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A Guide to the SEC's New Climate Disclosure Rules

On March 6, 2024, the Securities and Exchange Commission (SEC) adopted climate disclosure rules which will require registrants to disclose detailed new climate-related disclosures in annual reports and registration statements. These rules come almost two years after the SEC first issued proposed climate-related disclosure rules on March 21, 2022.

The final rules will create a new subpart 1500 of Regulation S-K and Article 14 of Regulation S-X, and will require a registrant to provide to investors, among other things:

a description of any climate-related risks that have materially impacted or are reasonably likely to have a material impact on the registrant, including the actual or potential material impacts of those same risks on its strategy, business model, and outlook;

specified disclosures regarding use of transition plans, scenario analysis or internal carbon prices to manage a material climate-related risk;

disclosure about any board of directors and management oversight of climate-related risks;

a description of any processes the registrant uses to assess or manage material climate-related risks;

disclosure about any material climate-related targets or goals;

disclosure of material Scope 1 and/or Scope 2 GHG emissions by certain larger registrants and the filing of an attestation report covering the required

disclosure of such registrants' Scope 1 and/or Scope 2 GHG emissions; and

disclosure of the financial statement effects of severe weather events and other natural conditions including costs and losses.

Notable changes to the final rules adopted by the SEC from the original proposed rules include, among others:

adopting a less prescriptive approach in certain of the final rules;

exempting Smaller Reporting Companies (SRCs) and Emerging Growth Companies (EGCs) from the Scope 1 and Scope 2 GHG emissions disclosure requirements;

eliminating the proposed requirement to provide Scope 3 GHG emissions disclosure; and

extending certain phase-in periods.

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