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ORGANIZATIONAL DISCLOSURE INSTRUMENT

The organizational disclosure instrument covers the activities carried about by the entity completing the instrument over its most recent fiscal year.

1. OVERVIEW

- 1.1. Activities and Locations:** Describe recipient's primary activities, property, and physical office locations.
- 1.2. Risk Factors:** Describe material risks that affect the recipient's financial health, performance, execution of the federal award, and compliance with the terms and conditions of the award agreement, listed in order of the risks' importance. These may include credit, liquidity, market, operational (e.g., cybersecurity), strategic, reputational, climate-related financial risks, legal and compliance risk, and consumer protection risks.
- 1.3. Legal Proceedings:** Report legal proceedings to which the recipient is a party and that could result in a material adverse effect. These include:
 - 1.3.1.** Those required by Section 16.2 of the EPA's General Terms and Conditions
 - 1.3.2.** Administrative or judicial proceedings not covered under Section 16.2 of the General Terms and Conditions that resulted or could result in an order for monetary or injunctive relief against the recipient. Include the name of the court or government agency in which the proceedings are pending, the date instituted, the principal parties, a description of the factual basis alleged to underlie the report proceedings, and the relief sought
 - 1.3.3.** Administrative or judicial orders not covered under Section 16.2 of the General Terms and Conditions that are currently in effect and resulted from a proceeding initiated by a government agency to which recipient is subject to injunctive relief or penalty required under the order

2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION (MD&A)

- 2.1. MD&A:** The MD&A should focus specifically on material events and uncertainties known to the recipient's management that are reasonably likely to cause reported financial information not

to be necessarily indicative of future operating results or of future financial condition. This includes descriptions and amounts of matters that have had a material impact on reported operations, as well as matters that are reasonably likely based on senior management's assessment to have a material impact on future operations. The discussion and analysis must be of the financial statements and other statistical data that the recipient believes will enhance the EPA's understanding of the recipient's financial condition, cash flows and other changes in financial condition and results of operations. These should include but not be limited to, as applicable:

- 2.1.1. Results of Operations:** The discussion that is provided with respect to the results of operations should not consist merely of numeric dollar and percentage changes measured from period to period of various line items on the statement of comprehensive income or statement of activities. The focus should be on an analysis of the factors that caused these changes to occur. In providing this analysis, the recipient may find it helpful to include a discussion of key variables and financial measures management is utilizing in managing the recipient. These variables may be non-financial in nature or may represent industry or sector-specific metrics.
- 2.1.2. Critical Accounting Estimates:** Disclosure is appropriate when the nature of the estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and the impact of the estimates and assumptions on financial condition or operating performance is material
- 2.1.3. Off-Balance Sheet Arrangements:** Report off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the recipient's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material

3. GOVERNANCE

3.1. Senior Management

- 3.1.1.** Report the name of each member of senior management; indicate all positions and offices within the recipient held
- 3.1.2.** Describe expertise and representation (e.g., from geographically diverse communities, including rural communities; Tribal communities; and low-income and disadvantaged communities) of each member of senior management, as it relates to the execution of the Greenhouse Gas Reduction Fund (GGRF) award
- 3.1.3.** Describe how senior management effectively oversees or identifies, assesses, measures, monitors, and manages material risks. These may include credit, liquidity, market, operational (e.g., cybersecurity), strategic, reputational, climate-related financial risks (both physical and transition risks), legal and compliance, consumer protection, and the risk factors identified in Section 1.2.

3.2. Board of Directors

- 3.2.1.** Report the name of each member of board of directors; indicate all positions and offices within the recipient held
- 3.2.2.** Describe expertise and representation (such as from geographically diverse communities, including rural communities; Tribal communities; and low-income and

disadvantaged communities) of each member, as it relates to the execution of the GGRF award

- 3.2.3. Report the percentage of the board that is independent, names of independent directors, and the recipient's definition of independent
- 3.2.4. Describe the primary oversight and monitoring activities of each board committee and the members of each committee
- 3.2.5. Report the total number of board-level meetings (excluding individual board committee meetings) relating to the execution of the GGRF award and the number of directors who attended less than 75% of such board-level meetings
- 3.2.6. Describe how the board effectively oversees or identifies, assesses, measures, monitors, and manages material risks. These may include credit, liquidity, market, operational (e.g., cybersecurity), strategic, reputational, climate-related financial risks (both physical and transition risks), legal and compliance, consumer protection, and risk factors identified in Section 1.2.

3.3. Senior Management and Board Compensation

- 3.3.1. Report the total compensation for each of the recipient's five most highly compensated executives for the preceding completed fiscal year, pursuant to Section 15.2-4 of the General Terms and Conditions
- 3.3.2. Report the total compensation awarded to additional members of senior management and the board of directors not reported under Section 3.3.1 of this agreement
- 3.3.3. Describe the material elements of compensation awarded to senior management and the board of directors as it relates to the GGRF award, and how compensation was determined, including the role of the board of directors and external advisors used

3.4. Conflicts of Interest

- 3.4.1. Report conflicts of interests that may affect financial assistance awards, pursuant to 2 CFR 200.112 and the EPA's Financial Assistance Conflict of Interest Policy
- 3.4.2. Report other conflicts of interest under the recipient's conflict of interest policy as they relate to individuals and transactions during the reporting period; the circumstances giving rise to the conflict; and how the conflict was mitigated
- 3.4.3. Describe management and board-level conflict of interest processes for assessing, identifying, and mitigating conflicts of interest

4. ORGANIZATIONAL GREENHOUSE GAS EMISSIONS

This information will be required for inclusion starting in year three of period of performance.

- 4.1. **Scope 1 emissions:** Report the recipient's Scope 1 emissions, which are direct greenhouse emissions that occur from sources that are controlled or owned by an organization (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles)¹
- 4.2. **Scope 2 emissions:** Report the recipient's Scope 2 emissions, which are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Although Scope 2 emissions physically occur at the facility where they are generated, they are accounted for in an organization's GHG inventory because they are a result of the organization's energy use²

¹ See <https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance>.

² See <https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance>.

- 4.3. Scope 3 emissions:** Report the recipient's Scope 3 emissions (if material), which are the result of activities from assets not owned or controlled by the reporting organization but that the organization indirectly affects in its value chain. Scope 3 emission sources include emissions both upstream and downstream of the organization's activities.³ The GHG Protocol defines 15 categories of scope 3 emissions, though every category may not be material for the organization. Under this reporting obligation, the organization must define and explain which categories it believes are material
- 4.4. Internal Controls and Verification:** Describe internal controls, third-party verification, or external audits used to verify Scopes 1-3 greenhouse gas emissions reporting

5. FINANCIAL HEALTH METRICS

The information on Self-Sufficiency Ratio and Operating Cash Ratio will be required for inclusion starting in the closeout period.

- 5.1. Net Asset Ratio:** $\text{Net Asset Ratio} = (\text{Total Net Assets}) / (\text{Total Assets})$. Total Net Assets is equal to Total Assets less Total Liabilities. Total Assets is equal to the total value of the recipient's current assets and noncurrent assets.
- 5.2. Current Ratio:** $\text{Current Ratio} = (\text{Current Assets}) / (\text{Current Liabilities})$. Current Ratio is calculated by dividing Current Assets by Current Liabilities. Current Assets is equal to the value of all assets that are reasonably expected to be converted into cash within the coming 12-month period in the normal course of business. Current Liabilities is equal to the total value of all debts or obligations that must be paid in the coming 12-month period.
- 5.3. Delinquency Rate:** $\text{Delinquency Rate} = (\text{Value of Loans 90+ Days Delinquent} / \text{Value of Loans Outstanding})$. Value of Loans 90+ Days Delinquent is equal to the total value of all loans outstanding that are 90+ days delinquent. Value of Loans Outstanding is equal to the total value of all loans outstanding.
- 5.4. Net Charge-Off Rate:** $\text{Net Charge-Off Rate} = (\text{Loan Charge-Offs} - \text{Loan Recoveries}) / (\text{Loans Outstanding})$. Loan Charge-Offs is equal to the value of the recipient's loans charged off over the past fiscal year, and Loan Recoveries is equal to the value of the recipient's loan recoveries over the past fiscal year. Loans Outstanding is equal to the value of the recipient's loans outstanding at the end of the fiscal year.
- 5.5. Concentration:** $\text{Recipient Exposure} = (\text{Consolidated Entity-Level Exposures}) / (\text{Total On-Balance Sheet Exposures})$. Consolidated Entity-Level Exposures is equal to the recipient's on-balance sheet exposures to a single consolidated entity. Total On-Balance Sheet Exposures is equal to the recipient's on-balance sheet exposures across all entities. The recipient must calculate and report its exposure for its top ten highest exposures.
- 5.6. Self-Sufficiency Ratio:** $\text{Self-Sufficiency Ratio} = (\text{Earned Revenue}) / (\text{Operating Expenses})$. Earned Revenue is equal to the value of all income earned from normal business transactions. Operating Expenses is equal to the value of all expenses incurred as a part of normal business operations over the prior 12-month period, not including interest, financing, depreciation, amortization, and loan loss provision expense.
- 5.7. Operating Cash Ratio:** $\text{Operating Cash Ratio} = (\text{Total Cash} + \text{Cash Equivalents}) / \text{Total Expenses}$. Cash and Cash Equivalents means the total value of all cash and cash equivalent items, which can be converted into cash immediately. Operating Expenses is equal to the value of all expenses incurred as a part of normal business operations over the prior 12-month period, not including interest, financing, depreciation, amortization, and loan loss provision expense.

³ See <https://www.epa.gov/climateleadership/scope-3-inventory-guidance>.