



BREAKING NEWS

Rheem Government Affairs

March 8, 2024

SEC Approves Climate Disclosure Rule

The **Securities and Exchange Commission (SEC)** published a long-anticipated [rule](#) requiring U.S. public companies to provide certain climate-related information in registration statements and annual reports.

The reporting requirements, set to go into effect for large companies in 2026, are intended to ensure investors have access to more complete and reliable information, enabling better informed investment decisions.

The Final Rule requires material **Scope 1** and **Scope 2** emissions reporting and provides firms the option to file in a companies' Q2 quarterly reports rather than their annual reports (which are due earlier in the year).

The Final Rule dropped **Scope 3** emission reporting requirements, in a major concession to business groups concerned about the cost and burden from identifying emissions from supply chains and customer utilization of products and services. With the elimination of Scope 3, Rheem is not expected to receive emissions data requests related to this rule from public companies in our value chain.

Key Takeaways

The SEC rule applies to companies offering and selling securities in the U.S. public capital markets. **Therefore, the rule does not apply to Rheem.**

SEC's final rule is less stringent than the **California Corporate Data Accountability Act**, which requires public and private companies with annual revenues > \$1B, **including Rheem**, to disclose Scopes 1 and 2 (in 2026) *and* Scope 3 emissions (2027).

Scope 1 Emissions: Direct greenhouse gas emissions from operations that a company owns or controls.

Scope 2 Emissions: Indirect greenhouse gas emissions from the generation of purchased or acquired electricity consumed by operations a company owns.

Scope 3 Emissions: A company's indirect emissions not otherwise included in Scope 2, occurring upstream and downstream in a company's value chain.

