



SEC Climate Change Disclosure Rules

MARCH 2022

On March 21, 2022, the U.S. Securities and Exchange Commission (SEC) voted 3-1 to propose rule amendments that **establish a framework requiring public companies to disclose climate-related risks to shareholders and the federal government** in annual filings. The proposed rules, which build upon the SEC's previous guidance on climate-related disclosures¹, are generally aligned with recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) and are designed to meet investor demands for useful information on climate-related risks and the corresponding financial implications.

Executive Summary



All public companies registered in the United States would be required to disclose their climate-related risks and greenhouse gas emissions metrics in registration statements and periodic reports such as Form 10-K.



Rules would be phased in depending on the company's filer status, with the largest companies required to comply with these disclosures for fiscal year 2023, filing in 2024.



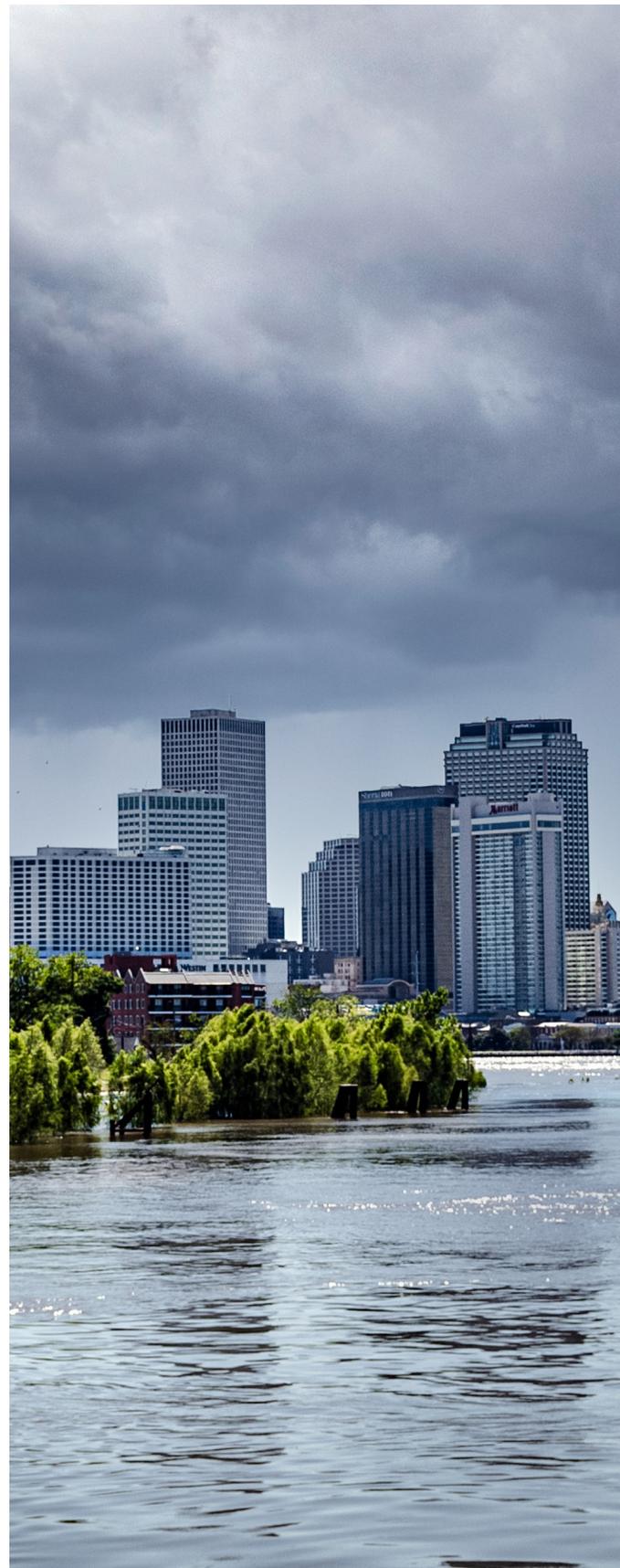
The proposed rules are open to public comments until May 20, 2022, or 30 days after publication in the Federal Register, whichever comes later.

"It would provide investors with consistent, comparable, and decision-useful information for making their investment decisions, and it would provide consistent and clear reporting obligations for issuers."

—GARY GENSLER, SEC CHAIR, MARCH 21, 2022

Climate Risk Disclosures

- Climate-related risks to the company's operations and the actual and potential material impacts of these risks
 - Including physical risks, such as sea level rise, and transition risks, such as increased insurance costs or decreased asset values
- The company's governance of climate-related risks and risk management processes
- The company's climate-related transition plans and targets, both past and present, including:
 - The scope and timeline of activities and emissions included in any targets or goals
 - Relevant data to indicate any progress made
 - If carbon offsets or Renewable Energy Credits (RECs)² are or have been part of the plan to achieve targets, and the amounts of each
- If determined to be material, the percentage of buildings or properties that are located in flood hazard areas, and a list of any properties by zip code with identified physical risks (such as flooding)
- Risk assessment strategies and tools used by the company to assess business plans and financial resilience under differing climate scenarios
- If the company uses an internal carbon price and how it is set



Greenhouse Gas (GHG) Emissions Disclosures

- All companies' direct GHG emissions from their own operations (Scope 1) and indirect emissions from purchased electricity and other forms of energy the company uses (Scope 2)

These must be separately disclosed, expressed in:

- Absolute terms (not including offsets),
- Both aggregate and disaggregated constituent gases, and
- Intensity terms (per unit of economic value or production)

For accelerated³ and large accelerated⁴ filers, Scope 1 and Scope 2 emissions data would be subject to assurance

- For all companies except those defined as smaller reporting companies⁵, any material indirect emissions from upstream and downstream activities in the company's value chain (Scope 3)⁶
 - Material Scope 3 emissions may include tenant electricity consumption, corporate business travel, supplier activities and other categories
 - Investors or the SEC may challenge a company's assessment of what counts as material emissions



Timing

These rules will be phased in, with the compliance date dependent on filer status as follows:

Registrant Type*	Disclosure Compliance Date	
	All proposed disclosures, excluding Scope 3 GHG emissions	Scope 3 GHG emissions and associated intensity metric
Large Accelerated Filer ⁴	Fiscal year 2023 (filed in 2024)	Fiscal year 2024 (filed in 2025)
Accelerated Filer ³	Fiscal year 2024 (filed in 2025)	Fiscal year 2025 (filed in 2026)
Non-Accelerated Filer	Fiscal year 2024 (filed in 2025)	Fiscal year 2025 (filed in 2026)
Smaller Reporting Companies ⁵	Fiscal year 2025 (filed in 2026)	Exempted

*Based on SEC filing type. [See here for more information.](#)

FAQ

1. How should I comply with these disclosure rules?

Companies would be required to include the climate-related disclosures in registration statements and annual reports in a separately captioned “Climate-Related Disclosure” section and in the financial statements. These reports include Securities Act Forms S-1, F-1, S-3, F-3, S-4, F-4, and S-11, and Exchange Act Forms 10-K and 20-F.

2. What if my company is privately held?

We believe that this announcement from the SEC reflects the expectation of investors that reasonable companies should disclose their climate risks and GHG emissions, whether the company is held privately or is publicly traded. Private companies are not required to comply with these reporting requirements but are strongly encouraged to disclose climate risks to company stakeholders voluntarily.

3. How should I identify my climate risks and calculate my emissions?

RE Tech can help. We have expertise in climate risk disclosures, calculating GHG inventories, identifying material issues, establishing emissions reduction targets, and crafting strategies for decarbonization of properties, businesses, and entire portfolios. Contact your account manager or email info@retechadvisors.com for more information.

4. What if I don't meet the GHG emissions targets I report to the SEC?

The SEC considers emissions reduction targets or goals as “forward-looking statements” and applies statutory safe harbor provisions.

5. How can I provide comments on the proposed rules?

Comments can be submitted to the SEC online at <https://www.sec.gov/cgi-bin/ruling-comments> or emailed to rule-comments@sec.gov with file number S7-10-22 in the subject line (and any attachments in MS Word or pdf format).

USEFUL LINKS:

- [SEC Press Release](#)
- [Full Rules](#)
- [SEC Factsheet](#)
- [SEC Filing Types](#)

1 <https://www.sec.gov/corpfin/sample-letter-climate-change-disclosures>

2 https://www.epa.gov/sites/default/files/2018-03/documents/gpp_guide_recs_offsets.pdf

3 SEC rules define an “accelerated filer” as an issuer after it first meets the following conditions as of the end of its fiscal year: (i) the issuer had an aggregate worldwide market value of the voting and non-voting common equity held by its non-affiliates of \$75 million or more, but less than \$700 million, as of the last business day of the issuer’s most recently completed second fiscal quarter; (ii) the issuer has been subject to the requirements of Section 13(a) or 15(d) of the Exchange Act for a period of at least twelve calendar months; (iii) the issuer has filed at least one annual report pursuant to Section 13(a) or 15(d) of the Exchange Act; and (iv) the issuer is not eligible to use the requirements for SRCs under the SRC revenue test. See 17 CFR 240.12b-2.

4 SEC rules define a “large accelerated filer” as an issuer after it first meets the following conditions as of the end of its fiscal year: (i) the issuer had an aggregate worldwide market value of the voting and non-voting common equity held by its non-affiliates of \$700 million or more, as of the last business day of the issuer’s most recently completed second fiscal quarter; (ii) the issuer has been subject to the requirements of Section 13(a) or 15(d) of the Exchange Act for a period of at least twelve calendar months; (iii) the issuer has filed at least one annual report pursuant to Section 13(a) or 15(d) of the Exchange Act; and (iv) the issuer is not eligible to use the requirements for SRCs under the SRC revenue test. See 17 CFR 240.12b-2.

5 SEC rules define a “smaller reporting company” as an issuer that is not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent that is not a smaller reporting company and that: (1) had a public float of less than \$250 million; or (2) had annual revenues of less than \$100 million and either: (i) no public float; or (ii) a public float of less than \$700 million. See 17 CFR 229.10(f)(1), 230.405, and 17 CFR 240.12b-2.

6 <https://www.epa.gov/climateleadership/scope-3-inventory-guidance>

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Unlocking **Value.**

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