

# Enhancement and Standardization of Climate-Related Disclosures for Investors

*SEC's Final Rule*



General overview

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SEC Final C-R Disclosures

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Presentation and Submission of the C-R  
Disclosures

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Why Management Solutions?

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Annex

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# 1 | General overview

## Executive summary

In March 2024, the SEC published its final rules for the Enhancement and Standardization of Climate-Related Disclosures for Investors. The new rules follow the recommendations of the TCFD and will be gradually applicable starting in FYB 2025

### Context

- In 2010 the SEC issued **guidance** on how **existing disclosure** rules may require disclosure of climate-related risks, but the guidance has proven inadequate to meet the growing needs of investors.
- In **March 2022**, the SEC **proposed rules** amendments requiring registrants to include extensive climate-related information in their registration statements and periodic reports (FS, 10-K, 10-Q and 20-F). Proposed rules based on the comments received, such as adopting a less prescriptive approach to certain disclosures, qualifying some requirements based on materiality, eliminating some proposed requirements, extending some phase in periods, and providing a safe harbor for certain disclosures.

### Objective

- Improve the consistency, comparability, and reliability of climate-related information for investors, based on the TCFD framework and the input of commenters.

### Next Steps

- The compliance dates for the final rules are staggered and vary depending on the size of the registrant and **will be gradually applicable starting in FYB 2025**

### Overview of Disclosure requirements



# 1 | General overview Calendar

The compliance dates for the final rules are staggered and vary depending on the size of the registrant.

Registrant type	Compliance Dates under the Final Rules					
	Disclosure and Financial Statement Effects Audit		GHG Emissions/Assurance			Electronic Tagging
	Material expenditures and impacts	Items 1502(d)(2) <sup>1</sup> , 1502(e)(2) <sup>2</sup> and 1504(c)(2) <sup>3</sup>	GHG scope 1 & 2 emissions	Limited Assurance	Reasonable Assurance	Inline XBRL
<b>Large Accelerated Filer</b> (Public float > \$700mm)	FYB 25	FYB 26	FYB 26	FYB 29	FYB 33	FYB 26
<b>Accelerated Filer</b> (Public float \$75mm < \$700mm)	FYB 26	FYB 27	FYB 28	FYB 31	N/A	FYB 26
<b>Non-Accelerated Filer</b>	FYB 27	FYB 28	N/A	N/A	N/A	FYB 27
<b>Emerging Growth Company</b> (<\$1.235bn annual revenue)	FYB 27	FYB 28	N/A	N/A	N/A	FYB 27
<b>Smaller Reporting Company</b> (< \$250mm public float OR < \$700mm float + < \$100mm annual revenue OR No public float + < \$100mm annual revenue)	FYB 27	FYB 28	N/A	N/A	N/A	FYB 27

(1) Item 1502(d)(2) relates to quantitative and qualitative disclosure on material expenditures incurred and material impacts on financial estimates and assumptions that, in management's assessment, directly result from activities to mitigate or adapt to climate-related risks.

(2) Item 1502(e)(2) relates to quantitative and qualitative disclosure of material expenditures incurred and material impacts on financial estimates and assumptions as a direct result of any disclosed transition plan.

(3) Item 1504(c)(2) relates to the disclosure on any material expenditures and material impacts on financial estimates and assumptions as a direct result of disclosed targets or goals or the actions taken to make progress toward meeting the target or goal.

# 2 | SEC Final C-R Disclosures

## Content of the final rules (1/3)




SEC's climate disclosure final rules are based on TCFD framework but tailored to investors' needs and SEC registrants' situation, including material C-R risks that affect registrants business strategy, results of operations, or financial condition and their transition plans

### 1 Overview of the Climate-Related Disclosure Framework

- **Purpose and scope.** Improve the consistency, comparability, and reliability of climate-related information for investors, based on the TCFD framework and the input of commenters.
- **Applicability and format.** Qualifying registrants providing climate-related disclosures in their registration statements or annual reports, either in a separate section or in other parts of the filing, using structured data.
- **Content and revisions.** Information about governance, strategy, risk management, and metrics and targets related to climate-related risks and opportunities.
- **Relation to other jurisdictions' reporting requirements.** Tailored to the needs of investors and the situations of SEC registrants. Do not incorporate by reference any third-party framework or procedures. But may overlap with some of the reporting requirements of other jurisdictions, such as the EU and California.

### 2 Climate-related Risks Disclosure

- **Scope.** Disclosing any material C-R risks that affect registrants business strategy, results of operations, or financial condition.
- **Categories of C-R risks.** Physical (acute and chronic) and transition risks (regulatory, technological, market, others).
- **Disclosure items<sup>1</sup>:** 1) nature of the identified C-R risk (physical or transition); 2) information necessary to understand the nature and extent of the risk; 3) non-exclusive list of disclosures to be provided, as applicable (e.g. geographic location and nature of properties, processes, or operations subject to the physical risk, type of transition risk and how it impacts the registrant).
- **Material C-R risk** meaning that if there is a substantial likelihood that a reasonable investor would consider it important when determining whether to buy or sell securities or how to vote or such a reasonable investor would view omission of the disclosure as having significantly altered the total mix of information made available.

 **Changes from the proposal:** i) eliminating the reference to value chain impacts; ii) making the disclosure requirements less prescriptive, and iii) specifying the time frames for assessing the materiality of risks, differentiating between the short and the long term (beyond 12 months).

### 3 Climate-related risks & impacts on business, strategy and outlook

- **C-R risks impacts.** Describing C-R risks materially or potentially materially affecting the registrant, their effects on strategy, business model, outlook, mitigation/adaptation efforts, and the financial effects of those risks and activities.
- **Targets & goals.** Describing C-R voluntary adopted and legally required targets or goals, along with the metrics and methodologies used to measure and track progress, and the use of carbon offsets or renewable energy certificates.
- **Transition plan.** Describing transition plans if adopted to manage material transition risks, to update the disclosure each fiscal year by describing any actions taken under the plan & their impacts on the registrant's business, results of operations, or financial condition, & to include quantitative & qualitative disclosure of material expenditures & material impacts on financial estimates and assumptions as a direct result of the disclosed actions.
- **Scenario analysis.** Disclosing scenario analysis if used to assess C-R risks' impact on business, results and operations, including descriptions, parameters, assumptions and analytical choices used, and the expected material impacts under each scenario.

## 2 | SEC Final C-R Disclosures

### Content of the final rules (2/3)



Final rules require governance disclosure, detailing board oversight and management's role in assessing climate risks. Risk management disclosure outlines different processes. Financial statement disclosures aid risk assessment, with proposed metrics and methodologies

#### 4 Governance Disclosure

- **Purpose.** Enhancing investors' ability to evaluate registrants' management of C-R risks without being overly prescriptive or influencing decision-making.
- **Board oversight.** Describing the board of director's oversight of C-R risks, identifying any board committee or sub committee responsible for such oversight and disclosing how the board oversees progress against disclosed C-R targets, goals or transition plans.
- **Management oversight.** Describing management's role in assessing and managing material C-R risks, including expertise of position holders, the processes by which they assess and manage such risks, and whether they report to the board or a subcommittee.

**Changes from the proposal:** i) eliminating the disclosure of specific board members expertise; ii) elimination of the frequency of board discussions, and the board's role in setting C-R targets or goals; and iii) limiting the disclosure of management's oversight to material C-R risks.

#### 5 Risk Management Disclosure

- **Rationale for the final rule.** Investors need of more consistent, comparable and reliable disclosure of registrants' C-R risk management practices to inform their investment and voting decisions.
- **Disclosure items in the final rule:** i) describing processes for the identification, assessment, and management of material physical or transition risks; ii) decision-making processes regarding risk mitigation; and iii) integration of climate risk management into their overall risk management system.

**Changes from the proposal:** i) inclusion of a materiality qualifier; ii) removal of prescriptive elements; and iii) substitution of the terms "physical risk or transition risk" for "climate-related risk" to clarify and simplify the requirement.

#### 6 Financial Statement and other Metrics Disclosure

- **Expenditure effects.** Disclosing expenditures expensed and capitalized costs incurred due to severe weather events, & other natural conditions, as well as the related recoveries, charges, and losses, subject to a one percent disclosure threshold and an attribution principle.
- **Carbon offsets and RECs disclosure:** Disclosing capitalized costs, expenditures expensed, and losses related to carbon offsets and RECs in the financial statements, as well as the beginning and ending balances of capitalized carbon offsets and RECs, if they have been used as a material component of a registrant's plan to achieve its disclosed C-R targets or goals.
- **Transition activities.** Disclosing costs and expenditures related to carbon offsets and RECs.

**Changes from the proposal.** It is not required i) disclosing some proposed financial impact metrics (i.e., changes to revenues or costs from disruptions to business operations or supply chains) which would have shown the effects of climate change on various financial statement line items; and ii) general disclosing costs and expenditures related to transition activities in the financial statements.

# 2 | SEC Final C-R Disclosures

## Content of the final rules (3/3)



SEC's Final Climate Disclosure Framework includes detailed reporting on GHG emissions metrics, attestation requirements for Scope 1 and Scope 2 emissions, and disclosure of climate-related targets and transition plans for companies

### 7 GHG Emissions Metrics Disclosure

- **Scope.** LAFs and AFs that are not SRCs or EGCs are required to disclose Scope 1 and/or Scope 2 emissions metrics to their business if they are material to their business.
- **GHG Emissions Metrics.** Disclosing of any described scope of emissions in the aggregate in terms of CO<sub>2</sub>e; any constituent gas that is individually material; and iii) the methodology, significant inputs and significant assumptions used to calculate the GHG emissions. Not a specific methodology for GHG emissions calculation is required.

❗ **Disclosure Exclusions:** i) disclosing Scope 3 emissions; ii) disclosing GHG emissions by SRCs and EGCs; and iii) disclosing GHG emissions from a manure management systems.

- **Timeline for Reporting GHG Emissions.** Disclosing of GHG emissions metrics for the most recently completed fiscal year and, if previously disclosed in a Commission filing, for the historical fiscal year(s) included in the filing.

### 8 Attestation of Scope 1 and Scope 2 Emissions Disclosure

- **Scope.** Disclosing Scope 1 and/or Scope 2 GHG emissions by LAFs and AFs and obtaining an attestation report from an independent third-party.
- **Assurance Levels & Compliance Dates.** LAFs and AFs, require limited assurance from the third FYB after the compliance date for GHG emissions disclosure, with LAFs needing reasonable assurance from the seventh FYB after the compliance date.

❗ **Exemptions and modifications:** i) SRCs and EGCs exempted; ii) AFs exempt from reasonable assurance; iii) extended phase-in periods; and iv) flexibility in C-R disclosure placement.

- **Voluntary Assurance.** Possibility to obtain any level of assurance with specific requirements.

### 9 Climate-related targets and goals and transition plan, if any

- **Scope.** Any C-R target or goal that is material or reasonably likely to be material to its business, results of operations, or financial condition.
- **Additional information.** Providing additional information necessary to understand the material impact or reasonably likely material impact of the target or goal, such as the scope, unit, time horizon, baseline, and plan.
- **Progress and impacts.** Disclosing progress toward meeting the target or goal and how it has been achieved, as well as the material impacts to its business, results of operations, or financial condition as a direct result of the target or goal or the actions taken to make progress toward it.
- **Carbon offsets and RECs.** Disclosing certain information about the use of carbon offsets or RECs if they have been used as a material component of registrant's plan to achieve C-R targets or goals, such as the amount, nature, source, project description, authentication, and cost of the offsets or RECs
- **Compliance phase-in.** Allowing registrants not to comply with this requirement until the fiscal year immediately following the fiscal year of its initial compliance date for the subpart 1500 rules based on its filer status.

# 3 | Presentation and Submission of the C-R Disclosures Reporting Forms

The Final Rule requires registrants to report the climate-related disclosures through four main reports

## 1 Exchange Act annual reports and Registration Statements

The final rules provide that a registrant (both domestic and foreign private issuer) must file the climate-related disclosure in its **registration statements and Exchange Act annual reports**, for example, on Form 10-K. Disclosing GHG emissions metrics may be incorporated by reference from the registrant's Form 10-Q for the second fiscal quarter or, for foreign private issuers, disclosed in an amendment to their annual report on Form 20-F

## 2 Regulation S-K mandated climate-related disclosure

The climate-related disclosures required under Regulation S-K, except for any Scopes 1 and/or 2 emissions disclosures, **must be included in a separate, appropriately captioned section** of its filing or in another appropriate section of the filing, such as Risk Factors, Description of Business, or MD&A of Financial Condition and Results of Operations, or, alternatively, by incorporating such disclosure by reference from another Commission filing as long as the disclosure meets the electronic tagging requirements of the final rules.

## 3 Regulation S-X mandated climate-related disclosure

The registrants must provide the financial statement disclosures required under **Regulation S-X** for the registrant's most recently completed fiscal year, and to the extent previously disclosed or required to be disclosed, for the historical fiscal year(s) included in the filing, in a note to the registrant's audited **financial statements**.

## 4 Electronically Reporting

The registrants will have to electronically tag both narrative and quantitative climate-related disclosures in Inline XBRL.





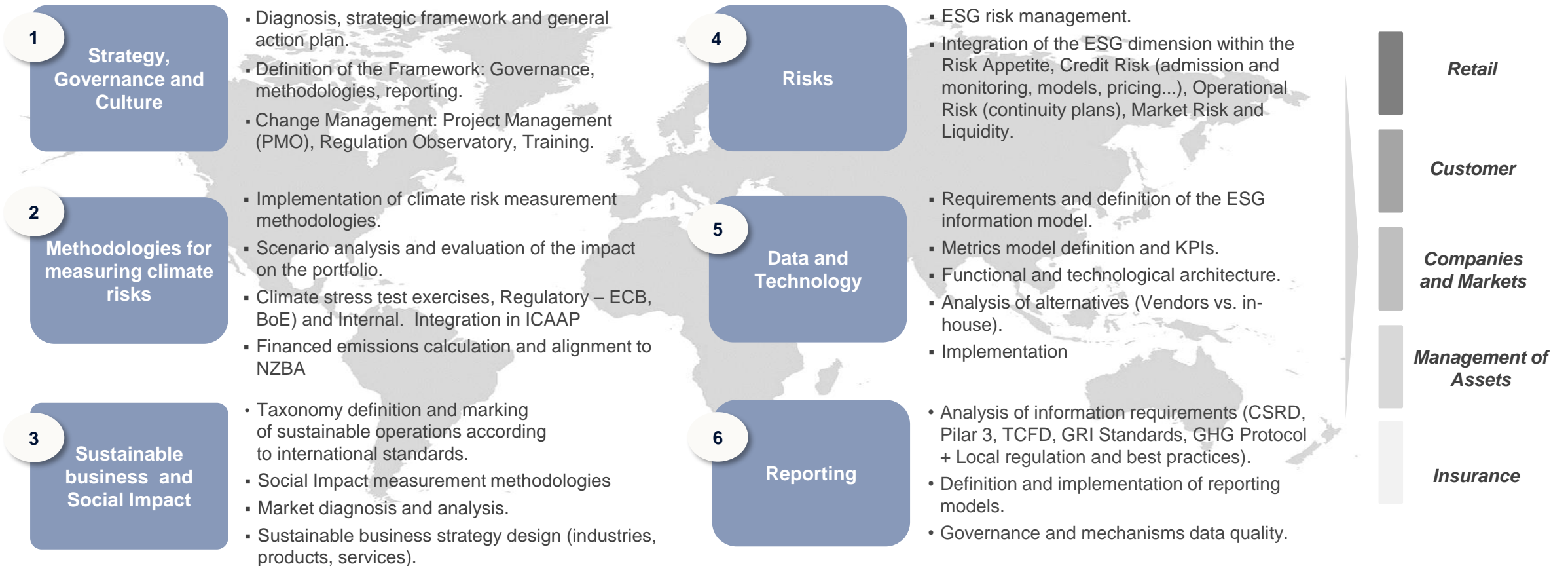
# 4

## Why Management Solutions? Key aspects and differential value

Management Solutions has an expert working group that supports its clients in the implementation of their sustainability framework within each of the 6 defined lines of activity, bringing expertise in each business area

### MS capabilities on sustainability

### Business



# 4

## Why Management Solutions? Key aspects and differential value

Management Solutions has extensive experience in developing end to end regulatory reports to the following regulatory entities: SEC, FED and OCC

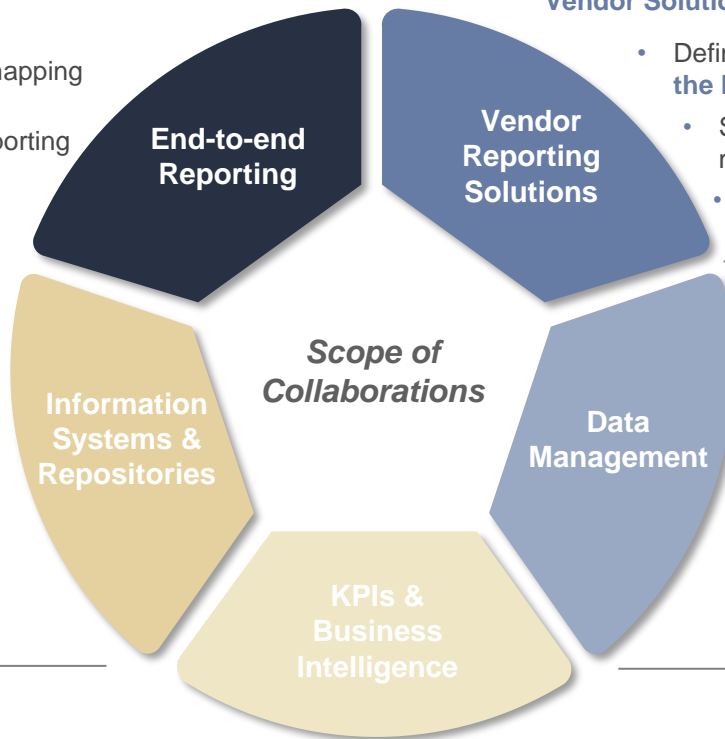
- **End-to-end generation of regulatory, risk, and management reports:**
  - Analysis of the regulation or required KDEs
  - Definition of the business requirements and mapping of KDEs to SORs / DWHs / DBs
  - Data gap analysis and development of the reporting solution (SAS, PL/SQL, etc.)
  - Reconciliations, UAT, Prod. Support

- Functional definition, technical design, support on the implementation, testing, reconciliations, and UAT of centralized **DWHs, and departmental DBs and DMs** (Credit Risk, Liquidity, Profitability, etc.).
- Development and exploitation of the **Information Systems and Calculation Engines** (CECL, FTP, RWAs, etc.) required for the Reports using a **parametrized approach**.

- Support on the **identification, benchmarking, and selection of the Vendor Solution** (OneSumX, Axiom, OFSAA, Workiva, etc.)
- Definition of **the implementation of the Solution within the Bank's informational landscape**.
  - Support on the **implementation** (definitions, mappings, gaps, etc.), **testing, and UAT**
  - **Configuration and exploitation** of the Solution

- Development of **Governance Frameworks** with focus on Reporting Processes
- **Data Content** (Business Glossary and Data Dictionary), **Data Lineage, and Data Quality Monitoring and Controls** (e.g. BCBS 239)
- **Automation** of manual processes to increase efficiency, auditability, and reduce operational risk, and identification and implementation of **quick wins** through technological evolutions, re-engineering of processes, etc.

- Analysis of the **available KPIs information and processes** and implementation of the **integrated KPIs generation methodology**.
- Definition and implementation of **BI systems** (aggregation and visualization) that allow an efficient, agile and good quality response to day-to-day operations, and unexpected events



Main Regulatory Reports Covered	
✓	SEC 10 Q
✓	SEC 10 K
✓	FR Y-9C
✓	FR Y-14A
✓	FR Y-14Q
✓	FR Y-14M
✓	FR 2052a
✓	FR Y-15
✓	FR 2835
✓	FR 2590
✓	FR 2644
✓	FFIEC 031
✓	FFIEC 102
✓	FFIEC 009
✓	TIC B Forms

## A

## Abbreviations

AF	Accelerated Filer
CECL	Current Expected Credit Loss
C-R	Climate Related
CSRD	Corporate Sustainability Reporting Directive
DB	Data Base
DM	Data Management
DWH	Data Warehouse
EGC	Emerging Growth Company
ESG	Environmental, Social and Governance
FSB	Financial Stability Board
FTP	File Transfer Protocol
FYB	Fiscal Year Beginning
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
KDE	Kernel Density Estimation
KPI	Key Performance Indicator


LAF	Large Accelerated Filer
MD&A	Management's Discussion and Analysis
NZBA	Net Zero Banking Alliance
PMO	Project Management Office
REC	Renewable Energy Certificate
RWA	Risk-Weighted Assets
SAS	Statistical Analysis System
SEC	Securities Exchange Commission
SOR	System of Record
SQL	Structured Query Language
SRC	Smaller Reporting Company
TCFD	Task Force on Climate-related Financial Disclosures
UAT	User Acceptance Testing
XBRL	eXtensible Business Reporting Language




International  
One Firm



Multiscope  
Team



Best practice  
know-how



Proven  
Experience



Maximum  
Commitment



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