



MORTGAGE BANKERS ASSOCIATION

Subject matter	Securities Exchange Commission proposal on Climate-Related Disclosures (access fact sheet here)	MBA recommendations submitted on June 17, 2022	SEC Final Rule
Disclosure of Greenhouse Gas (GHG) Emissions			
Scope 1 and Scope 2 Emissions Disclosure	<p>Disclosure of Scope 1 and Scope 2 GHG is mandatory (and Scope 1 and Scope 2 must be disclosed separately). The reporting company must describe its methodology, significant inputs, and significant assumptions. The SEC does not prescribe a methodology but says GHG Protocol is acceptable.</p> <p>There is no safe harbor from liability for Scope 1 and Scope 2 emissions disclosure.</p>	No specific recommendation	<p>Disclosure of Scope 1 and Scope 2 GHG emission is mandatory if material. Note: Applies to large accelerated filers (LAF) and accelerated filers (AF). Non-accelerated filers (NAF), smaller reporting companies, and emerging growth companies are exempt.</p> <p>If required to disclose material Scope 1 and Scope 2 GHG, an assurance report is required at the limited assurance level (and reasonable assurance level if an LAF and after the additional transition period).¹</p> <p>A registrant that is not required to disclose its GHG emissions or to include a GHG emissions</p>

¹ Reasonable assurance is a high but not absolute level of assurance, in which the auditor affirms that the information reported is materially correct. In contrast, limited assurance states that the auditor is not aware of any material modifications that should be made.

			<p>attestation report under the final rules is required to disclose certain information if the registrant voluntarily discloses its GHG emissions in a Commission filing and voluntarily subjects those disclosures to third-party assurance.</p> <p>Note: Materiality hinges on whether a reasonable investor would consider the disclosure information in making an investment or voting decision. It is not determined by the amount of emissions.</p>
<p>Scope 3 Emission Disclosure</p>	<p>Proposed § 229.1504(c) provides in part as follows: Disclose the registrant’s total Scope 3 emissions if material. A registrant must also disclose its Scope 3 emissions if it has set a GHG emissions reduction target or goal that includes its Scope 3 emissions.</p> <p>Proposed § 229.1504(f) provides a Scope 3 safe harbor. Scope 3 disclosure is deemed not a fraudulent statement unless it is shown that a statement regarding Scope 3 disclosures was made or reaffirmed without a reasonable basis or was disclosed other than in good faith. § 229.1504(f)(1).</p>	<p>Make Scope 3 emissions disclosures voluntary, subject as appropriate to anti-greenwashing authority – Scope 3 disclosure is an evolving concept and Scope 3 carbon accounting guidance is incomplete. Also, applying the concept of materiality to Scope 3 emissions is novel and the burden of reporting is high.</p> <p>Apply mandatory Scope 3 emissions disclosure only to companies that have set public GHG emissions reduction targets or goals.</p> <p>If disclosure of Scope 3 is mandatory if material:</p>	<p>Not required</p>

- Clarify that Scope 3 materiality means decision-critical, not merely decision-useful.
- Clarify that large percentages of Scope 3 emissions alone do not equal material emissions.
- Remove the reference to total Scope 3 emissions – reporting should be limited to only those Scope 3 that are material.
- Highlight that where Scope 3 emissions are not specifically and reliably related to a company’s risk, they cannot be material.
- Recognize that Scope 3 emissions information on mortgages or securities backed by mortgages may not be reasonably available.

Scope 3 safe harbor should apply explicitly to a company’s determination not to report Scope 3 emissions because the information was not material. The Commission also should clarify that any “statement” for purposes of the Scope 3 safe harbor includes the quantitative disclosures themselves.

Disclosures Related to Climate-Related Risk			
Qualitative Disclosures (Regulation S-K)	Proposed §§ 229.1501, 229.1502 and 229.1503 would require a reporting company to make qualitative disclosures related to climate-related risk, including disclosure of the company’s governance of climate-related risks and opportunities; the company’s strategy, business model, and outlook; and how the company integrates climate-related risk and transition plans into its risk management systems and processes.	The proposed mandatory disclosure should be limited to material information about material climate-related risks to prevent the rule from requiring information that is immaterial and not necessary to provide investors with decision-useful information about a company’s climate-related risks. We also recommend clarifying that each of the specified elements of disclosure is only an illustrative example and is not required so that the rule cannot be read to implicitly require a company to adopt certain preferred best practices.	The final rule creates a new subpart 1500 of Regulation S-K. Qualitative disclosures on climate-related risk are required if material (reasonably likely to have a material impact on the registrant's business strategy, results of operations, or financial condition). ² The final rule eliminated the proposed requirement to describe board members’ climate expertise.
Notes to Financial Statements (Regulation S-X)	Proposed §§ 210.14001 and 210.14-02 would require companies to make quantitative disclosures of climate-related impacts on financial reporting,	The proposed separate Regulation S-X financial statement notes should be eliminated in favor of applying current requirements as to	The final rule creates a new Article 14 of Regulation S-X. The final rule removes the requirement in the proposal to disclose the impact of

² Material climate-related risk reporting should include: The actual and potential material impacts of any identified climate-related risks on the registrant’s strategy, business model, and outlook; ● If, as part of its strategy, a registrant has undertaken activities to mitigate or adapt to a material climate-related risk, a quantitative and qualitative description of material expenditures incurred and material impacts on financial estimates and assumptions that directly result from such mitigation or adaptation activities; ● Specified disclosures regarding a registrant’s activities, if any, to mitigate or adapt to a material climate-related risk including the use, if any, of transition plans, scenario analysis, or internal carbon prices; ● Any oversight by the board of directors of climate-related risks and any role by management in assessing and managing the registrant’s material climate-related risks; ● Any processes the registrant has for identifying, assessing, and managing material climate-related risks and, if the registrant is managing those risks, whether and how any such processes are integrated into the registrant’s overall risk management system or processes; ● Information about a registrant’s climate-related targets or goals, if any, that have materially affected or are reasonably likely to materially affect the registrant’s business, results of operations, or financial condition. Disclosures would include material expenditures and material impacts on financial estimates and assumptions as a direct result of the target or goal or actions taken to make progress toward meeting such target or goal.

	<p>including impacts of severe weather events on financial statement line items, impacts of severe weather events on expenditures, and impacts of severe weather events or climate-related assumptions on financial statements.</p>	<p>qualitative disclosures under Regulation S-K, relying on existing notes to financial statements, or referring the matter to the Financial Accounting Standards Board (FASB) for possible accounting guidance. The reporting processes that would otherwise be required under this provision would be difficult or impossible to implement, and the resulting reporting would not meaningfully increase investors' understanding of a company's climate-related financial risks. At a minimum, the Commission should remove the one percent threshold in favor of conditioning disclosure on a company's determination of materiality.</p>	<p>severe weather events and other natural conditions and transition activities on each line item of a registrant's consolidated financial statements.</p> <p>Registrants are required to disclose the capitalized costs, expenditures expensed, charges, and losses incurred as a result of severe weather events and other natural conditions, such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise, subject to applicable one percent and de minimis disclosure thresholds, disclosed in a note to the financial statements;</p> <p>The capitalized costs, expenditures expensed, and losses related to carbon offsets and renewable energy credits or certificates (RECs) if used as a material component of a registrant's plans to achieve its disclosed climate-related targets or goals, disclosed in a note to the financial statements; and</p> <p>If the estimates and assumptions a registrant uses to produce the financial statements were materially impacted by risks and uncertainties</p>
--	---	--	--

			associated with severe weather events and other natural conditions or any disclosed climate-related targets or transition plans, a qualitative description of how the development of such estimates and assumptions was impacted, disclosed in a note to the financial statements.
Implementation	Effective within one month of the finalization of the rule for some registrants	Minimum two full calendar years from finalization of the rule	For material Scope 1 and Scope 2 GHG Emissions – LAF FYB 2029 and AF FYB 2031. For Financial Statement Effects S-K and S-X Disclosures – LAF FYB 2025 and AF FYB 2026 and SRC/EGC/NAF FYB 2027
Asset-backed Securities	The proposal asks for feedback on whether the Commission should require asset-backed security issuers to provide some or all of the disclosures that would be required under the proposed Subpart 1500 of regulation S-K.	It would be premature to consider requiring specific climate-related disclosures in connection with the issuance of asset-backed securities. There is insufficient infrastructure in place to support such disclosure and it is not clear what, if any, additional information would be material to investors.	Final rule is not applicable to asset-backed security issuers.