(d)(2), S-K 1502(e)(2), and S-K 1504(c)(2) are required in year two; these disclosures relate to the qualitative and quantitative impact of material expenditures incurred and material impacts on certain financial estimates and assumptions. Refer to sections 3.4.3, 3.5, and 5.1.2.

At the time of initial compliance, information for prior periods is only required to the extent it was previously disclosed in an SEC filing. Unless previously disclosed, required disclosures will be prospective beginning with the initial year of compliance and comparative information will not be required until year two of reporting.

PwC's SEC volume describes the registrant types referenced in Figure 8-1. See SEC 3125 for discussion of the accelerated filer system, including the related definitions, and movement

[45] SEC, Final climate disclosure rules, page 587.
[46] SEC, Final climate disclosure rules, page 588.

between filer types. Filer status (large accelerated filer, accelerated filer, or non-accelerated filer) is determined as of the last day of a company's fiscal year and is applicable beginning with the annual report for that fiscal year.

As discussed in SEC 2170, determination of whether an entity continues to qualify as an EGC requires consideration of various conditions, including a provision that could result in immediate loss of EGC status. When a registrant loses EGC status, the rules do not provide for any transition, and it would be required to provide the disclosures applicable to its filer status in its next annual report.

See SEC 2160 for the definition of a smaller reporting company, including discussion of the impact of a change in status to or from a smaller reporting company.

QUESTION 8-1

A calendar year-end emerging growth company is required to apply the climate-related disclosure requirements, other than the GHG emissions, in its 2027 financial statements. If the EGC loses EGC status in 2026 (e.g., as a result of its total annual gross revenues exceeding $1.235 billion for the year ended December 31, 2026 or as a result of determining as of that date it is a large accelerated filer), what climate-related disclosures would it be required to include in its December 31, 2026 annual report?

PwC response

The loss of EGC status would be effective for the registrant's December 31, 2026 annual report, so as a large accelerated filer it would be required to provide the S-K disclosures, including scope 1 and scope 2 GHG emissions, if material, as well as the financial statement footnote disclosures.

QUESTION 8-2 *(updated April 11)*

Are the new SEC climate disclosures subject to a registrant's disclosure controls and procedures and internal control over financial reporting?

PwC response

Yes. The new climate-related disclosures will be subject to a registrant's disclosure controls and procedures, as well as the related certifications provided by the registrant's principal executive and financial officers under Sarbanes-Oxley section 302.

The financial statement disclosures will be subject to a registrant's internal control over financial reporting, including management's assessment about the effectiveness of those controls, and, when required, the independent auditor's related attestation.

QUESTION 8-3 *(added April 11)*

Are the climate-related disclosures subject to tagging using Inline XBRL?

PwC response

Yes. The new rules require information to be tagged using Inline XBRL commencing with fiscal years beginning in 2026 for both large accelerated and accelerated filers (other than EGCs and SRCs). Inline XBRL tagging will be required for all other registrants for fiscal years beginning in 2027.

QUESTION 8-4 ***(added April 11)***

When is a large accelerated filer that operates on a 52/53 week fiscal year required to first start complying with the new rules?

PwC response

As illustrated in Figure 8-1, large accelerated filers are first required to start complying with certain provisions of the new rules for fiscal years beginning in 2025. If the entity does not have a fiscal year that begins in 2025, we believe it would be required to first apply the rules in the first reporting year beginning after 2025 (e.g., year beginning in January 2026). However, a large accelerated filer with no fiscal year beginning in 2025 would still need to comply with the additional 2026 reporting requirements illustrated in Figure 8-1 in 2026 (i.e., it would not get an additional year to comply with those requirements).

To have a deeper discussion, contact:

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Appendix: Key differences from the SEC's 2022 climate proposal

Topic	Key differences
Overall	• Added materiality qualifiers throughout climate-related disclosures • Removed explicit references to voluntary discussion of climate-related opportunities
Governance	• Removed disclosure requirements related to whether a board member had climate risk expertise • Removed requirement to disclose how frequently the board is informed of climate-related risks and how the board sets climate-related targets or goals
Strategy	• Reduced disclosure requirements for physical risks, including (1) eliminating disclosures related to assets and operations located in flood hazard zones or areas of high or extremely high water stress, and (2) replacing zip-code level reporting of assets and operations subject to physical risks with reporting by "geographic location" • Eliminated disclosures related to plans to mitigate or adapt to climate-related risks and other transition plan disclosures • Modified required time horizons for material climate-related risks from three undefined categories (short-, medium-, and long-term) to two defined categories (short-term, defined as within 12 months and long-term, defined as beyond 12 months) • Removed broad disclosures regarding the resilience of the registrant's business strategy, and focused specifically on streamlined disclosures related to scenario analysis • Added quantitative disclosures of expenditures incurred and impacts on financial estimates and assumptions arising from activities (1) to mitigate or adapt to climate-related risks and (2) in connection with any disclosed transition plan
Risk management	• Eliminated certain specific disclosure requirements regarding processes for identifying and assessing climate-related risks (e.g., how management determines relative significance, how it assesses materiality, and how it considers customer, regulatory, and technological factors)
Targets and goals	• Added a qualifier such that disclosure of targets and goals is only required if they have materially affected or are reasonably likely to materially affect business, results of operations, and financial condition • Added quantitative disclosure of material expenditures or material impacts on financial estimates and assumptions as a direct result of the target or goal or actions taken to meet the target or goal
Greenhouse gas emissions reporting	• Reduced the number of registrants subject to the scope 1 and scope 2 greenhouse gas emission disclosures, disclosure is now limited to large accelerated filers and accelerated filers (other than emerging growth companies and smaller reporting companies) • Added a materiality qualifier such that disclosure of scope 1 and scope 2 emissions are required only if material; disclosure of individual constituent gases is also required only if material • Removed the requirement to report scope 3 GHG emissions for all registrants

	• Removed the specific requirement to align organizational boundaries for GHG emissions reporting with the financial statements; permits flexibility in the determination of the organizational boundary • Extended the timing of phased-in attestation requirements • Required only large accelerated filers to obtain reasonable assurance, with a 7-year phase in period • Provided additional time to report GHG emissions • Required disclosures on a prospective basis, with comparative periods only required if the GHG emissions disclosures have previously been reported in an SEC filing • Removed disclosure of intensity metrics

Financial statement disclosures	• Removed climate-related financial impact metrics and related disclosures
	• Added disclosure of expenditures expensed as incurred, losses, capitalized costs, and charges resulting from severe weather events or other natural conditions
	• Modified 1% threshold and added de minimis levels:
	  ○ Required expenditures/losses if over $100k and 1% or more than absolute value of pre-tax income or loss
	  ○ Required capitalized costs/charges if over $500k and 1% or more than absolute value of stockholder's equity or deficit
	• Required disclosure of recoveries separately
	• Removed disclosure of expenditures to mitigate risks of severe weather events or other natural conditions
	• Added guidance on attributing expenditures, losses, capitalized costs, and charges to severe weather events or other natural conditions
	• Added specific quantitative disclosures relating to carbon offsets and RECs, if they are a material component of plans to achieve disclosed targets or goals
	• Removed disclosures relating to transition activities, unless the registrant discloses a transition plan and it materially impacts financial estimates and assumptions
	• Removed requirement to disclose impacts on cash flows
	• Required disclosures on a prospective basis, with comparative periods only required if the disclosures have previously been included in an SEC filing