

LinkedIn Article | November 2022

The SEC's climate rules aren't yet final, but companies are already disclosing more of their carbon emissions



Kenji Watanabe
Vice President | MSCI Research



Chris Cote
Vice President | MSCI Research

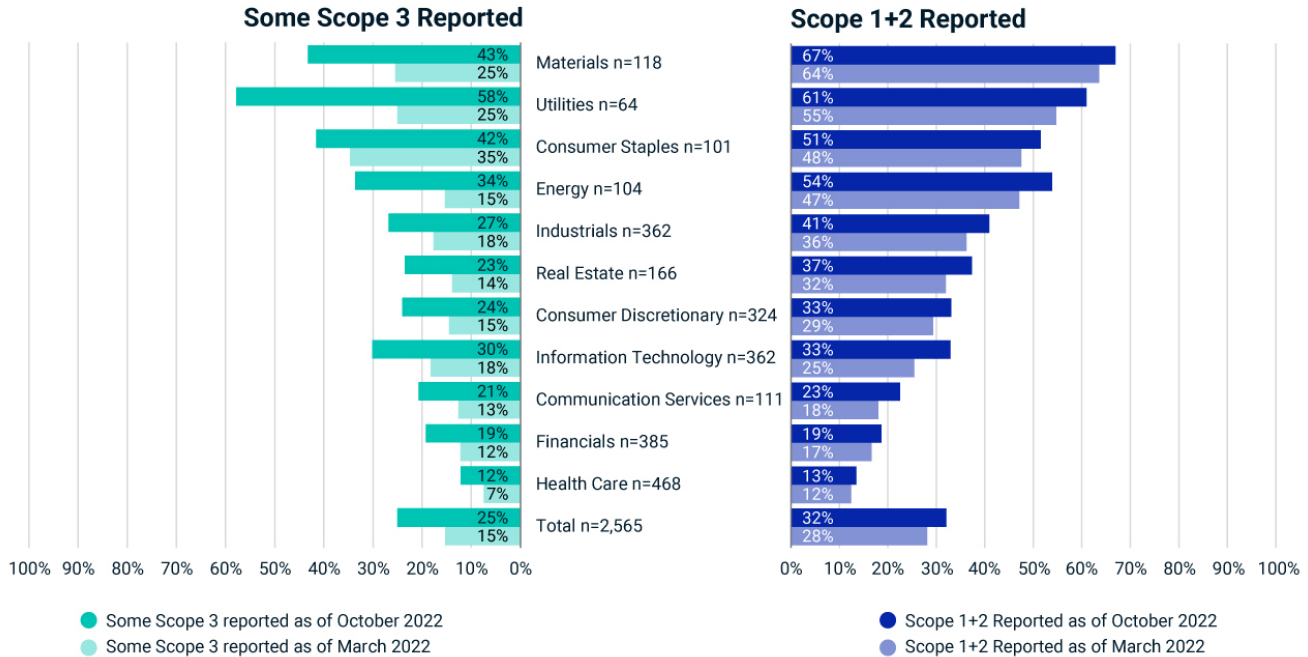
The SEC’s climate rules aren’t yet final, but companies are already disclosing more of their carbon emissions

Six months after the U.S. Securities and Exchange Commission said that it would require companies to publish their greenhouse gas emissions and climate-change risks annually, the number of companies reporting such information has grown.

While the SEC has yet to finalize the proposed rules, 25% of U.S.-listed companies disclosed at least some of emissions from their value chain, or Scope 3, in the six months that ended Oct. 24, up from 15% since the SEC [proposed the regulations](#) in March.¹ Disclosure of Scope 3 emissions by companies in the emissions-intensive materials, utilities and energy sectors has increased by 18, 33 and 19 percentage points, respectively, over the same period.

Scope 3 emissions matter to investors because such emissions [make up the largest share](#) of greenhouse gas emissions for most companies. The SEC has proposed that companies disclose Scope 3 emissions if financially relevant or if the company has set a climate target that encompasses them. Though more companies have disclosed their direct, or Scope 1, emissions and emissions from purchased energy (Scope 2), such disclosures ticked up as well over the same period.

Change in climate risk disclosures by U.S.-listed companies in the six months ending October 24th

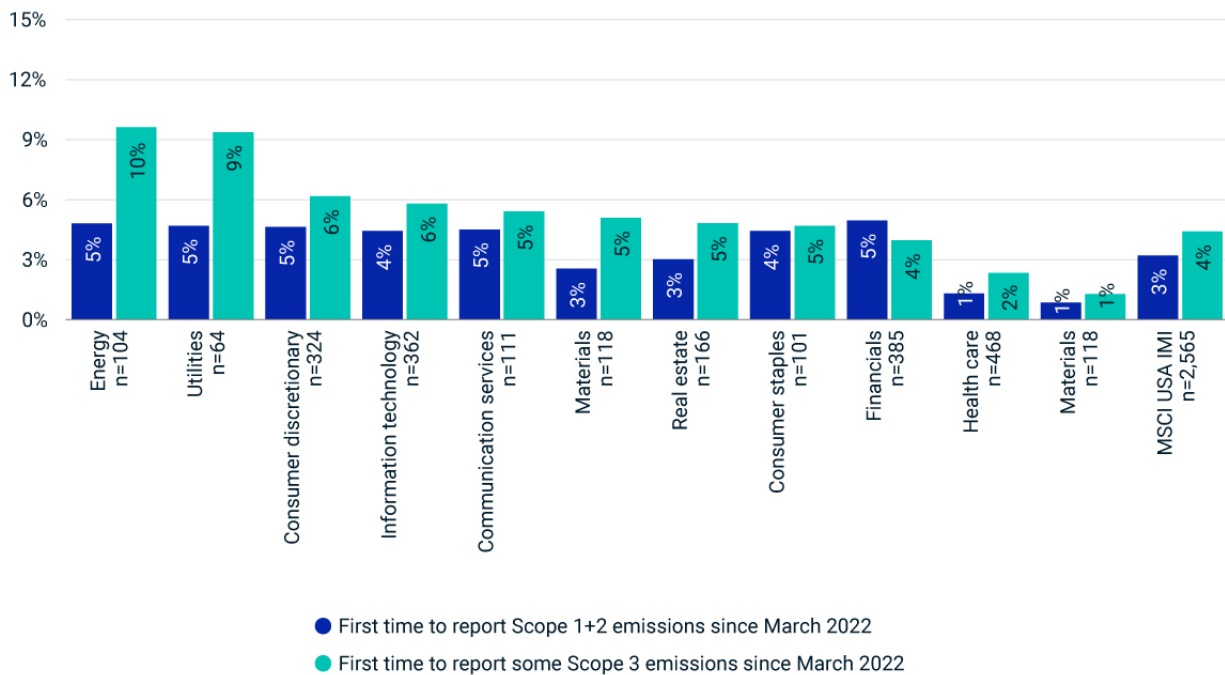


Source: MSCI ESG Research, data as of Oct. 24, 2022

¹U.S.-listed companies are represented here by the MSCI USA IMI Index, which is designed to measure the performance of the large-, mid- and small-cap segments of the U.S. market. With 2,588 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in the U.S., as of Sept. 30, 2022.

Besides broadening the scope of their climate reporting, more companies have disclosed emissions for the first time since the SEC proposed its climate disclosures. Three percent of U.S.-listed companies reported Scope 1 and 2 emissions for the first time since the SEC proposed the climate disclosure rule this year, while 4% of such companies introduced Scope 3 reporting. For the first time, about 10% of companies in both the energy and utilities sectors reported some categories of Scope 3.

U.S.-listed companies that disclosed greenhouse gas emissions for the first time in 2022

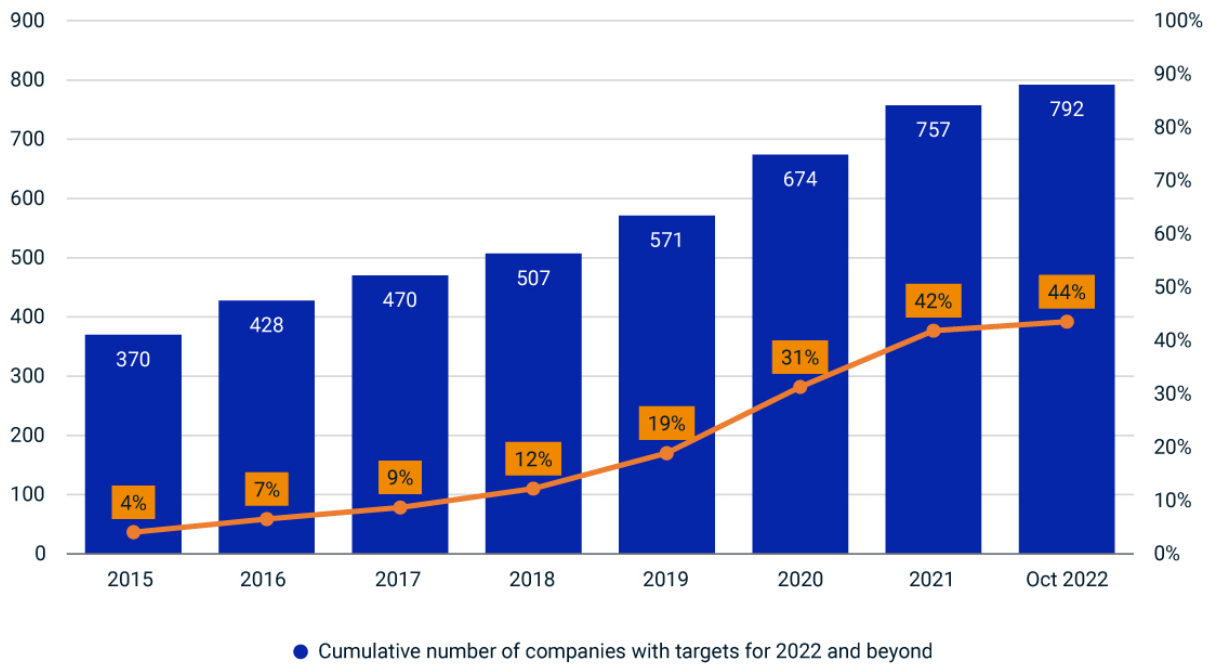


Source: MSCI ESG Research, data as of Oct. 24, 2022

The SEC has further proposed that companies setting a climate target publish the emissions the target covers, its date (including any interim targets) and how the company intends to achieve it. About 30% of U.S.-listed companies (792 companies) have set a climate target, our data as of October shows. Of them, 44%, or 348 companies, declared some type of net-zero emissions target.

Companies' self-declared net-zero targets vary. Some aim to balance carbon emissions with carbon removal, while others cover only the company's direct (Scope 1 and 2) emissions. Still others aim to boost the company's use of energy from renewable sources or eliminate emissions from business travel.

U.S.-listed companies that have disclosed target-related information with target years of 2022 and beyond



Source: MSCI ESG Research, data as of Oct. 24, 2022. The chart shows the number of companies that have set climate targets with target years for 2022 and beyond.

Of the U.S.-listed companies that have a net-zero target, 12 have a target approved by the Science Based Targets initiative (SBTi), which calls for reporting total value chain emissions from Scope 1, 2 and 3 categories, reducing emissions to zero or residual levels by 2050, and offsetting residual emissions through carbon dioxide removal. An additional 54 companies have committed to set an SBTi-approved target within the next two years.

Carbon disclosures could soon become standard. In addition to the requirements proposed by the SEC, financial regulators in the EU, the U.K. and other large economies [are introducing climate disclosure rules](#) for listed companies, large firms or firms that fall within some combination thereof.

Contact us

[msci.com/contact-us](https://www.msci.com/contact-us)

AMERICAS

Americas	1 888 588 4567 *
Atlanta	+ 1 404 551 3212
Boston	+ 1 617 532 0920
Chicago	+ 1 312 675 0545
Monterrey	+ 52 81 1253 4020
New York	+ 1 212 804 3901
San Francisco	+ 1 415 836 8800
São Paulo	+ 55 11 3706 1360
Toronto	+ 1 416 628 1007

EUROPE, MIDDLE EAST & AFRICA

Cape Town	+ 27 21 673 0100
Frankfurt	+ 49 69 133 859 00
Geneva	+ 41 22 817 9777
London	+ 44 20 7618 2222
Milan	+ 39 02 5849 0415
Paris	0800 91 59 17 *

ASIA PACIFIC

China North	10800 852 1032 *
China South	10800 152 1032 *
Hong Kong	+ 852 2844 9333
Mumbai	+ 91 22 6784 9160
Seoul	00798 8521 3392 *
Singapore	800 852 3749 *
Sydney	+ 61 2 9033 9333
Taipei	008 0112 7513 *
Thailand	0018 0015 6207 7181 *
Tokyo	+ 81 3 5290 1555

* toll free

About MSCI

MSCI is a leading provider of critical decision support tools and services for the global investment community. With over 50 years of expertise in research, data and technology, we power better investment decisions by enabling clients to understand and analyze key drivers of risk and return and confidently build more effective portfolios. We create industry-leading research-enhanced solutions that clients use to gain insight into and improve transparency across the investment process.

To learn more, please visit www.msci.com.

The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: <https://www.msci.com/index-regulation>.

Notice and disclaimer

This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of MSCI Inc. or its subsidiaries (collectively, "MSCI"), or MSCI's licensors, direct or indirect suppliers or any third party involved in making or compiling any Information (collectively, with MSCI, the "Information Providers") and is provided for informational purposes only. The Information may not be modified, reverse-engineered, reproduced or disseminated in whole or in part without prior written permission from MSCI. All rights in the Information are reserved by MSCI and/or its Information Providers.

The Information may not be used to create derivative works or to verify or correct other data or information. For example (but without limitation), the Information may not be used to create indexes, databases, risk models, analytics, software, or in connection with the issuing, offering, sponsoring, managing or marketing of any securities, portfolios, financial products or other investment vehicles utilizing or based on, linked to, tracking or otherwise derived from the Information or any other MSCI data, information, products or services.

The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information. NONE OF THE INFORMATION PROVIDERS MAKES ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION (OR THE RESULTS TO BE OBTAINED BY THE USE THEREOF), AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH INFORMATION PROVIDER EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

Without limiting any of the foregoing and to the maximum extent permitted by applicable law, in no event shall any Information Provider have any liability regarding any of the Information for any direct, indirect, special, punitive, consequential (including lost profits) or any other damages even if notified of the possibility of such damages. The foregoing shall not exclude or limit any liability that may not by applicable law be excluded or limited, including without limitation (as applicable), any liability for death or personal injury to the extent that such injury results from the negligence or willful default of itself, its servants, agents or sub-contractors.

Information containing any historical information, data or analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. Past performance does not guarantee future results.

The Information should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. All Information is impersonal and not tailored to the needs of any person, entity or group of persons.

None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), any security, financial product or other investment vehicle or any trading strategy.

It is not possible to invest directly in an index. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index. MSCI does not issue, sponsor, endorse, market, offer, review or otherwise express any opinion regarding any fund, ETF, derivative or other security, investment, financial product or trading strategy that is based on, linked to or seeks to provide an investment return related to the performance of any MSCI index (collectively, "Index Linked Investments"). MSCI makes no assurance that any Index Linked Investments will accurately track index performance or provide positive investment returns. MSCI Inc. is not an investment adviser or fiduciary and MSCI makes no representation regarding the advisability of investing in any Index Linked Investments.

Index returns do not represent the results of actual trading of investable assets/securities. MSCI maintains and calculates indexes, but does not manage actual assets. Index returns do not reflect payment of any sales charges or fees an investor may pay to purchase the securities underlying the index or Index Linked Investments. The imposition of these fees and charges would cause the performance of an Index Linked Investment to be different than the MSCI index performance.

The Information may contain back tested data. Back-tested performance is not actual performance, but is hypothetical. There are frequently material differences between back tested performance results and actual results subsequently achieved by any investment strategy.

Constituents of MSCI equity indexes are listed companies, which are included in or excluded from the indexes according to the application of the relevant index methodologies. Accordingly, constituents in MSCI equity indexes may include MSCI Inc., clients of MSCI or suppliers to MSCI. Inclusion of a security within an MSCI index is not a recommendation by MSCI to buy, sell, or hold such security, nor is it considered to be investment advice.

Data and information produced by various affiliates of MSCI Inc., including MSCI ESG Research LLC and Barra LLC, may be used in calculating certain MSCI indexes. More information can be found in the relevant index methodologies on www.msci.com.

MSCI receives compensation in connection with licensing its indexes to third parties. MSCI Inc.'s revenue includes fees based on assets in Index Linked Investments. Information can be found in MSCI Inc.'s company filings on the Investor Relations section of www.msci.com.

MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Except with respect to any applicable products or services from MSCI ESG Research, neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Issuers mentioned or included in any MSCI ESG Research materials may include MSCI Inc., clients of MSCI or suppliers to MSCI, and may also purchase research or other products or services from MSCI ESG Research. MSCI ESG Research materials, including materials utilized in any MSCI ESG Indexes or other products, have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body.

Any use of or access to products, services or information of MSCI requires a license from MSCI. MSCI, Barra, RiskMetrics, IPD and other MSCI brands and product names are the trademarks, service marks, or registered trademarks of MSCI or its subsidiaries in the United States and other jurisdictions. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P Global Market Intelligence. "Global Industry Classification Standard (GICS)" is a service mark of MSCI and S&P Global Market Intelligence.

MIFID2/MIFIR notice: MSCI ESG Research LLC does not distribute or act as an intermediary for financial instruments or structured deposits, nor does it deal on its own account, provide execution services for others or manage client accounts. No MSCI ESG Research product or service supports, promotes or is intended to support or promote any such activity. MSCI ESG Research is an independent provider of ESG data, reports and ratings based on published methodologies and available to clients on a subscription basis. We do not provide custom or one-off ratings or recommendations of securities or other financial instruments upon request.

Privacy notice: For information about how MSCI collects and uses personal data, please refer to our Privacy Notice at <https://www.msci.com/privacy-pledge>.