Compliance Solutions

SEC Releases Proposed Climate Disclosure Rules

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On March 21st, the SEC released details of its much-anticipated proposal for climate disclosures. The proposal would require domestic and foreign registrants to report on climate-related risks and the impact of their businesses, plans to address those risks and greenhouse gas emissions.

In a statement introducing the rules, SEC Chair Gary Gensler said that the proposals were "driven by the needs of investors and issuers." Gensler said:

> "Today, investors representing literally tens of trillions of dollars support climate-related disclosures because they recognize that climate risks can pose significant financial risks to companies, and investors need reliable information about climate risks to make informed investment decisions. Today's proposal would help issuers more efficiently and effectively disclose these risks and meet investor demand, as many issuers already seek to do. Companies and investors alike would benefit from the clear rules of the road proposed in this release."

Summary of the proposed amendments:

The SEC proposed rule amendments that would require a domestic or foreign registrant to include certain climate-related information in its registration statements and periodic reports, such as on Form 10-K, including:

- **climate-related risks** and their actual or likely material **impacts** on the registrant's business, strategy, and outlook
- the registrant's **governance** of climate-related risks and relevant **risk management processes**
- the registrant's **greenhouse gas ("GHG") emissions**, which, for accelerated and large
- accelerated filers and with respect to certain emissions, would be subject to assurance

- certain climate-related **financial statement metrics and related disclosures** in a note to its audited financial statements
- Information about **climate-related targets** and goals, and **transition plan**, if any.

The proposed disclosures are similar to those that many companies already provide based on broadly accepted disclosure frameworks, such as the Task Force on Climate-Related Financial Disclosures and the Greenhouse Gas Protocol.

Click **here** to view the SEC's proposed climate disclosure rules factsheet.

Timeline for Implementation and Compliance

The proposals will now be open to a comment period before the SEC initiates the process to finalize its climate disclosure rules. The proposing release will be published on SEC.gov and in the Federal Register. The comment period will remain open for 30 days after publication in the Federal Register, or 60 days after the date of issuance and publication on sec.gov, whichever period is longer.

Under the new rules as currently proposed, larger companies will be required to report on Scope 1 and 2 emissions1 for FY 2023, and for smaller companies for FY 2024. The proposals would require assurance over emissions disclosures, beginning with "limited assurance" for larger companies for FY 2024, and on a "reasonable assurance" basis for FY 2026, (smaller companies, would be required to comply a year later i.e. FY2025 and FY2027 respectively).

Large accelerated filers would be required to report on Scope 3 emissions , if material or if the registrant has set a GHG emissions target that includes Scope 3 emissions, for FY2024, whilst SRCs will be exempted from this requirement.

How can Waystone help?

Waystone provides a comprehensive set of solutions to ensure investment managers can meet all of their ESG investing challenges at both the firm level and fund/product level.

Waystone Compliance Solutions offers services that are tailored to the unique requirements of your business. Our highly-experienced ESG advisors have detailed knowledge of ESG standards, regulations and best practice across all major jurisdictions. We offer an unparalleled and comprehensive service that will ensure your business becomes ESG ready and remains at the forefront of developments to allow you to raise capital and continue to be successful.

If you would like to find out more about how Waystone can help you with your ESG requirements, please reach out to your usual Waystone representative or contact us below.

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