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April 12, 2024

The Honorable Sherrod Brown
Chairman
The Honorable Tim Scott
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Patrick McHenry
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: The Enhancement and Standardization of Climate-Related Disclosures for Investors*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on major final rules promulgated by the Securities and Exchange Commission (SEC or the Commission) entitled “The Enhancement and Standardization of Climate-Related Disclosures for Investors” (RIN: 3235-AM87). We received the rules on March 8, 2024. It was published in the *Federal Register* as final rules on March 28, 2024. 89 Fed. Reg. 21668. The effective date is May 28, 2024.

According to SEC, these final rules adopt amendments to its rules under the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, and Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78rr, that will require registrants to provide certain climate-related information in their registration statements and annual reports. SEC explained that the rules will require information about a registrant’s climate-related risks that have materially impacted, or are reasonably likely to have a material impact on, its business strategy, results of operations, or financial condition. In addition, SEC stated that, under the rules, certain disclosures related to severe weather events and other natural conditions will be required in a registrant’s audited financial statements.

Enclosed is our assessment of SEC’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rules. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rules, please contact Shari Brewster, Assistant General Counsel, at (202) 512-6398.

Shirley A. Jones
Managing Associate General Counsel

Enclosure

cc: Vanessa A. Countryman
Secretary
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON MAJOR RULES
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
“THE ENHANCEMENT AND STANDARDIZATION
OF CLIMATE-RELATED DISCLOSURES FOR INVESTORS”
(RIN: 3235-AM87)

(i) Cost-benefit analysis

In these final rules, the Securities and Exchange Commission (SEC or the Commission) analyzed the expected economic effects that may result from the rules, including the benefits, costs, and the effects on efficiency, competition, and capital formation. SEC stated that it has analyzed the expected economic effects of the rules relative to the current baseline, which consists of the existing regulatory framework of disclosure requirements, the current disclosure practices of registrants, and the use of such disclosures by investor and other market participants. The Commission’s analysis of the rules included discussions concerning (1) the baseline against which the rules’ costs, benefits, and effects on efficiency, competition, and capital formation are measured, (2) broad economic considerations, (3) the benefits and costs of the rules, (4) other economic effects, (5) the rules’ effects on efficiency, competition, and capital formation, and (6) reasonable alternatives to the rules.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603–605, 607, and 609

SEC prepared a Final Regulatory Flexibility Analysis. The analysis included (1) an explanation of the need for and objectives of these final rules, (2) a description of significant issues raised by public comments, (3) a description of the small entities subject to the rules, (4) projected reporting, recordkeeping, and other compliance requirements, and (5) a description of agency actions to minimize effects on small entities.

(iii) Agency actions relevant to sections 202–205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532–1535

As an independent regulatory agency, SEC is not subject to the Act.

(iv) Agency actions relevant to the Administrative Pay-As-You-Go-Act of 2023, Pub. L. No. 118-5, div. B, title III, 137 Stat 31 (June 3, 2023)

Section 270 of the Administrative Pay-As-You-Go-Act of 2023 amended 5 U.S.C. § 801(a)(2)(A) to require GAO to assess agency compliance with the Act, which establishes requirements for administrative actions that affect direct spending, in GAO’s major rule reports. In guidance to Executive Branch agencies, issued on September 1, 2023, the Office of Management and Budget (OMB) instructed that agencies should include a statement explaining that either: “the Act does not apply to this rule because it does not increase direct spending; the Act does not apply to this rule because it meets one of the Act’s exemptions (and specifying the relevant exemption); the OMB Director granted a waiver of the Act’s requirements pursuant to section 265(a)(1) or (2) of the Act; or the agency has submitted a notice or written opinion to the

OMB Director as required by section 263(a) or (b) of the Act” in their submissions of rules to GAO under the Congressional Review Act. OMB, *Memorandum for the Heads of Executive Departments and Agencies*, Subject: Guidance for Implementation of the Administrative Pay-As-You-Go Act of 2023, M-23-21 (Sept. 1, 2023), at 11–12. OMB also states that directives in the memorandum that supplement the requirements in the Act do not apply to proposed rules that have already been submitted to the Office of Information and Regulatory Affairs, however agencies must comply with any applicable requirements of the Act before finalizing such rules.

As an independent regulatory agency, SEC is not subject to the Act.

(v) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 *et seq.*

On April 11, 2022, the Commission published a proposed rule. 87 Fed. Reg. 21334. SEC stated that it received over 4,500 unique comment letters on the proposed climate-related disclosure rules and over 18,000 form letters. According to SEC, commenters included academics, accounting and audit firms, individuals, industry groups, investor groups, law firms, non-governmental organizations, pension funds, professional climate advisors, professional investment advisers and investment management companies, registrants, standard-setters, state government officials, and U.S. Senators and Members of the House of Representatives. SEC responded to comments in these final rules.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501–3520

SEC determined that these final rules contain information collection requirements (ICRs) and submitted them for review by OMB. SEC estimated the burden of each ICR. SEC listed the ICRs as follows: Form S-1 (OMB Control Number 3235-0065); Form F-1 (OMB Control Number 3235-0258); Form S-4 (OMB Control Number 3235-0324); Form F-4 (OMB Control Number 3235-0325); Form S-11 (OMB Control Number 3235-0067); Form 10 (OMB Control Number 3235-0064); Form 20-F (OMB Control Number 3235-0288); and Form 10-K (OMB Control Number 3235-0063).

Statutory authorization for the rules

SEC promulgated these final rules pursuant to sections 7, 10, 19(a), and 28 of the Securities Act of 1933, 15 U.S.C. §§ 77a–77aa, as well as sections 3(b), 12, 13, 15, 23(a), and 36 of the Securities Exchange Act of 1934, 15 U.S.C. §§ 78a–78rr.

Executive Order No. 12866 (Regulatory Planning and Review)

As an independent regulatory agency, SEC is not subject to the Act.

Executive Order No. 13132 (Federalism)

As an independent regulatory agency, SEC is not subject to the Act.