

SEC ADOPTS CLIMATE-RELATED DISCLOSURE RULES

On March 6, 2024, the Securities and Exchange Commission (SEC) voted 3-to-2 to adopt long-awaited disclosure rules and form amendments designed to enhance and standardize climate-related disclosures for investors. The Commissioners who voted to adopt these new disclosure requirements have emphasized that standardized disclosures in SEC-filed registration statements and reports will provide investors with more reliable climate-related disclosures in a consistent and clear format that they can more easily compare across companies and industries. This alert provides a high-level overview of these new disclosure requirements. We will provide a more in-depth analysis in an upcoming client briefing.

While the SEC did not adopt some of the more controversial aspects of its 2022 proposal (such as Scope 3 emissions, director expertise and financial impact metrics as line items in audited financial statements), the final rules will require registrants to provide a range of climate related disclosures in their registration statements for public offerings of securities and in their periodic reports. In particular, the final rules include, among others, the following disclosure requirements:

- Climate-related risks that have had or are reasonably likely to have a material impact on the registrant's business strategy, results of operations, or financial condition;
- The actual and potential material impacts of any identified climate-related risks on the registrant's strategy, business model, and outlook;
- Any oversight by the registrant's board of directors of climate-related risks and any role by management in assessing and managing the registrant's material climate-related risks;
- Any processes the registrant has for identifying, assessing, and managing material climate-related risks and, if the registrant is managing those risks, whether and how any such processes are integrated into the registrant's overall risk management system or processes;
- Standardized disclosure of material Scope 1 and 2 greenhouse gas emissions by large accelerated filers and accelerated filers, which disclosures will be subject to independent review and attestation requirements;

- Information about a registrant's climate-related targets or goals, if any, that have materially affected or are reasonably likely to materially affect the registrant's business, results of operations, or financial condition;
- Disclosure in a note to a registrant's financial statements regarding capitalized costs, expenditures expensed, charges, and losses incurred as a result of severe weather events and other natural conditions;
- If carbon offsets and renewable energy credits or certificates (RECs) are used as a material component of a registrant's plans to achieve its disclosed climate-related targets or goals, disclosure in a note to a registrant's financial statements regarding capitalized costs, expenditures expensed, and losses related to any such carbon offsets or RECs; and
- If the estimates and assumptions a registrant uses to produce the financial statements were materially impacted by risks and uncertainties associated with severe weather events and other natural conditions or any disclosed climate-related targets or transition plans, a qualitative description of how the development of such estimates and assumptions was impacted, disclosed in a note to the financial statements.

The effective date for this rulemaking will be 60 days after publication in the Federal Register.

These new disclosure requirements will be phased in, with the compliance date dependent upon the status of the registrant as a large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company or emerging growth company, and vary by disclosure requirement. In addition, the new rules provide several accommodations. Large accelerated filers will be required to comply with most of the disclosure requirements in new subpart 1500 of Regulation S-K with respect to fiscal years beginning after Dec. 31, 2024.

Accordingly, any annual reports or registration statements filed before the end of 2024 will not be impacted by these new disclosure requirements.

More information on these new disclosure requirements is available in the SEC's [final rule release](#) and [fact sheet](#).

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