
SEC Proposes Climate-Related Disclosure for Public Companies

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The Securities and Exchange Commission (the SEC) has proposed rules requiring climate-related disclosure in the registration statements and periodic reports of public companies that would, if enacted in their current form, create significant new disclosure requirements for all public companies. The Enhancement and Standardization of Climate-Related Disclosures for Investors (the Proposed Rule), released last week, provides an update to the SEC's most recent climate guidance, issued in 2010, proposes amendments to Regulations S-K and S-X and makes related revisions to Forms 10-K and 10-Q, Forms 20-F and 6-K and to registration statements filed under the Securities Act of 1933. The Proposed Rule, according to SEC Chair Gary Gensler, is "driven by the needs of investors and issuers" seeking information about climate risks in order to make informed investment decisions. Although many public companies already disclose some climate information, the form and content of that disclosure varies widely by company and by industry. Additionally, key parameters used to analyze climate risk, such as methodologies, data sources, and assumptions, frequently are not disclosed, making it impractical if not impossible to compare one company's disclosure to another. Further, climate information is often disclosed separately from a company's financial disclosures included in its periodic SEC filings. Such climate information is found instead in Corporate Social Responsibility or ESG Reports or on company websites. The Proposed Rule is intended to enhance and standardize climate disclosure and offer "consistency, comparability, and reliability" needed to guide investment decisions. The SEC explained that the proposed disclosure requirements focus on risks and metrics that can have an impact on public companies' financial performance or position, and as such may be material to investors in making investment or voting decisions.

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