Five tips on preparing for the US SEC Climate Disclosure Rule

In March of 2022, U.S. Securities and Exchange Commission (SEC) proposed a rule requiring that registrants add a standard set of climate-related disclosures to their annual reporting. With uncertainty around the timing (many expect the first half of 2023) and detail of the final rule, how can SEC-regulated companies prepare to meet their obligations? Here are five tips presented by SAI360.

TIP 1

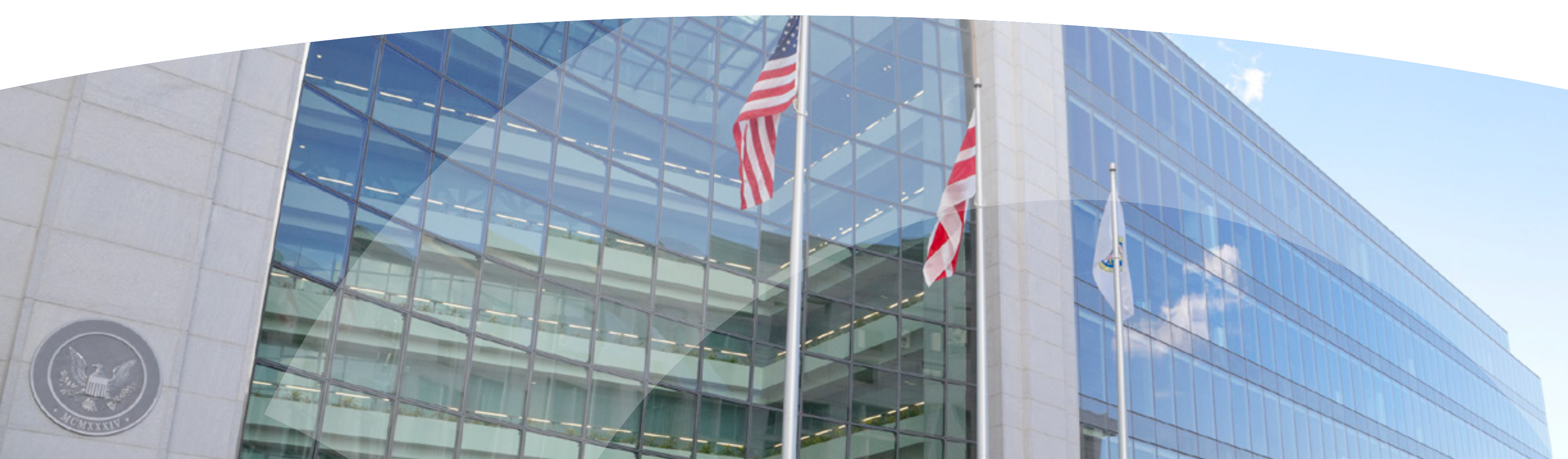
Ensure ESG standards are aligned with enterprise risk management

Regardless of the final rule, environmental risks are much more than a reporting requirement, they are core ERM issues. The best-run companies will safeguard business results, bolster resilience, enhance investor confidence and be ready for the SEC rule by creating a register of climate-related risks now and by incorporating these risks into scenario analysis for all strategic decisions going forward. Assessing and mapping controls and continuity plans to all environmental risks should become a routine component of your ERM program and be included in reports to the risk committee.

TIP 2

Begin with the end in mind; third parties and supply chain

The rule will almost certainly require accurate, audited accounting of direct greenhouse gas emissions (scope 1) before indirect (scope 2 and 3). Complexity of accounting methods aside, it is largely within your organization's control to account for how the business operations and energy purchases impact GHG emissions. What is more difficult is accurately accounting for scope 3. Time will not be on your side, so start work now on your process for gathering this data from third parties. How will it be gathered? How will you gain confidence in the veracity of the data? What certifications and attestations will you require for different segments of your extended enterprise in the value chain?



TIP 3

Think carefully on whether to build new or leverage existing capabilities

This is a crucial evaluation that will determine your technology options and chart the most efficient and effective path to meeting the requirements. Start with a review of your current technology and programs. Do you have an auditable reporting mechanism to collect and aggregate emissions data now or do you need to start anew? What is your process for third-party risk management today and can that be scaled to include gathering scope 3 data in a robust way or do you need to invest in broader assessment capabilities? Will your ERM and Business Continuity programs be scalable to add new climate risks?

TIP 4

Incorporate agility

The SEC rule is firmly anchored on climate risks and GHG emissions, but it would be a mistake to build your ESG approach with only this in mind. It is reasonable to expect broader ESG regulation at the federal, state and, of course, international level. This will introduce new social and governance risks and accounting, along with increased intensity of enforcement in existing risk areas such as data privacy, modern slavery, bribery and corruption, discrimination and more. Build with this in mind and consider investing in technology to monitor the regulatory landscape in all jurisdictions you may be regulated in or by.

TIP 5

Budget now to invest in technology for governance, risk management and compliance

Addressing SEC's climate disclosure rule will require technology investments with a partner who can support you now, and scale in the future as your ESG and ERM programs mature. According to Gartner, the earlier you secure the IT budget for new technology, the fewer regrets you will have.

LEARN MORE ABOUT COMPLIANCE WITH SEC CLIMATE DISCLOSURE RULE

Learn more about SAI360's unified approach to ESG, addressing all the aspects of ESG within a well-structured GRC, EHS&S and Ethics Learning strategy. **Contact us** to discuss your ESG reporting and broader ESG needs.

About SAI360

SAI360 is the leading ESG cloud provider connecting GRC, EHS, Sustainability and Learning. Our SAI360 platform streamlines workflow and drives outcomes through flexible, scalable, and configurable modules. Our integrated approach sets us apart, helping organizations thrive, create trust, understand their impact, and achieve resilience for over 25 years. SAI360 is headquartered in Chicago, with operations and customers across the globe. Discover more at **sai360.com**.