

September 6, 2023

Vanessa A. Countryman  
Secretary, Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090  
(Duplicate via email to:  
[rule-comments@sec.gov](mailto:rule-comments@sec.gov))

Re: File Number S7-10-22  
The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Madame Secretary:

Devon S. Wilson submits this comment in response to the above-referenced Proposing Release, “The Enhancement and Standardization of Climate Related Disclosures for Investors,” 87 Fed. Reg. 21334 (April 11, 2022).<sup>1</sup>

**Introduction.** The Commission’s proposed rule emerges at a time when multiple jurisdictions, foreign and domestic, have adopted, or are considering adoption of, emission disclosure regulations that compel monitoring, verification, and public disclosure of Scope 1, Scope 2, and Scope 3 emissions. In several instances, these regimes compel disclosures that are more expansive than those described in the Proposing Release. They also propose verification obligations that are comparable to or more stringent than those described in the Proposing Release. Accordingly, a very large percentage of registrants, particularly the largest emitters and emitters with foreign operations, will be publicly disclosing more emission data than the Commission proposes to require, even if the Commission’s rules never take effect.

I am aware that the extent to which emission data is already being reported is not necessarily novel information for the SEC. Chair Gensler has recently acknowledged that more than half of large multinational companies already provide climate-risk disclosures under EU regulations and that the goal of the proposed rule is to help bring consistency and comparability to the disclosure process.<sup>2</sup>

These observations reinforce the viability and desirability of an alternative disclosure strategy that has a higher probability of withstanding the legal challenges that are certain to greet the rule after it is adopted. This alternative approach imposes less cost on registrants and investors alike and is rooted in the Commission’s traditional mission of efficient information aggregation in support of capital formation and efficient pricing. *See*, Comments of Professor Joseph A. Grundfest, available at: <https://www.sec.gov/comments/s7-10-22/s71022-20131386-301537.pdf>.

I am informed that a supplement to Professor Grundfest’s comment letter is forthcoming.

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<sup>1</sup> Devon S. Wilson is a 2023 graduate of Stanford Law School.

<sup>2</sup> David Hood, *Gensler ‘Welcomes’ Input from Congress, Public on Climate Rules*, Bloomberg Law (Jul 27, 2023)

Exhibit A to this comment offers a more detailed summary of these and several other pending and adopted emission disclosure requirements.

## European Union Corporate Sustainability Reporting Directive (EU CSRD)

The EU CSRD entered into force in January of 2023.<sup>3</sup> Under the EU CSRD large companies, all companies listed on regulated markets, Non-EU undertakings with substantial EU turnover, and captive insurance and reinsurance undertakings must report their GHG emissions.<sup>4</sup> Large undertakings are defined as those that satisfy two of three criteria: 1) balance sheet total of EUR 20,000,000; 2) net turnover of EUR 40,000,000; 3) average number of employees during the financial year of 250.<sup>5</sup> Non-EU companies with an annual turnover of 150 million euro in the EU are considered to have a substantial EU turnover.<sup>6</sup> Current estimates are that approximately 50,000 European companies will be required to report under the new rule, and that approximately 10,500 foreign entities will be required to report, of which 31% are American, 13% are Canadian, and 11% are British.<sup>7</sup> Thus, more than 3,000 US entities will be required to report pursuant to EU rules.

Companies subject to the CSRD will be required to report according to the European Sustainability Reporting Standards (ESRS), which are developed by the European Financial Reporting Advisory Group (EFRAG).<sup>9</sup> The current EFRAG standards call for reporting companies to provide Scope 1, 2, and 3 emissions. The ESRS defines Scope 3 emissions as “all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.”<sup>10</sup> There is no materiality requirement associated with these reporting obligations.

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<sup>3</sup> European Commission, *Corporate sustainability reporting* (2023) [https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en](https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en)

<sup>4</sup> Council of the EU, *New rules on corporate sustainability reporting: provisional political agreement between the council and the European Parliament*, (June 30, 2022) <https://www.consilium.europa.eu/en/press/press-releases/2022/06/21/new-rules-on-sustainability-disclosure-provisional-agreement-between-council-and-european-parliament/>

<sup>5</sup> Accounting Directive, 2013 (Directive 2013/34/EU) (EU) <https://www.legislation.gov.uk/eudr/2013/34/chapter/1>

<sup>6</sup> *Sustainable economy: Parliament adopts new reporting rules for multinationals*, EUROPEAN PARLIAMENT. (Oct 11, 2022) <https://www.europarl.europa.eu/news/en/press-room/20221107IPR49611/sustainable-economy-parliament-adopts-new-reporting-rules-for-multinationals>

<sup>7</sup> Dieter Holger, *At Least 10,000 Foreign Companies to Be Hit by EU Sustainability Rules*, WALL STREET JOURNAL (April 5, 2023) [https://www.wsj.com/articles/at-least-10-000-foreign-companies-to-be-hit-by-eu-sustainability-rules-307a1406?reflink=desktopwebshare\\_linkedin](https://www.wsj.com/articles/at-least-10-000-foreign-companies-to-be-hit-by-eu-sustainability-rules-307a1406?reflink=desktopwebshare_linkedin)

<sup>8</sup> Elena Philipova, *How many companies outside the EU are required to report under its sustainability rules*, REFINITIV (Jun 2, 2023) <https://www.refinitiv.com/perspectives/regulation-risk-compliance/how-many-non-eu-companies-are-required-to-report-under-eu-sustainability-rules/>

<sup>9</sup> European Commission, *Corporate sustainability reporting* (2023)

<sup>10</sup> *Draft European Sustainability Reporting Standards*, EFRAG (Nov 2022) <https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2F08%2520Draft%2520ESRS%2520E1%2520Climate%2520Change%2520November%25202022.pdf>

Under the CSRD, companies will be required to provide third-party assurances of their disclosures. Companies will initially only need to gain limited assurance but by 2028 it is expected the European Commission will adopt a reasonable assurance standard.<sup>11</sup>

GHG emission information would need to be included in a clearly identifiable section of a company's annual management report.<sup>12</sup> The CSRD itself would not require Member States to impose civil liability for breaches associated with misstatements on their emission disclosures.<sup>13</sup>

Companies could potentially be liable for information produced in these mandatory reports if that information is used for false or misleading advertising under proposed EU consumer protection laws. The European Commission Green Claims Directive published a proposal in March 2023 that would require Member States to enact domestic legislation which ensures that voluntary, explicit environmental claims are accurate and would authorize regulators or third parties such as NGOs, consumer groups, or competitors to bring litigation on 'greenwashing' grounds.<sup>14</sup> Although the EU CSRD is expressly excluded information reported in accordance with the CSRD, claims made that are repurposed in a "business-to-consumer" context could trigger applicability.<sup>15</sup>

## Environmental Protection Agency Greenhouse Gas Reporting Program

Since 2011, the EPA Greenhouse Gas Reporting Program (GHGRP) has required major sources of emissions, defined as facilities that emit more than 25,000 metric tons CO<sub>2</sub>e per year or suppliers of products that would result in 25,000 metric tons CO<sub>2</sub> if those products were released, combusted, or oxidized.<sup>16</sup> Although there are major gaps in the GHGRP's coverage, notably smaller emission sources, the EPA estimates that the GHGRP captures at least 85% of the relevant emissions on a nationwide basis.<sup>17</sup> On the other hand, the GHGRP is substantially more expansive than any proposed SEC emission disclosure requirement because the GHGRP captures emissions by entities that are not SEC registrants, including privately held firms and governmental entities.

Regulations focused on major emitting facilities like the EPA's GHGRP are used to inform programs under the Clean Air Act and to help the Agency better understand the emission levels generated by covered facilities, as distinct from corporate disclosure rules that are

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<sup>11</sup> Thibault Meynier, *EU Finalizes ESG Reporting Rules with International Impacts*, HARVARD LAW SCHOOL FORUM ON CORPORATE GOVERNANCE (Jan 30, 2023) <https://corpgov.law.harvard.edu/2023/01/30/eu-finalizes-esg-reporting-rules-with-international-impacts/>

<sup>12</sup> *Id.*

<sup>13</sup> Cathy Clarkin et al., *Sullivan & Cromwell Discusses EU's Corporate Reporting Requirements*, CLS Blue Sky Blog (Aug. 4, 2022) <https://clsbluesky.law.columbia.edu/2022/08/04/sullivan-cromwell-discusses-eus-corporate-sustainability-reporting-requirements/>

<sup>14</sup> Geneva Forwood, *EU proposes Green Claims Directive to combat greenwashing*, White & Case (Apr. 14, 2023) <https://www.whitecase.com/insight-alert/eu-proposes-green-claims-directive-combat-greenwashing>

<sup>15</sup> *Id.*

<sup>16</sup> *Learn about the Greenhouse Gas Reporting Program*, UNITED STATES ENVIRONMENTAL PROTECTION AGENCY, <https://www.epa.gov/ghgreporting/learn-about-greenhouse-gas-reporting-program-ghgrp>.

<sup>17</sup> Environmental Protection Agency, *Greenhouse Gas Reporting Program (GHGRP) – GHGRP Reported Data*, <https://www.epa.gov/ghgreporting/ghgrp-reported-data>

designed to help issuers and investors better understand their risks related to climate.<sup>18</sup> Nonetheless, by documenting and publicly disclosing these emissions data, the GHGRP informs investors of the emissions by publicly traded entities that have point source emissions sufficiently large to trigger a reporting obligation. This means corporate regulations look at the size of the firm to determine who will be required reporters, whereas the threshold for facility reporting programs focuses on the amount of carbon emitted from a given facility.<sup>19</sup>

These two regulatory frameworks also differ in geographic scope. While programs like the GHGRP cover facilities and supplier located within the US and its territories, the SEC's climate disclosure rule would cover domestic and international firms, to the extent that they are issuers reporting in US markets.<sup>20</sup>

Despite these differences, the information provided through the GHGRP is exceptionally informative for investors and the SEC. More than 3,200 entities are currently reporting under the GHGRP, including many SEC registrants not in the energy industry, such as Goodyear Tire and Rubber Company, Tyson Foods, and Anheuser-Busch.<sup>21</sup>

Emission reports under the EPA's GHGRP are subjected to a multistage verification process. Reports undergo a pre-submittal check before the report is certified and submitted which highlights potential errors like missing data fields or values that fall outside of an expected range.<sup>22</sup> These checks increase compliance by reducing the likelihood that there will be errors in the submitted data that would necessitate a follow-up or audit from the EPA.<sup>23</sup>

Upon certification and submission, the report undergoes a second round of checks to catch errors that are too complex to be identified during pre-submission.<sup>24</sup> This stage is used to make sure data falls within the expected range, is similar to other facilities, is internally consistent, and is consistent with data reported from previous years.<sup>25</sup> Finally, reporters are required to document how the data provided in GHG reports was developed. Such documentation includes a description of when and where samples collected and how those samples were analyzed. Reporters are required to store these records and make sure they are readily available for at least 3 years following each reporting period.<sup>26</sup>

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<sup>18</sup> US EPA, *EPA Comment on SEC Proposed Rule*, (July 10, 2022) <https://www.sec.gov/comments/s7-10-22/s71022-20132508-302990.pdf>.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.*

<sup>21</sup> United States Environmental Protection Agency, Data Sets, <https://www.epa.gov/ghgreporting/data-sets>

<sup>22</sup> United States Environmental Protection Agency, Greenhouse Gas Reporting Program – Report Verification [https://www.epa.gov/sites/default/files/2017-12/documents/ghgrp\\_verification\\_factsheet.pdf](https://www.epa.gov/sites/default/files/2017-12/documents/ghgrp_verification_factsheet.pdf)

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

## Federal Acquisition Regulation (FAR) Rule on Greenhouse Gas Emission Disclosure

The FAR Rule on Greenhouse Gas Emission was published on November 14, 2022.<sup>27</sup> It would apply to companies that have received at least \$50 million in federal contract obligations (defined as “Major Contractors”) or companies that receive less than \$50 million but more than \$7.5 million (defined as “Significant Contractors”).<sup>28</sup> The available award data in the Federal Procurement Data System indicates that there were approximately 4,413 entities that would be classified as significant contractors, all of which were estimated to be small businesses.<sup>29</sup> Data also indicate that 1,353 entities received more than \$50 million in federal contract obligations for Fiscal Year 2021, of which 389 entities were estimated to be small businesses.<sup>30</sup>

Major Contractors are required to report Scope 1, 2, and 3 emissions while Significant Contractors only need to report their Scope 1 and 2 emissions. The FAR Rule defines Scope 3 emissions as “emissions that are a consequence of the operations of the reporting entity but occur at sources other than those owned or controlled by the entity.”<sup>31</sup>

The FAR rule requires contractors with significant contracts to provide their disclosure using the CDP Climate Change Questionnaire and submit their responses through the CDP’s Online Response System (ORS) which annually opens in April and generally has a July submission deadline.<sup>32</sup>

The CDP currently does not differentiate between limited or reasonable assurance and only requires verification to be completed in accordance with “recognized verification standards.”<sup>33</sup> The significant or major contractor would also be required to disclose total annual Scope 1 and 2 emissions in the System for Award Management (SAM).<sup>34</sup>

Significant and Major contractors that fail to submit annual climate disclosures will be considered “nonresponsible,” a finding that would preclude governmental purchases or awards unless certain exceptions apply.<sup>35</sup> It is the responsibility of contract officers to determine nonresponsibility.<sup>36</sup>

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<sup>27</sup> Federal Acquisition Regulation: Disclosure of Greenhouse Gas Emissions and Climate-Related Financial Risk, 87 Fed. Reg. 68312 (Nov. 14, 2022)

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> Frequently Asked Questions: Verification [https://cdn.cdp.net/cdp-production/cms/guidance\\_docs/pdfs/000/000/490/original/CDP-and-verification-partners-FAQ.pdf?1557418260](https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/000/490/original/CDP-and-verification-partners-FAQ.pdf?1557418260)

<sup>34</sup> Federal Acquisition Regulation: Disclosure of Greenhouse Gas Emissions and Climate-Related Financial Risk, 87 Fed. Reg. 68312 (Proposed Nov. 14, 2022)

<sup>35</sup> Responsible Prospective Contractors, 48 CFR §9.1 (2023)

<sup>36</sup> *Contractor Responsibility Determinations*, Department of Energy (March 2012) [https://www.energy.gov/sites/prod/files/Acq\\_Guide\\_Chapter\\_9.4.pdf](https://www.energy.gov/sites/prod/files/Acq_Guide_Chapter_9.4.pdf)

## New York and California State Legislation

Corporate carbon emission disclosure bills are pending in both the New York<sup>37</sup> and California<sup>38</sup> state legislatures. In both cases, the regulated entities are companies, private or public, that do business in the state and have annual revenues exceeding \$1 billion. In California, it's been estimated these rules would apply to 5,400 companies.<sup>39</sup>

Both bills require Scope 1, 2, and 3 reporting.<sup>40</sup> Both define Scope 3 emissions as “indirect greenhouse gas emissions, other than scope 2 emissions, from activities of a reporting entity that stem from sources that the reporting entity does not own or directly control and may include, but are not limited to, emissions associated with the reporting entity’s supply chain, business travel, employee commutes, procurement, waste, and water usage, regardless of location.”<sup>41</sup>

The level of assurance for either bill has yet to be determined. New York’s legislation requires reporting entities to “independently verify” their disclosure by a state emissions registry or a third-party auditor approved by “the department with expertise in greenhouse gas emissions accounting.”<sup>42</sup> New York would require regulate entities to report emissions using the Greenhouse Gas Protocol Corporate Reporting Standard and the Greenhouse Gas Protocol Corporate Value Chain.<sup>43</sup> California also requires the use of GHG Protocol standards and guidance.<sup>44</sup>

While California’s legislation would require the Secretary of State to create a publicly available digital platform housing all reports from reporting entities,<sup>45</sup> New York would place this responsibility the New York State Department of Environmental Conservation or an emissions registry contracted by the department.<sup>46</sup>

As discussed earlier, there are slight differences when it comes to enforcement and penalties associated with the two bills. In New York, the Attorney General is authorized to bring a civil action against a reporting entity seeking civil penalties of \$100,000 per day for willful

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<sup>37</sup> NY Assembly Bill A4123 (2023-2024)

<sup>38</sup> *Lily Jamali*, A push for corporate climate disclosures in California could influence rest of U.S. Marketplace (Mar 3, 2023) <https://www.marketplace.org/2023/03/03/california-corporate-emissions-disclosure-could-affect-the-rest-of-the-country/>

<sup>39</sup>*Id.*

<sup>40</sup> *See* NY Assembly Bill A4123 (2023-2024), “The Department shall adopt regulations to require a reporting entity to annually disclose and verify to the emissions registry all of the reporting entity’s scope one emissions, scope two emissions, and scope three emissions.” *See also* CA SB253 (2023-2024), “the state board shall develop and adopt regulations to require a reporting entity to annually disclose to the emissions reporting organization, and verify, all of the reporting entity’s scope 1 emissions, scope 2 emissions, and scope 3 emissions.”

<sup>41</sup> *Id.*

<sup>42</sup> NY Assembly Bill A4123 (2023-2024)

<sup>43</sup> *Id.*

<sup>44</sup> CA SB253 (2023-2024)

<sup>45</sup> *Id.*

<sup>46</sup> NY Assembly Bill A4123 (2023-2024)

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failure to comply.<sup>47</sup> While California also authorizes their state Attorney General to bring civil actions for violations, those penalties are not explicitly outlined in the bill's text.<sup>48</sup>

**Conclusion.** Multiple domestic and international regulatory regimes already, or soon may, compel public disclosures of Scope 1, 2, and 3 emissions that are at least as robust as the disclosures contemplated by the Proposed Rule. The Commission can be informed by these developments and might consider alternative informationally efficient, low-cost regulatory strategies that leverage these disclosures and that generate lower litigation risk for the agency.

Sincerely,

A handwritten signature in black ink that reads "Devon S. Wilson". The signature is written in a cursive, flowing style.

Devon S. Wilson

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<sup>47</sup> *Id.*

<sup>48</sup> CA SB253 (2023-2024)

# **Exhibit A: Domestic & International Greenhouse Gas Emission Disclosure Regimes**

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## **A Comparative Analysis**

**Devon S. Wilson  
Stanford Law School  
September 6, 2023**



# Summary

1. Major greenhouse gas (GHG) emitters doing business in the US, EU, and other G20 countries will soon be subject to mandatory emission disclosure requirements, unrelated to SEC proposals, that will force expansive scope 1, 2, and 3 disclosures, without materiality qualifications and with verification obligations.
2. The reach of EU and US Federal Acquisition Regulations (FARs) are particularly broad and are not yet fully appreciated by the reporting and environmental communities.
3. Other significant reporting obligations arise from US EPA requirements, pending California and NY State legislation, and UK and Japanese requirements.
4. Major emitters will disclose more information under these regimes than is required by even the most expansive interpretation of the SEC's climate disclosure proposals.
5. Smaller emitters, whether publicly traded or privately held, are the only non-governmental entities in the US and Europe based likely to avoid emission disclosure requirements. Government-owned emitters are generally exempt except under US GHGRP.
6. Major gap in emission disclosures will then persist among emerging markets and geographies that do not require robust, validated GHG disclosure

# Policy Implications

1. These expansive GHG reports will be inconsistent in format and in their definitions of reporting obligations, most notably with respect to Scope 3.
2. Investors will incur substantial costs in analyzing these data and in developing consistent measures of global emissions that avoid double-counting.
3. The SEC's optimal role could be as an information aggregator that collects GHG disclosures at a single site that reduces investor information costs and enhances market efficiency.<sup>1</sup>
4. This approach also dramatically reduces compliance costs for all SEC reporting entities and has a cost-benefit profile far superior to the Commission's current proposals.
5. Very significant reporting gaps will persist with respect to emitters exempt from EU, US, UK, and Japanese reporting obligations. Additional disclosure efforts are best directed at these governments and geographies.

<sup>1</sup> Joseph A Grundfest, *Comment Letter on the Enhancement and Standardization of Climate-Related Disclosures for Investors* (June 15, 2022),

# Status of Major US-Based Emission Disclosure Regimes

<b>SEC Climate Rule</b>	Public Comment Period Closed (Nov 1, 2022) Final Rule Expected Fall 2023
<b>US Federal Acquisition Regulation (FAR)</b>	Public Comment Period Closed (Jan 13, 2023)
<b>New York State Climate Corporate Accountability Act (NY CCAA)</b>	Referred to Environmental Conservation Committee (Jan 9, 2023)
<b>California Climate Corporate Data Accountability Act (CA CCDAA)</b>	Placed on Appropriations suspense file (May 01, 2023)
<b>EPA Greenhouse Gas Reporting Program</b>	Effective January 1, 2010

## **Status of Major Non-US Emission Disclosure Regimes (Europe and Canada)**

<b>EU Corporate Sustainability Reporting Directive (CSRD)</b>	Approved by EU Parliament and Council (Nov 11, 2022)
<b>UK Streamlined Energy &amp; Carbon Reporting (SECR)</b>	Rules are in effect (April 1, 2019)
<b>Canada Standard on the Disclosure of Greenhouse Gas Emissions and the Setting of Reduction Targets</b>	Effective April 2023
<b>Canada Climate Risk Management Guidelines</b>	Enacted March 2023, Effective for Fiscal Year 2024
<b>International Sustainability Standards Board Climate Disclosure Standards</b>	Released June 2023

# Status of Major Non-US Emission Disclosure Regimes (Asia)

<b>China Measures for the Administration of Disclosure of Environmental Information</b>	Disclosure rules are in effect (Feb 8, 2022)
<b>Japan Financial Services Agency Sustainability Disclosure Rules</b>	Effective for reporting financial years that end on or after March 31, 2023.
<b>Hong Kong Stock Exchange Enhancement of Climate-related Disclosures Under the Environmental, Social, and Governance Framework</b>	Consultation Paper Published April 2023, Effective Date 1 January 2024
<b>Singapore Exchange Climate and Board Diversity Disclosures</b>	Published December 2021, Effective January 2022
<b>India Securities and Exchange Board Business Responsibility and Sustainability Reporting</b>	Introduced May 2021, Mandatory FY 2022-2023

## Supporting Materials (1)

1. Proposed EU Corporate Sustainability Reporting Directive
2. Proposed Federal Acquisition Regulations
3. Existing EPA GHG Reporting Program
4. Proposed SEC Climate Disclosure Rules
5. Proposed California and New York State Legislation
6. International Sustainability Standards Boards Guidelines
7. Existing UK Streamlined Energy and Carbon Reporting
8. Existing Japan Financial Services Agency Sustainable Disclosure Rule
8. Existing China Measures for the Administration of Disclosure of Environmental Information

## Supporting Materials (2)

1. Scope 1, 2, and 3 definitions across regulatory frameworks
2. Different activities considered as Scope 3 emissions
3. Scope 3 reporting requirements
4. Differences in assurance obligations
5. Differences in enforcement mechanisms

# Proposed Federal Acquisition Regulation

<b>Covered Entities</b>	<p><b>“Major Contractors”</b> that received at least \$50 million in federal contract obligations million or more in federal contract obligations in the fiscal year as a mandatory element of a FAR Part 9 responsibility determination.</p> <p><b>“Significant Contractors”</b> that receive at least \$7.5 million but less than \$50 million to annually disclose scope 1 and scope 2 emissions.</p> <p>According to the government’s analysis 4,413 entities would qualify as significant contractors, of which 2,835 (or 64%) are small businesses, and another 1,353 entities would qualify as major contractors, of which 389 (29%) are small businesses.</p>
<b>Reporting Requirements</b>	<p>Major Contractors: Scope 1, 2, and 3 emissions.</p> <p>Significant Contractors: Scope 1 and 2 emissions</p>
<b>Validation</b>	<p>The entity responsible for overseeing the corporate emissions reporting, CDP, does not differentiate between limited and reasonable assurance within the CDP scoring methodology.CDP accepts different verification standards and those can use different terminology in relation to levels of assurance.</p>



# Existing EPA Greenhouse Gas Reporting Program

<b>Covered Entities</b>	<p>Facilities or Suppliers are generally expected to report if:</p> <ul style="list-style-type: none"><li>· GHG emissions from covered sources exceed 25,000 metric tons CO<sub>2</sub>e per year; or</li><li>· Supply of certain products would result in over 25,000 metric tons CO<sub>2</sub>e of GHG emissions if those products were released, combusted, or oxidized.[1]</li></ul> <p>More than 8,100 industrial facilities representing ~3,250 companies &amp; 85% of US emissions</p>
<b>Reporting Requirements</b>	<p>Emissions from 1) stationary fuel combustion sources, 2) petroleum &amp; natural gas systems, or</p> <p>Emissions associated with supplies of 1 ) petroleum products and 2) supplies of natural gas &amp; natural gas liquids and to natural gas distribution companies that deliver 460,000 Mscf or more of natural gas per year.</p>
<b>Validation</b>	<p>EPA verifies the accuracy of the data.</p>

# Proposed California & New York State Legislation

<b>Covered Entities</b>	<p><b>California: Public and private US-based companies</b> that do business in California with annual revenues over \$1 billion - Estimated 5,400 companies</p> <p><b>New York: Business entities</b> with total revenues in excess of \$1B in the preceding calendar year, including revenues received by all the business entity's subsidiaries that does business in New York.</p>
<b>Reporting Requirements</b>	Scope 1, 2, and 3
<b>Validation</b>	Disclosures must be 'independently verified' by a state agency (like CARB) or a third-party approved by the agency.

# Proposed SEC Climate Disclosure Rule

<b>Covered Entities</b>	Large Accelerated Filers, Accelerated Filers, & Non-Accelerated Filers, and Smaller Reporting Companies.
<b>Reporting Requirements</b>	Scope 1 and 2 emissions. Scope 3 emissions if material or if the registrant has set a GHG emissions target or goal that includes Scope 3 emissions/
<b>Validation</b>	Registrants would need to meet Limited Assurance requirements for fiscal year 2024 (filed in 2025) and Reasonable Assurance standards for fiscal year 2026 (filed in 2027)

# International Sustainability Standard Board

<b>Covered Entities</b>	<p><b>146 jurisdictions require IFRS Accounting Standards</b> for all or most domestic publicly accountable entities (listed companies and financial institutions) in their capital markets. the UK, Canada, Australia, New Zealand, China, Hong Kong, Singapore, Malaysia, Nigeria and Japan have all signaled their intent to adopt the Standards.</p> <p><b>Seven jurisdictions use national or regional standards:</b> Bolivia, China, Egypt, India, Macao SAR, United States, Vietnam.</p>
<b>Reporting Requirements</b>	Scope 1, 2, and 3 emissions Information related to Scope 3 emissions should be proportional to a company's circumstances and available resources.
<b>Validation</b>	Entities shall prioritize Scope 3 greenhouse gas emissions data that is verified. Verified data might include data that has been internally or externally verified. Verification can take place in several ways, including on-site checking, reviewing calculations, or cross-checking of data against other sources

# Proposed EU Corporate Sustainability Reporting Directive

<b>Covered Entities</b>	1) all <b>large companies incorporated in an EU member state</b> , including EU subsidiaries of non-EU companies that meets two of the following three criteria: (a) a net turnover of more than €40 million; (b) balance sheet total assets greater than €20 million; and/or (c) more than 250 employees; 2) <b>parent companies incorporated in an EU member state</b> , where the group of companies collectively meet the large company criteria; 3) certain <b>non-EU incorporated companies</b> 4) <b>companies listed on an EU-regulated market</b> , including small and medium-sized companies (SMEs)
<b>Reporting Requirements</b>	Scope 1, 2 and 3 Emissions
<b>Validation</b>	Companies will be required to obtain third-party assurance over their CSRD disclosures. Initially, companies will be required to obtain only “limited” assurance. By 2028, however, the European Commission plans to adopt standards for reasonable assurance analogous to the standard currently required for financial statements. Once the Commission has adopted reasonable assurance standards, companies will be required to obtain an assurance opinion to that higher standard.

# Existing UK Streamlined Energy and Carbon Reporting Rule

<b>Covered Entities</b>	All public companies as well as private companies and nonprofits that have two or more of the following: a) 250+ employees b) £36+ annual turnover c) £18m+ balance sheet
<b>Reporting Requirements</b>	Scope 1 and 2 emissions required. Scope 3 emissions mandatory for large unquoted companies and LLPs to disclose related emissions from business travel in rental cars or employee-owned vehicles where they are responsible for repurchasing fuel. Other scope 3 emissions are voluntary, but strongly encouraged.
<b>Validation</b>	No statutory requirement to have environmental information audited. The statutory auditor of the financial statements is not required to audit environmental information in the Strategic or Directors' Reports within the annual report, but an auditor will be required to 1) consider whether the information is materially inconsistent with the financial statements, or the auditor's knowledge obtained in the audit 2) consider whether the information has been prepared in accordance with applicable legal requirements; and 3) report on these matters in the auditor's report.

# Existing Japan Financial Services Agency Sustainable Disclosure Rule

<b>Covered Entities</b>	Reporting companies are subject to the new rules. A company becomes a reporting company once it conducts public offering of securities, whether equity or debt.
<b>Reporting Requirements</b>	The “Disclosure of Sustainability Information”, the attachment of the Principles of Disclosure of Descriptive Information, states that Scope 1 and Scope 2 are not the matters which must be disclosed but matters which are especially desirable to be actively disclosed as information which are helpful for constructive dialogues with investors.
<b>Validation</b>	Third party verification is not required.

# Existing China Measures for the Administration of Disclosure of Environmental Information Rule

<b>Covered Entities</b>	<p>The new rules apply primarily to firms that produce significant environmental impact or pose a public concern. Examples include i) Key Sewage Units; ii) Enterprises that are subject to Mandatory Clean Production Audits; iii) Listed or bond issuing companies that have violated environmental laws in the previous year</p>
<b>Reporting Requirements</b>	<p>Disclosing entities are responsible for reporting “Carbon emission information, including information on emissions, emission facilities, etc.”</p>
<b>Validation</b>	<p>Local departments of ecology and environment are responsible for supervision and inspection of enterprises’ environmental information and disclosure activities. They are encouraged to use technical means such as “big data analysis and artificial intelligence to carry out supervision and inspection”</p> <p>Also includes a whistleblower provision for citizens, legal persons, or other organizations to report to the local departments if they find that covered enterprises have violated any provisions</p>



# Scope 1 Definitions

<b>US FAR</b>	Includes GHG emissions from sources that are owned or controlled by the reporting company.
<b>CA + NY</b>	All direct greenhouse gas emissions that stem from sources that a reporting entity owns or directly controls, regardless of location, including but not limited to, fuel combustion activities
<b>UK SECR</b>	<p>include[s] emissions from activities owned or controlled by the reporting organisation that release emissions into the atmosphere.</p> <p>Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, furnaces, vehicles; emissions from chemical production in owned or controlled process equipment</p> <p>Other examples include Fuel use from transport (where the journey begins or ends in the UK) and combustion of natural gas</p>

## Scope 2 Definitions

<b>US FAR</b>	Includes GHG emissions from sources that are owned or controlled by the reporting company.
<b>CA + NY</b>	Indirect greenhouse gas emissions from electricity purchased and used by a reporting entity, regardless of location.
<b>EU CSRD</b>	Indirect GHG emissions are a consequence of the operations of the undertaking but occur at sources owned or controlled by another company. Scope 2 GHG emissions are indirect emissions from the generation of purchased or acquired electricity, steam, heat, or cooling consumed by the undertaking.

# Scope 3 Definitions

<b>US FAR</b>	Emissions that are a consequence of the operations of the reporting entity but occur at sources other than those owned or controlled by the entity.
<b>CA + NY</b>	Indirect greenhouse gas emissions, other than scope two emissions, from activities of a reporting entity that stem from sources that the reporting entity does not own or directly true and may include, but are not limited to, emissions associated with the reporting entity's supply chain, business travel, employee commutes, procurement, waste, and water usage, regardless of location.
<b>EU CSRD</b>	All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
<b>ISSB</b>	Indirect greenhouse gas emissions (not included in Scope 2 greenhouse gas emissions) that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the Scope 3 categories in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

## US, EU, & UK: What activities fall within scope 3?

<b>US SEC</b>	Emissions attributable to goods and services that the registrant acquires, the transportation of goods (for example, to the registrant), and employee business travel and commuting. Downstream emissions include the use of the registrant's products, transportation of products (for example, to the registrant's customers), end of life treatment of sold products, and investments made by the registrant.
<b>EU CSRD</b>	Scope 3 GHG emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. (GHG Protocol, "A corporate accounting and reporting standard", Glossary, 2004)
<b>UK SECR</b>	Emissions from business travel in rental cars or employee-owned vehicles where they are waste disposal which is not owned or controlled, or purchased materials responsible for purchasing the fuel. Other scope 3 emissions are voluntary but strongly encouraged, where it is a material source of emissions

## US, EU, & UK: Who is required to report scope 3

<b>US SEC Climate Rule</b>	Large Accelerated Filers, Accelerated Filers and Non-Accelerated Filers will be required to report scope 3 emissions when material or or if the registrant has set a GHG emissions target or goal that includes Scope 3
<b>EU CSRD</b>	1) all large companies incorporated in an EU member state, 2) parent companies incorporated in an EU member state, 3) certain non-EU incorporated companies 4) companies listed on an EU-regulated market, including small and medium-sized companies (SMEs)
<b>UK SECR</b>	Scope 3 emissions mandatory for large unquoted companies and LLPs to disclose related emissions from business travel in rental cars or employee-owned vehicles where they are responsible for repurchasing fuel. Other scope 3 emissions are voluntary, but strongly encouraged. All public companies as well as private companies and nonprofits that have two or more of the following: a) 250+ employees b) £36+ annual turnover c) £18m+ balance sheet are 'strongly encouraged' to report Scope 3 emissions.

# Examples of Assurance Obligations

<b>Regulation</b>	<b>Limited</b>	<b>Reasonable</b>	<b>Other</b>
SEC Climate Rule	FY 2024	FY 2026	Registrants would need to meet Limited Assurance requirements for fiscal year 2024 (filed in 2025) and Reasonable Assurance standards for fiscal year 2026 (filed in 2027)
EU CSRD	2025	2028	By 1 October 2026, legislation must be adopted by the Commission relevant to 'limited assurance' engagements, and in relation to more onerous 'reasonable assurance' engagements by 1 October 2028. From 2025, an independent third party must provide limited assurance
UK	None	None	No Statutory Requirement
NY + CA			Public disclosures will be 'independently verified' by a state agency (like CARB) or a third-party approved by the agency.

## US, EU, & UK: What are the assurance obligations?

<b>US SEC Climate Rule</b>	Registrants would need to meet Limited Assurance requirements for fiscal year 2024 (filed in 2025) and Reasonable Assurance standards for fiscal year 2026 (filed in 2027)
<b>EU CSRD</b>	By 1 October 2026, legislation must be adopted by the Commission relevant to 'limited assurance' engagements, and in relation to more onerous 'reasonable assurance' engagements by 1 October 2028. From 2025, an independent third party must provide limited assurance
<b>UK SECR</b>	There is no statutory requirement to have environmental information audited. The statutory auditor of the financial statements is not required to audit environmental information in the Strategic or Directors' Reports within the annual report, but an auditor will be required to 1) consider whether the information is materially inconsistent with the financial statements, or the auditor's knowledge obtained in the audit 2) consider whether the information has been prepared in accordance with applicable legal requirements; and 3) report on these matters in the auditor's report.

# US, EU, and UK: Potential liability & enforcement

<b>US SEC Climate Rule</b>	The SEC's rule provides a safe harbor from liability for Scope 3 emissions disclosure, there is also forward looking statement safe harbors pursuant to the Private Securities Litigation Reform Act
<b>EU CSRD</b>	Individual member states will have 18 months to phase-in core CSRD criteria into laws. Specific EU countries will set their own enforcement and penalty rules under the CSRD.
<b>UK SECR</b>	CEOs and CFOs must review all financial reports and that the reports are “fairly presented” and don't contain misrepresentations. Companies are liable to a civil penalty in accordance with section 453 of the Companies Act of 2006. Section 453 states that companies are liable to a civil penalty when they fail to meet their duties under section 441.