KPMG

Climate in the US

SEC disclosure guidance on climate-related risks remains

August 6, 2025

Companies should continue to focus on existing SEC climate-related disclosure guidance.

Source and applicability

- SEC Release Nos. 33-9106; 34-61469, Commission Guidance Regarding Disclosure Related to Climate Change (the '2010 guidance')
- Public companies, including foreign filers.

Fast facts, impacts, actions

Even without the SEC's climate rule, the landscape of sustainability reporting continues to evolve in the US and internationally. The California Air Resources Board (CARB) is developing regulations that will underpin the California climate laws, while the European Commission is undergoing a process to simplify and streamline sustainability reporting in the EU. Further, many jurisdictions have adopted, or are considering adopting, the IFRS® Sustainability Disclosure Standards into their legal and regulatory frameworks.

While most companies began prioritizing other sustainability regulatory requirements after the stay in the SEC's climate rule, compliance with existing SEC disclosure requirements under Reg S-K remains important, and can result in climate-related disclosure being required. SEC guidance issued in 2010 highlighted various Reg S-K disclosure requirements that may be relevant to climate-related matters.

Areas in which climate-related matters may require disclosure include, but are not limited to:

- potential effects of legislation and regulation;
- potential effects of international accords;
- indirect consequences of emerging business trends; and
- the physical effects of climate change.

Even without the SEC's climate rule, the significance of current disclosure requirements and their applicability to climate-related matters is not diminished. Companies should consider refreshing their understanding of the 2010 disclosure guidance and how it currently applies to their organization.

Evolution of SEC climate-related disclosure

In 2010, the SEC issued an interpretive release to provide guidance on climate-related disclosure, outlining how existing disclosure requirements may apply to climate-related matters. This guidance has remained the primary reference point for registrants navigating climate-related reporting obligations since its release.

In recent years, the SEC has undertaken activities to enhance and standardize climate-related disclosure, which culminated in the adoption of a final climate rule (SEC Release Nos. 33-11275; 34-99678, The Enhancement and Standardization of Climate-Related Disclosures for Investors) on March 6, 2024. However, the rule was quickly met with legal challenges from multiple stakeholders, and in response the SEC issued a stay on April 4, 2024, effectively pausing implementation of the rule, pending judicial review.

Following a change in presidential administration, and a change in SEC Chairman, the SEC's posture shifted further. In March 2025, the Commission voted to cease defending the climate rule in court. Subsequently, the Eighth Circuit Court of Appeals, where the litigation had been consolidated, paused proceedings to await further direction from the SEC regarding its intention to review or reconsider the rule.

In July 2025, the SEC filed a report with the court stating it does not intend to review or revise the rule and requested that the litigation proceed. The report emphasized that any reconsideration would require formal Commission action. At the 2025 SEC Speaks Conference, Commissioner Uyeda suggested that such action would place a significant strain on the Commission's resources and that the effort would be a 'difficult lift'. Commissioner Crenshaw released a statement, also in July, expressing concern that even if the rule is upheld, the current Commission would not adhere to the rule, as three of the four current Commissioners are vocal critics.

The remainder of this document outlines existing Reg S-K disclosure obligations outlined in the 2010 guidance relevant to climate-related disclosures and considerations for registrants preparing their filings.

Relevant SEC reporting requirements

Under existing requirements, regulatory reports filed with the SEC must disclose regulatory, legal and business developments related to climate change and climate-related risks that may have a material effect on the financial condition or operating performance of registrants. Guidance issued in 2010 highlighted various Reg S-K disclosure requirements that may be relevant to climate-related matters. These disclosures summarize the risks, events or circumstances that are material to an investor's understanding of the registrant's business, including the following.

- Item 101, **Description of Business**, requires a narrative description of the business, including disclosure of the material effects that compliance with environmental regulations may have on the capital expenditures, earnings and the registrant's competitive position.
- Item 103, **Legal Proceedings**, requires a description of material pending legal proceedings, including matters arising from federal, state or local laws intended to protect the environment.
- Item 105, **Risk Factors**, requires disclosure of the material factors that make an investment in the registrant speculative or risky.
- Item 303, **Management's Discussion and Analysis** of Financial Condition and Results of Operations, requires disclosure of known trends or uncertainties that have had or are reasonably likely to have a material impact on the registrant's continuing operations; and known material events and uncertainties that are reasonably likely to cause the financial information not to be necessarily indicative of future operating results or financial condition.

In addition, registrants must also disclose any other material information that may be relevant to financial statement users.

Assessing climate-related risks and their related effects is a facts-and-circumstances-based analysis. Registrants should provide disclosures that are specific to the business and provide investors the ability to evaluate the current and expected climate-related risks 'through the eyes of management'.

Potential effects of disclosure requirements

The absence of the SEC's climate rule does not lessen the importance of the 2010 guidance, which outlines areas where climate-related matters may require disclosure. This section summarizes that guidance and incorporates insights from recent sustainability developments to help companies assess its relevance in today's context.

Effects of legislation and regulation

A registrant should consider the impact of existing and pending climate-change laws and regulations; and, if material, the difficulties of assessing the timing and effect of pending legislation and regulation. Both the positive and negative consequences of actual or pending legislation or regulatory actions should be considered.

The amount of existing and pending climate-change laws and regulations has increased dramatically since the SEC's 2010 guidance was released. For example, regulations like the EU's Carbon Border Adjustment Mechanism (CBAM) are designed to incentivize emissions reduction. Additionally, many reporting-related measures aim to enhance transparency of a company's climate-related practices. Common examples include:

- California's climate laws;
- EU regulatory reporting frameworks like the Corporate Sustainability Reporting Directive (CSRD), Corporate Sustainability Due Diligence Directive and EU Taxonomy; and
- adoption of IFRS Sustainability Disclosure Standards across jurisdictions.

Possible consequences can include the following.

- Costs incurred under the EU's CBAM, which could affect the pricing and competitiveness of imported goods not meeting EU emissions standards.

- Implementation costs associated with complying with the reporting-related measures such as the CSRD, including expenses for data collection and reporting system upgrades.

- Costs to purchase, or profits from sales of, allowances or credits under a cap-and-trade system, such as the EU Emissions Trading System.

- Costs required to improve facilities and equipment in an effort to reduce emissions either to comply with regulatory limits or to mitigate the financial consequences of a cap-and-trade regime, such as the California Cap-and-Trade Program.

- Changes to profit or loss arising from increased or decreased demand for goods and services produced by the registrant arising directly from legislation or regulation, and indirectly from changes in costs of goods sold.

Companies should consider establishing systems to monitor, track and assess the effects of existing and upcoming legislation and regulations to support their compliance and disclosure obligations because the effects may change over time.

Impact of international accords

A registrant should consider the risks or effects of international accords and treaties related to climate change and should include both negative and positive consequences.

For example, the Paris Climate Agreement was adopted by 196 countries in 2015, but each country is responsible for developing its own plans for climate action. While the US has withdrawn from the agreement, companies with multinational operations should fully understand the environmental regulation wherever they operate to evaluate possible negative or positive consequences.

Indirect consequences of regulation or business trends

A registrant should evaluate the legal, technological, political and scientific developments related to climate change, or other trends in the business environment that may directly or indirectly pose risks or create new opportunities.

Indirect negative consequences or opportunities might include the following, for example.

- Decreased demand for goods that result in significant GHG emissions.
- Increased demand for goods that result in lower emissions than competing products.
- Increased competition to develop innovative new products.
- Increased demand for generation and transmission of energy from alternative energy sources.
- Decreased demand for services related to carbon-based energy sources, such as drilling or equipment maintenance services.
- Depending on a registrant's business and its sensitivity to public opinion, reputational damage or gain from the public's perception of any publicly available data related to its GHG emissions.

Companies frequently seek to reduce GHG emissions, use eco-friendly materials or use carbon credits, for example. In carrying out these efforts, they should assess *whether* and *where* to disclose indirect effects or opportunities. Generating and selling carbon credits, for example, might require Item 101 disclosure, while related business trends or risks could be addressed in Items 105 or 303.

Physical impact of climate change

Significant physical effects of climate change – e.g. severity of the weather, rising sea levels, the arability of farmland, water availability and quality, scarcity of resources – have the potential to affect a registrant's financial condition and business. Possible consequences of severe weather include the following.

- For registrants with operations concentrated on coastlines, property damage and disruption to operations, including manufacturing or the transport of manufactured products.
- Indirect financial and operational effects of disruptions to the operations of major customers or suppliers caused by severe weather (e.g. hurricanes, floods, wildfires, freeze conditions).

- Increased insurance claims and liabilities for insurance and reinsurance companies, or credit risks for banks with borrowers in higher risk areas.
- Decreased agricultural production capacity in areas affected by drought or other weather-related changes.
- Increased insurance premiums and deductibles, or decreased availability of coverage, for registrants with plants or operations in areas subject to severe weather.

Companies should consider both the actual and *potential* impact of environmental matters stemming from climate risks to their business and operations – including personnel, physical assets, and supply and distribution chains.

Materiality

The concept of materiality for nonfinancial statement disclosures as traditionally understood should be applied when evaluating the potential effect of climate-related matters on the registrant. The materiality evaluation is a two-part process requiring (1) an evaluation of whether the event is reasonably likely to occur, and (2) if so, whether the event is reasonably likely to have a material effect on the registrant's financial condition or operations. The SEC requires registrants to consider a time horizon when evaluating whether an event related to climate-related matters is reasonably likely to occur and whether a material effect from that event is reasonably likely.

The SEC's 2010 guidance specified that materiality "with respect to contingent or speculative information or events…' will depend at any given time upon a balancing of both the indicated probability that the event will occur and the anticipated magnitude of the event in light of the totality of the company activity.'" Unless the registrant is able to determine that a material effect is not reasonably likely, disclosure is required.

Foreign Private Issuers

Foreign private issuers are subject to the disclosure requirements of Form 20-F. These requirements are consistent with Reg S-K, although some requirements are not as prescriptive. Foreign private issuers should consider whether climate-related disclosures should be made in the following sections.

- Item 3.D, ***Risk Factors***, requires disclosure of risk factors specific to the issuer.
- Item 4, ***Information on the Company***, requires disclosure of the material effects of government regulations on the issuer's business, identifying the regulatory body and the environmental issues that may affect the issuer's utilization of assets.
- Item 5, ***Operating and Financial Review and Prospects***, requires disclosure of factors and trends that are anticipated to have a material effect on the issuer's financial condition and results of operations in future periods.
- Item 8, ***Financial Information***, requires disclosure of any information on legal proceedings which may have, or have had, significant effects on the company's financial position or profitability.

Contributing authors
Timothy Brown, Bryce Ehrhardt

KPMG Financial Reporting View

kpmg.com/us/frv

This newsletter is part of our Defining Issues® collection of newsletters and articles with insights and news about financial reporting and regulatory developments.

Sign up here to receive news and insights delivered to your mailbox.

Learn about us: **kpmg.com**