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Unpacking The SEC's Climate Disclosure Rule

Top Five "No Regrets" Moves for Corporate Action

By Lorenzo Fantini, Tim Mohin, Giovanni Covazzi, and Brendan Massoud

Introduction & Context

On March 6, 2024, two years[1] after it was proposed, and after 24,000 comment letters,[2] political backlash and threats of litigation, the US Securities and Exchange Commission (SEC) approved a final rule entitled ***The Enhancement and Standardization of Climate-Related Disclosures for Investors***.[3] At 886 pages, there is a lot of information to unpack. The purpose of this paper is to provide an overview of the requirements and implications for affected companies. This paper does not provide legal advice, nor should it be relied upon for filing reports with the SEC.

The new rule will require companies listed in US stock exchanges (registrants) to disclose "material" climate-related information incorporated into their form 10K and 10Q reports. The disclosures are intended to help investors by providing consistent, reliable, comparable, and decision-useful information on material climate-related risk and opportunities.

The disclosure requirements closely follow the framework established by the TCFD.[4] Although the final rule is significantly less stringent than the proposal, it is nevertheless controversial and litigation to block the implementation of this policy has been filed.

Disclosure requirements in final regulation

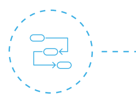
Disclosure requirements in the SEC's rule cover a broad variety of climate information including material Scope 1 and Scope 2[5] greenhouse gas (GHG) emissions, climate-related governance, climate-related risk and opportunities, strategies, goals, and their supporting information. The table below summarizes the main disclosure requirements.

Materiality

Overall, the rule requires reporting companies to disclose their material GHG emissions (Scope 1 and 2 only), and climate-related risks[6] and opportunities. For climate-related disclosures the SEC employed the same definition materiality that applies to financial reporting – that is, issues "reasonably likely to have a material impact on the registrant's business strategy, results of operations, or financial condition."[7]

1. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Proposed Rule, 2022.
2. Wilmer Hale, 2024, "SEC Adopts Final Rules on Climate-Related Disclosures".
3. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 12.
4. Task Force on Climate-related Financial Disclosure.
5. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 29: The final rules define the terms "Scope 1 emissions" (direct GHG emissions from operations that are owned or controlled by a registrant) and "Scope 2 emissions" (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).
6. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 91 - the definition of climate-related risks includes both physical risks and transition risks...the final rules define "physical risks" to include both acute and chronic risks to a registrant's business operations.
7. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 89.

Disclosure requirements cover the following topics

	Greenhouse gas emissions	• Scope 1 and 2 emissions[1] if they are financially material[2] • (Scope 3 emissions not required)
	Climate-related risks	• Qualitative and quantitative disclosures of material[2] physical and transition climate risks only for "business strategy, results of operations, or financial condition" • For specific physical climate risks[3]: disclose financial impacts greater than 1% of profits before taxes - Specifically capitalized costs, expenditures expensed, charges and losses incurred
	**Climate-related governance**	• Board governance of climate risks • Processes utilized for identifying, assessing, and managing material[2] climate-related financial risks • Existing transition plans, scenario analysis, or internal carbon prices if deemed material[2]
	Supporting information for climate-related targets[4]	• Activities included in the target and associated actions to meet climate-related targets • Disclosures of capitalized costs, expenditures expensed, charges and losses related to carbon offsets and renewable energy credits or certificates (RECs) if used in meeting climate-related targets

Sources: SEC, BCG analysis.

[1] Scope 1 emissions include registrant's direct GHG emissions, Scope 2 emissions include emissions from purchased electricity and other forms of energy.

[2] Materiality as defined by case law (TSC Industries, Inc. v. Northway, Inc) "a substantial likelihood that a reasonable shareholder would consider it important in deciding how to vote or make other investment decisions".

[3] Specific physical climate risks are severe weather events and other natural disasters.

[4] Climate-related targets are defined as internal and public targets or goals that materially affect or are reasonably likely to materially affect the registrant's business, results of operations, or financial condition (e.g., due to material expenditures or operational changes that are required to achieve the target or goal).

For certain climate-related physical risks[8], the SEC added an enhancement to the definition of a material disclosure. In the case of specific physical risks[9], including the financial impact of "severe weather events and other natural conditions, such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise," **companies must also report on the financial statement effects of events that exceed one percent[10] of the company's reported profits before taxes.** In these cases, companies must disclose the capitalized costs, expenditures expensed, charges, and losses incurred from severe weather events.

8. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 92 - Physical risk is defined as both acute and chronic risks to a registrant's business operations. "Acute risks" is defined as event-driven risks and may relate to shorter-term severe weather events, such as hurricanes, floods, tornadoes, and wildfires. "Chronic risks" is defined as those risks that the business may face as a result of longer-term weather patterns, such as sustained higher temperatures, sea level rise, and drought, as well as related effects such as decreased arability of farmland, decreased habitability of land, and decreased availability of fresh water.
9. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 484 - The commission expects "significant overlap" between the severe weather events and other natural conditions a registrant identifies for purposes of disclosure under the financial statement effects (Regulation 14-02) and the types of physical risks identified under the climate-risk assessment (Regulation S-K).
10. Per WilmerHale, 2024, "SEC Adopts Final Rules on Climate-Related Disclosures" – Expenditures expensed as incurred and losses as a result of severe weather events and other natural conditions if the aggregate amount equals or exceeds 1% of the absolute value of income or loss before income tax expense or benefit for the relevant fiscal year, subject to a $100,000 de minimis disclosure threshold. Aggregate amount of capitalized costs and charges, excluding recoveries, incurred during the fiscal year as a result of severe weather events and other natural conditions if the aggregate amount of the absolute value of capitalized costs and charges equals or exceeds 1% of the absolute value of stockholders' equity or deficit at the end of the relevant fiscal year, subject to a $500,000 de minimis disclosure threshold.

Required Disclosures

In addition to Scope 1 and/or Scope 2 emissions, registrants must report:[11]

- any climate-related risks that have materially impacted or are reasonably likely to have a material impact on the registrant.
- specified disclosures, regarding a registrant's activities, to mitigate or adapt to a material climate-related risk or use of transition plans, scenario analysis, or internal carbon prices to manage a material climate-related risk.
- any oversight by the registrant's board of directors of climate-related risks and any role by management in assessing and managing these risks.
- processes the registrant uses to assess or manage material climate-related risks.

Phase In Schedule

When implemented, the requirements will be phased in with larger companies reporting earlier than smaller companies, and the smallest companies being exempted from some requirements. The table below outlines the phase-in schedule for the reporting and assurance requirements.[12]

The first reports from larger companies must be filed in fiscal year (FY) 2026 for material climate information collected in FY2025. The SEC offered an exception to the schedule for reporting Scope 1 & 2 emissions. Due to the difficulty in collecting and assuring this information on a timely basis, companies may report these emissions in their 10Q report for the second quarter.

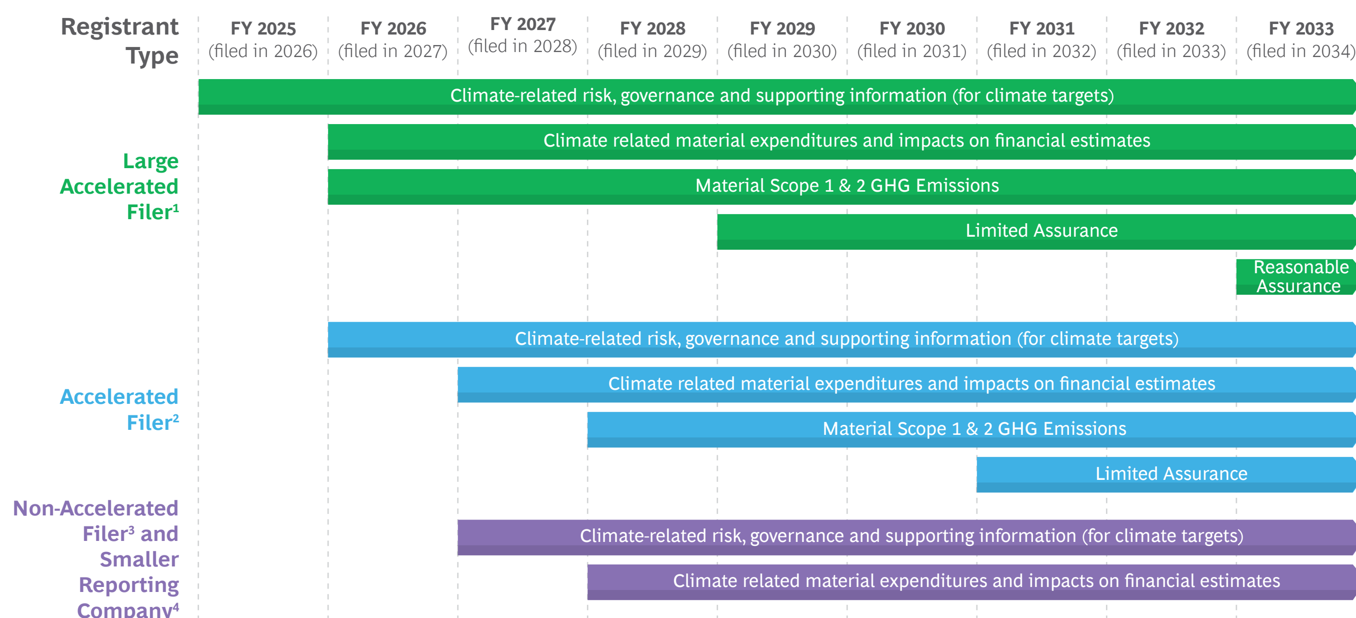
The rule becomes effective 60 days after publication in the Federal Register. It is highly likely that the effective date for this rule will be delayed due to litigation. Companies must stay informed on these developments to understand their compliance requirements fully.

Supporting Information Requirements

Companies must also provide information on the climate targets or goals that have materially impacted or are likely to materially affect the registrant's business, results of operations, or financial conditions.[13] This includes the disclosure of the scope of activities included in the target, as well as the defined time horizon to achieve the target.[14] As part of this, registrants must also disclose the capitalized costs, expenditures expensed, and losses related to carbon offsets and renewable energy credits (RECs).[15]

11. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 15.
12. Large Accelerated Filers (LAFs) and Accelerated Filers (AFs) will be required to report Scope 1 & Scope 2 emissions on a phased-in basis, when those emissions are material in nature. LAFs have a public float >$700M (~2,500 companies); AFs have a public float between $250–700M and annual revenue >$100M (~900 companies); Non-Accelerated Filers, Smaller Reporting Companies, and Emerging Growth Companies will not be required to report on Scope 1 & Scope 2 emissions. For Non-Accelerated Filers – the issuer has a public float <$75M or has a public float of ~ $75M (or more) and <$100M in revenues; Smaller Reporting Company: The issuer has a public float of $75–250M and annual revenue <$100M. In a departure from the proposed regulation, no companies will be obligated to report Scope 3 emissions.
13. Fact sheet: The Enhancement and Standardization of Climate-Related Disclosures: Final Rules.
14. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 213.
15. Fact sheet: The Enhancement and Standardization of Climate-Related Disclosures: Final Rules.

Timeline for meeting each of the requirements



All disclosures must be included in annual 10-K **except material Scope 1 & 2 emissions disclosure may be disclosed in Q2 10-Q or 20-F** (for foreign companies)

[1] Large Accelerated Filers: The issuer has a public float >$700M (~2,500 companies).

[2] Accelerated Filers: The issuer has a public float between $250–700M and annual revenue >$100M (~900 companies).

[3] Non-Accelerated Filers – The issuer has a public float <$75M or has a public float of ~ $75M (or more) and <$100M in revenues.

[4] Smaller Reporting Company: The issuer has a public float of $75–250M and annual revenue <$100M.

Safe Harbor Protections

The Commission's ruling provides that statements disclosures on transition plans, scenario analysis, internal carbon pricing, and targets and goals[16] constitute "forward-looking statements" for purposes of PSLRA[17] safe harbors.[18,19] These disclosures are considered forward-looking for purposes of PSLRA provisions[20], as "estimates and assumptions based on future events are intrinsically involved"[21]. Note that the safe harbor protections in this rule do not extend to statements consistent solely of historical facts, as these do not contain assumptions, judgments, and predictions about future events.[22] Furthermore, this rule does not extend to disclosures regarding the company's actual Scope 1 and Scope 2 emissions.[23]

16. WilmerHale, 2024, "SEC Adopts Final Rules on Climate-Related Disclosures".
17. Private Securities Litigation Reform Act.
18. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 394.
19. Rosen and Carey, 2016, *the Safe Harbor for Forward-Looking Statements after Twenty Years*: The PSLRA's Safe Harbor provision provides that in any private action under the Securities Act of 1933 or the Securities Exchange Act of 1934 "based on an untrue statement or omission of a material fact necessary to make the statement not misleading," a person covered by Safe Harbor shall not be liable for any forward-looking statement if the forward looking statement is identified as a forward-looking statement, and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the forward looking statement; or is immaterial; or the plaintiff fails to prove that the forward-looking statement...was made with actual knowledge by that person that the statement was false or misleading; or if made by a business entity, was made by or with the approval of an executive officer; and made or approved by such officer with actual knowledge...that the statement was false or misleading.
20. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 395 - The PSLRA statutory provisions define "forward-looking statement" to include a number of different types of statements. Several of these definitional provisions are potentially applicable to statements made in the context of disclosures regarding transition plans, scenario analysis, and internal carbon pricing made pursuant to Item 1502 and regarding targets and goals made pursuant to Item 1504.
21. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 395.
22. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 400.
23. WilmerHale, 2024, "SEC Adopts Final Rules on Climate-Related Disclosures".

Equivalency with Other Climate Disclosure Requirements

The Commission did not make a specific determination on equivalency with other similar policies in its ruling. While the rule specifically mentions the European Union's Corporate Sustainability Reporting Directive (CSRD)[24], as well as California's Climate-Related Financial Risk Act (Senate Bill 261) and California's Climate Corporate Data Accountability Act (Senate Bill 253), which require companies to disclose sustainability and/or climate-related risk,[25] the rule does not make a specific determination regarding how companies exposed to these and other laws are able to use the reporting of one set of disclosure requirements in compliance with the Commission's rules. The Commission states that disclosure required under other jurisdictions will remain outside of Commission filings[26] – "regardless of the extent of overlap with other jurisdictions' reporting requirements."[27] However companies in the United States can still benefit from reporting under other schemes, as the existence of other laws may, lessen the financial burden on registrants, to the extent that these laws impose similar requirements.[28]

Action Plan for Reporting Companies

A broad set of disclosures subject to different materiality considerations

While attention has focused on climate emissions reporting, companies are required to produce a broad range of disclosures ranging from climate risks (such as descriptions of risks and mitigation activities), to strategy (such as transition plans and actions taken), and governance (such as the processes used to identify and mitigate climate-related risks).

Some of these measures are more quantitative in nature, such as information about internal carbon pricing.[29] Others require a more qualitative assessment – including the role of the board or management in managing climate risks.

Issuers must also apply the materiality threshold used in financial reporting to climate information (except for physical risks) and these determinations should be documented. In making these determinations, companies must define the timeframe on which material risks are likely to manifest – either in the short-term (i.e., the next 12 months) or the long-term (i.e., beyond the next 12 months).[30]

Because the materiality is defined as the likelihood that a 'reasonable investor' might consider something important, companies should, to the extent feasible, document the facts used for these determinations considering both qualitative and quantitative factors.[31]

24. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 52.
25. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 53.
26. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 53, 54: The disclosure required by [other] laws will appear in documents outside of Commission filings and therefore will not be subject to the same liability, DCPs, and other investor protections as the climate-related disclosures required under the final rules. In addition, these laws may serve different purposes than the final rules or apply different materiality or other standards…the final rules are tailored to the particular needs of investors and the specific situations of Commission registrants…and are designed to work within the existing framework of U.S. securities laws.
27. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 54.
28. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 53.
29. The rule will require this disclosure only when the registrant's use of internal carbon pricing is material to how it evaluates and manages a climate-related risk.
30. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 26.
31. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 105.

Indeed, reporting required under the new SEC ruling is very similar to that detailed by the TCFD, with the core categories of the framework – which focuses on governance, risk management, strategy, and metrics – aligning with the information called for by this regulation.[32] The Commission adopted a "climate-related risk disclosure rule that uses similar definitions" and is based on the climate-related disclosure framework of the TCFD.[33] This was designed to benefit registrants, given widespread familiarity with this (as well as with the GHG Protocol, which is also used as a model).[34] However, the final rules "do not follow every TCFD recommendation," and investors must familiarize themselves with SEC regulation.[35]

Scope 3 emissions is exempted, but companies must report material upstream and downstream risks

The rule does not require disclosure of Scope 3 emissions[36] (i.e., upstream emissions from suppliers and downstream emissions from products), but companies must disclose material climate risks, and many of these risks occur at different points in the value chain. The Commission's ruling ensures that a company must monitor and disclose risk along its value chain, if the risk has impacted or is likely to materially impact the company's business, result of operations, or financial condition.[37] In this way, the ruling compels companies to assess their value chains and Scope 3 impact, without requiring laborious – potentially costly and difficult – Scope 3 emissions disclosure.

Transformation: New systems and capabilities will be required

Identifying climate-related risk and opportunities, governance procedures, emissions data, developing materiality practices and assembling the supporting information for each will stretch the capabilities of companies that are new to climate disclosure. For companies already reporting climate information, the existing processes can serve as a starting point for a new process that satisfies the requirements and rigor demanded by the new rule. For example, companies should apply new data strategies and controls for climate-related disclosures that are aligned with financial information.

In many companies, this transformation will require cross-functional collaboration between functions, the addition of new tools (e.g., software), capabilities (e.g., an ESG controller), and management systems (e.g., quarterly and/or annual reviews).

Establish a global strategy for compliance with climate (and ESG) disclosure policies

Other state and national jurisdictions require (or plan to require) similar disclosures. For example, the state of California has enacted three new laws that require climate-related reporting. When implemented, these laws will apply to companies based in the state, as well as to companies doing business in California.

32. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 25.
33. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 90.
34. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 25, 26, 42.
35. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 54-55: The final rules do not follow every TCFD recommendation. For example, unlike the TCFD, which recommends the disclosure of executive compensation that is linked to climate-related risk management considerations, we have elected not to include such a requirement in the final rules.
36. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 256 – though the Commission is not requiring Scope 3 emissions disclosures, disclosure of a registrant's Scope 3 emissions, including emissions from its suppliers (i.e., upstream emissions) and its customers or consumers (i.e., downstream emissions), or at least from those parties in its value chain that have significant emissions, may allow investors to develop a fuller picture of the registrant's transition risk exposure and evaluate and compare investment risks across registrants more thoroughly.
37. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 91: "a climate-related risk involving a registrant's value chain would generally not need to be disclosed except where such risk has materially impacted or is reasonably likely to materially impact the registrant's business, results of operations, or financial condition".

Other climate disclosure requirements are emerging from national laws and regulations outside of the US that will affect US-based companies. For example, the European Union (EU) Corporate Sustainability Reporting Directive (CSRD) will require disclosure for more than 3,000 US based companies.[38]

While these policies require similar disclosures, they also call for significantly more information. For example, the SEC regulation does not require companies to disclose GHG emissions from their value chain (i.e., Scope 3 emissions), but such disclosures are required by policies from other geographies. For example, the EU CSRD and California reporting laws will require Scope 3 emissions reporting. Also, New York State and Illinois are considering similar rules that will require Scope 3 emissions disclosure.[39]

The applicability and materiality thresholds also vary between jurisdictions. For example, one of the California laws applies to companies with more than US $1 billion in annual revenues, while another California law applies to companies with more than $0.5B in annual revenues.

Moreover, various jurisdictions differ in their definition of a material disclosure. For example, the policies in Europe and China apply a "double materiality" principle. This means that reporting companies must determine material disclosures based on both financial impacts as well as impacts to stakeholders and the environment outside the company.

Companies must track changes for disclosure, accounting, and assurance standards
Finally, a variety of disclosure standards must be applied depending on the applicable regulations. For example, the EU has developed the EU Sustainability Disclosure Standards (ESRS) that must be applied by companies affected by the CSRD. Other jurisdictions (e.g., Japan, UK, Australia and others) are establishing policies that require the use of disclosure standards from the International Sustainability Standards Board (ISSB). Notably, the SEC rule did not reference any external disclosure standards bodies. Instead, the disclosures are defined in the rule itself.

Companies must also track the changes to the accounting standards (i.e., the GHG Protocol) for measuring climate emissions. And there are new standards for the assurance of climate and ESG information that are being finalized in 2024.[40]

The jurisdictional differences in climate disclosure policy and standards requires companies to assess which requirements apply and how to blend them efficiently and effectively into their management systems. In addition, the dynamic state of these policies and standards obligates companies to establish a system to track these emerging requirements and embed them into their management systems.

38. The Enhancement and Standardization of Climate-Related Disclosures for Investors, Page 611.

39. March 05, 2023 - The New York Times: *How a Climate Rule Got Watered Down.*

40. Per the International Auditing and Assurance Standards Board (IAASB): The proposed International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, will serve as a comprehensive, standalone standard suitable for any sustainability assurance engagements.

Call to action – Five “no regret moves” to apply now

Despite the uncertainty from pending litigation to block implementation of the SEC rule, and from changing regulations and standards in other jurisdictions, companies should act now to prepare. The new systems, processes, capabilities, tools, and other elements can take time to acquire, perfect, and implement. And the time to prepare is already tight for larger companies that must comply with these requirements within a couple of years (for example, data for the first CSRD reports is being collected in 2024).

Regardless of when, where and what applies to your company, we offer five “no regrets” moves – these are actions that companies can take now to build the necessary core capabilities. These actions can be applied to any of the disclosure policies and standards and will help companies prepare and extract value from the process.

No Regret Move #1 – ‘Health check’ to assess capabilities

1. Companies should start by taking stock of current reporting practices. Create a gap assessment by comparing the current disclosures, controls, and management systems against the SEC rule and other applicable requirements (such as CSRD).

2. Next, companies should review the compliance schedule for their SEC obligations as well as other climate and sustainability disclosure requirements. This timetable will help prioritize actions to fill the gaps identified.

3. Test the system before the compliance deadline. It is likely that companies will find areas for improvement and will want to shore up any deficiencies in the system prior to the compliance deadline.

4. Benchmark the system with peers and leaders and engage in pre-competitive collaboration to identify and adopt best practices.

No Regret Move #2 – Establish cross-departmental coordination

Even for companies that have been reporting climate information for years, the new rules and standards will require collaboration between corporate functions. The finance department is typically responsible for issuing financial statements, while climate disclosure is conducted in many companies by another function (e.g., sustainability).

Companies should take inventory of which departments will be involved to comply with the new requirements and define their roles. The RACI tool is a common system for defining roles and responsibilities.[41]

BCG’s proprietary change management process triples the odds of a successful transformation through a careful and deliberate process of defining roles and aligning incentives.

41. BCG, 2021, *Clarifying Decision Rights with the OVIS framework* - Role and accountability frameworks such as RACI (Responsible, Accountable, Consulted, Informed), which assigns responsibility for certain tasks within a process.

No Regret Move #3 – Upgrade data tools

Climate is fundamentally a data problem. Very few climate emissions are measured; instead, they are usually estimated by applying accounting rules and emission factors to corporate transaction data. Companies should assess the health of their current climate measurement tools and fill any critical gaps before the compliance deadlines.

Some of the critical areas to consider are:

- Ease of integration into existing corporate IT systems;
- Level of customization required;
- Security; and
- Analytical tools for risk assessment, planning and analysis.

With the recent advent of AI tools into the corporate IT environment, companies should consider how these newer tools can make the climate disclosure process more efficient and effective.

No Regret Move #4 – Scan emerging policy to create a corporate-wide compliance strategy

Companies must continually assess the dynamic state of climate and sustainability disclosure rules and standards and build a corporate strategy for compliance. The requirements applicable to each company are bespoke to their business model, global footprint, value chain and product roadmap. It is essential to scan the evolution of these requirements regularly, and devise and maintain a strategy for how they apply to the company.

Some companies may apply a global equivalency approach by comparing all the applicable requirements and developing a single system to comply with them all. Others may apply a jurisdictional approach. There are certainly savings to be made by coordinating approaches and sharing services (such as software tools).

No Regret Move #5 – Integrate climate risk into corporate strategy

Some of the disclosures in by the SEC rule require of management systems that identify and manage climate risks at the board or executive leadership level.

To meet these requirements, companies should carry out an end-to-end assessment to determine which management systems can be adapted, and which new systems must be created. This entails a capability assessment at every level, assigning obligations and accountability to each system, creating a nested schedule of reviews and approvals to coincide with compliance obligations, and finally, conducting an internal audit process.

The SEC rule requires disclosure of material climate-related risks and the demonstration of the actual or potential impact of these risks on company strategy, business model, and outlook (for example, on business operations, products, or services). Companies must report relevant expenditures on activities to mitigate these risks, and the impact of these activities. It is critical to build (or reinforce) company capabilities to run climate-risk impact assessment, and to enable quantification of those risks.

The most important ways to integrate climate risks are through corporate strategy and capital allocation. As companies identify material risks and opportunities, they need to fold them into corporate planning processes so that they can be weighed against other priorities for action.

Conclusion: Cut through the confusion and act now

Even for experienced reporters, the new SEC rule requires changes that will take time and resources to develop. In addition, the wave of other national and sub-national jurisdictions that are adopting their own disclosure rules demonstrates that the path for mandatory climate disclosure is clear.

While litigation and rapidly evolving rules and standards bring substantial uncertainty, the trends all point to mandatory climate disclosure – and in many cases additional sustainability disclosures. The essential conclusion is that companies must act now to prepare and refine their capabilities for compliance.

Equally important, companies must look beyond mere compliance. They should utilize this transition to integrate climate risks into corporate strategy and financial planning and thus generate shareholder value.

About the Authors

Lorenzo Fantini – Managing Director and Partner, Milan

Tim Mohin – Partner and Director, Pittsburgh

Giovanni Covazzi – Partner, Milan

Brendan Massoud – Consultant, Dallas

For Further Contact

If you would like to discuss this report, please contact the authors.

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Raluca Gligor – Lead Knowledge Analyst, Boston

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