

ALERT MEMORANDUM

SEC's Proposed Climate-Related Disclosure Rules: GHG Emissions Disclosure Requirements

April 5, 2022

On March 21, 2022, the U.S. Securities and Exchange Commission issued for public comment a rule proposal that, if adopted, would require reporting companies to provide certain climate-related information in their registration statements and annual reports filed with the SEC. Specifically, the proposed rules would require:

(1)

A new section in annual reports and registration statements titled "Climate-Related Disclosure," which would include climate-related governance, risk, business impacts, targets and goals and other related disclosures.

(2)

Within that section, disclosure of the registrant's Scope 1, Scope 2 and, if material, Scope 3 greenhouse gas (GHG) emissions, together with an attestation report from an independent GHG emissions expert covering the Scope 1 and Scope 2 emissions disclosures.

(3)

A new note to a registrant's audited financial statements that provides climate-related metrics and impacts on a line-item basis.

This memorandum addresses the *second point* above – the GHG emissions disclosure and attestation report requirements – and provides takeaways and possible issues for inclusion in comment letters on the proposal. Please see the other two memoranda in this series for a discussion of the [Regulation S-K governance, business, risk and targets disclosure requirements](#) and the [Regulation S-X financial statements note disclosure requirements](#) described above.

The comment period for the proposed rule is quite short: comments will be due on May 20, 2022, or 30 days after the proposal is published in the Federal Register, whichever is later. We expect that the SEC will aim to release the final rules before the end of 2022.



clearygottlieb.com

© Cleary Gottlieb Steen & Hamilton LLP, 2022. All rights reserved.

This memorandum was prepared as a service to clients and other friends of Cleary Gottlieb to report on recent developments that may be of interest to them. The information in it is therefore general, and should not be considered or relied on as legal advice. Throughout this memorandum, "Cleary Gottlieb" and the "firm" refer to Cleary Gottlieb Steen & Hamilton LLP and its affiliated entities in certain jurisdictions, and the term "offices" includes offices of those affiliated entities.

I. Background on Existing Framework

The SEC has based the proposed emissions disclosure rules on the Greenhouse Gas Protocol¹ (the “GHG Protocol”), which, according to the SEC, has become the leading accounting and reporting standard for GHG emissions. The rule proposal² uses the three-part “scope” framework of the GHG Protocol, which is intended to delineate direct and indirect emission sources, and to ensure that two or more companies will not account for the same emissions in the same scope (except with respect to Scope 3 emissions). Under the proposed rules:

- “Scope 1 emissions” are direct GHG emissions from operations that are owned or controlled by the registrant. These might include emissions from registrant-owned or controlled machinery, vehicles or operations.
- “Scope 2 emissions” are indirect GHG emissions primarily resulting from the generation of energy purchased and consumed by the registrant. These emissions include purchased or acquired electricity, steam, heat, or cooling that is consumed by operations owned or controlled by a registrant.
- “Scope 3 emissions” are all indirect GHG emissions not otherwise included in a registrant’s Scope 2 emissions, which occur in the upstream and downstream activities of a registrant’s value chain. These emissions are a consequence of the registrant’s activities but are generated from sources that are neither owned nor controlled by the registrant. These might include emissions associated with the production and transportation of goods a registrant purchases from third parties, employee commuting or business travel, and the processing or use of the registrant’s products by third parties.

II. GHG Emissions Disclosure (Proposed Item 1504 of Regulation S-K)

The proposed rules would require domestic registrants and foreign private issuers to disclose in their registration statements and annual reports the GHG emissions and related information for their most recently completed fiscal year, and for the historical fiscal years included in their consolidated financial statements in the filing, to the extent such historical GHG emissions data is reasonably available. Notably, the proposed rules would not require GHG emissions disclosure for historical fiscal years if the registrant was not previously required to present such information and has not done so, and the historical information necessary to calculate or estimate such metric is not available to the registrant without unreasonable effort or expense. However, the proposed rules do not provide guidance on what constitutes “reasonably available” or “unreasonable effort or expense.”

While the proposed rules are based on the GHG Protocol, the SEC did not adopt all of the features of the GHG Protocol, which may undermine the burden-reducing benefit of basing the proposal on an existing standard. In particular, a registrant would not be required to adopt the methodology for collecting and calculating GHG emissions data provided by the GHG Protocol, but would have significant latitude to determine which methodology is appropriate so long as it would otherwise comply with the proposed disclosure requirements:

- *Disclosure of Scopes 1 and 2 emissions.* If the proposal is adopted substantially as proposed, a registrant would be required to disclose its total Scope 1 and Scope 2 emissions separately, after calculating them from all sources that are included in the registrant’s “organizational and operational boundaries.” In an effort to avoid investor confusion, the proposed rules depart from the GHG Protocol by requiring that the registrant’s “organizational and operational boundaries” be defined

¹ GHG Protocol Corporate Accounting and Reporting Standard, available at <https://ghgprotocol.org/corporate-standard>.

² The proposal is set forth in the SEC’s March 21, 2022 release, available [here](#).

consistently with existing U.S. GAAP, in particular by including all of the emissions from consolidated subsidiaries and a proportionate share of emissions of equity investees. Proposed compliance dates for Scopes 1 and 2 emissions disclosure vary by filer status, as discussed below.

- *Disclosure of Scope 3 emissions.* A registrant (other than a smaller reporting company (“SRC”)) would be required to disclose Scope 3 emissions if “material” or if the registrant has set a GHG emissions reduction target or goal that includes its Scope 3 emissions. If applicable, a registrant’s compliance date for its Scope 3 emissions disclosure would be one year after the compliance date for its Scopes 1 and 2 emissions disclosure.

The proposed rules do not define “material.” Rather, the proposing release provides narrative guidance that potentially expands (and perhaps blurs) the traditional definition of materiality. On the one hand, the proposing release states that the materiality qualifier with respect to Scope 3 emissions disclosure is intended to be consistent with the SEC’s definition of materiality and Supreme Court precedent—that is, a registrant would be required to disclose its Scope 3 emissions if there is a substantial likelihood that a reasonable investor would consider them important when making an investment or voting decision. Historically, that definition has been applied by reference to the impact on a registrant’s operations or financial performance or position. On the other hand, the proposing release specifically notes the reliance by some registrants on a threshold of 40% of their overall GHG emissions when assessing the materiality of Scope 3 emissions, a standard that has no obvious connection to a financial measure, as well as more traditional concepts such as the necessity of assessing qualitative factors and the more general principle of resolving doubts in materiality determinations in favor of investors. According to the SEC, disclosure of a registrant’s Scope 3 emissions may be necessary to present a complete picture of climate-related risks that a registrant faces (in particular, transition risks) and how GHG emissions sources from a registrant’s value chain may materially impact its business operations and financial performance, and it may also prevent a registrant from greenwashing or otherwise obscuring its climate-related risks by outsourcing high-intensity sources of GHG emissions.

If required to disclose Scope 3 emissions, a registrant would be required to identify the categories of upstream and downstream activities that have been included in, as well as the data sources that have been used in preparing, the calculation. The proposed rules do not mandate which upstream and downstream activities must be included, but the proposing release does identify several categories of upstream activities (e.g., business travel and commuting by the registrant’s employees, transportation and distribution of purchased goods, raw materials and other inputs) and downstream activities (e.g., transportation and distribution of a registrant’s sold products, goods or other outputs, use by a third party of a registrant’s sold products) that can give rise to Scope 3 emissions. The proposed rules also identify potential data sources used to calculate Scope 3 emissions, including emissions reported by parties in the registrant’s value chain, data concerning specific activities as reported by parties in the registrant’s value chain and data derived from other sources like economic studies or government statistics.

- *Contents of GHG emissions disclosures.* For each required disclosure of a registrant’s Scopes 1, 2 and 3 emissions, registrants would be required to disclose the emissions both disaggregated by each constituent GHG and in the aggregate, expressed in terms of carbon dioxide equivalent (“CO₂e”). CO₂e is the common unit of measurement used by the GHG Protocol to indicate the global warming potential (“GWP”) of each GHG, expressed in terms of the GWP of one unit of carbon dioxide.

Constituent GHGs includes the seven GHGs covered by the Kyoto Protocol: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur, hexafluoride, and nitrogen trifluoride. Requiring a standard unit of measurement for GHG emissions, rather than different units of measurement for the different GHGs, is intended to simplify the disclosure for investors and enhance its comparability across registrants with different types of GHG emissions.

Disclosure of Scopes 1, 2 and 3 emissions would also be required to exclude the impact of any purchased or generated offsets. Registrants may be required to disclose such offsets elsewhere in the proposed “Climate-Related Disclosure” section. Please see our memorandum on the new rules added to Regulation S-K for a discussion of such proposed requirements.

- *Disclosure of GHG intensity for Scopes 1 and 2 emissions.* A registrant would be required to disclose, using the sum of Scopes 1 and 2 emissions, GHG intensity in terms of metric tons of CO₂e (a) per unit of total revenue (using the registrant’s reporting currency) and (b) per unit of production relevant to the registrant’s industry (e.g., per vehicle produced for an automobile manufacturer), for each fiscal year included in the financial statements. If a registrant is required to disclose its total Scope 3 emissions, it would also be required to separately disclose GHG intensity using Scope 3 emissions only.

Consistent with the GHG Protocol, the proposing release explains that GHG intensity disclosure is intended to provide context to a registrant’s emissions in relation to its business scale, so as to allow investors to compare registrants, and to track a registrant’s progress over time.

- *Methodology of GHG emissions disclosures.* A registrant would be required to describe the methodology, significant inputs, and significant assumptions used to calculate its GHG emissions. The description of the registrant’s methodology must include the registrant’s organizational boundaries, operational boundaries (including any approach to categorization of emissions and emissions sources), calculation approach (including any emission factors used and the source of the emission factors), and any calculation tools used to calculate the GHG emissions.

A registrant may use reasonable estimates when disclosing its GHG emissions as long as it also describes the assumptions underlying the estimates and its reasons for using them. A registrant may also present its estimated Scope 3 emissions as a range as long as it discloses its reasons for using the range and the underlying assumptions.

- *Liability safe harbor for Scope 3 emissions disclosures.* The rule proposal includes a limitation on liability with respect to certain statements regarding a registrant’s Scope 3 emissions. Pursuant to this limitation, any statement made in a document filed with the SEC regarding Scope 3 emissions required by the proposed rules is deemed not to be a fraudulent statement, unless it is shown that such statement was made or reaffirmed without a reasonable basis or was disclosed other than in good faith.

According to the SEC, the proposed safe harbor is intended to mitigate potential liability concerns associated with providing emissions disclosure based on third-party information, by providing that a registrant would be liable for such disclosure only if it was made without a reasonable basis or was disclosed other than in good faith. The proposing release also states that the safe harbor may encourage the disclosure of more robust Scope 3 emissions information.

- *Compliance dates.* Assuming the proposed rules are adopted with an effective date in December 2022, the expected compliance dates for the GHG emissions disclosures are set forth below. While the earliest compliance date for GHG emissions disclosure is not until 2024, registrants should begin identifying procedures for collecting information and validating data well before that time in order to obtain data that is appropriate for disclosure.

Registrant Type	Disclosure Compliance Date ³	
	All proposed disclosures, including GHG emissions metrics: Scope 1, Scope 2, and associated intensity metric, but excluding Scope 3	GHG emissions metrics: Scope 3 and associated intensity metric
Large Accelerated Filer	Fiscal year 2023 (filed in 2024)	Fiscal year 2024 (filed in 2025)
Accelerated Filer and Non-Accelerated Filer	Fiscal year 2024 (filed in 2025)	Fiscal year 2025 (filed in 2026)
SRC	Fiscal year 2025 (filed in 2026)	Exempted

III. Attestation of Scopes 1 and 2 Emissions Disclosure (Proposed Item 1505 of Regulation S-K)

Under proposed Item 1505 of Regulation S-K, a registrant that is an accelerated filer or a large accelerated filer would be required to provide an attestation report covering Scopes 1 and 2 emissions disclosure, if the registrant is required to provide such disclosure pursuant to Item 1504, as described above.

Any attestation report provided under Item 1505 must be prepared pursuant to standards that are publicly available at no cost and are established by a body or group that has followed due process procedures, including the broad distribution of the framework for public comment. The attestation report must be prepared and signed by a GHG emissions provider who is an expert in GHG emissions by virtue of having significant experience measuring, analyzing, reporting, or attesting to GHG emissions and is independent with respect to the registrant and its affiliates.

The form and content of the attestation report would be required to follow the requirements set forth by the attestation standard (or standards) used by the GHG emissions attestation provider. However, the proposed rules also outline minimum requirements for the attestation report, including:

- an identification or description of the subject matter or assertion being reported on;
- an identification of the criteria against which the subject matter was measured or evaluated;
- a statement that identifies the attestation standard (or standards) used; and
- the GHG emissions attestation provider's conclusion or opinion, based on the applicable attestation standard(s) used.

Large accelerated filers and accelerated filers must also provide additional disclosures, including whether the attestation provider has a license from any licensing or accreditation body to provide assurance (and if so, the

³ The proposing release states that if the filer has a non-calendar-year fiscal year-end date that results in its fiscal year commencing before the compliance dates of the rules, it would not be required to comply with proposed GHG emissions disclosure requirements until the following fiscal year.

identification of the licensing or accreditation body), whether the attestation provider is a member in good standing of that licensing or accreditation body, and any oversight inspection program to which the service provider is subject (e.g., the AICPA's peer review program).

Registrants subject to the proposed attestation requirements (i.e., large accelerated filers and accelerated filers) would have one additional year after the applicable compliance date with respect to the Item 1504 disclosures to obtain limited assurance, and three additional years after the compliance date to obtain reasonable assurance, as set forth in the table below. Limited assurance is equivalent to the level of assurance (commonly referred to as a "review") provided over a registrant's interim financial statements included in a Form 10-Q. Reasonable assurance is equivalent to the level of assurance provided in an audit of a registrant's consolidated financial statements included in a Form 10-K.

Registrant Type	Scopes 1 and 2 GHG Disclosure Compliance Date ⁴	Limited Assurance	Reasonable Assurance
Large Accelerated Filer	Fiscal year 2023 (filed in 2024)	Fiscal year 2024 (filed in 2025)	Fiscal year 2026 (filed in 2027)
Accelerated Filer	Fiscal year 2024 (filed in 2025)	Fiscal year 2025 (filed in 2026)	Fiscal year 2027 (filed in 2028)

A registrant that is not required to include a GHG emissions attestation report pursuant to Item 1505 would nonetheless be required to disclose certain information if the registrant voluntarily obtained third-party attestation or verification of its GHG emissions disclosures. The required information includes the identification of the provider, the attestation standard used, the level and scope of the attestation provided, a brief description of the results of the attestation and information related to the provider's independence and oversight.

IV. Key Takeaways

- *Likelihood of Adoption.* The precise final form that the proposed GHG disclosure rules take is uncertain and will reflect the comment letter process and any potential litigation. However, it is highly likely that rules in some form will be adopted and that registrants will need to deploy resources and develop processes in order to comply.
- *Early Preparation and Collection of Data.* While the proposed GHG emissions disclosure requirement is primarily based on aspects of the GHG Protocol, not all registrants have adopted the GHG Protocol and the SEC proposal deviates from the GHG Protocol in significant ways. Most registrants will likely face significant challenges in collecting the relevant data and preparing the required disclosure, given the breadth of the proposed rules and the disclosure controls required to include such disclosure in SEC filings. Registrants should not delay the process of evaluating their organizational boundaries for the purposes of the "scope" analysis or the development of procedures for gathering data, especially if they have not already been voluntarily disclosing their GHG emissions data.

⁴ If the filer has a non-calendar-year fiscal year-end date that results in its fiscal year commencing before the compliance dates of the rules, it would not be required to comply with proposed GHG emissions disclosure requirements until the following fiscal year. Accordingly, for such filers, the time period for compliance with the corresponding attestation requirements under proposed Item 1505 would be one year later than illustrated above.

- Responsibility for preparation of GHG emissions disclosure. Given the nature of the data required for the proposed GHG emissions disclosure, many registrants will not have a dedicated unit or department in place that is capable of obtaining, validating and preparing the required information for disclosure. A registrant should consider creating a cross-function working group with representatives from accounting, finance, legal, sustainability departments and internal and/or external audit, as appropriate, to ensure that the relevant expertise on each subject matter is brought to bear on its GHG emissions disclosure.
- Methodology for gathering data and calculating GHG emissions. The proposed rules do not mandate a specific methodology for gathering data and calculating GHG emissions. While the proposed rules do identify several factors to guide registrants in the preparation of their GHG emissions disclosures, a registrant nonetheless has significant latitude during several stages of the process. One issue to consider – and comment on – is whether the limited guidance on methodology for calculating GHG emissions will reduce the comparability, and therefore the utility, of the GHG emissions data. A registrant should assess its internal capabilities and expertise, and remediate any gaps or deficiencies, with respect to its ability to collect and calculate GHG emissions data consistently and accurately well in advance of the applicable compliance date.

As acknowledged in the proposing release, tracking and collecting GHG emissions data presents a significant challenge for the Scope 3 disclosures in particular, and the SEC has sought to balance this concern with a general safe harbor, an exemption for SRCs and a delayed compliance date for Scope 3 emissions disclosure. Nonetheless, an issue to watch and comment on will be the inclusion of further accommodations, including with respect to the amount of time between adoption and effectiveness.

- Review of corporate policies and procedures. Assuming the proposal is adopted substantially as proposed, the GHG emissions disclosures will be subject to a registrant's disclosure controls and procedures, and to the certification requirements under Sections 302 and 906 of the Sarbanes-Oxley Act. Major changes in corporate policies and internal procedures governing the production and disclosure of GHG emissions data will likely be required for most registrants to support the certifications. In particular, internal procedures for sub-certification may be required to incorporate data and procedures for GHG emissions disclosure, which may involve significant effort to operationalize.
- Engagement of independent attestation providers. The attestation report is one of the more controversial requirements of the proposal and will likely be the subject of extensive comments. While the TCFD framework and the GHG Protocol each contain general guidance on the verification of GHG emissions data, neither imposes (or even suggests) a mandatory requirement for the verification of such data by an independent third party. The cost of verification may be significant and the readiness of registrants to provide it at the required time, even with the delayed compliance date included in the proposal, may involve substantial challenges. Other issues to watch and comment on are whether the level of assurance required under the proposed rules – reasonable assurance – is realistic and appropriate in light of the proposed compliance dates, and who will be willing to provide this assurance and assume the liability of being an “expert” in the event that a registrant's auditor is unable or unwilling to do so. If the rules are adopted substantially as proposed, registrants should engage potential attestation providers as soon as possible to assess their readiness to comply with all

applicable requirements including assessing and adopting necessary policies and procedures to support the attestation when required.

- Limited scope of safe harbor. The SEC's proposed safe harbor is limited to Scope 3 emissions disclosure due to the SEC's view that there are unique challenges associated with the collection and verification of information derived from third parties. The limitation on this safe harbor is another issue to watch and comment on, as much of the information required by the proposal presents novel and unique challenges for registrants, and the exposure of liability from third parties that registrants would face for such information is potentially high.
- Foreign private issuers included. The proposed rules apply to foreign private issuers to the same extent as domestic registrants, subject to the compliance dates described above. A registrant that is subject to reporting obligations for GHG emissions or other climate-related information in another jurisdiction should carefully consider the proposed rules in light of such existing obligations to determine what further steps must be taken to comply with the proposed rules. The SEC has requested comment as to whether compliance with certain alternative reporting regimes should be deemed sufficient to satisfy the proposed rules, so this will be another issue to watch and comment on.

This is one in a series of memos we will be publishing about the proposed amendments. We will also be publishing a series of articles diving deeper into selected issues under the proposal.

* * *

CLEARY GOTTlieb STEEN & HAMILTON LLP

Cleary's New York Sustainability Working Group

If you have any questions about the SEC's new proposed rules on climate-related disclosures or about any other climate, sustainability or ESG-related questions, please feel free to contact your regular contacts at the firm or any of the Sustainability Working Group members below.



Annex 1 : Proposed Part 1500 of Regulation S-K

[Item 1500] Definitions.

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

- (a) *Carbon offsets* represents an emissions reduction or removal of greenhouse gases (“GHG”) in a manner calculated and traced for the purpose of offsetting an entity’s GHG emissions.
- (b) *Climate-related opportunities* means the actual or potential positive impacts of climate-related conditions and events on a registrant’s consolidated financial statements, business operations, or value chains, as a whole.
- (c) *Climate-related risks* means the actual or potential negative impacts of climate-related conditions and events on a registrant’s consolidated financial statements, business operations, or value chains, as a whole. Climate-related risks include the following:
 - (1) *Physical risks* include both acute risks and chronic risks to the registrant’s business operations or the operations of those with whom it does business.
 - (2) *Acute risks* are event-driven and may relate to shorter term extreme weather events, such as hurricanes, floods, and tornadoes, among other events.
 - (3) *Chronic risks* relate to longer term weather patterns and related effects, such as sustained higher temperatures, sea level rise, drought, and increased wildfires, as well as related effects such as decreased arability of farmland, decreased habitability of land, and decreased availability of fresh water.
 - (4) *Transition risks* are the actual or potential negative impacts on a registrant’s consolidated financial statements, business operations, or value chains attributable to regulatory, technological, and market changes to address the mitigation of, or adaptation to, climate-related risks, such 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, 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.
- (d) *Carbon dioxide equivalent* (“CO₂e”) means the common unit of measurement to indicate the global warming potential (“GWP”) of each greenhouse gas, expressed in terms of the GWP of one unit of carbon dioxide (“CO₂”).
- (e) *Emission factor* means a multiplication factor allowing actual GHG emissions to be calculated from available activity data or, if no activity data is available, economic data, to derive absolute GHG emissions. Examples of activity data include kilowatt-hours of electricity used, quantity of fuel used, output of a process, hours of operation of equipment, distance travelled, and floor area of a building.
- (f) *Global warming potential* (“GWP”) means a factor describing the global warming impacts of different greenhouse gases. It is a measure of how much energy will be absorbed in the atmosphere over a specified period of time as a result of the emission of one ton of a greenhouse gas, relative to the emissions of one ton of carbon dioxide (CO₂).
- (g) *Greenhouse gases* (“GHG”) means carbon dioxide (CO₂), methane (“CH₄”), nitrous oxide (“N₂O”), nitrogen trifluoride (“NF₃”), hydrofluorocarbons (“HFCs”), perfluorocarbons (“PFCs”), and sulfur hexafluoride (“SF₆”).
- (h) *GHG emissions* means direct and indirect emissions of greenhouse gases expressed in metric tons of carbon dioxide equivalent (CO₂e), of which:
 - (1) Direct emissions are GHG emissions from sources that are owned or controlled by a registrant.
 - (2) Indirect emissions are GHG emissions that result from the activities of the registrant, but occur at sources not owned or controlled by the registrant.
- (i) *GHG intensity* (or *carbon intensity*) means a ratio that expresses the impact of GHG emissions per unit of economic value (e.g., metric tons of CO₂e per unit of total revenues, using the registrant’s reporting currency) or per unit of production (e.g., metric tons of CO₂e per product produced).
- (j) *Internal carbon price* means an estimated cost of carbon emissions used internally within an organization.
- (k) *Location* means a ZIP code or, in a jurisdiction that does not use ZIP codes, a similar subnational postal zone or geographic location.

- (l) *Operational boundaries* means the boundaries that determine the direct and indirect emissions associated with the business operations owned or controlled by a registrant.
- (m) *Organizational boundaries* means the boundaries that determine the operations owned or controlled by a registrant for the purpose of calculating its GHG emissions.
- (n) *Renewable energy credit or certificate* (“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.
- (o) *Scenario analysis* means a process for identifying and assessing a potential range of outcomes of various possible future climate scenarios, and how climate-related risks may impact a registrant’s operations, business strategy, and consolidated financial statements over time. For example, registrants might use scenario analysis to test the resilience of their strategies under certain future climate scenarios, such as those that assume global temperature increases of 3 °C, 2 °C, and 1.5 °C above pre-industrial levels.
- (p) *Scope 1 emissions* are direct GHG emissions from operations that are owned or controlled by a registrant.
- (q) *Scope 2 emissions* are indirect GHG emissions from the generation of purchased or acquired electricity, steam, heat, or cooling that is consumed by operations owned or controlled by a registrant.
- (r) *Scope 3 emissions* are all indirect GHG emissions not otherwise included in a registrant’s Scope 2 emissions, which occur in the upstream and downstream activities of a registrant’s value chain.
 - (1) Upstream activities in which Scope 3 emissions might occur include:
 - (i) A registrant’s purchased goods and services;
 - (ii) A registrant’s capital goods;
 - (iii) A registrant’s fuel and energy related activities not included in Scope 1 or Scope 2 emissions;
 - (iv) Transportation and distribution of purchased goods, raw materials, and other inputs;
 - (v) Waste generated in a registrant’s operations;
 - (vi) Business travel by a registrant’s employees;
 - (vii) Employee commuting by a registrant’s employees; and
 - (viii) A registrant’s leased assets related principally to purchased or acquired goods or services.
 - (2) Downstream activities in which Scope 3 emissions might occur include:
 - (i) Transportation and distribution of a registrant’s sold products, goods or other outputs;
 - (ii) Processing by a third party of a registrant’s sold products;
 - (iii) Use by a third party of a registrant’s sold products;
 - (iv) End-of-life treatment by a third party of a registrant’s sold products;
 - (v) A registrant’s leased assets related principally to the sale or disposition of goods or services;
 - (vi) A registrant’s franchises; and
 - (vii) Investments by a registrant.
- (s) *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.
- (t) *Value chain* means the upstream and downstream activities related to a registrant’s operations. Upstream activities in connection with a value chain may include activities by a party other than the registrant that relate to the initial stages of a registrant’s production of a good or service (e.g., materials sourcing, materials processing, and supplier activities). Downstream activities in connection with a value chain may include activities by a party other than the registrant that relate to processing materials into a finished product and delivering it or providing a service to the end user (e.g., transportation and distribution, processing of sold products, use of sold products, end of life treatment of sold products, and investments).

[Item 1501] Governance.

- (a) (1) Describe the board of director’s oversight of climate-related risks. Include the following, as applicable:
 - (i) The identity of any board members or board committee responsible for the oversight of climate-related risks;
 - (ii) Whether any member of the board of directors has expertise in climate-related risks, with disclosure in such detail as necessary to fully describe the nature of the expertise;
 - (iii) The processes by which the board of directors or board committee discusses climate-related risks, including how the board is informed about climate-related risks, and the frequency of such discussion;

- (iv) Whether and how the board of directors or board committee considers climate-related risks as part of its business strategy, risk management, and financial oversight; and
 - (v) Whether and how the board of directors sets climate-related targets or goals, and how it oversees progress against those targets or goals, including the establishment of any interim targets or goals.
 - (2) If applicable, a registrant may also describe the board of director's oversight of climate-related opportunities.
- (b) (1) Describe management's role in assessing and managing climate-related risks. Include the following, as applicable:
 - (i) Whether certain management positions or committees are responsible for assessing and managing climate-related risks and, if so, the identity of such positions or committees and the relevant expertise of the position holders or members in such detail as necessary to fully describe the nature of the expertise;
 - (ii) The processes by which such positions or committees are informed about and monitor climate-related risks; and
 - (iii) Whether and how frequently such positions or committees report to the board or a committee of the board on climate-related risks.
- (2) If applicable, a registrant may also describe management's role in assessing and managing climate-related opportunities.

[Item 1502] Strategy, business model, and outlook.

- (a) Describe any climate-related risks reasonably likely to have a material impact on the registrant, including on its business or consolidated financial statements, which may manifest over the short, medium, and long term. If applicable, a registrant may also disclose the actual and potential impacts of any climate-related opportunities when responding to any of the provisions in this section.
 - (1) Discuss such climate-related risks, specifying whether they are physical or transition risks and the nature of the risks presented.
 - (i) For physical risks, describe the nature of the risk, including if it may be categorized as an acute or chronic risk, and the location and nature of the properties, processes, or operations subject to the physical risk.
 - (A) If a risk concerns the flooding of buildings, plants, or properties located in flood hazard areas, disclose the percentage of those assets (square meters or acres) that are located in flood hazard areas in addition to their location.
 - (B) If a risk concerns the location of assets in regions of high or extremely high water stress, disclose the amount of assets (e.g., book value and as a percentage of total assets) located in those regions in addition to their location. Also disclose the percentage of the registrant's total water usage from water withdrawn in those regions.
 - (ii) For transition risks, describe the nature of the risk, including whether it relates to regulatory, technological, market (including changing consumer, business counterparty, and investor preferences), liability, reputational, or other transition-related factors, and how those factors impact the registrant. A registrant that has significant operations in a jurisdiction that has made a GHG emissions reduction commitment may be exposed to transition risks related to the implementation of the commitment.
 - (2) Describe how the registrant defines short-, medium-, and long-term time horizons, including how it takes into account or reassesses the expected useful life of the registrant's assets and the time horizons for the registrant's climate-related planning processes and goals.
- (b) Describe the actual and potential impacts of any climate-related risks identified in response to paragraph (a) of this section on the registrant's strategy, business model, and outlook.
 - (1) Include impacts on the registrant's:
 - (i) Business operations, including the types and locations of its operations;
 - (ii) Products or services;
 - (iii) Suppliers and other parties in its value chain;
 - (iv) Activities to mitigate or adapt to climate-related risks, including adoption of new technologies or processes;
 - (v) Expenditure for research and development; and
 - (vi) Any other significant changes or impacts.

- (2) Include the time horizon for each described impact (i.e., in the short, medium, or long term, as defined in response to paragraph (a) of this section).
- (c) Discuss whether and how any impacts described in response to paragraph (b) of this section are considered as part of the registrant's business strategy, financial planning, and capital allocation. Provide both current and forward-looking disclosures that facilitate an understanding of whether the implications of the identified climate-related risks have been integrated into the registrant's business model or strategy, including how any resources are being used to mitigate climate-related risks. Include in this discussion how any of the metrics referenced in [Rule 14-02 of Regulation S-X] and [Item 1504] or any of the targets referenced in [Item 1506] relate to the registrant's business model or business strategy. If applicable, include in this discussion the role that carbon offsets or RECs play in the registrant's climate-related business strategy.
- (d) Provide a narrative discussion of whether and how any climate-related risks described in response to paragraph (a) of this section have affected or are reasonably likely to affect the registrant's consolidated financial statements. The discussion should include any of the climate-related metrics referenced in [Rule 14-02] that demonstrate that the identified climate-related risks have had a material impact on reported financial condition or operations.
- (e) (1) If a registrant maintains an internal carbon price, disclose:
 - (i) The price in units of the registrant's reporting currency per metric ton of CO₂e;
 - (ii) The total price, including how the total price is estimated to change over time, if applicable;
 - (iii) The boundaries for measurement of overall CO₂e on which the total price is based if different from the GHG emission organizational boundary required pursuant to [Item 1504(e)(2)]; and
 - (iv) The rationale for selecting the internal carbon price applied.(2) Describe how the registrant uses any internal carbon price described in response to paragraph (e)(1) of this section to evaluate and manage climate-related risks.
- (3) If a registrant uses more than one internal carbon price, it must provide the disclosures required by this section for each internal carbon price, and disclose its reasons for using different prices.
- (f) Describe the resilience of the registrant's business strategy in light of potential future changes in climate-related risks. Describe any analytical tools, such as scenario analysis, that the registrant uses to assess the impact of climate-related risks on its business and consolidated financial statements, and to support the resilience of its strategy and business model. If the registrant uses scenario analysis to assess the resilience of its business strategy to climate-related risks, disclose the scenarios considered (e.g., an increase of no greater than 3 °C, 2 °C, or 1.5 °C above pre-industrial levels), including parameters, assumptions, and analytical choices, and the projected principal financial impacts on the registrant's business strategy under each scenario. The disclosure should include both qualitative and quantitative information.

[Item 1503] Risk management.

- (a) Describe any processes the registrant has for identifying, assessing, and managing climate-related risks. If applicable, a registrant may also describe any processes for identifying, assessing, and managing climate-related opportunities when responding to any of the provisions in this section.
 - (1) When describing any processes for identifying and assessing climate-related risks, disclose, as applicable, how the registrant:
 - (i) Determines the relative significance of climate-related risks compared to other risks;
 - (ii) Considers existing or likely regulatory requirements or policies, such as GHG emissions limits, when identifying climate-related risks;
 - (iii) Considers shifts in customer or counterparty preferences, technological changes, or changes in market prices in assessing potential transition risks; and
 - (iv) Determines the materiality of climate-related risks, including how it assesses the potential scope and impact of an identified climate-related risk, such as the risks identified in response to [Item 1502].
 - (2) When describing any processes for managing climate-related risks, disclose, as applicable, how the registrant:
 - (i) Decides whether to mitigate, accept, or adapt to a particular risk;
 - (ii) Prioritizes whether to address climate-related risks; and
 - (iii) Determines how to mitigate any high priority risks.

- (b) Disclose whether and how any processes described in response to paragraph (a) of this section are integrated into the registrant's overall risk management system or processes. If a separate board or management committee is responsible for assessing and managing climate-related risks, a registrant should disclose how that committee interacts with the registrant's board or management committee governing risks.
- (c) (1) If the registrant has adopted a transition plan as part of its climate-related risk management strategy, describe the plan, including the relevant metrics and targets used to identify and manage any physical and transition risks. To allow for an understanding of the registrant's progress to meet the plan's targets or goals over time, a registrant must update its disclosure about the transition plan each fiscal year by describing the actions taken during the year to achieve the plan's targets or goals.
- (2) If the registrant has adopted a transition plan, discuss, as applicable:
 - (i) How the registrant plans to mitigate or adapt to any identified physical risks, including but not limited to those concerning energy, land, or water use and management;
 - (ii) How the registrant plans to mitigate or adapt to any identified transition risks,
 - (iii) including the following:
 - (A) Laws, regulations, or policies that:
 - (1) Restrict GHG emissions or products with high GHG footprints, including emissions caps; or
 - (2) Require the protection of high conservation value land or natural assets;
 - (B) Imposition of a carbon price; and
 - (C) Changing demands or preferences of consumers, investors, employees, and business counterparties.
- (3) If applicable, a registrant that has adopted a transition plan as part of its climate-related risk management strategy may also describe how it plans to achieve any identified climate-related opportunities, such as:
 - (i) The production of products that may facilitate the transition to a lower carbon economy, such as low emission modes of transportation and supporting infrastructure;
 - (ii) The generation or use of renewable power;
 - (iii) The production or use of low waste, recycled, or other consumer products that require less carbon intensive production methods;
 - (iv) The setting of conservation goals and targets that would help reduce GHG emissions; and
 - (v) The provision of services related to any transition to a lower carbon economy.

[Item 1504] GHG emissions metrics.

- (a) *General.* Disclose a registrant's GHG emissions, as defined in [Item 1500(h)], for its most recently completed fiscal year, and for the historical fiscal years included in its consolidated financial statements in the filing, to the extent such historical GHG emissions data is reasonably available.
 - (1) For each required disclosure of a registrant's Scopes 1, 2, and 3 emissions, disclose the emissions both disaggregated by each constituent greenhouse gas, as specified in [Item 1500(g)], and in the aggregate, expressed in terms of CO₂e.
 - (2) When disclosing a registrant's Scopes 1, 2, and 3 emissions, exclude the impact of any purchased or generated offsets.
- (b) *Scopes 1 and 2 emissions.*
 - (1) Disclose the registrant's total Scope 1 emissions and total Scope 2 emissions separately after calculating them from all sources that are included in the registrant's organizational and operational boundaries.
 - (2) When calculating emissions pursuant to paragraph (b)(1) of this section, a registrant may exclude emissions from investments that are not consolidated, are not proportionately consolidated, or that do not qualify for the equity method of accounting in the registrant's consolidated financial statements.
- (c) *Scope 3 emissions.*
 - (1) Disclose the registrant's total Scope 3 emissions if material. A registrant must also disclose its Scope 3 emissions if it has set a GHG emissions reduction target or goal that includes its Scope 3 emissions. Disclosure of a registrant's Scope 3 emissions must be separate from disclosure of its Scopes 1 and 2 emissions. If required to disclose Scope 3 emissions, identify the categories of upstream or downstream activities that have been included in the calculation of the Scope 3 emissions. If any

- category of Scope 3 emissions is significant to the registrant, identify all such categories and provide Scope 3 emissions data separately for them, together with the registrant's total Scope 3 emissions.
- (2) If required to disclose Scope 3 emissions, describe the data sources used to calculate the registrant's Scope 3 emissions, including the use of any of the following:
 - (i) Emissions reported by parties in the registrant's value chain, and whether such reports were verified by the registrant or a third party, or unverified;
 - (ii) Data concerning specific activities, as reported by parties in the registrant's value chain; and
 - (iii) Data derived from economic studies, published databases, government statistics, industry associations, or other third-party sources outside of a registrant's value chain, including industry averages of emissions, activities, or economic data.
 - (3) A smaller reporting company, as defined by §§ 229.10(f)(1), 230.405, and 240.12b-2 of this chapter, is exempt from, and need not comply with, the disclosure requirements of this paragraph (c).
- (d) *GHG intensity.*
- (1) Using the sum of Scope 1 and 2 emissions, disclose GHG intensity in terms of metric tons of CO₂e per unit of total revenue (using the registrant's reporting currency) and per unit of production relevant to the registrant's industry for each fiscal year included in the consolidated financial statements. Disclose the basis for the unit of production used.
 - (2) If Scope 3 emissions are otherwise disclosed, separately disclose GHG intensity using Scope 3 emissions only.
 - (3) If a registrant has no revenue or unit of production for a fiscal year, it must disclose another financial measure of GHG intensity or another measure of GHG intensity per unit of economic output, as applicable, with an explanation of why the particular measure was used.
 - (4) A registrant may also disclose other measures of GHG intensity, in addition to metric tons of CO₂e per unit of total revenue (using the registrant's reporting currency) and per unit of production, if it includes an explanation of why a particular measure was used and why the registrant believes such measure provides useful information to investors.
- (e) *Methodology and related instructions.*
- (1) A registrant must describe the methodology, significant inputs, and significant assumptions used to calculate its GHG emissions. The description of the registrant's methodology must include the registrant's organizational boundaries, operational boundaries (including any approach to categorization of emissions and emissions sources), calculation approach (including any emission factors used and the source of the emission factors), and any calculation tools used to calculate the GHG emissions. A registrant's description of its approach to categorization of emissions and emissions sources should explain how it determined the emissions to include as direct emissions, for the purpose of calculating its Scope 1 emissions, and indirect emissions, for the purpose of calculating its Scope 2 emissions.
 - (2) The organizational boundary and any determination of whether a registrant owns or controls a particular source for GHG emissions must be consistent with the scope of entities, operations, assets, and other holdings within its business organization as those included in, and based upon the same set of accounting principles applicable to, the registrant's consolidated financial statements.
 - (3) A registrant must use the same organizational boundaries when calculating its Scope 1 emissions and Scope 2 emissions. If required to disclose Scope 3 emissions, a registrant must also apply the same organizational boundaries used when determining its Scopes 1 and 2 emissions as an initial step in identifying the sources of indirect emissions from activities in its value chain over which it lacks ownership and control and which must be included in the calculation of its Scope 3 emissions. Once a registrant has determined its organizational and operational boundaries, a registrant must be consistent in its use of those boundaries when calculating its GHG emissions.
 - (4) A registrant may use reasonable estimates when disclosing its GHG emissions as long as it also describes the assumptions underlying, and its reasons for using, the estimates.
 - (i) When disclosing its GHG emissions for its most recently completed fiscal year, if actual reported data is not reasonably available, a registrant may use a reasonable estimate of its GHG emissions for its fourth fiscal quarter, together with actual, determined GHG emissions data for the first three fiscal quarters, as long as the registrant promptly discloses in a subsequent filing any material difference between the estimate used and the actual, determined GHG emissions data for the fourth fiscal quarter.

- (ii) In addition to the use of reasonable estimates, a registrant may present its estimated Scope 3 emissions in terms of a range as long as it discloses its reasons for using the range and the underlying assumptions.
- (5) A registrant must disclose, to the extent material and as applicable, any use of third-party data when calculating its GHG emissions, regardless of the particular scope of emissions. When disclosing the use of third-party data, it must identify the source of such data and the process the registrant undertook to obtain and assess such data.
- (6) A registrant must disclose any material change to the methodology or assumptions underlying its GHG emissions disclosure from the previous fiscal year.
- (7) A registrant must disclose, to the extent material and as applicable, any gaps in the data required to calculate its GHG emissions. A registrant's GHG emissions disclosure should provide investors with a reasonably complete understanding of the registrant's GHG emissions in each scope of emissions. If a registrant discloses any data gaps encountered when calculating its GHG emissions, it must also discuss whether it used proxy data or another method to address such gaps, and how its accounting for any data gaps has affected the accuracy or completeness of its GHG emissions disclosure.
- (8) When determining whether its Scope 3 emissions are material, and when disclosing those emissions, in addition to emissions from activities in its value chain, a registrant must include GHG emissions from outsourced activities that it previously conducted as part of its own operations, as reflected in the financial statements for the periods covered in the filing.
- (9) If required to disclose Scope 3 emissions, when calculating those emissions, if there was any significant overlap in the categories of activities producing the Scope 3 emissions, a registrant must describe the overlap, how it accounted for the overlap, and the effect on its disclosed total Scope 3 emissions.
- (f) *Liability for Scope 3 emissions disclosures.*
 - (1) A statement within the coverage of paragraph (f)(2) of this section that is made by or on behalf of a registrant is deemed not to be a fraudulent statement (as defined in paragraph (f)(3) of this section), unless it is shown that such statement was made or reaffirmed without a reasonable basis or was disclosed other than in good faith.
 - (2) This paragraph (f) applies to any statement regarding Scope 3 emissions that is disclosed pursuant to [Item 1500] through [Item 1506] and made in a document filed with the Commission.
 - (3) For the purpose of this paragraph (f), the term fraudulent statement shall mean a statement that is an untrue statement of material fact, a statement false or misleading with respect to any material fact, an omission to state a material fact necessary to make a statement not misleading, or that constitutes the employment of a manipulative, deceptive, or fraudulent device, contrivance, scheme, transaction, act, practice, course of business, or an artifice to defraud as those terms are used in the Securities Act of 1933 or the Securities Exchange Act of 1934 or the rules or regulations promulgated thereunder.

[Item 1505] Attestation of Scope 1 and Scope 2 emissions disclosure.

- (a) *Attestation.*
 - (1) A registrant that is required to provide Scope 1 and Scope 2 emissions disclosure pursuant to [Item 1504] and that is an accelerated filer or a large accelerated filer must include an attestation report covering such disclosure in the relevant filing. For filings made by an accelerated filer or a large accelerated filer for the second and third fiscal years after the compliance date for [Item 1504], the attestation engagement must, at a minimum, be at a limited assurance level and cover the registrant's Scope 1 and Scope 2 emissions disclosure. For filings made by an accelerated filer or large accelerated filer for the fourth fiscal year after the compliance date for [Item 1504] and thereafter, the attestation engagement must be at a reasonable assurance level and, at a minimum, cover the registrant's Scope 1 and Scope 2 emissions disclosures.
 - (2) Any attestation report required under this [Item 1505] must be provided pursuant to standards that are publicly available at no cost and are established by a body or group that has followed due process procedures, including the broad distribution of the framework for public comment. An accelerated filer or a large accelerated filer obtaining voluntary assurance prior to the first required fiscal year must comply with subparagraph (e) of this section. Voluntary assurance obtained by an accelerated filer or a large accelerated filer thereafter must follow the requirements of paragraphs (b) through (d) of this section and must use the same attestation standard as the required assurance over Scope 1 and Scope 2.

- (b) *GHG emissions attestation provider.* The GHG emissions attestation report required by paragraph (a) of this section must be prepared and signed by a GHG emissions attestation provider. A GHG emissions attestation provider means a person or a firm that has all of the following characteristics:
- (1) Is an expert in GHG emissions by virtue of having significant experience in measuring, analyzing, reporting, or attesting to GHG emissions. Significant experience means having sufficient competence and capabilities necessary to:
 - (i) Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and
 - (ii) Enable the service provider to issue reports that are appropriate under the circumstances.
 - (2) Is independent with respect to the registrant, and any of its affiliates, for whom it is providing the attestation report, during the attestation and professional engagement period.
 - (i) A GHG emissions attestation provider is not independent if such attestation provider is not, or a reasonable investor with knowledge of all relevant facts and circumstances would conclude that such attestation provider is not, capable of exercising objective and impartial judgment on all issues encompassed within the attestation provider's engagement.
 - (ii) In determining whether a GHG emissions attestation provider is independent, the Commission will consider:
 - (A) Whether a relationship or the provision of a service creates a mutual or conflicting interest between the attestation provider and the registrant (or any of its affiliates), places the attestation provider in the position of attesting such attestation provider's own work, results in the attestation provider acting as management or an employee of the registrant (or any of its affiliates), or places the attestation provider in a position of being an advocate for the registrant (or any of its affiliates); and
 - (B) All relevant circumstances, including all financial or other relationships between the attestation provider and the registrant (or any of its affiliates), and not just those relating to reports filed with the Commission.
 - (iii) The term "affiliates" as used in this section has the meaning provided in 17 CFR 210.2-01, except that references to "audit" are deemed to be references to the attestation services provided pursuant to this section.
 - (iv) The term "attestation and professional engagement period" as used in this section means both:
 - (A) The period covered by the attestation report; and
 - (B) The period of the engagement to attest to the registrant's GHG emissions or to prepare a report filed with the Commission ("the professional engagement period"). The professional engagement period begins when the GHG attestation service provider either signs an initial engagement letter (or other agreement to attest a registrant's GHG emissions) or begins attest procedures, whichever is earlier.
- (c) *Attestation report requirements.* The GHG emissions attestation report required by paragraph (a) of this section must be included in the separately captioned "Climate-Related Disclosure" section in the filing. The form and content of the attestation report must follow the requirements set forth by the attestation standard (or standards) used by the GHG emissions attestation provider. Notwithstanding the foregoing, at a minimum the report must include the following:
- (1) An identification or description of the subject matter or assertion being reported on, including the point in time or period of time to which the measurement or evaluation of the subject matter or assertion relates;
 - (2) An identification of the criteria against which the subject matter was measured or evaluated;
 - (3) A statement that identifies the level of assurance provided and describes the nature of the engagement;
 - (4) A statement that identifies the attestation standard (or standards) used;
 - (5) A statement that describes the registrant's responsibility to report on the subject matter or assertion being reported on;
 - (6) A statement that describes the attestation provider's responsibilities in connection with the preparation of the attestation report;
 - (7) A statement that the attestation provider is independent, as required by paragraph (a) of this section;
 - (8) For a limited assurance engagement, a description of the work performed as a basis for the attestation provider's conclusion;
 - (9) A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria;

- (10) The GHG emissions attestation provider's conclusion or opinion, based on the applicable attestation standard(s) used;
- (11) The signature of the attestation provider (whether by an individual or a person signing on behalf of the attestation provider's firm);
- (12) The city and state where the attestation report has been issued; and
- (13) The date of the report.
- (d) *Additional disclosures by the registrant.* In addition to including the GHG emissions attestation report required by paragraph (a) of this section, a large accelerated filer and an accelerated filer must disclose the following information within the separately captioned "Climate-Related Disclosure" section in the filing, after requesting relevant information from any GHG emissions attestation provider as necessary:
 - (1) Whether the attestation provider has a license from any licensing or accreditation body to provide assurance, and if so, identify the licensing or accreditation body, and whether the attestation provider is a member in good standing of that licensing or accreditation body;
 - (2) Whether the GHG emissions attestation engagement is subject to any oversight inspection program, and if so, which program (or programs); and
 - (3) Whether the attestation provider is subject to record-keeping requirements with respect to the work performed for the GHG emissions attestation engagement and, if so, identify the record-keeping requirements and the duration of those requirements.
- (e) *Disclosure of voluntary attestation.* A registrant that is not required to include a GHG emissions attestation report pursuant to paragraph (a) of this section must disclose within the separately captioned "Climate-Related Disclosure" section in the filing the following information if the registrant's GHG emissions disclosures were subject to third-party attestation or verification:
 - (1) Identify the provider of such attestation or verification;
 - (2) Describe the attestation or verification standard used;
 - (3) Describe the level and scope of attestation or verification provided;
 - (4) Briefly describe the results of the attestation or verification;
 - (5) Disclose whether the third-party service provider has any other business relationships with or has provided any other professional services to the registrant that may lead to an impairment of the service provider's independence with respect to the registrant; and
 - (6) Disclose any oversight inspection program to which the service provider is subject (*e.g.*, the AICPA's peer review program).

[Item 1506] Targets and goals.

- (a) (1) A registrant must provide disclosure pursuant to this section if it has set any targets or goals related to the reduction of GHG emissions, or any other climate-related target or goal (*e.g.*, regarding energy usage, water usage, conservation or ecosystem restoration, or revenues from low-carbon products) such as actual or anticipated regulatory requirements, market constraints, or other goals established by a climate-related treaty, law, regulation, policy, or organization.
- (2) A registrant may provide the disclosure required by this section as part of its disclosure in response to [Item 1502] or [Item 1503].
- (b) If the registrant has set climate-related targets or goals, disclose the targets or goals, including, as applicable, a description of:
 - (1) The scope of activities and emissions included in the target;
 - (2) The unit of measurement, including whether the target is absolute or intensity based;
 - (3) The defined time horizon by which the target is intended to be achieved, and whether the time horizon is consistent with one or more goals established by a climate-related treaty, law, regulation, policy, or organization;
 - (4) The defined baseline time period and baseline emissions against which progress will be tracked with a consistent base year set for multiple targets;
 - (5) Any interim targets set by the registrant; and
 - (6) How the registrant intends to meet its climate-related targets or goals. For example, for a target or goal regarding net GHG emissions reduction, the discussion could include a strategy to increase energy efficiency, transition to lower carbon products, purchase carbon offsets or RECs, or engage in carbon removal and carbon storage.

- (c) Disclose relevant data to indicate whether the registrant is making progress toward meeting the target or goal and how such progress has been achieved. A registrant must update this disclosure each fiscal year by describing the actions taken during the year to achieve its targets or goals.
- (d) If carbon offsets or RECs have been used as part of a registrant's plan to achieve climate-related targets or goals, disclose the amount of carbon reduction represented by the offsets or the amount of generated renewable energy represented by the RECS, the source of the offsets or RECs, a description and location of the underlying projects, any registries or other authentication of the offsets or RECs, and the cost of the offsets or RECs.

[Item 1507] Interactive data requirement.

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