

SEC's Proposed Climate-Related Disclosure Rules: New Requirements Added to Regulation S-K

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 *first point* above—the proposed amendments to Regulation S-K (excluding the GHG emissions disclosure and attestation report)—and concludes with some general 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 [GHG emissions and attestation report disclosure requirements](#) and the [Regulation S-X financial statements note disclosure requirements](#) described above.

The comment period for the proposed rules 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.



I. Background

In its proposing release¹, the SEC states that it has been exploring the need for specific rules mandating disclosure related to environmental issues since the 1970s. The SEC has taken the position that its rules have always required disclosure of material facts related to environmental matters (under Items 101, 103, 105 and 303 of Regulation S-K, for example). The SEC has refined the disclosure obligations related to environmental matters over time through a series of interpretive releases, rulemaking efforts, litigation and public hearings, and a number of rules now include specific references to environmental and climate-related disclosures. Guidance published by the SEC in 2010 provided commentary on how existing disclosure rules may require disclosure of the impacts of climate change on a registrant's business or financial conditions (the "2010 Guidance").²

Investors and other stakeholders have increasingly called for registrants to disclose information regarding how climate change may affect their business and operations. In response, many registrants have begun voluntarily reporting climate-related information in annual sustainability reports and on their websites. Registrants have begun including some climate-related disclosures in their filings with the SEC, increasingly including Form 10-K filings that contain climate-related statements in the Risk Factors and 10-Ks or proxy statements that include general environmental, social and governance disclosures (sometimes even including climate targets). However, the substantial majority of climate-related information has been disclosed in sustainability reports and on corporate websites, rather than in their filings with the SEC where registrants would have greater Securities Act or Exchange Act liability on the disclosures due to potential claims of material misstatements or omissions.

The SEC points to a lack of standardization across the climate-related information that registrants choose to disclose and to concerns over potential risk of lack of accountability, as these website publications and sustainability reports may be prepared outside the purview of a registrant's internal control over financial reporting and disclosure controls and procedures and may not be reviewed and approved by the registrant's legal team. The SEC also contends that some registrants are disclosing climate-related targets and goals without disclosing (or even having) concrete plans for reaching those targets and goals.³ The proposing release argues that the proposed rules will address this lack of standardization and accountability.

II. Proposed Changes to Regulation S-K

Rather than using an existing climate-related disclosure framework, the SEC is proposing its own regulatory framework, which it has based in part on the Task Force on Climate-Related Financial

¹ The SEC's March 21, 2022 proposing release is available [here](#).

² See Commission Guidance Regarding Disclosure Related to Climate Change, Release No. 33-9106 (Feb. 2, 2010) [75 FR 6290 (Feb. 8, 2010)].

³ In September 2021, the SEC inquired as to this lack of standardization by publishing a sample letter containing comments it may issue to companies regarding their climate-related disclosure or the absence of such disclosure. Comments in the sample letter asked for disclosure of the material effects of transition risks related to climate change, material litigation risks related to climate change, the indirect consequences of climate-related regulation or business trends (such as decreased demand for goods or services that produce significant greenhouse gas emissions) and the physical effects of climate change on a company's operations and results (such as the effects of severe weather, including floods, hurricanes and rising sea levels), among other topics. See Sample Letter to Companies Regarding Climate Change Disclosures (Sept. 2021), https://www.sec.gov/corpfin/sample-letter-climate-change-disclosures#_ftn1.

Disclosures (TCFD) framework and the Greenhouse Gas (GHG) Protocol. The proposed rules create a new Subpart 1500 under Regulation S-K covering:

- Climate-related governance practices,
- Climate-related risks and risk management,
- Climate-related impacts on a registrant's business and a registrant's climate-related impacts on the environment,
- Climate-related targets and goals, and
- A registrant's GHG emissions and accompanying GHG-expert attestation report.

In contrast to the principles-based approach taken in recent SEC rule amendments to streamline and simplify disclosure, the new proposed rules under Regulation S-K are highly prescriptive and include several specific line item requirements that apply to all reporting registrants—notwithstanding any consideration of materiality. Other disclosure requirements under the proposed rules are only triggered if a reporting registrant already has or discloses another climate-related goal or target, which may have unintended chilling effects on certain steps that registrants have started to take in recent years to promote and transparently disclose efforts towards sustainability.

The descriptions below focus on all aspects of the new Regulation S-K Items other than the GHG emissions disclosure and accompanying attestation report requirements, which we address in a separate memo.

Item 1501: Climate-related governance practices

The proposed rules will require registrants to disclose certain information concerning the board's oversight of climate-related risks, as well as management's role in assessing and managing those risks, under Item 1501 of Regulation S-K.

With regard to board oversight, a registrant will be required to identify any board members or board committees responsible for the oversight of climate-related risks and the processes and frequency by which the board or board committees discuss climate-related risks. The registrant will also need to disclose whether and how the board or board committees consider climate-related risks as part of its business strategy, risk management and financial oversight. Finally, it will be required to disclose whether and how the board sets climate-related targets or goals and how it oversees progress against those targets or goals, including establishment of any interim targets or goals.

A registrant will be required to provide new disclosure describing management oversight of climate-related risks. The proposed rule requirements include identifying certain management positions or committees that are responsible for assessing and managing climate-related risks, the processes by which responsible managers or management committees are informed about and monitor climate-related risks and the responsible positions or committees that report to the board or relevant board committee on climate-related risks (and how frequently).

Item 1502: Impacts of climate-related activities with respect to the registrant's business and to the environment generally

Item 1502 of Regulation S-K will require significant new disclosure.

Under Item 1502(a), a registrant will need to describe any climate-related risks or opportunities reasonably likely to have a material impact on it, including on its business or consolidated financial statements, and how those risks may manifest over the short, medium and long term as such periods are defined by the registrant.⁴ The registrant will need to specify whether the risks are physical risks (of the sort arising from acute climate-related disasters, such as wildfires, and chronic impacts from more gradual changes, such as global temperature increases) or transition risks (of the sort arising from the potential transition to a less carbon-intensive economy, such as changes in the preferences of market actors or changes in technology). By identifying whether a given risk is a physical or transition risk, the goal is to allow investors to better understand the nature of the risk.

Registrants will need to describe the actual and potential impacts of identified physical and transition risks on their strategy, business model and outlook under Item 1502(b). These include impacts on the registrant's business operations, including the types and locations of its operations; products or services; and suppliers and other parties in its value chain. Registrants will also need to include the time horizon for each described impact, meaning whether they expect the impact to affect the short, medium or long term.⁵

Under Item 1502(c), the registrant will need to discuss whether and how these impacts are considered as part of their business strategy, financial planning and capital allocation. This discussion should include the role that carbon offsets or renewable energy credits ("RECs") play in the registrant's climate-related business strategy. Carbon offsets represent an emissions reduction or removal of greenhouse gases in a manner calculated and traced for the purpose of offsetting an entity's GHG emissions, whereas RECs mean a credit or certificate representing each purchased megawatt-hour (1 MWh or 1000 kilowatt-hours) of renewable electricity generated and delivered to a registrant's power grid.

The registrant will be required, under Item 1502(d), to provide a narrative discussion of whether and how any climate-related risks have affected or are reasonably likely to affect their consolidated financial statements. The discussion should also incorporate the climate-related metrics that the registrant uses in its new financial statement disclosures under proposed Rule 14-02 of Regulation S-X to describe the climate-related drivers that have had an impact on the registrant's historical financial condition and operations.

A registrant that maintains an internal carbon price will be required to disclose various details under the requirements of Item 1502(e). An internal carbon price is defined as an estimated cost of carbon emissions used internally within an organization. If used, the proposed rules would require the registrant to disclose:

- The price in units of the registrant's reporting currency per metric ton of carbon dioxide equivalent;
- The total price, including how the total price is estimated to change over time, if applicable;

⁴ Under the proposed rule, "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.

⁵ The proposing release does not define these time horizons, but it does give an example of a registrant that operates in a jurisdiction that has imposed or is likely to impose limits on GHG emissions in support of the Paris Agreement. Such a registrant might set a long-term target of net zero GHG emissions from its operations in 2050, a medium-term target of reducing its emissions by 30 percent by 2030 and a short-term target of maintaining its emissions at its 2020 rate through 2023. This registrant could face material transition risks due to the estimated costs of the operational changes expected to be implemented to achieve these targets and would need to disclose these transition risks and their impacts on its strategy, business model and outlook.

- The boundaries for measurement of overall carbon dioxide equivalent on which the total price is based; and
- The rationale for selecting the internal carbon price applied.

Finally, under Item 1502(f), the registrant will be required to describe the resilience of their business strategy in light of potential future changes in climate-related risks and to describe any analytical tools, such as scenario analysis, that they use to assess the impact of such risks on their business and consolidated financial statements. Scenario analysis is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. When applied to climate-related assessments, scenario analysis is used to consider how, under various possible future climate scenarios, climate-related risks may impact operations, business strategy and consolidated financial statements over time. The registrant might use scenario analysis to test the resilience of their strategies under future climate scenarios. For example, they may consider the impact of a 3 °C rise in global temperature on their business strategy as compared to a 2 °C rise.

Item 1503: Risk management of climate-related activities

Item 1503 builds on the risk disclosures discussed above and will require the registrant to disclose its risk management strategies for climate-related activities, including disclosure regarding the registrant's processes for identifying, assessing and managing climate-related risks. This includes how the registrant determines the relative significance of climate-related risks compared to other risks; how it considers existing or likely regulatory requirements or policies when identifying climate-related risks; how it determines the materiality of climate-related risks, including how it assesses the potential size and scope of any identified climate-related risk; and how it decides whether to mitigate, accept or adapt to a particular risk. Item 1503(b) will require the registrant to disclose how the processes described under Item 1503(a) are integrated into their overall risk management system or processes.

If a registrant has adopted a transition plan as part of its climate-related risk management strategy, it will be required to describe the plan under Item 1503(c), including the relevant metrics and targets used to identify and manage physical and transition risks. Under the proposed rules, a "transition plan" means a registrant's strategy and implementation plan for reducing climate-related risks.

Item 1506: Climate targets and goals

Under Item 1506 of Regulation S-K, the registrant will be required to provide disclosure if it has set any targets or goals related to the reduction of GHG emissions, or any other climate-related targets or goals (such as those relating to the reduction of GHG emissions or to addressing energy usage, water usage, conservation or ecosystem restoration or revenues from low-carbon products).

When disclosing climate-related targets or goals, the registrant will be required to include the following information:

- The scope of activities and emissions included in the target;
- The unit of measurement, including whether the target is absolute or intensity based;
- 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;

- The defined baseline time period and baseline emissions against which progress will be tracked with a consistent base year set for multiple targets;
- Any interim targets set by the registrant; and
- How the registrant intends to meet its climate-related targets or goals.

III. Key Takeaways

- *Item 1501: Climate-related governance practices.*
 - Many registrants have already begun implementing processes for their boards' consideration of climate-related matters, and have already included disclosures describing these governance processes in their public reporting. A number of registrants have also hired chief sustainability officers (or equivalents) or established sustainability teams that report to members of senior management. As a result, some registrants may determine that they do not need to revise their existing processes and disclosures significantly to comply with these new requirements.
 - Even if a registrant's current practices and disclosures may be substantially sufficient for purposes of complying with the governance disclosures under Item 1501, more extensive revisions to existing processes and disclosures may be needed in order to comply with the new requirements surrounding the GHG emissions disclosures and the disclosures required under Rule 14-02 of Regulation S-X. The latter in particular will require additional oversight and review by the Audit Committee and the registrant's independent auditors, and the preparation of such disclosures will need to be incorporated into a registrant's internal control over financial reporting.⁶
 - Registrants that still need to build and formalize these ESG governance items and develop these disclosures should do so early: boards and management will need time to adjust to new responsibilities and integrate new processes, and compliance with other parts of the proposed rules will require the board oversight and involvement from management afforded by having such governance infrastructure in place.
 - In building or further enhancing ESG governance infrastructure and processes, registrants should not stop at just amending a committee charter to include the words "climate" and "sustainability": registrants should formalize the processes by which their boards and board committees consider these matters and more clearly delineate responsibility for oversight of these topics (such as what stays at the committee level and what is elevated to the full board). Registrants should also consider implementing board or board committee training in order to ensure directors are equipped to oversee these areas, as well as adding disclosure controls and internal control over financial reporting.
- *Item 1502: Impacts of climate-related activities with respect to the registrant's business and to the environment generally.*
 - In general, registrants will need to consider the timeline for developing the disclosure that will be required by Item 1502, as assessing the impacts of climate-related activities on the

⁶ For more information, please see the other two memoranda in this series, which are linked at the beginning of this alert.

registrant's strategy, business model and outlook in the way required by the proposed rule will require the proper infrastructure to be in place. For example, registrants will want to determine who is responsible for tracking and calculating the relevant data, as well as what the processes are for internal discussions on these matters and for coordination between the relevant teams.

- Registrants that intend to use carbon offsets to achieve targeted reductions in their carbon emissions will need to develop disclosure on this topic, as this is an area of significant attention and the disclosure of climate targets that does not include discussion of the use of carbon offsets when applicable may be considered misleading. As part of this exercise, registrants should actively consider the cost-benefit analysis of these carbon offsets and RECs as it applies to the registrant's business operations: how much a registrant can reasonably reduce its own emissions and carbon footprint by changing its business practices and production technologies and processes, and how much a registrant needs to rely on (what we expect to be increasingly expensive) carbon offsets and RECs.
- The required disclosure of the time horizon for impacts from each described physical and transition risk under Item 1502(b) may present difficulties for registrants, as determining whether a given impact will affect the short, medium or long term requires a level of precision that may not be attainable in many cases. The feasibility of such a requirement is a possible area for comment.
- With respect to Item 1502(d), a number of registrants already include references to climate and sustainability in the risk factors disclosure in their ongoing public reporting. However, not many registrants' existing disclosure explicitly ties specific climate-related risks to impacts on the company's financial statements—and more generally, there is often a gap between a company's ESG and sustainability disclosures and its financial statements and disclosures about financial performance. The proposed rules seeks to bridge that gap by requiring registrants to identify how their climate-related risks tie to their financial statements, and to produce additional description and detail about such risks and their correlations to the company's financial statements.
- The disclosure requirement for internal carbon prices (like a few others in the new proposed rules) is conditional on the registrant first taking an independent first step (having an internal carbon price, in this case)—meaning a registrant does not need to include this disclosure if it does not have an internal carbon price. It is possible this will have a chilling effect on companies maintaining an internal carbon price, which is one possible area for comment.
- When disclosing the use of scenario analysis pursuant to Item 1502(f), it will be important for companies to pay close attention to the assumptions on which the analysis is based and the use of estimates and discretionary assessments throughout. While there are other SEC disclosure requirements that require analyses with uncertainty and hypothetical changes (e.g., Item 305 of Regulation S-K), there are many more uncertainties at play in this new scenario analysis, and one major challenge that registrants will face is how to develop such disclosure accurately and how to both meet the registrant's disclosure controls and mitigate concerns about potential liability. Although in many circumstances a safe harbor for forward-looking statements will apply to this analysis, companies will need to invest substantial time and resources to collect the relevant data and to ensure that their disclosure is based on as much supportable information as possible; the disclosure should be carefully drafted to include qualifiers and

explanations of how the use of estimates and areas of judgment may materially impact the results of the scenario analysis.

- Item 1503: Risk management of climate-related activities.
 - Not only will registrants need to consider their risk management strategies for more direct risks, such as the effect of environmental regulations on their plans for reducing carbon emissions, but they will also need to consider strategies for mitigating risks that may be indirect but would still have enough of an impact on the registrant's business to require disclosure. For example, if a severe weather event may impact a registrant's business operations in one geographic area, the registrant should consider the potential ripple effects of that severe weather event on its value chain.
 - Both for the purpose of disclosing the relevant physical and transition risks under Item 1502(a) and the purpose of disclosing risk management strategies under Item 1503, registrants should consider whether they have existing risk factor disclosure on climate-related risks that they can cross-reference.
- Item 1506: Climate targets and goals.
 - The disclosure requirements under Item 1506 are broad, as they mandate disclosure of *any* climate targets and goals set by the registrant—including those that have been published on a registrant's website or in a separate sustainability report, and, presumably, even ones that have not been disclosed publicly. While a number of registrants have begun setting climate targets and goals in recent years, many have chosen not to include these targets and goals in their SEC-filed reports. These targets and goals on registrants' websites and in registrants' sustainability reports will, under this rule, need to be brought into a registrant's SEC reporting, and the rule does not include any materiality qualifiers. The breadth of these requirements is a possible area for comment, as the fact that they go so far as to cover even internal targets and goals may do more harm than good. It may chill the setting of aspirational goals by registrants for fear that public disclosure of such goals may expose them to liability if the goals are not met.
 - This rule will likely cover targets in areas including plastic use, raw materials and shipping, but the scope may be further clarified in the final rule. Given this breadth, registrants will need to consider how existing disclosure about climate-related targets, such as the type many registrants have published on their websites and in their annual sustainability reports, will need to be further developed in their annual reports and registration statements in order to satisfy the various line item requirements of Item 1506. While registrants will likely not be able to walk back their existing targets entirely, there may be some flexibility to refine and clarify the process behind those targets in order to be more consistent with the disclosure requirements of the proposed rules.
 - More companies are exploring the use of carbon offsets and RECs to help achieve their climate-related targets and goals, and transparency in this area has become an area of significant attention. Litigation has already emerged in the European Union alleging misleading statements made by companies that have disclosed climate targets but did not disclose the use of carbon offsets in helping to achieve those climate targets. This proposed rule seeks to increase transparency and accountability by requiring registrants to publicly disclose these details. While these requirements can be burdensome (and they are also

conditional—a registrant is not required to set any targets and could avoid this disclosure by not having any), we do not expect that registrants will forego setting targets and goals altogether in response to the proposed rules. However, we do expect that registrants will be more careful and considered in setting new targets to ensure that they can comply with these disclosure requirements.

- General.

- The effects of the proposed rules as written are likely to be mixed. While the rules are likely to assist with standardizing climate-related disclosure and concentrating important disclosures in one place and format, as well as in increasing transparency in an area where investors have been frustrated with the market's development thus far, they may also generate too much information, burying what is actually material and decision-useful for investors. Another area of concern is the costs associated with compliance and how these costs will be borne by investors.
- Given the indicative compliance date of annual reports covering fiscal years ended December 31, 2023 for large accelerated filers (for disclosures other than Scope 3 emissions data and the proposed attestation requirements, discussed further in a separate memorandum), registrants will need to start early and move quickly in order to prepare the disclosure that will be required under the proposed rules. As a first step, it may be helpful to create a timeline that backs into the compliance date and makes clear the division of labor between the legal and non-legal teams of a registrant so that progress can be made on various work streams in parallel.
- While we expect that many of the comments submitted to the SEC will note the costs and economic burden of building the appropriate infrastructure within companies to comply with the new requirements, the SEC seems more likely to push back the compliance date than to revise the proposed rules substantially. We therefore recommend that companies proceed as if the substance of the proposed rules in their current form will ultimately be adopted.
- There may well be legal challenges to the proposed rules, including claims that they compel speech in violation of the First Amendment, that they exceed the scope of the SEC's rule-making authority or that the cost-benefit analysis is inadequate. Although it is possible that potential litigation may result in changes to the proposed rules, we expect that any such challenges will not be resolved quickly, and companies therefore should not rely on this possibility as a reason to delay working towards compliance.

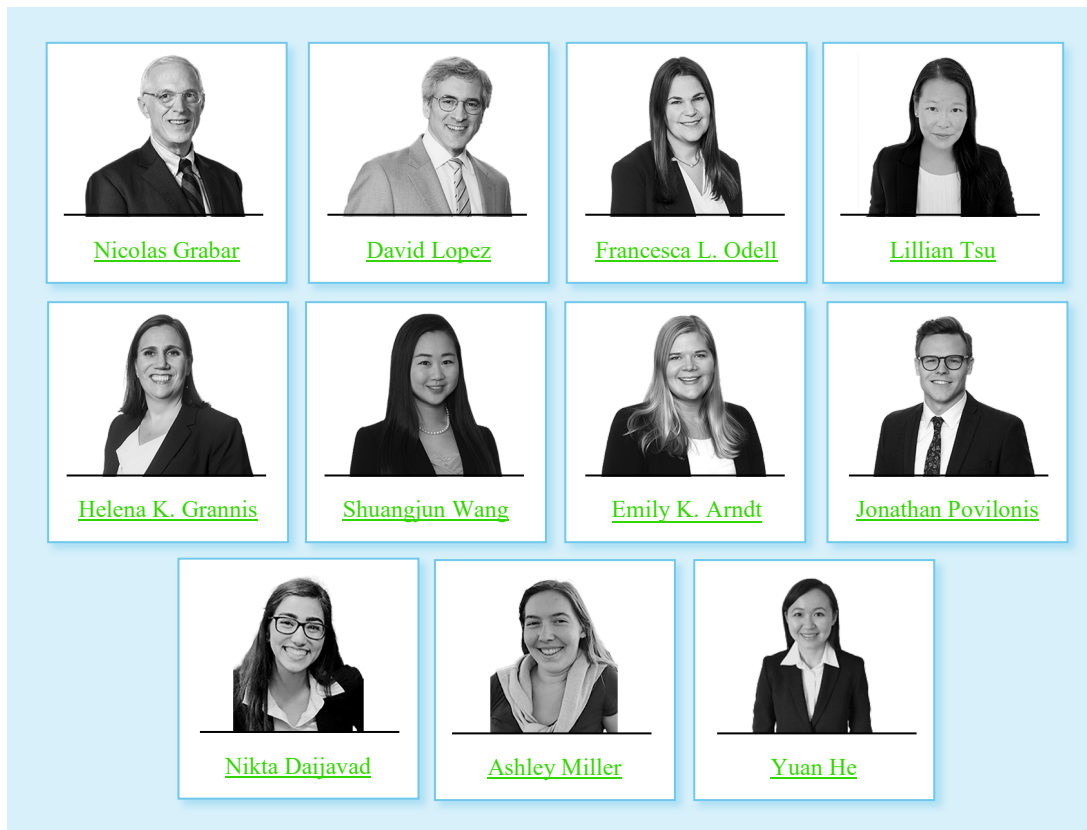
This is one in a series of memos we will be publishing about the proposed amendments. We will also be publishing a series of articles diving deeper into selected issues under the proposal.

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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.
- (u) (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.
- (v) 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).
- (w) 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.
- (x) 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.
- (y) (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.
- (z) 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.
- (0) 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.
- (1) 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.