The Future of
Environmental Solutions

Navigating the Rapidly Changing World of Climate-Related Disclosures: **U.S. SEC Climate Rules**

On March 6, 2024, the U.S. Securities and Exchange Commission (SEC) adopted rules that will require publicly traded companies to disclose climate-related information in SEC filings. Why? Climate-related risks pose real threats to a company's business, its longevity, its position in the market, and its financial success. Investors need data – reliable and consistent data, on par with financial data – to understand a company's climate-related risks, the financial effects of those risks, and how a company is managing them.

What you need to know

The requirements are phased in depending on your SEC filing category, and different requirements are 'turned on' in different years. It can be a lot to digest. To that end, we have summarized the requirements, their applicability by filer category, and associated timing to help you navigate these questions and set you off on the right foot. See page 2 for this summary.

It's important to note, while a lot of discussion has been paid to requirements around reporting greenhouse gas (GHG) emissions, requirements to disclose climate-related risks will come into effect **sooner** than the requirements for GHG emissions disclosures for all filer categories.

What you need to do

It's not too early to get started! Now is the time to start:

- Identifying and assessing your climate-related risks, as well as their actual/potential impacts;
- Planning and implementing activities to mitigate or adapt to climate-related risks;
- Establishing governance around how you manage climate risk, including board and management oversight; and
- Calculating your Scope 1 and Scope 2 GHG emissions and identifying data gaps and data quality issues prior to your initial SEC reporting year.

If you would like a trusted advisor to guide you through this process, we are here to help. We pride ourselves on meeting our clients where they are and on teaching our clients along the way. Our team would be happy to give you a quick, personal overview of these requirements.

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https://montrose-env.com/blog/navigating-climate-related-disclosure-requirements

Summary of U.S. SEC Climate Disclosure Rules

Disclosure Requirement (Adapted from the U.S. SEC Fact Sheet published March 6, 2024)	**LAFs** ($700+ million public float	**AFs** (>$75 but <$700 million public float)	**SRCs, NAFs, ECGs**
Climate-related financial disclosures, to be included in the footnotes to financial statements:			
Severe weather and other natural condition financial statement impacts	FY beginning in 2025	FY beginning in 2026	FY beginning in 2027
Carbon offset and renewable energy credit (REC) information			
Estimates and assumptions			
Climate-related risk disclosures, to be included in annual reports at the time of filing:			
Material[1] climate-related risks	FY beginning in 2025 Italicized items not required until FY beginning 2026	FY beginning in 2026 Italicized items not required until FY beginning 2027	FY beginning in 2027 Italicized items not required until FY beginning 2028
Actual/potential material impacts of the identified risks			
Activities implemented to mitigate or adapt to material climate-related risks (including transition plans, scenario analysis, or internal carbon prices)			
A quantitative and qualitative description of material expenditures incurred, and material impacts on financial estimates and assumptions, that directly result from such mitigation or adaptation activities			
Oversight of climate-related risks by the board of directors; role of management in assessing and managing material climate-related risks			
Processes for identifying, assessing, and managing material climate-related risks and how these processes are integrated into overall risk management			
Climate-related targets or goals, if any; *material expenditures and material impacts on financial estimates and assumptions as a direct result of the target or goal or actions taken to make progress toward meeting such target or goal*			
Greenhouse gas (GHG) emissions disclosures, to be included at the time of filing OR in the second fiscal quarter 10-Q, if additional time is needed:			
Scope 1 and 2 GHG emissions	FY beginning in 2026	FY beginning in 2028	Not Required
Scope 3 GHG emissions	Not Required	Not Required	Not Required
Limited assurance on disclosed GHG emissions	FY beginning in 2029	FY beginning in 2031	Not Required
Reasonable assurance on disclosed GHG emissions	FY beginning in 2033	FY beginning in 2026	Not Required

LAF: Large accelerated filer | AF: Accelerated filer | NAF: Non-accelerated filer | SRC: Smaller reporting company | ECG: Emerging growth company

[1] From the final rule: 'A matter is material 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.'