

April 6, 2022

# SEC's Proposed Climate Disclosure Rules Herald Expansive New Obligations for Foreign Private Issuers

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## Proposed Climate Rules Would Subject Foreign Private Issuers to Substantially Similar Obligations as U.S. Companies and Require New Disclosures from Companies Currently Reporting under Home Jurisdiction Rules

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### SUMMARY

On March 21, 2022, the Securities and Exchange Commission proposed climate-related disclosure rules (the "Proposed Rules") that would require foreign private issuers ("FPIs") (other than Canadian issuers reporting on Form 40-F) to collect and report detailed climate-related information, at times regardless of its materiality, including new climate-related financial metrics in companies' audited financial statements.

Many FPIs, including those based in the European Union, the United Kingdom and Japan, are already subject to climate disclosure rules in their home jurisdictions. The Proposed Rules, if adopted as proposed, would require these companies to go beyond their home jurisdiction's requirements and prepare and disclose additional climate-related information to satisfy their U.S. reporting requirements. FPIs could also be subject to U.S. securities law liability in respect of information now being reported under home jurisdiction requirements. This memo outlines key implications of the Proposed Rules specific to FPIs. Sullivan & Cromwell's memo summarizing in detail the Proposed Rules is available [here](#). A recording of a webinar discussing the impact of the Proposed Rules is available [here](#).

Compliance would be phased in, with reporting for large accelerated filers beginning as soon as 2024 with respect to fiscal year 2023 if the Proposed Rules become effective at the end of this year (see Appendix A for disclosure compliance dates). FPIs would be subject to the same phase-in dates as U.S. domestic issuers. Given the proposed phase-in dates, large accelerated filers could be required to have internal

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controls in place to begin capturing fiscal year 2023 information as early as January 2023 — nine months from now — even though final rules are not expected to be in place until late in 2022.

The public comment period was initially open until May 20, 2022, but on May 9, 2022, the SEC extended the end of the public comment period to June 17, 2022.<sup>1</sup> The SEC has specifically requested comment on how FPIs should be treated under the new rules. Parties that anticipate being affected by the Proposed Rules are encouraged to submit comments as part of the public comment process. Sullivan & Cromwell intends to comment and is actively consulting with clients and other interested stakeholders about the potential effects of the Proposed Rules.

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### GLOBAL BACKGROUND

The SEC's Proposed Rules come after years of work and significant progress by non-U.S. regulators, non-governmental bodies and industry alliances to require or encourage companies to provide climate-related disclosures to investors and other stakeholders. To date, the SEC has not required disclosure of specific climate-related metrics; rather, companies are required to disclose information about potential or actual impacts of climate change to the extent material to investors. In the absence of a prescriptive framework in the U.S., many investors have urged U.S. companies to disclose information using standardized climate disclosure frameworks developed by the Task Force on Climate-Related Financial Disclosures ("TCFD") and other voluntary standard setters, and many U.S. companies and FPIs have done so, albeit to varying degrees of scope and specificity.

In the European Union, meanwhile, regulators have proposed new prescriptive requirements related to climate that would apply to EU and, in some cases, non-EU companies. Currently, companies within the scope of the EU's Non-Financial Reporting Directive are required to disclose certain information regarding climate impacts,<sup>2</sup> while the EU Taxonomy Regulation (the "Taxonomy")<sup>3</sup> and the Sustainable Finance Disclosure Regulation<sup>4</sup> impose additional climate-related disclosure requirements, including requirements under the Taxonomy for companies to calculate and disclose the proportion of environmentally sustainable economic activities in their business. More recently, the EU has proposed the Directive on Corporate Sustainability Due Diligence (the "Due Diligence Directive")<sup>5</sup> and the Corporate Sustainability Reporting Directive (the "CSRD").<sup>6</sup> Unlike the SEC's Proposed Rules, which would not require companies to change their business plans to reduce emissions, these newly proposed rules in the EU would require that all large EU companies and non-EU companies with significant EU revenues adopt a climate transition plan consistent with a 1.5°C warming scenario.<sup>7</sup>

Similarly, in the United Kingdom, the Financial Conduct Authority ("FCA") has recently mandated TCFD-aligned disclosure from commercial companies with a premium listing on the main market of the London Stock Exchange, companies with a standard listing of shares or global depository receipts, asset managers, life insurers and FCA-regulated pension providers. Premium listed companies are already subject to this

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requirement for accounting periods beginning on or after January 1, 2021, and standard listed companies will be subject to the requirement for accounting periods beginning on or after January 1, 2022. For premium and standard listed companies, disclosure is on a “comply or explain” basis; companies are not required to make disclosures but, if they do not make a disclosure, they must explain why and describe any steps they are taking or plan to take to be able to make consistent disclosures in the future, including relevant time frames. Separately, the UK government has recently implemented regulations to require certain qualifying UK-incorporated companies (including companies admitted to trading on a UK regulated market, banking or insurance companies, AIM listed companies, high turnover companies and certain LLPs) to incorporate mandatory TCFD-aligned climate disclosures in their annual reports for accounting periods starting on or after April 6, 2022.<sup>8</sup> The UK also requires disclosure of Scope 1 and 2 GHG emissions by UK-incorporated quoted companies (i.e. companies listed on the main market of the London Stock Exchange, officially listed in the European Economic Area or admitted to dealing on either the NYSE or Nasdaq), unquoted large companies and limited liability partnerships.<sup>9</sup>

Major industry groups are also continuing to develop new climate-related disclosure requirements. Notably, the International Sustainability Standards Board (“ISSB”), a new body created by the IFRS Foundation, recently released its proposed standard for TCFD-aligned climate disclosures aimed at eliciting those disclosures necessary for investors to assess a company’s enterprise value.<sup>10</sup> The ISSB notes that its standards are intended to provide a global baseline and be compatible with jurisdiction-specific requirements. The UK has said that the ISSB’s standards will be a core component of its new reporting requirements,<sup>11</sup> and the EU’s technical advisor on the EU’s future sustainability reporting standards has said it would be cooperating with the ISSB.

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### KEY CONSIDERATIONS FOR FOREIGN PRIVATE ISSUERS

The Proposed Rules would subject FPIs (except Canadian issuers filing on Form 40-F) to the same annual climate-related disclosure obligations as U.S. domestic companies. FPIs seeking to go public in the U.S. would be required to provide climate-related disclosures when registering securities on Form F-1 to the same extent as U.S. domestic companies registering securities on Form S-1. In addition, FPIs registering securities on Form F-4 in connection with an acquisition would need to disclose climate-related information regarding the target company, without regard to whether the target company is public or private. Under the Proposed Rules, Canadian issuers filing on Form 40-F would not be required to provide the newly proposed climate-related disclosures, but the SEC has asked for feedback on whether it should also require Form 40-F issuers to comply with the proposed climate-related disclosure requirements.

This approach diverges from how the SEC has historically regulated FPIs, as FPIs have been permitted to comply with the more tailored disclosure requirements established by their home country regulators rather than the SEC’s rules that apply to U.S. domestic companies. FPIs, for example, are permitted to report

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financial statements using International Financial Reporting Standards (“IFRS”) rather than U.S. GAAP, and FPIs are largely subject to their home jurisdiction’s disclosure rules on corporate governance matters, including with respect to directors’ responsibilities and expertise. In addition, for some disclosure requirements that apply equally to U.S. domestic companies and FPIs, the SEC has permitted FPIs to comply with home jurisdiction rules that the SEC has recognized as substantially similar to the SEC’s. For example, in December 2020, the SEC adopted rules requiring disclosure of payments made by resource extraction companies to host governments, and permitted companies subject to EU, UK, Norwegian or Canadian rules to comply instead with similar rules already implemented in those jurisdictions.<sup>12</sup> In the Proposed Rules release, the SEC has asked for feedback on whether FPIs reporting under a substantially similar climate disclosure regime, including potentially the new ISSB standards, should be permitted to report under that alternative reporting regime instead of under the Proposed Rules.

Set forth below are key provisions of the Proposed Rules to which FPIs should pay particularly close attention:

***The Proposed Rules’ implementation of TCFD goes beyond the scope of how many companies now prepare their TCFD reporting.*** The SEC has stated that the Proposed Rules are modeled in part on the TCFD’s recommendations. This adoption of the TCFD framework brings the United States in line with Brazil, the EU, Hong Kong, Japan, New Zealand, Singapore, Switzerland and the UK, all of whom have also announced requirements for domestic organizations and regulated entities to report in alignment with the TCFD recommendations. However, the Proposed Rules would require that companies already reporting under the TCFD framework disclose more information than most are currently choosing or obligated to provide. The proposed audited climate-related financial statement metrics, for example, exceed the level of disclosure that companies currently reporting under TCFD typically provide within their audited financial statements. Similarly, the Proposed Rules require disclosure of GHG emissions both disaggregated by the seven constituent greenhouse gases and in the aggregate in terms of carbon dioxide equivalent (“CO<sub>2</sub>e”), which exceeds current practice by many companies, who largely report GHG emissions on only a CO<sub>2</sub>e basis. Appendix B contains a comparison between the 11 key recommendations of the TCFD framework and the Proposed Rules. FPIs already reporting against TCFD should be aware of how their current TCFD-aligned reporting may fall short of the requirements of the Proposed Rules.

***The Proposed Rules characterize disclosure of detailed information on scenario analysis, climate targets and transition plans as optional — but such disclosures would be effectively mandatory for many FPIs.*** The Proposed Rules state that a company can decide whether to use scenario analysis, adopt a transition plan or set climate-related targets or goals for itself; however, if used, a company would be required to provide certain additional prescribed disclosures. For many FPIs, however, those optional disclosures would in fact be mandatory, either because their home jurisdictions require use of scenario analysis, transition plans and/or specific targets or goals, or because the FPI has already followed market

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practice in their home jurisdictions of providing such disclosures. For example, some UK entities will be required under applicable UK regulations to provide certain climate-related financial disclosures in their strategic reports, including the results of scenario analysis and a description of the targets used by the entity to manage climate-related risks. Regulated financial institutions globally are also increasingly being required to use scenario analysis and climate stress testing, and the newly proposed ISSB standards would similarly require companies to use scenario analysis, unless unable to do so. These requirements could trigger the Proposed Rules' additional disclosure requirements applicable to scenario analysis. In addition, companies subject to the EU's CSRD, if adopted as proposed, would be required to describe the company's plan for ensuring its business model is resilient to risks related to sustainability matters and how the company plans to ensure its business model is compatible with the Paris Agreement target of limiting global warming to 1.5°C. Similarly, the EU's Due Diligence Directive will require certain companies — including large EU companies and non-EU companies with significant turnover in the EU — to have a plan to ensure that their business strategy is compatible with limiting global warming to 1.5°C.<sup>13</sup> Disclosures of such plans and strategies could trigger the Proposed Rules' additional disclosure requirements applicable to transition plans. Because a number of the Proposed Rules require disclosure only if an issuer already is providing specified disclosures, FPIs subject to these and other similar reporting regimes may find themselves subject to additional required disclosures under the Proposed Rules as compared to their U.S. peers.

***Even FPIs that include financial statements prepared under IFRS-IASB in their U.S. filings must include new climate-related financial statement metrics, in addition to existing IFRS climate-related guidance.*** The Proposed Rules would require that companies include in a note to their financial statements certain climate-related financial statement metrics regarding the actual or reasonably likely financial impact of climate change, climate-related expenditures, as well as information on how climate-related risks, uncertainties and impacts affect the estimates and assumptions used to produce the consolidated financial statements. FPIs reporting under IFRS would need to include these disclosures along with their other climate-related disclosures and judgments already required under IFRS. The SEC recognized in the proposing release that existing accounting standards under IFRS could elicit climate-related disclosure in the financial statements. However, the SEC noted that it has “broad authority to set accounting standards and principles” and that it believed the Proposed Rules, by prescribing accounting principles for preparing the proposed climate-related financial statement metrics disclosure, may increase the consistency and comparability of such disclosures, and may benefit registrants by specifying when to provide such disclosures.

***Issuers calculating emissions under the GHG Protocol may need to change how they define their organizational reporting boundaries when calculating GHG emissions.*** The Proposed Rules' definitions of Scope 1, 2 and 3 emissions are substantially similar to those developed by the GHG Protocol, whose methodology for calculating emissions is already widely followed. However, in a change from the

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GHG Protocol, the Proposed Rules would require that the scope of reporting for a registrant's GHG emissions metrics be consistent with the scope of reporting for the financial data included in the registrant's consolidated financial statements. For example, a registrant would be required to include all of the emissions from an entity that it consolidates, and if a registrant applies equity method accounting to an investee, it must use the same percentage of ownership interest to record its share of earnings or losses in the investee as for recording its share of GHG emissions by the equity method investee. This proposal gives issuers less flexibility than does the GHG Protocol in deciding how to set the organizational boundaries for purposes of calculating GHG emissions. Issuers that already calculate GHG emissions based on the GHG Protocol would need to review how they define their organizational boundaries for purposes of those calculations.

***FPIs will need to consider whether any existing third-party attestation or review of their climate data meets the standards of the Proposed Rules.*** At a minimum, under the Proposed Rules, Scope 1 and 2 emissions data disclosed by accelerated filers or large accelerated filers would be subject to attestation requirements by an independent and experienced third party. The Proposed Rules are extensive in their independence tests (similar to those for auditors) and contain specific requirements for qualification. In addition, the registrant would be required to obtain the written consent of the GHG emissions attestation provider for inclusion of the provider's attestation report in the company's annual report and in any registration statements filed with the SEC, which would subject the assurance provider to potential liability under Section 11 of the Securities Act of 1933. FPIs that already obtain third-party assurance over GHG disclosures on a voluntary basis or that will be subject to attestation requirements contained in relevant EU regulations will need to reassess the qualifications of their attestation service providers in light of the Proposed Rules. In particular, EU companies will need to be attentive to the different audit standards under the Proposed Rules and the CSRD, as the Proposed Rules will eventually require "reasonable" assurance be provided over the relevant figures, while the CSRD initially would require only the lower "limited" assurance level of review.

***FPIs should assess their readiness to comply with the Proposed Rules even if they have already begun reporting climate-related information in their home jurisdictions.*** Although companies are at different maturity levels in their climate reporting, some general areas of focus particularly relevant to FPIs include, in addition to the considerations listed above:

- Does the company subject its climate disclosures to the same or similar disclosure controls and procedures as applied to other information it files with the SEC? Given the additional potential U.S. securities law liability for information filed with the SEC, what additional controls or procedures may need to be added to the process of collecting and disclosing climate-related data?
- How do the phase-in schedule and deadlines for disclosures under the Proposed Rules compare to other disclosure requirements or voluntary practices applicable to the company? Will the company need to accelerate any of its current processes, especially given that large accelerated filers could begin reporting as soon as 2024 with respect to fiscal year 2023?

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- Even if the Proposed Rules are not adopted in their current form, how might they impact market practice regarding voluntary climate-related disclosures — or investors' expectations — going forward?

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### CONCLUSION

It is unclear whether the Proposed Rules will be adopted in the form currently proposed, either as applicable to U.S. companies or as proposed to apply to FPIs. For example, the SEC may limit the extent to which the requirements apply to FPIs already subject to substantially similar requirements in their home jurisdictions. Nonetheless, given the proposed phase-in schedule, FPIs should begin assessing how they would comply with the Proposed Rules and how compliance with the Proposed Rules would interact with other mandatory or voluntary climate disclosure regimes applicable to them. In addition, FPIs that anticipate being affected by the Proposed Rules are encouraged to submit comments as part of the public comment processes.

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ENDNOTES

- 1 See Press Release, SEC, SEC Extends Comment Period for Proposed Rules on Climate-Related Disclosures, Reopens Comment Periods for Proposed Rules Regarding Private Fund Advisers and Regulation ATS (May 9, 2022), *available at* <https://www.sec.gov/news/press-release/2022-82>.
- 2 European Commission, “Guidelines on reporting climate-related information”, June 17, 2019, *available at* [https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines\\_en.pdf](https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf).
- 3 Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.
- 4 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.
- 5 European Commission Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937, COM(2022) 71 final.
- 6 European Commission Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting.
- 7 See Sullivan & Cromwell, European Commission Proposes Mandatory Corporate Sustainability Due Diligence and Climate Change Plans (March 7, 2022), *available at* <https://www.sullcrom.com/files/upload/sc-publication-eu-proposes-mandatory-corporate-sustainability-due-diligence-and-climate-change-plans.pdf>.
- 8 The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, *available at* <https://www.legislation.gov.uk/ukxi/2022/31/contents/made> and Limited Liability Partnerships (Climate-related Financial Disclosures) Regulations 2022, *available at* <https://www.legislation.gov.uk/en/ukxi/2022/46/made>.
- 9 The Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, *available at* <https://www.legislation.gov.uk/ukdsi/2018/9780111171356/contents>.
- 10 IFRS, “ISSB delivers proposals that create comprehensive global baseline of sustainability disclosures,” March 31, 2022, *available at* <https://www.ifrs.org/news-and-events/news/2022/03/issb-delivers-proposals-that-create-comprehensive-global-baseline-of-sustainability-disclosures/>.
- 11 Financial Conduct Authority, “Policy Statement PS21/23: Enhancing climate-related disclosures by standard listed companies,” December 2021, *available at* <https://www.fca.org.uk/publication/policy/ps21-23.pdf>.
- 12 See Sullivan & Cromwell, SEC Adopts Rules Implementing “Resource Payments” Disclosure Requirements of the Dodd-Frank Act (Dec. 22, 2020), *available at* <https://www.sullcrom.com/sc-publication-sec-adopts-rules-requiring-disclosure-payments-to-governments-oil-gas-mining-companies>.
- 13 See Sullivan & Cromwell, European Commission Proposes Mandatory Corporate Sustainability Due Diligence and Climate Change Plans (March 7, 2022), *available at* <https://www.sullcrom.com/files/upload/sc-publication-eu-proposes-mandatory-corporate-sustainability-due-diligence-and-climate-change-plans.pdf>.

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Appendix A<sup>(a)</sup>

1. Disclosure Compliance Dates

Filer Type	Disclosure Compliance Date		Statement Metrics Audit Compliance Date
	All proposed disclosures, other than Scope 3 GHG emissions metrics	Scope 3 GHG emissions metrics	
Large Accelerated Filer	Fiscal year 2023 (filed in 2024)	Fiscal year 2024 (filed in 2025)	Same as Disclosure Compliance Date
Accelerated Filer and Non-Accelerated Filer	Fiscal year 2024 (filed in 2025)	Fiscal year 2025 (filed in 2026)	
Smaller Reporting Company	Fiscal year 2025 (filed in 2026)	Exempted	

2. Attestation Compliance Dates

Filer Type	Disclosure Compliance Date (No Assurance)	Limited Assurance <sup>(b)</sup>	Reasonable Assurance <sup>(c)</sup>
Large Accelerated Filer	Fiscal year 2023 (filed in 2024)	Fiscal year 2024 (filed in 2025)	Fiscal year 2026 (filed in 2027)
Accelerated Filer	Fiscal year 2024 (filed in 2025)	Fiscal year 2025 (filed in 2026)	Fiscal year 2027 (filed in 2028)

<sup>(a)</sup> Assumes a fiscal year end of December 31. The SEC indicated a registrant with a different fiscal year-end date that results in its fiscal year 2023 commencing before the effective date of the rules would not be required to comply until the following fiscal year.

<sup>(b)</sup> Reasonable assurance is equivalent to the level of assurance provided in an audit of a registrant's consolidated financial statements included in an FPI's Form 20-F or a U.S. domestic company's Form 10-K annual report.

<sup>(c)</sup> Limited assurance is equivalent to the level of assurance (commonly referred to as a "review") provided over a U.S. domestic registrant's interim financial statements included in a Form 10-Q.

**Appendix B**

**Comparison with TCFD**

TCFD Recommendation	SEC Proposed Rules
<p><i>Governance:</i> Describe the board’s oversight of climate-related risks and opportunities.</p>	<p>Describe the board of directors’ oversight of climate-related risks, including, as applicable, the identity of any board member with climate-related expertise, along with certain other required disclosures.</p> <p>If applicable, discuss the board’s oversight of climate-related opportunities, but such discussion is not required.</p>
<p><i>Governance:</i> Describe management’s role in assessing and managing climate-related risks and opportunities.</p>	<p>Describe management’s role in assessing and managing climate-related risks, including, as applicable, the identity of any members of management with climate-related expertise.</p> <p>If applicable, discuss management’s oversight of climate-related opportunities, but such discussion is not required.</p>
<p><i>Strategy:</i> Describe the climate-related risks and opportunities the organization has identified over the short-, medium-, and long-term.</p>	<p>Describe any climate-related risks reasonably likely to have a material impact on the company, including on its business or consolidated financial statements, over the short-, medium- and long-term. This discussion should specify whether such risks are physical or transition risks and the nature of the risks presented (including the location of properties subject to material physical risk by ZIP or similar postal code). In addition, the company must describe how it defines short-, medium- and long-term horizons.</p> <p>If applicable, disclose the actual and potential impact of any climate-related opportunities, but such discussion is not required.</p>
<p><i>Strategy:</i> Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning.</p>	<p>Describe the actual and potential impact of any climate-related risks identified on the company’s strategy, business model and outlook.</p> <p>In addition, discuss whether and how any impacts are considered as part of the company’s business strategy, financial planning and capital allocation, as well as whether and how any such risks have affected or are reasonably likely to affect the company’s consolidated financial statements.</p> <p>Discuss how any of the new climate-related financial statement metrics or any of the company’s own climate-related goals and targets are used in the registrant’s strategy and analysis, and whether it maintains an internal carbon price.</p>

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TCFD Recommendation	SEC Proposed Rules
<p><i>Strategy:</i> Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>Describe the resilience of the company’s business strategy in light of potential future change in climate-related risks. Describe any analytical tools, such as scenario analysis, that the company uses to assess the impact of climate-related risks on its business and consolidated financial statements.</p> <p>While the Proposed Rules do not require scenario analysis, if the company uses scenario analysis to assess the resilience of its business strategy, it must disclose the scenarios considered, including parameters, assumptions and analytical choices, as well as the projected principal financial impacts on the company’s business strategy under each scenario.</p>
<p><i>Risk Management:</i> Describe the organization’s processes for identifying and assessing climate-related risks.</p>	<p>Describe any processes the company has for identifying, assessing and managing climate-related risks.</p> <p>If applicable, describe any processes for identifying, assessing and managing climate-related opportunities, but such description is not required.</p>
<p><i>Risk Management:</i> Describe the organization’s processes for managing climate-related risks.</p>	<p>Same as above.</p>
<p><i>Risk Management:</i> Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management.</p>	<p>Describe how any climate-related risk identification and management processes are integrated into the company’s overall risk management system or process. If a separate board or management committee is responsible for managing climate-related risks, disclose how such committee interacts with the committee governing general risks.</p> <p>If the company has adopted a transition plan as part of its climate-related risk management strategy, describe the plan, including relevant metrics and targets.</p>
<p><i>Metrics and Targets:</i> Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>	<p>Financial statement disclosure under three categories of financial statement metrics: (i) financial impact metrics, (ii) expenditure metrics and (iii) financial estimates and assumptions.</p> <p>For each type of financial statement metric used, provide contextual information, 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 such metrics.</p>

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TCFD Recommendation	SEC Proposed Rules
<p><i>Metrics and Targets:</i> Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.</p>	<p>Disclose total Scope 1 emissions and total Scope 2 emissions separately after calculating them from all sources that are included in the company's organizational and operational boundaries.</p> <p>Accelerated filers and larger accelerated filers must provide an attestation report covering their Scope 1 and 2 emissions disclosure in the relevant filing.</p> <p>The Proposed Rules would phase in the requirements for such attestation over the second, third and fourth years after the rule's compliance date.</p> <p>Disclose Scope 3 emissions if (i) such emissions are material or (ii) the company has set a GHG emissions reduction target or goal that includes its Scope 3 emissions. If required, such disclosure should identify the categories of upstream and downstream activities included in the calculation and if a category of Scope 3 emissions is significant to the company it must identify such category and separately provide emissions data for such category. In addition, describe the data sources used to calculate its Scope 3 emissions.</p> <p>Smaller reporting companies are exempt from reporting Scope 3 emissions.</p>
<p><i>Metrics and Targets:</i> Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>	<p>Disclose any targets or goals related to the reduction of GHG emissions, or any other climate-related target or goal, including, as applicable, a description of the scope of activities and emissions included in the target, the unit of measurement, the defined time horizon by which the target is intended to be achieved, the defined baseline period and emissions against progress will be tracked, any interim targets, and how the company intends to meet its target or goals.</p> <p>In addition, if the company sets targets or goals, disclose the relevant data to indicate whether the company is making progress toward meeting its targets and goals and how such progress has been achieved. Companies must report if they used carbon offsets to achieve their climate-related targets or goals.</p>