

SEC Proposal: Enhancement and Standardization of Climate-Related Disclosures

Call to Action: What this means for your organization

Today...

- **Oversight of ESG is often not clearly established or defined**, though governance and organizational capacity are critical to managing climate-related efforts.¹
- **Timeliness for data collection and reporting** typically extend beyond current 10-K filing deadlines.²
- **Data processes and controls** over climate-related information are generally not as mature as financial reporting processes and controls.¹
- **Climate-related disclosure is voluntary**. Companies use a variety of sustainability reporting frameworks and standards, and disclosure outlets.²
- **Assurance**—an avenue to quality, accurate, and reliable disclosure—is currently not required.¹

Let's talk climate.



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Under the proposed rule, registrants would be required to disclose³...



1. **Governance of climate-related risks**, how identified climate-related risks have or are likely to have a material impact on a company's strategy, business model, outlook over short-, medium-, or long-term, and risk management processes.
2. **Climate-related financial statement metrics** (e.g., disaggregated climate impacts on financial statement line items) **and impact of climate-related physical events and transition activities** on estimates and assumptions.
3. **Greenhouse gas (GHG) emissions**, including Scopes 1 and 2 (and Scope 3 phased in if material or if registrant has Scope 3 target).
4. **Reasonable assurance**, phased in for accelerated and large accelerated filers over certain GHG emission disclosures; limited assurance precedes.
5. **Information about climate-related targets** and transition plans.

The time to act is now...



*Sustainability & ESG Services is part of the Audit & Assurance business.

1. Deloitte, *2022 CxO Sustainability Report*, 2022.

2. CAQ, *ESG Reporting and Attestation: A Roadmap for Audit Practitioners*, February 17, 2021.

3. SEC, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, March 21, 2022.

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What now? How to prepare in 7 steps

Establish or refine climate governance

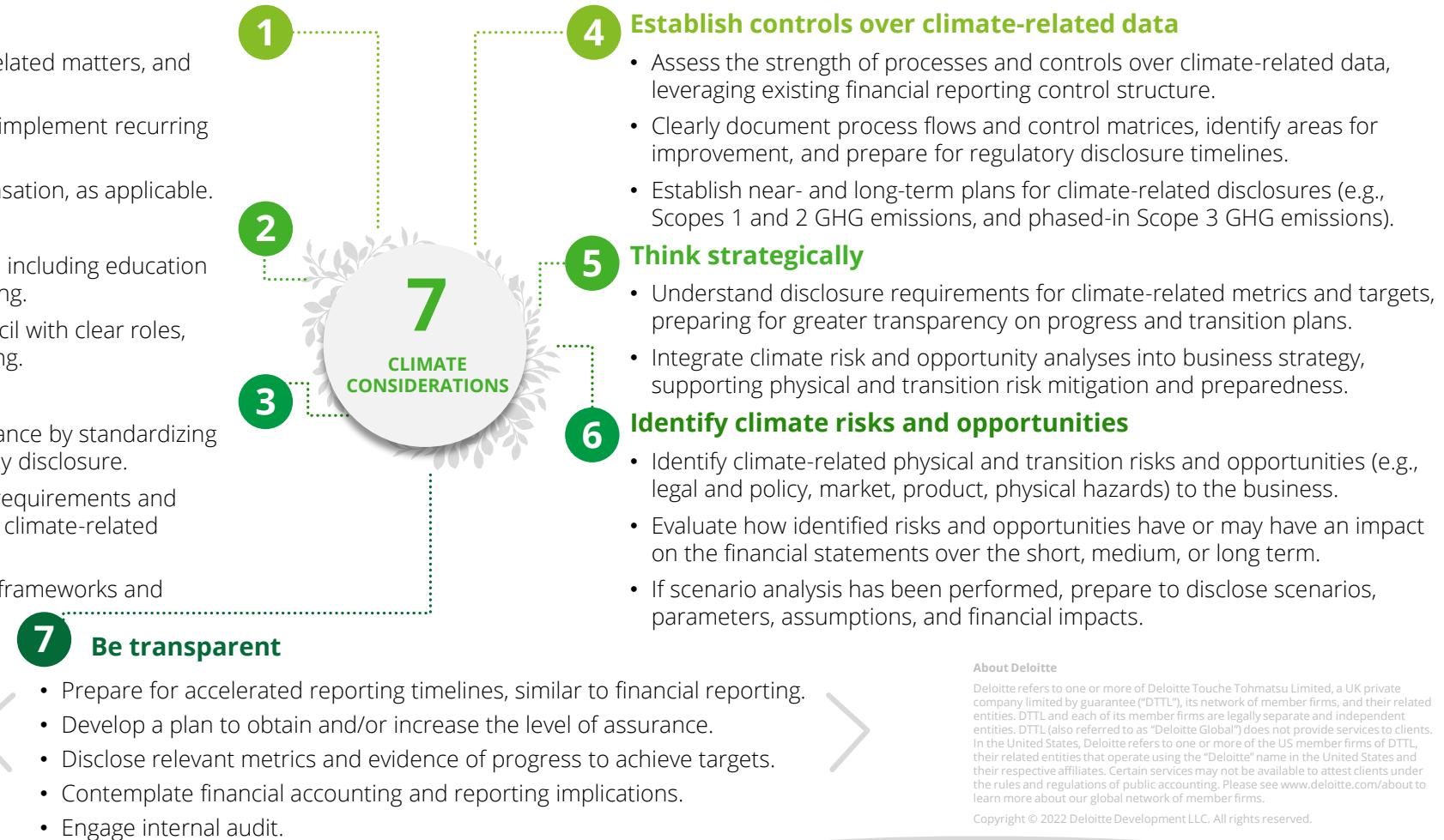
- Identify board and management oversight on climate-related matters, and define clear roles, responsibilities, and charters.
- Establish cadence for climate-focused discussions, and implement recurring educational sessions.
- Consider ESG or climate performance linked to compensation, as applicable.

Include the right people

- Perform internal and external stakeholder engagement, including education on climate-related risks, data collection, and target setting.
- Establish or refine a cross-functional sustainability council with clear roles, responsibilities, objectives, accountability, and monitoring.

Build reporting agility

- Enhance data quality, timeliness, automation, and relevance by standardizing governance and controls to prepare for assurance-ready disclosure.
- Quickly upskill relevant stakeholders on proposed SEC requirements and reporting timelines, aligning financial filings and existing climate-related disclosure.
- Enhance preparedness by aligning with the recognized frameworks and standards (e.g., TCFD, GHG Protocol).



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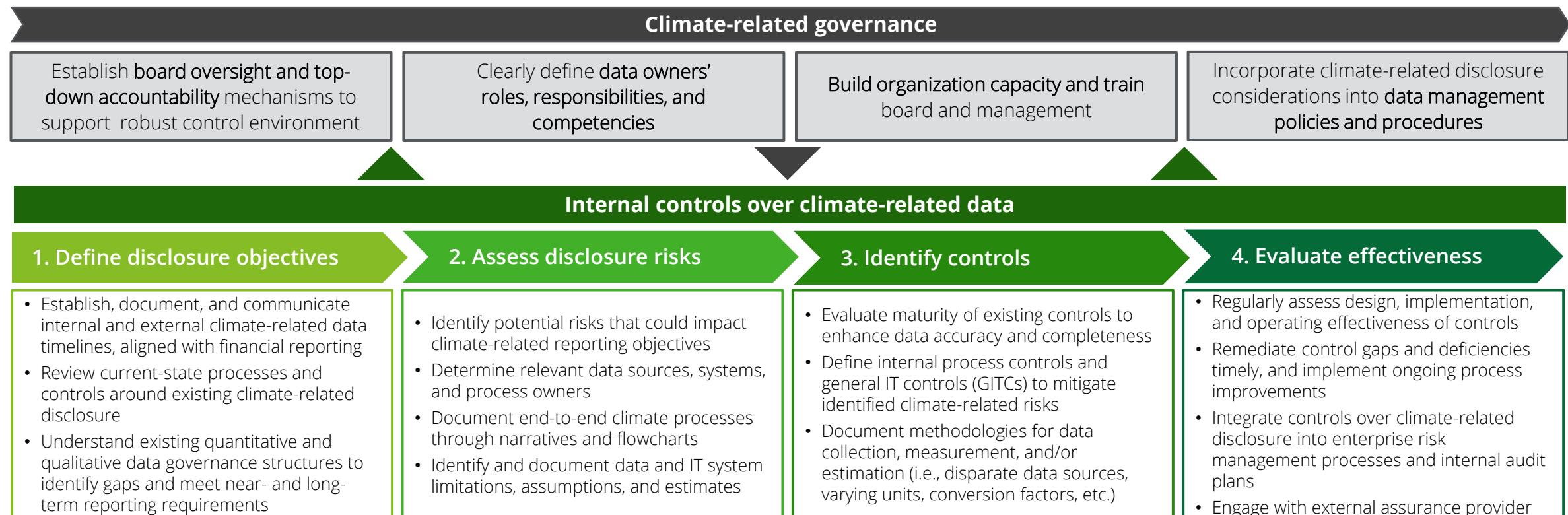
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A deeper look: Governance and controls over climate-related data



The SEC proposed rule calls for disclosure of GHG emissions, Scopes 1 and 2 (and Scope 3 phased in if material or if registrant has Scope 3 target), as well as certain financial statement disclosures, and qualitative and governance disclosures. The Scope 1 and Scope 2 GHG emission disclosures would be subject to limited assurance during a phase-in period, followed by reasonable assurance.

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