Yesterday, the SEC released a proposal for its highly anticipated Climate-Related Disclosure Rule. Under the proposed rule, companies (including US domestic and foreign registrants) would be required to provide detailed climate-related information in registration statements and periodic reports. In addition to providing greenhouse gas emissions data (Scope 1, 2 and, in some circumstances, Scope 3), companies will also need to assess and disclose climate-related risks and their actual or likely business impact.

The proposed rule will be open for comment for at least 60 days.

SEC Enhancement & Standardization of Climate-Related Disclosures

Key Takeaways from the SEC’s Proposed Climate-Related Disclosure Rule:

- **Climate disclosures required in 10-K filings:** Near-, medium- or long-term risks to corporate bottom line required in corporate filings.
- **Scope 3 emissions:** Must be disclosed if material to company’s performance or if the company has set Scope 3 reduction targets. A safe harbor provision for liabilities related to Scope 3 emissions disclosures will be incorporated. Smaller companies exempt from Scope 3 disclosure.
- **Net-zero commitment progress:** Companies with public GHG reduction targets must report progress annually.
- **Disclosure attestation:** Large companies required to obtain independent third party assurances on their emissions disclosures.
- **Emissions disclosures:** Scope 1 and Scope 2 emissions data must be disclosed in absolute terms and without including offsets.
- **Carbon offsets:** Companies required to detail use of carbon offsets to reach GHG reduction goals.
- **Carbon pricing:** Companies that put a price on carbon to inform planning and business investment must disclose the price and how it is set.
- **Governance:** Companies to disclose oversight and governance procedures for climate-related risks.
- **Phase-in period:** A phase-in period will be included for all companies with compliance date based on registrant’s filer status. An additional phase-in period for Scope 3 disclosures will be included.

Frameworks: The SEC proposed disclosures are designed to be similar to existing disclosure frameworks such as TCFD and the Greenhouse Gas Protocol.

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