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SEC Final Climate Rules: Key Facts and Considerations

What companies are covered?	Securities and Exchange Commission-registered domestic issuers and foreign private issuers (FPIs) are subject to the new rules. Emissions reporting is limited to large accelerated filers (LAFs) and accelerated filers (AFs).
When is initial disclosure due?	Reporting is based on fiscal years beginning (FYBs) in given calendar years (e.g., FYB25 includes fiscal years beginning in January through December 2025). Initial annual report disclosure (10-K or 20-F) will be due for: • **LAFs:** FYB25 (filed in 2026); FYB26 for material expenditures under Items 1502 and 1504 and GHG emissions; FYB29 for assurance. • **AFs:** FYB26 (filed in 2027); FYB27 for material expenditures under Items 1502 and 1504; FYB28 for GHG emissions; FYB31 for assurance. • **Non-accelerated filers:** FYB27 (filed in 2028); FYB28 for material expenditures.
What forms are affected?	• Annual reports on Forms 10-K and 20-F, and registration statements on Forms 10, 20-F, S-1, F-1, S-3, F-3, S-4 and F-4. • Annual emissions disclosure may be made in the next Q2 10-Q or 10-K/As at this time, or 20-F/As 225 days after fiscal year-end.
Key changes from the 2022 proposed rules	• Elimination of Scope 3 emissions reporting requirements. • Scope 1 and 2 emissions reporting subject to materiality. • Scaling back financial statement requirements under Reg S-X and eliminating financial impact metrics.
Safe harbors, Reg S-K Item 1507	Forward-looking statements – e.g., targets and goals, scenario analysis, transition plans, use of internal carbon prices.
Governance disclosure Reg S-K Item 1501	Description of board and management oversight of climate risk – including oversight of targets and transition plans, expertise of responsible management figures, and reporting up of climate risk information to the board.
Climate risk disclosure Reg S-K Item 1502(a)-(b)	Disclosure of physical risks (acute and chronic) and transition risks (regulatory, technology, litigation, consumer, market, etc.) reasonably likely to materially impact business, strategy, results of operations or financial condition.
Climate strategy and expenditures Reg S-K Item 1502(c)-(g)	Description of how the impact of risks is integrated into strategy and planning, including the role of targets. Details of transition plans or scenario analyses used in connection with material risks. Quantitative and qualitative description of material expenditures incurred for risk mitigation and adaptation.
Risk management Reg S-K Item 1503	Description of processes for assessing and managing material climate risks and integration into overall risk management systems.
Climate targets and goals Reg S-K Item 1504	Activities covered by material targets, strategies for target achievement, and details on material carbon offset or renewable energy certificate (REC) usage. Annual updates on actions taken, including material expenditures.
Scope 1 and 2 emissions Reg S-K Item 1505(a)	Limited to LAFs and AFs – other than smaller reporting companies (SRCs) and emerging growth companies (EGCs). Emissions disclosed by scope and in the aggregate and presented in gross terms, not including offsets. Any individual material gas must be separately presented.
Emissions methodology Reg S-K Item 1505(b)	Companies reporting emissions must describe methodology, inputs, estimates and assumptions, and operational and organizational reporting boundaries. Explanations must be provided for material differences between organizational boundaries and entities included in financial statements.
Emissions materiality	Emissions disclosure is required only if either Scope 1 or 2 emissions are material under the traditional federal securities law conception of materiality. Examples of materiality include exposure to transition risk or companies with transition plans or emissions targets disclosable under S-K Items 1502 or 1504. Not all material climate risks make emissions material.
Attestation Reg S-K Item 1506	Scope 1 and 2 limited assurance due for LAFs (FYB29 report) and AFs (FYB31 report). Only LAFs must provide reasonable assurance – due for FYB33 reports – subject to standards and independence requirements. Companies that voluntarily obtain third-party assurance outside of Item 1506 requirements will be required to provide disclosure on the assurance provider and assurance scope and results.
Financial statements Reg S-X Article 14	Disclosure of aggregate expenditures and capitalized costs related to severe weather events and other natural conditions, as well as offsets and RECs material to S-K Item 1504 targets. Must also provide contextual information about inputs, assumptions and judgments used and policy decisions made to calculate required disclosure.
Application to FPIs	No home country rule exemption for FPIs, other than the ability to use International Financial Reporting Standards (IFRS) for financial statement disclosures. FPIs that qualify under the Multijurisdictional Disclosure System (MJDS) are exempt from all climate-related disclosures.
Comparison to California rules	California climate reporting requirements under SB 253 (emissions), SB 261 (risk and risk management) and AB 1305 (offsets, claims and targets) apply to public and private companies operating in California, though SB 253 ($1 billion) and SB 261 ($500 million) include revenue thresholds. Unlike the SEC rules, SB 253 requires Scope 1, 2 **and** 3 emissions reporting for all covered companies. AB 1305 is currently effective, and the first disclosures under SB 253 and SB 261 are due in 2026. Emissions disclosure under SB 253 will be due one year prior to initial SEC LAF reporting.
Comparison to European Union Corporate Sustainability Reporting Directive (CSRD)	The CSRD also requires more comprehensive and earlier emissions reporting. Climate reporting under the CSRD is based on broader double materiality (financial and stakeholder impact), and it is expected that most companies will report on climate. If reporting, all companies are required to disclose Scope 1, 2 **and** 3 emissions, as well as governance, risk and targets disclosure. The CSRD will apply to thousands of US companies with EU subsidiaries that meet certain employee, balance sheet and turnover thresholds, as well as US companies with EU branches that meet certain turnover thresholds. Initial disclosures are due in 2026 at the EU-entity level, followed by reporting for non-EU parents.

Cooley ESG & Sustainability Advisory
Multidisciplinary, cross-border team successfully guiding clients through the rapidly evolving ESG landscape
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