

Digging further into the [SEC's proposing release for climate disclosure](#), the SEC's proposal would elicit disclosure about a company's climate targets and goals – for those companies that have done that sort of thing. We have [blogged](#) before about things to consider when companies publicly announce a climate pledge. Most companies making such pledges have not publicly disclosed many details about how they intend to accomplish the goals set forth in their pledges – nor have they disclosed much about their interim progress in meeting those goals. That all would change if this part of the SEC's proposal was adopted as proposed. One thing to note is that the SEC's proposal doesn't seem to limit this "targets and goals" requirement to those that have been publicly disclosed. So companies that have privately established targets and goals would appear to trigger this type of detailed disclosure.

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**The Disclosure Requirements** If a company has set any climate-related targets or goals - as noted in the discussion starting on page 268 of the proposal release - proposed Item 1506 of Regulation S-K would require disclosure about a long list of items related to those targets or goals:

- The scope of activities and emissions included in the target;
- The unit of measurement, including whether the target is absolute or intensity based;
- The defined time horizon by which the target is intended to be achieved, and whether the time horizon is consistent with one or more goals established by a climate-related treaty, law, regulation, policy, or organization;
- The defined baseline time period and baseline emissions against which progress will be tracked with a consistent base year set for multiple targets;
- Any interim targets set by the company; and
- How the company intends to meet its climate-related targets or goals.

If a company uses carbon offsets or RECs in its plan to meet targets and goals, there would need to be disclosure about the amount of carbon reduction represented, the source of the offsets or RECs, a description and location of the underlying projects and the cost of the offsets or RECs.

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**Disclosure of Baseline Years & Intervening Targets** Digging into the list above, there are some interesting points to highlight, beyond just the significant level of detail. Companies would be required to disclose the baseline year for their targets - and that baseline year would need to be consistent for all targets if the company has set multiple targets. And if a company has set intervening targets – such as a goal of net zero GHG emissions by 2050 in line with the Paris Agreement, with plans to cut Scopes 1 and 2 emissions by 50% by 2030 and reducing Scope 3 emissions by 35% by 2030 - the company would be required to disclose all of those targets.

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**Companies That Don't Have Detailed Plans Yet** On page 270, the SEC's proposing release contemplates those situations where a company has made a pledge but doesn't know yet how it will meet its goals. Here's that relevant excerpt: "Some companies might establish climate-related goals or targets without yet knowing how they will achieve those goals. They might plan to develop their strategies over time, particularly as new technologies become available that might facilitate their achievement of their goals. The fact that a company has set a goal or target does not mean that it has a specific plan for how it will achieve those goals. What is important is that investors be informed of a registrant's plans and progress wherever it is in the process of developing and implementing its plan."

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**Board Oversight of Targets & Goals** The board oversight part of the SEC's proposal also touches upon targets and goals. Proposed Item 1501(a) would require companies to disclose whether - and how - the board sets climate-related targets or goals and how it oversees progress against those targets or goals, including the establishment of any interim targets or goals.

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**Location of Target & Goals Disclosure** Proposed Item 1506(a)(2) states that cross-reference can be made to targets and goals disclosure made in either the strategy discussion (Item 1502) or risk management (Item 1503) if they fulfill the disclosure requirements of Item 1506. In other words, companies won't need to repeat the same targets and goals disclosure in two places within its SEC filing.

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**Forward-Looking Information Inevitable** This is another disclosure that inevitably would result in more forward-looking information being made publicly available and *filed* with the SEC (which many companies are currently avoiding by discussing targets and goals only in reports that are outside of their SEC filing stream). The PSLRA safe harbors would apply. On page 272 of the proposing release, the SEC does make the interesting statement of "A registrant's disclosure of its climate-related targets or goals should not be construed to be promises or guarantees." Not sure that will be enough to stave off climate-related lawsuits...

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Here are our other blogs about the SEC's climate proposal so far:

1. [SEC Proposes Climate Disclosure Rules: 9 Things to Know](#) 2. ["How Much Is This Gonna Cost Us?" The SEC's Climate Economic Analysis](#) 3. [The SEC's Climate Proposal: Where Did We Wind Up With "Materiality"?](#) 4. [The SEC's Climate Proposal: When Should Scope 3 Emissions Be Considered "Material"?](#) 5. [The SEC's Climate Proposal: Assessing "Physical Risks"](#) 6. [The SEC's Climate Proposal: Assessing "Transition Risks"](#) 7. [In-House Corner: Climate Disclosure Bracketology](#) 8. [The SEC's Climate Proposal: Disclosing Carbon Offsets](#) 9. [The SEC's Climate Proposal: Disclosing Internal Carbon Pricing](#) 10. [The SEC's Climate Proposal: Impact on Financial Statements](#)

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