



SEC rule to enhance and standardize climate disclosures: moving beyond compliance

Final rule:

On March 6, 2024, the United States (US) Securities and Exchange Commission (SEC) voted to finalize a rule to enhance and standardize climate-related disclosures for investors. Though scaled back from the original proposal, the rule ushers in a new era for climate risk reporting in the US consistent with the global trajectory.

WHAT DOES THIS NEW RULE ACCOMPLISH?

- The new rule will drive greater consistency in climate risk disclosures with a standardized framework to address the needs of the investment community
- The requirements drive global convergence in climate risk reporting by building on widely accepted frameworks and standards like the Task Force on Climate-Related Financial Disclosures (TCFD; now monitored by the [IFRS Foundation](#)) and the Greenhouse Gas Protocol
- The final rule incorporates extensive feedback from companies, investors, and other stakeholders received on the original March 2022 proposal

KEY CHALLENGES:

- Compliance scope
- Data collection and quality
- Monitoring and controls
- Materiality thresholds determinations
- Forward-looking scenario analysis
- Financial statement effects assessments
- Consistency across multiple required disclosures



Core elements of climate-related financial disclosures

HIGHLIGHTS OF THE SEC DISCLOSURE RULES

| Criteria | Proposed Disclosures |
|---------------------------------------|---|
| Climate-Related Risks | Climate-related risks with actual and potential material impacts on a company's business model, strategy, and outlook must be disclosed |
| Transition Plan | If a transition plan exists, companies must disclose a description of the plan (subject to a safe harbor) |
| Scenario Analysis | If scenario analysis is used, and the results of the analysis yield material impacts, companies must disclose a description of results and scenarios used (subject to safe harbor) |
| Internal Carbon Price | If an internal carbon price is used and material to how a company evaluates and manages climate risk, details about the carbon price must be disclosed (subject to safe harbor) |
| Targets and Goals | Targets and goals must be disclosed if it materially affects a company's business, results of operation, or financial condition |
| Greenhouse Gas Emissions (GHG) | Scope 1 and Scope 2 emissions must be disclosed if material (Large Accelerated Filers and Accelerated Filers only) |
| Financial Statement | If material, companies must disclose in its financial statement costs and expenditures due to extreme weather events as well as those related to the purchase of carbon offsets or Renewable Energy Certificates (RECs) |

TIMELINES UNDER SEC RULE:

| | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|---|--------------------------|---|--|--|-------------------|------|------|----------------------|------|
| Large Accelerated Filers | Climate Risk Disclosures | All Disclosures (Climate Risks, GHG Emissions, Financial Statement Effects) | | | | | | | |
| | | | | | Limited Assurance | | | Reasonable Assurance | |
| Accelerated Filers | | Climate Risk Disclosures | Climate Risk and Financial Statement Disclosures | All Disclosures | | | | | |
| | | | | | Limited Assurance | | | | |
| Small Reporting Companies, Emerging Growth Companies, and Non-Accelerated Filers | | | Climate Risk Disclosures | Climate Risk and Financial Statement Disclosures | | | | | |
| | | | | Exempt from Assurance Requirements | | | | | |

BEYOND COMPLIANCE

Complying with these rules will entail new company processes and controls that may be onerous to implement at first, but there are immense opportunities to be realized with a meaningful approach.

Stantec supports an integrated and practical approach:

- Assemble a crosscutting internal group with deep knowledge of the business, strategy, revenue drivers, and relevant data
- Socialize climate risk with educational support and training
- Focus on material impacts that mobilize actions to mitigate risks
- Treat the process as an iterative one
- Recognize that the SEC rule is just one part of the global climate disclosure regime

WHY STANTEC?

- Our ESG advisory services are embedded in a global team of scientists and technical experts
- Our approaches are tailored to your organization's custom needs
- We offer a bridge from planning and reporting to strategy execution
- We help our clients tap into funding sources



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CONTACT US

Connect with our experts:

[Michael Mondshine](#)

Vice President, Sustainability, Energy and Climate Change

[Ashlyn Anderson](#)

Senior Sustainability Consultant

[Natalie Egnot](#)

Managing Health Scientist, ESG Advisor

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