Notes on the SEC's Proposal: The Enhancement and Standardization of Climate-Related Disclosures for Investors (Mar. 21, 2022)[1]
Caroline Bradley

Explanation of SEC authority (pp 9-14): "Investors need information about climate-related risks—and it is squarely within the Commission's authority to require such disclosure in the public interest and for the protection of investors—because climate-related risks have present financial consequences that investors in public companies consider in making investment and voting decisions... Investors have noted that climate-related inputs have many uses in the capital allocation decision-making process including, but not limited to, insight into governance and risks management practices,.. integration into various valuation models, and credit research and assessments... Further, we understand investors often employ diversified strategies, and therefore do not necessarily consider risk and return of a particular security in isolation but also in terms of the security's effect on the portfolio as a whole, which requires comparable data across registrants. While climate-related risks implicate broader concerns—and are subject to various other regulatory schemes—our objective is to advance the Commission's mission to protect investors, maintain fair, orderly and efficient markets, and promote capital formation, not to address climate-related issues more generally. In particular, the impact of climate-related risks on both individual businesses and the financial system as a whole are well documented...these climate-related risks and their financial impact could negatively affect the economy as a whole and create systemic risk for the financial system... SEC-reporting companies and their investors are an essential component of this system...Climate-related risks can affect a company's business and its financial performance and position in a number of ways. Severe and frequent natural disasters can damage assets, disrupt operations, and increase costs...Transitions to lower carbon products, practices, and services, triggered by changes in regulations, consumer preferences,.. availability of financing, technology and other market forces,.. can lead to changes in a company's business model... Governments around the world have made public commitments to transition to a lower carbon economy, and efforts towards meeting those greenhouse gas ("GHG") reduction goals have financial effects that may materially impact registrants... In addition, banking regulators have recently launched initiatives to incorporate climate risk in their supervision of financial institutions. How a company assesses and plans for climate-related risks may have a significant impact on its future financial performance and investors' return on their investment in the company.
Consistent, comparable, and reliable disclosures on the material climate-related risks public companies face would serve both investors and capital markets. Investors would be able to use this information to make investment or voting decisions in line with their risk preferences. Capital allocation would become more efficient as investors are better able to price climate-related risks. In addition, more transparency and comparability in climate-related disclosures would foster competition. Many other jurisdictions and

[1]The footnotes in the proposal are omitted in this document.

financial regulators around the globe have taken action or reached similar conclusions regarding the importance of climate-related disclosures and are also moving towards the adoption of climate-related disclosure standards....as climate-related impacts have increasingly been well-documented and awareness of climate-related risks to businesses and the economy has grown,.. investors have increased their demand for more detailed information about the effects of the climate on a registrant's business and for more information about how a registrant has addressed climate-related risks and opportunities when conducting its operations and developing its business strategy and financial plans... It is appropriate for us to consider such investor demand in exercising our authority and responsibility to design an effective and efficient disclosure regime under the federal securities laws."

P 31: "the proliferation of third-party reporting frameworks has contributed to reporting fragmentation, which can hinder investors' ability to understand and compare registrants' climate-related disclosures. An analysis conducted by the World Business Council for Sustainable Development found that investors had difficulty using existing sustainability disclosures because they lack consistency and comparability... In addition, a 2020 study by the Yale Initiative on Sustainable Finance found that the proliferation of reporting frameworks may have made reporting more difficult for issuers.. Moreover, given the voluntary nature of these third-party frameworks, there may not be sufficient incentives or external disciplines to ensure that companies are providing complete and robust disclosure under those frameworks."

GHG Protocol (pp 41-2): "Under the GHG Protocol, Scope 1 emissions are direct GHG emissions that occur from sources owned or controlled by the company. These might include emissions from company-owned or controlled machinery or vehicles, or methane emissions from petroleum operations. Scope 2 emissions are those emissions primarily resulting from the generation of electricity purchased and consumed by the company...Because these emissions derive from the activities of another party (the power provider), they are considered indirect emissions. Scope 3 emissions are all other indirect emissions not accounted for in Scope 2 emissions. These emissions are a consequence of the company's activities but are generated from sources that are neither owned nor controlled by the company... These might include emissions associated with the production and transportation of goods a registrant purchases from third parties, employee commuting or business travel, and the processing or use of the registrant's products by third parties."

Summary of proposed rules (pp 42-48) "We are proposing to add a new subpart to Regulation S-K, 17 CFR 229.1500-17 CFR 229.1507... that would require a registrant to disclose certain climate-related information, including information about its climate-related risks that are reasonably likely to have material impacts on its business or consolidated financial statements, and GHG emissions metrics that could help investors assess those risks... A registrant may also include disclosure about its climate-related opportunities. The proposed new subpart to Regulation S-K would include an attestation requirement for accelerated filers... and large accelerated filers...

regarding certain proposed GHG emissions metrics disclosures...
We are also proposing to add a new article to Regulation S-X, 17 CFR 210.14-01-17 CFR 210.14-02 ("Article 14 of Regulation S-X") that would require certain climate-related financial statement metrics and related disclosure to be included in a note to a registrant's audited financial statements..The proposed financial statement metrics would consist of disaggregated climate-related impacts on existing financial statement line items. As part of the registrant's financial statements, the financial statement metrics would be subject to audit by an independent registered public accounting firm, and come within the scope of the registrant's internal control over financial reporting ("ICFR").

1. Content of the Proposed Disclosures
The proposed climate-related disclosure framework is modeled in part on the TCFD's recommendations, and also draws upon the GHG Protocol. In particular, the proposed rules would require a registrant to disclose information about:
• The oversight and governance of climate-related risks by the registrant's board and management;..
• How any climate-related risks identified by the registrant have had or are likely to have a material impact on its business and consolidated financial statements, which may manifest over the short-, medium-, or long-term;[2]..
• How any identified climate-related risks have affected or are likely to affect the registrant's strategy, business model, and outlook;..
• The registrant's processes for identifying, assessing, and managing climate-related risks and whether any such processes are integrated into the registrant's overall risk management system or processes;..
• The impact of climate-related events (severe weather events and other natural conditions as well as physical risks identified by the registrant) and transition activities (including transition risks identified by the registrant) on the line items of a registrant's consolidated financial statements and related expenditures,.. and disclosure of financial estimates and assumptions impacted by such climate-related events and transition activities...
• Scopes 1 and 2 GHG emissions metrics, separately disclosed, expressed:
o Both by disaggregated constituent greenhouse gases and in the aggregate, and
o In absolute and intensity terms;..
• Scope 3 GHG emissions and intensity, if material, or if the registrant has set a GHG emissions reduction target or goal that includes its Scope 3 emissions; and
• The registrant's climate-related targets or goals, and transition plan, if any...
When responding to any of the proposed rules' provisions concerning governance, strategy, and risk management, a registrant may also disclose information concerning any identified climate-related opportunities."

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[2] The proposal does not define these time-frames, proposing to leave definition to the issuer. See pp 67-68.

The disclosure is to be provided in registration statements and annual reports under the Exchange Act.

Attestation requirement (for assurance): “The proposed rules would provide minimum attestation report requirements, minimum standards for acceptable attestation frameworks, and would require an attestation service provider to meet certain minimum qualifications. The proposed rules would not require an attestation service provider to be a registered public accounting firm.”

Requirements will be phased in, with additional phase in provisions for Scope 3 emissions, a safe harbor for Scope 3 emissions, and an exemption form the Scope 3 emissions requirement for smaller reporting companies.

Material climate-related risks (pp 59-67): “A central focus of the Commission’s proposed rules is the identification and disclosure of a registrant’s material climate-related risks. The proposed rules would require a registrant to disclose any climate-related risks reasonably likely to have a material impact on the registrant’s business or consolidated financial statements...A registrant may also disclose, as applicable, the actual and potential impacts of any climate-related opportunities it is pursuing... The proposed definitions are substantially similar to the TCFD’s definitions of climate-related risks and climate-related opportunities... We have based our definitions on the TCFD’s definitions because they provide a common terminology that allows registrants to disclose climate-related risks and opportunities in a consistent and comparable way. Grounding our definitions in a framework that is already widely accepted also could help limit the burden on issuers to identify and describe climate-related risks and improve the comparability and usefulness of the disclosures for investors.

As proposed, “climate-related risks” means the actual or potential negative impacts of climate-related conditions and events on a registrant’s consolidated financial statements, business operations, or value chains, as a whole... “Value chain” would mean the upstream and downstream activities related to a registrant’s operations... Under the proposed definition, upstream activities include activities by a party other than the registrant that relate to the initial stages of a registrant’s production of a good or service (e.g., materials sourcing, materials processing, and supplier activities). Downstream activities would be defined to include activities by a party other than the registrant that relate to processing materials into a finished product and delivering it or providing a service to the end user (e.g., transportation and distribution, processing of sold products, use of sold products, end of life treatment of sold products, and investments)... We have proposed including a registrant’s value chain within the definition of climate-related risks to capture the full extent of a registrant’s potential exposure to climate-related risks, which can extend beyond its own operations to those of its suppliers, distributors, and others engaged in upstream or downstream activities....

Climate-related conditions and events can present risks related to the physical impacts of the climate (“physical risks”) and risks related to a potential transition to a lower carbon economy (“transition risks”). As proposed, “physical risks” is defined to include both acute and chronic risks to a registrant’s business operations or the operations of those with whom it does business... “Acute risks” is defined as event-driven risks related to shorter-term extreme weather events, such as hurricanes, floods, and tornadoes... “Chronic risks” is defined as those risks that the business may face as a result of longer term weather patterns and related effects, such as sustained higher temperatures, sea level rise, drought, and increased wildfires, as well as related effects such as decreased arability of farmland, decreased habitability of land, and decreased availability of fresh water... Many of these physical risks have already impacted and may continue to impact registrants across a wide range of economic sectors... The proposed rules would define transition risks to mean the actual or potential negative impacts on a registrant’s consolidated financial statements, business operations, or value chains attributable to regulatory, technological, and market changes to address the mitigation of, or adaptation to, climate-related risks... Transition risks would include, but are not limited to, increased costs attributable to climate-related changes in law or policy, reduced market demand for carbon-intensive products leading to decreased sales, prices, or profits for such products, the devaluation or abandonment of assets, risk of legal liability and litigation defense costs, competitive pressures associated with the adoption of new technologies, reputational impacts (including those stemming from a registrant’s customers or business counterparties) that might trigger changes to market behavior, changes in consumer preferences or behavior, or changes in a registrant’s behavior. A registrant that has significant operations in a jurisdiction that has made a GHG emissions reduction commitment would likely be exposed to transition risks related to the implementation of the commitment...

The proposed rules would require a registrant to specify whether an identified climate-related risk is a physical or transition risk so that investors can better understand the nature of the risk.. and the registrant’s actions or plan to mitigate or adapt to the risk... If a physical risk, the proposed rules would require a registrant to describe the nature of the risk, including whether it may be categorized as an acute or chronic risk...

The proposed rules would require a registrant to include in its description of an identified physical risk the location of the properties, processes, or operations subject to the physical risk... The proposed location disclosure would only be required for a physical risk that a registrant has determined has had or is likely to have a material impact on its business or consolidated financial statements. In such instances, a registrant would be required to provide the ZIP code for the location or, if the location is in a jurisdiction that does not use ZIP codes, a similar subnational postal zone or geographic location... Because physical risks can be concentrated in particular geographic areas, the proposed disclosure would allow investors to better assess the risk exposure of one or more registrants with properties or operations in a particular area. One commenter cited location information as a key component of how it, as an investor, assesses the climate risk facing a company, particularly for companies with fixed assets that may be disproportionately exposed to climate-related physical risks... Several other commenters recommended that we require the disclosure of certain climate data to be disaggregated by location using a point source’s zip code for risk assessment... Disclosing the zip codes of its identified material climate-related risks, rather than a broader location designation, could help investors more accurately assess a registrant's specific risk exposure.

Some registrants might be exposed to water-related acute physical risks, such as flooding, which could impair a registrant's operations or devalue its property. If flooding presents a material physical risk, the proposed rules would require a registrant to disclose the percentage of buildings, plants, or properties (square meters or acres) that are located in flood hazard areas in addition to their location... This information could help investors evaluate the magnitude of a registrant's exposure to flooding, which, for example, could cause a registrant in the real estate sector to lose revenues from the rental or sale of coastal property or incur higher costs or a diminished ability to obtain property insurance, or a manufacturing registrant to incur increased expenses due to the need to replace water-damaged equipment or move an entire plant.

Additional disclosure would be required if a material risk concerns the location of assets in regions of high or extremely high water stress... For example, some registrants might be impacted by water-related chronic physical risks, such as increased temperatures and changes in weather patterns that result in water scarcity. Registrants that are heavily reliant on water for their operations, such as registrants in the energy sector, materials and buildings sector, or agriculture sector,.. could face regulatory restrictions on water use, increased expenses related to the acquisition and purchase of alternative sources of water, or curtailment of its operations due to a reduced water supply that diminishes its earning capacity. If the location of assets in regions of high or extremely high water stress presents a material risk, the proposed rules would require a registrant to disclose the amount of assets (e.g., book value and as a percentage of total assets) located in such regions in addition to their location. The registrant would also be required to disclose the percentage of its total water usage from water withdrawn in those regions... These disclosures could help investors understand the magnitude of a registrant's material water-stress risks with a degree of specificity that might not be elicited under our current risk factor disclosure standards. Any increased temperatures could also materially impact a registrant in other ways. For example, a registrant in the construction industry might be required to disclose the physical risk of increased heat waves that affect the ability of its personnel to safely work outdoors, which could result in a cessation or delay of operations, and a reduction in its current or future earnings... A registrant operating in wildfire-prone areas could be exposed to potential disruption of operations, destruction of property, and relocation of personnel in the event of heat-induced wildfires... A registrant in the real estate sector might similarly be required to disclose the likelihood that sea levels could rise faster than expected and reduce the value of its coastal properties...

The proposed rules would require a registrant to describe the nature of transition risks, including whether they relate to regulatory, technological, market (including changing consumer, business counterparty, and investor preferences), liability, reputational, or other transition-related factors, and how those factors impact the registrant... For example, an automobile manufacturer might describe how market factors, such as changing consumer and investor preferences for low-emission vehicles, have impacted or will likely impact its production choices, operational capabilities, and future

expenditures. An energy producer might describe how regulatory and reputational factors have impacted or are likely to impact its operational activities, reserve valuations, and investments in renewable energy. An industrial manufacturer might describe how investments in innovative technologies, such as carbon capture and storage, have impacted or are likely to impact its consolidated financial statements, such as by increasing its capital expenditures.
Climate related conditions and any transition to a lower carbon economy may also present opportunities for companies and investors. The proposed rules would define "climate-related opportunities" to mean the actual or potential positive impacts of climate-related conditions and events on a registrant's consolidated financial statements, business operations, or value chains, as a whole.. Efforts to mitigate or adapt to the effects of climate-related conditions and events can produce opportunities, such as cost savings associated with the increased use of renewable energy, increased resource efficiency, the development of new products, services, and methods, access to new markets caused by the transition to a lower carbon economy, and increased resilience along a registrant's supply or distribution network related to potential climate-related regulatory or market constraints. A registrant, at its option, may disclose information about any climate-related opportunities it may be pursuing when responding to the proposed disclosure requirements concerning governance, strategy, and risk management in connection with climate-related risks. We are proposing to treat this disclosure as optional to allay any anti-competitive concerns that might arise from a requirement to disclose a particular business opportunity... By defining "climate-related opportunities," the proposed rules would promote consistency when such opportunities are disclosed, even if such disclosure is not required."

Forward-looking statements and materiality (p70-71) : "To help ensure that management considers the dynamic nature of climate-related risks, we are proposing to require a registrant to discuss its assessment of the materiality of climate-related risks over the short, medium, and long term. We recognize that determining the likely future impacts on a registrant's business may be difficult for some registrants. Commenters have noted that the science of climate modelling has progressed in recent years and enabled the development of various software tools and that climate consulting firms are available to assist registrants in making this determination... We also note that, under our existing rules, registrants long have had to disclose forward-looking information, including pursuant to MD&A requirements. To the extent that the proposed climate-related disclosures constitute forward-looking statements, as discussed below,.. the forward-looking statement safe harbors pursuant to the Private Securities Litigation Reform Act ("PSLRA")...would apply, assuming the conditions specified in those safe harbor provisions are met... We note, however, that there are important limitations to the PSLRA safe harbor. For example, we are proposing that climate-related disclosures would be required in registration statements, including those for initial public offerings, and forward-looking statements made in connection with an initial public offering are excluded from the protections afforded by the PSLRA. In addition, the PSLRA does not limit the Commission's ability to bring enforcement actions."

Disclosures of carbon offsets, renewable energy credits, internal carbon price, scenario analysis, if used (pp 81-92)

Financial Statement Metrics (pp 115-153)
Financial Impact Metrics, Expenditure Metrics; and Financial Estimates and Assumptions: "for each type of financial statement metric, the proposed rules would require the registrant to disclose contextual information to enable a reader to understand how it derived the metric, including a description of significant inputs and assumptions used, and if applicable, policy decisions made by the registrant to calculate the specified metrics."

GHG Emissions Metrics Disclosure (pp 153-187) "the proposed rules would require a registrant to disclose its GHG emissions for its most recently completed fiscal year... As institutional investors and other commenters have indicated, GHG emissions information is important to investment decisions for various reasons, including because GHG emissions data is quantifiable and comparable across industries and can be particularly useful in conducting a transition risk analysis;.. it can be used to evaluate the progress in meeting net-zero commitments and assessing any associated risks;.. and it may be relevant to investment or voting decisions because GHG emissions could impact the company's access to financing, as well as its ability to reduce its carbon footprint in the face of regulatory, policy, and market constraints... Thus, while the justifications for the proposed GHG emissions disclosures overlap in some respects with the justifications for the other proposed climate-related disclosure rules, the GHG emissions requirements are intended to address separate challenges... The proposed rules would define "greenhouse gases" as carbon dioxide ("CO2"); methane ("CH4"); nitrous oxide ("N2O"); nitrogen trifluoride ("NF3"); hydrofluorocarbons ("HFCs"); perfluorocarbons ("PFCs"); and sulfur hexafluoride ("SF6")... Similar to the GHG Protocol, the proposed rules would define:..

• Scope 1 emissions as direct GHG emissions from operations that are owned or controlled by a registrant;..
• Scope 2 emissions as indirect GHG emissions from the generation of purchased or acquired electricity, steam, heat, or cooling that is consumed by operations owned or controlled by a registrant;.. and
• Scope 3 emissions as all indirect GHG emissions not otherwise included in a registrant's Scope 2 emissions, which occur in the upstream and downstream activities of a registrant's value chain... Upstream emissions include emissions attributable to goodsand 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...

The proposed rules would require a registrant to disclose its total Scope 1 emissions separately from its total Scope 2 emissions after calculating them from all sources that are included in the registrant's organizational and operational boundaries... A registrant would also be required to disclose separately its total Scope 3 emissions for the fiscal year if those emissions are material, or if it has set a GHG emissions reduction target or goal that includes its Scope 3 emissions... For each of its Scopes 1, 2, and 3 emissions, the proposed rules would require a registrant to disclose the emissions both disaggregated by each constituent greenhouse gas (e.g., by carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), nitrogen trifluoride (NF_3), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF_6)) and in the aggregate. 405 By requiring the disclosure of GHG emissions both disaggregated by the constituent greenhouse gases and in the aggregate, investors could gain decision-useful information regarding the relative risks to the registrant posed by each constituent greenhouse gas in addition to the risks posed by its total GHG emissions by scope. For example, if a government targets reduction of a specific greenhouse gas, knowing that a registrant has significant emissions of such gas would provide insight into potential impacts on the registrant's business.406 Because measuring the constituent greenhouse gases is a necessary step in calculating a registrant's total GHG emissions per scope, the proposed disaggregation by each constituent greenhouse gas should not create significant additional burdens.

Consistent with the GHG Protocol, the proposed rules would require a registrant to express each scope of its GHG emissions in terms of carbon dioxide equivalent ("CO_2e")... CO_2e is the common unit of measurement used by the GHG Protocol to indicate the global warming potential ("GWP").. of each greenhouse gas, expressed in terms of the GWP of one unit of carbon dioxide (CO_2)... Requiring a standard unit of measurement for GHG emissions, rather than different units of measurement for the different greenhouse gases, should simplify the disclosure for investors and enhance its comparability across registrants with different types of GHG emissions.

For all scopes of GHG emissions, the proposed rules would require a registrant to disclose GHG emissions data in gross terms, excluding any use of purchased or generated offsets... Because the value of offsets can vary depending on restrictions that are or may be imposed by regulation or market conditions, disclosing GHG emissions data in this manner would allow investors to assess the full magnitude of climate-related risk posed by a registrant's GHG emissions and the registrant's plans for managing such risk. This proposed approach also is consistent with the approach taken by the GHG Protocol...

..An increasing number of investors have identified GHG emissions as material to their investment decision-making and are either purchasing this information from third-party providers or engaging with companies to obtain the information directly. In each situation, there is a lack of consistency, comparability, and reliability in those data that our proposal seeks to address....

...We acknowledge that a registrant's material Scope 3 emissions is a relatively new type of metric, based largely on third-party data, that we have not previously required. We are proposing the disclosure of this metric because we believe capital markets have begun to assign financial value to this type of metric, such that it can be material information for investors about financial risks facing a company. Scope 3 emissions disclosure is an integral part of both the TCFD.. framework and the GHG Protocol,.. which are widely accepted. It also has been widely recognized that, for some companies, disclosure of just Scopes 1 and 2 emissions could convey an incomplete, and potentially misleading, picture... We have attempted to calibrate our proposal to balance investors' demand for this information with the current limitations of the Scope 3 emissions data."

GHG Emissions Methodology (p 193-217) "The proposed rules would require a registrant to describe the methodology, significant inputs, and significant assumptions used to calculate its GHG emissions metrics.. As proposed, the description of the registrant's methodology must include the registrant's organizational boundaries, operational boundaries, calculation approach, and any calculation tools used to calculate the registrant's GHG emissions... Organizational boundaries would be defined to mean the boundaries that determine the operations owned or controlled by a registrant for the purpose of calculating its GHG emissions... Operational boundaries would be defined to mean the boundaries that determine the direct and indirect emissions associated with the business operations owned or controlled by a registrant... This information should help investors understand the scope of a registrant's operations included in its GHG emissions metrics and how those metrics were measured."

The Scope 3 Emissions Disclosure Safe Harbor (p 217-224) Safe harbor for Scope 3 emissions disclosures from certain forms of liability under the Federal securities laws: " While we are not proposing a broad safe harbor for all climate-related disclosures, many of which are similar to other business and financial information required by Commission rules, we are proposing a targeted safe harbor for Scope 3 emissions data in light of the unique challenges associated with this information. The proposed safe harbor would provide that disclosure of Scope 3 emissions by or on behalf of the registrant would be deemed not to be a fraudulent statement unless it is shown that such statement was made or reaffirmed without a reasonable basis or was disclosed other than in good faith...For purposes of the proposed safe harbor, the term "fraudulent statement" would be defined to mean a statement that is an untrue statement of material fact, a statement false or misleading with respect to any material fact, an omission to state a material fact necessary to make a statement not misleading, or that constitutes the employment of a manipulative, deceptive, or fraudulent device, contrivance, scheme, transaction, act, practice, course of business, or an artifice to defraud as those terms are used in the Securities Act or the Exchange Act or the rules or regulations promulgated thereunder... The proposed safe harbor is intended to mitigate potential liability concerns associated with providing emissions disclosure based on third-party information by making clear that registrants would only be liable for such disclosure if it was made without a reasonable basis or was disclosed other than in good faith. It also may encourage more robust Scope 3 emissions information, to the extent registrants feel reassured about relying on actual third-party data as opposed to national or industry averages for their emissions estimates."

Attestation of Scope 1 and 2 Emissions Disclosure (pp 224-248): "Our rules typically do not require registrants to obtain assurance over disclosure provided outside of the financial statements, including quantitative disclosure. We believe, however, that

there are important distinctions between existing quantitative disclosure required to be provided outside of the financial statements and the proposed GHG emissions disclosure. In contrast to GHG emissions disclosure, quantitative disclosure outside of the financial statements typically is derived, at least in part, from the same books and records that are used to generate a registrant's audited financial statements and accompanying notes and that are subject to ICFR. Accordingly, such quantitative disclosure has been subject to audit procedures as part of the audit of the financial statements in the same filing. Further, the auditor's read and consider obligation requires an evaluation of this quantitative information based on the information obtained through the audit of the financial statements... Unlike other quantitative information that is provided outside of the financial statements, GHG emissions disclosure would generally not be developed from information that is included in the registrant's books and records and, therefore, would not be subjected to audit procedures... In addition, although not an assurance engagement, we have adopted rules requiring an expert to review and provide conclusions on other specialized, quantitative data that is provided outside of the financial statements.[3] Accordingly, to enhance its reliability, we believe it is appropriate to require that GHG emissions disclosure be subject to third-party attestation...
To improve accuracy, comparability, and consistency with respect to the proposed GHG emissions disclosure, we are proposing to require a minimum level of attestation services for accelerated filers and large accelerated filers including: (1) limited assurance for Scopes 1 and 2 emissions disclosure that scales up to reasonable assurance after a specified transition period; (2) minimum qualifications and independence requirements for the attestation service provider; and (3) minimum requirements for the accompanying attestation report. These proposed requirements would be minimum standards that the GHG emissions attestation provider engaged by accelerated filers and large accelerated filers must meet, but, as mentioned above, would not prevent a registrant from obtaining a heightened level of assurance over its climate-related disclosures (prior to the transition to reasonable assurance) or to obtain assurance over climate-related disclosures other than Scope 1 and Scope 2 emissions.."

[3] Here the proposal cites to Modernization of Property Disclosures for Mining Registrants, Release No. 33-10570 (Oct. 31, 2018), [83 FR 66344 (Dec. 26, 2018)].