Environmental, Social and Governance Alert

Akin Gump
STRAUSS HAUER & FELD LLP

Sea Change: The SEC Makes Waves with New Proposed Climate Disclosure Rules

March 22, 2022

Key Points:

- On Monday, March 21, 2022, the SEC in a 3-1 vote proposed amendments to require public companies to provide certain climate-related information in their registration statements and annual reports. The amendments are intended to enhance and standardize certain climate-related disclosures in order to address investor demands for more consistent and comparable information about climate-related risks and impacts and supporting emissions disclosure.
- This release marks a significant step in the Biden administration's transformation of the U.S. government's response to climate change, as the administration proposes to leverage the SEC's rulemaking authority as part of its whole of government approach to significantly enhance transparency around climate risks and claims.
- This Alert summarizes the proposed rules, provides information on the public comment period and offers recommendations on how to prepare for the potential new disclosure requirements.

Summary

Modeled in part upon the Task Force on Climate-Related Financial Disclosures (TCFD) and the Greenhouse Gas Protocol disclosure frameworks, the proposed amendments require disclosure of the following topics.

- **Governance**: Describe the board's and management's oversight and governance of climate-related risks.
- **Climate-related Risks**: Disclose the material impact or likely impact of identified climate-related risks on business and the consolidated financial statements, over the short-, medium- or long-term.
- **Climate-related Impacts**: Describe how identified climate-related risks have affected or are likely to affect strategy, business model and outlook.
- **Internal Carbon Price**: If used, disclose the internal carbon price and information on how it is set.

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- **Risk Management**: Describe the processes for identifying, assessing and managing climate-related risks, and any integration into overall risk management.
- **Transition Plans**: For any transition plan adopted as part of climate-related risk management, describe the plan and include any relevant metrics and targets. If scenario analysis is used to assess resilience of the business strategy to climate-related risk, describe the scenarios used, as well as the parameters, assumptions, analytical choices and projected principal financial impacts.
- **GHG Emissions Metrics Disclosure**: Separately disclose direct greenhouse gases (GHG) emissions (Scope 1) and indirect GHG emissions from purchased electricity and other forms of energy (Scope 2), expressed both by disaggregated constituent GHG emissions and in the aggregate. Also disclose indirect emissions from upstream and downstream activities in a registrant's value chain (Scope 3), if material, or if a GHG emissions target or goal that includes Scope 3 emissions has been set.
- **Attestation of Scope 1 and 2 Emissions Disclosure**: Provide, if an accelerated or large accelerated filer, an attestation report from a qualified outside service provider covering, at a minimum, the disclosure of Scope 1 and Scope 2 GHG emissions and certain related disclosures about the service provider.
- **Targets and Goals**: Disclose, if climate-related targets or goals have been published, (1)the scope of activities and emissions included in the targets, the time horizon for achievement and any interim target, (2) how such targets or goals are intended to be met and (3) the relevant data on progress made toward the targets or goals, with annual updates.
- **Carbon Offsets**: Disclose information about the use of any carbon offsets or renewable energy certificates (RECs) in achieving such targets or goals.
- **Financial Statement Metrics**: Provide climate-related financial statement metrics and related disclosure in a note to the company's audited financial statements.

The proposed climate-related disclosures, both narrative and quantitative in form, are to be tagged in Inline XBRL and will be filed rather than furnished. For a more fulsome description of the proposed amendments, see Appendix A at the end of this alert.

Background

In 2010, recognizing the heightened interest in climate change matters, the U.S. Securities and Exchange Commission (SEC) published an interpretive release (the "2010 Interpretive Release") that was intended to provide guidance to public companies regarding the SEC's existing disclosure requirements as they apply to climate change matters. The 2010 Interpretive Release identified the "most pertinent non-financial statement disclosure rules" that could require disclosure related to climate change, including Item 101 of Regulation S-K – Description of Business, Item 103 of Regulation S-K – Legal Proceedings, current Item 105 of Regulation S-K (then Item 503(c)) – Risk Factors, and Item 303 of Regulation S-K – Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A). Since 2010, the SEC had remained largely silent on climate change until 2021, when it began to release a number of statements on, and take several notable actions related to, climate change disclosures and climate risks.

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In February 2021, then-Acting Chair Allison Herren Lee issued a statement directing the Division of Corporation Finance to “enhance its focus on climate-related disclosure in public company filings.” After the creation of a Climate and ESG Task Force within the SEC’s Division of Enforcement to develop initiatives to proactively identify misconduct related to environmental, social and governance (ESG) issues, Acting Chair Lee issued a statement on March 15, 2021, requesting public input on 15 specific questions for consideration. Thousands of comments (over 600 unique comments) were submitted in response to the request. Concurrent with these actions, “Climate Change Disclosure” was added to the SEC’s official spring regulatory agenda. Then, in September 2021, a number of companies received comment letters regarding their climate-related disclosure or the absence of such disclosure as SEC Commissioners continued to discuss climate-related disclosure regulation and pressure mounted for the SEC to issue proposed rules.

Compliance

The following table assumes that the proposed rules will be adopted with an effective date in December 2022 and that the filer has a December 31 fiscal year-end:

	LAF	AF	NAF	SRC
Disclosure				
All proposed disclosures, including GHG emissions metrics: Scope 1, Scope 2 and associated intensity metric, but excluding Scope 3	FY 2023	FY 2024	FY 2024	FY 2025
GHG emissions metrics: Scope 3 and associated intensity metric	FY 2024	FY 2025	FY 2025	Exempted
Attestation				
Limited assurance	FY 2024	FY 2025	Exempted	Exempted
Reasonable assurance	FY 2026	FY 2027	Exempted	Exempted

LAF—Large Accelerated Filer

AF—Accelerated Filer

NAF—Non-Accelerated Filer

SRC—Smaller Reporting Company

Impacted Forms

Each of Form S-1, Form F-1, Form S-4, Form F-4, Form S-11, Form 10, Form 10-K, Form 10-Q, Form 20-F and Form 6-K would be impacted by the proposed amendments.

Forms S-1, S-4, S-11, 10 and 10-K	Climate-related disclosures regarding governance, strategy and risk management Financial statement metrics GHG emissions metrics and targets
Forms F-1, F-4 and 20-F	Climate-related disclosures regarding governance, strategy and risk management Financial statement metrics GHG emissions metrics and targets
Forms 10-Q and 6-K	Material changes to the climate information disclosed in their Exchange Act reports

Public Comment Period

The SEC is seeking comments by the 30th day after the release's publication in the *Federal Register* or by May 20, 2022, whichever is later. Based on the degree to which stakeholders have been anxiously awaiting the publication of the proposed amendments, and lengthy statements made by the various Commissioners regarding such amendments, it is clear that the SEC expects significant commentary and engagement from actors from all sectors of the economy. In addition to a general request for comment on any aspect of the proposed amendments, the SEC solicited comments on over 200 specific topics in the release.

The SEC will take comments into consideration before issuing a final rule to be voted on by the Commissioners. Interested companies should evaluate areas of support or concern and consider filing comments before the conclusion of the comment period and/or directing advocacy and policy-maker outreach regarding necessary changes to be made before the rule is finalized.

Stakeholders should consider weighing in before the rule is finalized to preserve their right to challenge an unacceptable final rule. Regardless of the ultimate substance of the final rule, we anticipate that it will be litigated extensively in federal court—either challenging SEC for exceeding its authority by requiring such granularity in environmental and climate change disclosures or failing to go far enough on requiring such disclosures (or both). Commissioner Hester Peirce mentioned such challenges in her remarks voting against the proposed rules, and the SEC's release includes commentary from the SEC attempting to defend such claims.

Criticism

In a lengthy dissenting statement, Commissioner Peirce made several critiques of the proposed rules asserting that: (i) existing rules already cover material climate risks; (ii) the proposed rules dispense with materiality in some places and distorts it in others; (iii) the proposal will not lead to comparable, consistent and reliable disclosures; (iv) the SEC lacks authority to propose the rules; (v) the SEC underestimates the cost of the proposal; and (vi) the proposed rules would hurt investors, the economy and the SEC. These criticisms mirror those voiced by opponents of the proposed rules.

Preparing for What's Next

In preparation for the adoption of any final rules, U.S.-listed companies should take steps now in anticipation of these potential new requirements, including:

- **Review Board and Management's Role in Climate Oversight**: Consider the board's role in overseeing the governance and risk management of, and management's role in assessing and managing, the company's climate-related risks and opportunities. Consider board membership and expertise related to climate-related risks. Evaluate whether any related changes should be made to board committees or management positions, as well as committee charters.
- **Evaluate Existing Disclosures**: Many companies already release information about their GHG emissions and include climate-related risks and opportunities in their SEC reports and voluntary ESG or sustainability reports. Evaluate existing company disclosure and identify areas requiring lead time accounting or reporting infrastructure to comply with the proposed rules. Consider ways to leverage the methodology and processes already used to make existing climate-related disclosures portable to SEC reports.
- **Revisit Climate Goals and Net Zero Plans**: Consider whether the company has developed plans and milestones for achieving previously announced climate goals and net zero plans. Where applicable, look to prominent existing target-setting and disclosure frameworks, such as CDP (formerly, the Carbon Disclosure Project) for guidance on how to make accurate and sensible climate-related disclosures, including quantifying emissions throughout the value chain, where material.
- **Assess Reporting Needs**: Consider whether the company has sufficient in-house staff with relevant experience in evaluating climate-related risks and implementing related plans of action. Educate decision-makers and in-house counsel new to evaluating climate risk on how it may be material to a business, and ensure that the company considers the full range of climate-related risks, including both physical risks (e.g., loss or damage to property, sourcing and supply chain issues) and transition risks (e.g., business and regulatory changes that establish new market or legal challenges).
- **Engage Experts**: Consider whether to engage additional third-party climate consultants and counsel to evaluate the company's climate risk profile and advise on scenario analysis methodologies, annual climate-related disclosure and the eventual anticipated need to obtain an attestation report covering emissions disclosures.
- **Begin Dialogue with Auditors**: Discuss the proposed amendments with your independent auditor.

This release marks a significant step in the Biden administration's transformation of the U.S. government's response to climate change, as the administration proposes to leverage the SEC's rulemaking authority as part of its whole of government approach to significantly enhance transparency around climate risks and claims.

Appendix A

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Description of the Proposed Amendments

The proposed amendments would add a new Subpart 1500 in Regulation S-K "Climate-Related Disclosure," which would include new Items 1500 (Definitions); 1501 (Governance); 1502 (Strategy, Business Model and Outlook); 1503 (Risk Management); 1504 (GHG Emissions Metrics); 1505 (Attestation of Scope 1 and Scope 2 Emissions Disclosure); 1506 (Targets and Goals); and 1507 (Interactive Data requirement) and a new Article 14 in Regulation S-X "Climate-related disclosure," which would include new Rules 14-01 (Climate-related disclosure instructions) and 14-02 (Climate-related metrics). The following is a summary of selected proposed amendments.

Regulation S-K Subpart 1500 (Climate-Related Disclosure)

Governance (S-K Item 1501)

In describing the board of director's oversight of climate-related risks, include, as applicable:

- The identity of any board members or board committee responsible for the oversight of climate-related risks.
- Whether any member of the board of directors has experience in climate-related risks, with disclosure in such detail as necessary to fully describe the nature of the experience.
- 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.
- 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.
- 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.

In describing management's role in assessing and managing climate-related risks, include, as applicable:

- 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 experience of the position holders or members in such detail as necessary to fully describe the nature of the experience.

- The processes by which such positions or committees are informed about and monitor climate-related risks.
- Whether and how frequently such positions or committees report to the board or a committee of the board on climate-related risks.

If applicable, also describe the board of director's oversight of, or management's role in assessing and managing, climate-related opportunities.

Strategy, Business Model and Outlook (S-K Item 1502)

Describe any climate-related risks reasonably likely to have a material impact on the business or consolidated financial statements. If applicable, also disclose the actual and potential impacts of any climate-related opportunities.

Disclosure of climate-related risks should define the time horizon and specify the nature of the risks presented. For **physical** risks, the description should note 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. For **transition** risks, the description should note whether it relates to regulatory, technological, market, liability, reputational or other transition-related factors, and how those factors impact the company.

The description should include the actual and potential impacts of any climate-related risks, as well as any impacts on the company's:

- Business operations, including the types and locations of its operations
- Products or services
- Suppliers and other parties in its value chain
- Activities to mitigate or adapt to climate-related risks, including adoption of new technologies or processes
- Expenditure for research and development
- Any other significant changes or impacts.

Further, the disclosure should indicate whether and how any of the described impacts are considered as part of the company's business strategy, financial planning and capital allocation, and whether they have been integrated into the company's business model or strategy.

If a company maintains an internal carbon price, it should disclose:

- The price in units of the company's reporting currency per metric ton of carbon dioxide equivalent (CO2e).
- The total price, including how the total price is estimated to change over time, if applicable.
- 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 proposed S-K 1504.

- The rationale for selecting the internal carbon price applied.

Such disclosure should indicate how any internal carbon price is used to evaluate and manage climate-related risks and, if more than one internal carbon price is used, the reasons for using different prices.

A company should disclose the resilience of its business strategy in light of potential future changes in climate-related risks and describe any analytical tools (e.g., scenario analysis) used to assess the impact of climate-related risks and to support the resilience of its strategy and business model. For scenario analyses used in assessing its resilience, qualitative and quantitative information about 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 company's business strategy under each scenario should be provided.

Risk Management (S-K Item 1503)

Describe any processes for identifying, assessing and managing climate-related risks, including, as applicable, how:

- The relative significance of climate-related risks compared to other risks is determined.
- Existing or likely regulatory requirements or policies, such as GHG emissions limits, are considered when identifying climate-related risks.
- Shifts in customer or counterparty preferences, technological changes or changes in market prices in assessing potential transition risks are considered.
- The materiality of climate-related risks is determined, including how the potential scope and impact of an identified climate-related risk is assessed.

When describing any processes for managing climate-related risks, disclose, as applicable, how the company:

- Decides whether to mitigate, accept or adapt to a particular risk.
- Prioritizes whether to address climate-related risks.
- Determines how to mitigate any high priority risks.

With respect to such processes, disclose whether and how they are integrated into the overall risk management system or processes.

If a transition plan has been adopted as part of a climate-related risk management strategy, describe the plan, including the relevant metrics and targets used to identify and manage any physical and transition risks. Further, discuss, as applicable, plans to mitigate or adapt to any identified:

- **Physical** risks, including but not limited to those concerning energy, land or water use and management.
- **Transition** risks, including:
  - Laws, regulations or policies that restrict GHG emissions or products with high GHG footprints, including emissions caps or require the protection of high conservation value land or natural assets.

  - The imposition of a carbon price.
  - Changing demands or preferences of consumers, investors, employees and business counterparties.

Disclosure about the transition plan must be updated each fiscal year by describing the actions taken during the year to achieve the plan's targets or goals. If applicable, a company 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:

- The production of products that may facilitate the transition to a lower carbon economy, such as low emission modes of transportation and supporting infrastructure.
- The generation or use of renewable power.
- The production or use of low waste, recycled or other consumer products that require less carbon intensive production methods.
- The setting of conservation goals and targets that would help reduce GHG emissions.
- The provision of services related to any transition to a lower carbon economy.

GHG Emissions Metrics (S-K Item 1504)

Disclose GHG emissions (direct and indirect emissions of GHG expressed in metric tons of CO_2e) for the most recently completed fiscal year, and for the historical fiscal years included in the consolidated financial statements in the filing (to the extent such data is reasonably available). For each required disclosure of a company's Scope 1, 2 and 3 emissions, disclose the emissions both disaggregated by each constituent greenhouse gas, and in the aggregate, expressed in terms of CO_2e. When disclosing Scope 1, 2 and 3 emissions, exclude the impact of any purchased or generated offsets.

<u>Scope 1 and 2 Emissions</u>

Disclose total Scope 1 and total Scope 2 emissions separately after calculating them from all sources that are included in the company's organizational and operational boundaries.

<u>Scope 3 Emissions</u>

Disclose total Scope 3 emissions if material. A company 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 company's Scope 3 emissions must be separate from disclosure of Scope 1 and 2 emissions. If required, Scope 3 emissions disclosure must:

- Identify the categories of upstream or downstream activities that have been included in the calculation of the Scope 3 emissions.
- Describe the data sources used to calculate the company's Scope 3 emissions, including the use of any of the following:
  - Emissions reported by parties in the company's value chain, and whether such reports were verified by the company or a third party, or unverified.

- Data concerning specific activities, as reported by parties in the company's value chain.
- Data derived from economic studies, published databases, government statistics, industry associations or other third-party sources outside of a company's value chain, including industry averages of emissions, activities or economic data.

If any category of Scope 3 emissions is significant, identify all such categories and provide Scope 3 emissions data separately for each category, in addition to the total Scope 3 emissions.

A smaller reporting company is exempt from, and need not comply with, the Scope 3 disclosure requirements.

GHG Intensity

Using the sum of Scope 1 and 2 emissions, disclose: (1) GHG intensity in terms of metric tons of CO_2e per unit of total revenue and per unit of production relevant to the company's industry for each fiscal year included in the consolidated financial statements and (2) the basis for the unit of production used.

If Scope 3 emissions are otherwise disclosed, separately disclose GHG intensity using Scope 3 emissions only.

A company may also disclose other measures of GHG intensity, in addition to metric tons of CO_2e per unit of total revenue and per unit of production, if it includes an explanation of why a particular measure was used and why the company believes such measure provides useful information to investors.

Methodology and Related Instructions

A company must describe the methodology, significant inputs and significant assumptions used to calculate its GHG emissions. The description of the company's methodology must include the company'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 company:

- 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.
- 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.
- Must disclose any material change to the methodology or assumptions underlying its GHG emissions disclosure from the previous fiscal year.
- Must disclose, to the extent material and as applicable, any gaps in the data required to calculate its GHG emissions.

Liability for Scope 3 Emissions Disclosures

For any statement regarding Scope 3 emissions that is disclosed pursuant to Subpart 1500 and made in a document filed with the SEC, a statement that is made by or on behalf of a company 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.

Attestation of Scope 1 and Scope 2 Emissions (S-K Item 1505)

Attestation

A company that is required to provide Scope 1 and Scope 2 emissions disclosure 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:

- **Second** and **third** fiscal years after the compliance date—the attestation must, at a minimum, be at a **limited** assurance level and cover the company's Scope 1 and Scope 2 emissions disclosure.
- **Fourth** fiscal year after the compliance date (and thereafter)—the attestation engagement must be at a **reasonable** assurance level and, at a minimum, cover the company's Scope 1 and Scope 2 emissions disclosures.

GHG Emissions Attestation Provider

The GHG emissions attestation report must be prepared and signed by a GHG emissions attestation provider that:

- Is an expert in GHG emissions by virtue of having significant experience in measuring, analyzing, reporting or attesting to GHG emissions.
- Is independent with respect to the company, and any of its affiliates, for whom it is providing the attestation report, during the attestation and professional engagement period.

Attestation Report Requirements

The GHG emissions attestation report must include the following:

- 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.
- An identification of the criteria against which the subject matter was measured or evaluated.
- A statement that identifies the level of assurance provided and describes the nature of the engagement.
- A statement that identifies the attestation standard (or standards) used.
- A statement that describes the company's responsibility to report on the subject matter or assertion being reported on.
- A statement that describes the attestation provider's responsibilities in connection with the preparation of the attestation report.
- A statement that the attestation provider is independent.
- For a limited assurance engagement, a description of the work performed as a basis for the attestation provider's conclusion.

- A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria.
- The GHG emissions attestation provider's conclusion or opinion, based on the applicable attestation standard(s) used.
- The signature of the attestation provider (whether by an individual or a person signing on behalf of the attestation provider's firm).
- The city and state where the attestation report has been issued.
- The date of the report.

Targets and Goals (S-K Item 1506)

If a company 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, must provide disclosure pursuant to this section if it must disclose the targets or goals, including, as applicable, a description of:

- 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 company.
- How the company 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.

A company must update this disclosure each fiscal year and indicate whether it is making progress toward meeting the target or goal and how such progress has been achieved. If carbon offsets or RECs have been used as part of a plan to achieve climate-related targets or goals, the company must 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.

Regulation S-X Article 14 (Climate-Related Disclosure)

Climate-Related Metrics (S-X Rule 14-02)

For (1) **severe weather events and other natural conditions** (e.g., flooding, drought, wildfires, extreme temperatures and sea level rise) and (2) **transition activities** (e.g., efforts to reduce GHG emissions or otherwise mitigate exposure to transition risks), disclose:

- Financial impact on any relevant financial statement line item (aggregated line-by-line basis for positive and negative impacts).
- Related expenditures (aggregate amount of expense or capitalized cost).
- Financial estimates and assumptions affected by such events, if applicable (qualitative disclosure).

Examples include:

- Changes to revenues or costs from disruptions to business operations or supply chains.
- Impairment charges and changes to the carrying amount of assets (such as inventory, intangibles, and property, plant and equipment) due to the assets being exposed to severe weather, flooding, drought, wildfires, extreme temperatures and sea level rise.
- Changes to loss contingencies or reserves (such as environmental reserves or loan loss allowances) due to impact from severe weather events.
- Changes to total expected insured losses due to flooding or wildfire patterns.
- The amount of expense or capitalized costs, as applicable, to increase the resilience of assets or operations, retire or shorten the estimated useful lives of impacted assets, relocate assets or operations at risk, or otherwise reduce the future impact of severe weather events and other natural conditions on business operations.

In addition, disclose the impact of (1) **climate-related risks** (separately by physical risks and transition risks) and (2) **climate-related opportunities** on any of the disclosed financial statement metrics. If the impact of an opportunity is disclosed, it must be done consistently for the fiscal years presented, including for each financial statement line item and all relevant opportunities identified.

Disclosure:

- Required in any filing for which S-K 1500 disclosure is required and that also includes audited financial statements.
- Must be included in a footnote to the financial statements.
- Periods must match historical fiscal year(s) included in the consolidated financial statements in the filing (e.g., a company that is required to include balance sheets as of the end of its two most recent fiscal years and income statements and cash flow statements as of the end of its three most recent fiscal years would be required to disclose two years of the climate-related metrics that correspond to balance sheet line items and three years of the climate-related metrics that correspond to income statement or cash flow statement line items).
- Must provide context describing how each specified metric was derived, including a description of significant inputs and assumptions used, and, if applicable, policy decisions made by the company to calculate the specified metrics.

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