



## Ceres Accelerator for Sustainable Capital Markets Summary of SEC Climate Risk Disclosure Rule

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**Disclaimer:** This summary covers each major provision of the SEC’s climate risk disclosure rule. For space considerations, it does not include some elements of the final rule’s requirements. Elements that are not included in the summary are found in the [text of the rule](#) (pages 842-886) and are discussed in more detail throughout the adopting release.

Ceres works with institutional investors who have engaged in a 20-year effort to improve climate risk disclosure in U.S. Securities and Exchange Commission (SEC) filings. These investors are also globally diversified and have long advocated for aligned climate disclosure expectations from financial regulators worldwide. They have issued statements to governments worldwide advocating for these disclosure rules.

Mainstream U.S. and global businesses and investors responded, developing the Task Force on Climate-related Financial Disclosures (TCFD) voluntary recommendations, which are now used by governments and companies worldwide. Today, the International Sustainability Standards Board (ISSB) [carries on the TCFD’s work](#), and over 15 governments have issued or completed consultations on ISSB-aligned climate disclosure rules.

The SEC’s new climate risk disclosure rule is an important step to improve climate disclosure in financial filings. The rule is built on the TCFD framework, and it starts to meet investors’ demands for mandatory corporate transparency as well as companies’ need for clarity. It will result in consistent, comparable, and investor-grade information from all U.S. public companies, and it is an important improvement over the previous status quo:

SEC requirements for disclosure of material climate-related information: a comparison of the previous status quo vs. the final rule	
Previous SEC Status Quo (pre-final disclosure rule)	SEC Final Rule: Enhancement and Standardization of Climate-Related Disclosures for Investors (2024)
<p>Overview:</p> <ul style="list-style-type: none"> <li>Commission Guidance Regarding Disclosure Related to Climate Change (2010) discusses existing SEC disclosure requirements as they apply to climate change matters</li> <li>No SEC rule exists with specific disclosure requirement for material climate-related issues</li> <li>The 2010 guidance <b>proved insufficient</b> in compelling companies to furnish information on climate risks in their SEC filings, resulting in a fragmented disclosure landscape with little utility to investors</li> </ul>	<p>Overview:</p> <ul style="list-style-type: none"> <li>Rule prescribes disclosure requirements for material issues in response to investors' needs</li> <li>Includes relevant safe harbors from legal liability, phase-ins of compliance dates, and other provisions reducing requirements for smaller registrants and otherwise minimizing companies' compliance burdens</li> <li>Modifies the 2022 proposed rule in response to stakeholder comments</li> </ul>
Disclosure requirements:	Disclosure requirements related to the following information, if material:
None	<ul style="list-style-type: none"> <li>Data on expenditures related to severe weather events in the notes to the audited financial statements</li> <li>Data on expenditures related to carbon offsets and renewable energy credits (RECs) in the notes to the audited financial statements</li> </ul>
None	<ul style="list-style-type: none"> <li>Climate governance, including board and management oversight of climate risks (not subject to materiality qualifier)</li> </ul>
None	<ul style="list-style-type: none"> <li>Climate risks facing the company</li> <li>Transition plans</li> <li>Scenario analysis</li> <li>Use of an internal carbon price</li> </ul>
None	<ul style="list-style-type: none"> <li>Risk management</li> </ul>
None	<ul style="list-style-type: none"> <li>Targets and goals</li> </ul>
None	<ul style="list-style-type: none"> <li>GHG emissions metrics (Scopes 1 and/or 2)</li> </ul>
None	<ul style="list-style-type: none"> <li>Third-party attestation of Scopes 1 and/or 2 emissions disclosures</li> </ul>



There is no ambiguity in the market’s demand for mandatory, standardized climate risk disclosure. Investors are overwhelmingly aligned in asking for clear and consistent information about climate risks in SEC filings. [Ceres analyzed](#) comment letters in response to the proposed rule from more than 300 institutional investors, including both asset owners and asset managers, who collectively own or manage more than \$50 trillion. 97% supported requiring climate disclosures in public companies’ annual reports (10-Ks). 99% supported requiring disclosure of Scope 1 and 2 GHG emissions. 100% supported alignment of the SEC rule with TCFD disclosure recommendations. The final rule achieves all these desired outcomes.

Investors need this rule because of deficiencies in voluntary climate risk disclosure in the United States. Voluntary disclosure does not allow for sufficient comparability between companies’ disclosures, which is what investors need when making portfolio-wide capital allocation decisions. The pre-rule status quo have been costly: institutional investors are already spending [over \\$1.3 million per year](#) on average to collect, analyze, and report climate data to inform their investment decisions—information that should be readily available at no cost in SEC filings, like any other material financial data. Voluntary disclosure is problematic: it can be challenging for companies to determine which voluntary reporting frameworks to use, or what information they need to disclose. Discrepancies and inconsistencies among the frameworks can result in misleading disclosures.

Investors want decision-useful and investor-grade climate risk information in SEC filings, and the SEC’s rule is a marked improvement over the agency’s 2010 interpretive guidance and the resulting disclosures from companies (or lack thereof). It also brings U.S. disclosure standards closer in line with international developments.

## Summary of SEC Climate Risk Disclosure Rule

### 1. Affected companies

- [Large accelerated filers](#) (LAF, which is an issuer with public float of \$700 million or more), accelerated filers (AF, which is an issuer with public float between \$75 and \$700 million), and non-accelerated filers (NAF), and [smaller reporting](#) (SRC) and [emerging growth](#) (EGC) companies. SRCs and EGCs have longer phase-in periods for all required disclosures and are exempt from the emissions disclosure and assurance provisions.
- Both domestic [registrants](#) and [foreign private issuers](#), but not Canadian registrants that use the Multi-jurisdictional Disclosure System and file registration statements and annual reports on Form 40-F.
- Some other registrants, such as Business Development Companies (BDCs), REITs, or issuers of registered non-variable insurance contracts.
- Note that the SEC chose not to permit substituted compliance or “mutual recognition” at this time—i.e., even if a company is subject to international disclosure regimes like the EU’s Corporate Sustainability Reporting Directive, they will still be required to comply with the SEC’s rule. The agency intends to observe how reporting under international climate-related reporting requirements and practices develop before determining whether such an approach would result in consistent, reliable,



and comparable information for investors.

## 2. Location and timing of disclosures

- The narrative disclosure sections of registration statements (e.g., Form S-1) and Exchange Act annual reports (e.g., Form 10-K), where investors can find Risk Factors, Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”), and related disclosures.
- For specified information about the following items, under certain conditions specified below, disclosure also occurs in a note to the financial statements. Those items include expenditures related to severe weather events and other natural conditions; expenditures related to carbon offsets and RECs; and, if financial statement estimates and assumptions were materially impacted by risks and uncertainties associated with severe weather events and other natural conditions or disclosed targets or transition plans, a qualitative description of how the development of such estimates and assumptions was impacted.
- Emissions disclosures and the corresponding attestation report may be disclosed in the second quarter Form 10-Q filing.

## 3. Safe harbors for certain disclosures (§ 229.1507)

- Existing safe harbors (protections from private liability) for forward-looking statements apply, including where an issuer, at the time a statement is made, is not subject to the ’34 Exchange Act section 13(a) or 15(d) reporting requirements.
- Except for certain historical facts, all disclosures required by the following provisions are considered forward-looking statements for purposes of the statutory safe harbor: transition plan, scenario analysis, internal carbon price, and targets and goals (§§ 229.1502(e), 229.1502(f), 229.1502(g), and 229.1504, respectively).

## 4. Interactive data (§ 229.1508)

- Provide disclosure in an interactive data file; specifically, electronically tag both narrative and quantitative climate-related disclosures in Inline XBRL.

## 5. Compliance dates (SEC Fact Sheet, p. 3)

- LAFs are required to disclose some climate risk information in 2026, for the fiscal year beginning (FYB) 2025, followed by AFs in 2027 (for FYB 2026), and SRCs, EGCs and NAFs in 2028 (for FYB 2027).
- The final rules will be phased in between FYB 2025 and FYB 2033, as shown in the chart below. Compliance dates depend upon the content of the disclosure and the filer status of the registrant, as shown:

## Compliance Dates under the Final Rules<sup>1</sup>

Registrant Type	Disclosure and Financial Statement Effects Audit		GHG Emissions/Assurance			Electronic Tagging
	All Reg. S-k and S-X disclosures, other than as noted in this table	Item 1502(d)(2), Item 1502 (e)(2), and Item 1504 (c)(2)	Item 1505 (Scopes 1 and 2 GHG emissions)	Item 1506-Limited Assurance	Item 1506-Resonable Assurance	Item 1508-Inline XBRL tagging for subpart 1500 <sup>2</sup>
LAFs	FYB 2025	FYB 2026	FYB 2026	FYB 2029	FYB 2033	FYB 2026
AFs (other than SRCs and EGCs)	FYB 2026	FYB 2027	FYB 2028	FYB 2031	N/A	FYB 2026
SRCs, EGCs and NAFs	FYB 2027	FYB 2028	N/A	N/A	N/A	FYB 2027
<sup>1</sup> As used in this chart, “FYB” refers to any fiscal year beginning in the calendar year listed <sup>2</sup> Financial statement disclosures under Article 14 will be required to be tagged in accordance with existing rules pertaining to the tagging of financial statements. See Rule 405(b)(1)(i) of Regulation S-T.						

## 6. Climate-related disclosure requirements

Definitions (§ 229.1500): the following terms are defined: carbon offsets, climate-related risks (physical risks, acute risks, chronic risks, transition risks), carbon dioxide equivalent (CO<sub>2</sub>e), emission factor, greenhouse gases (GHG), GHG emissions (direct emissions, indirect emissions), internal carbon price, operational boundaries, organizational boundaries, renewable energy credit or certificate (REC), scenario analysis, Scope 1 emissions, Scope 2 emissions, and transition plan.

**Disclose the following climate-related information in the notes to the financial statements (Regulation S-X), if material** (has materially impacted, or is reasonably likely to have a material impact, on the registrant):

- Severe weather events and other information (§§ 210.14-01 and 14-02):
  - In note to financial statements (Contextual information: derivation of each financial statement effect (inputs, assumptions, judgments, etc., policy decisions to calculate if applicable)
  - Financial effects from severe weather events during the fiscal year, for example, hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, sea level rise:
    - » Expenditures expensed as incurred and losses from severe weather events and other natural conditions. Excludes recoveries (e.g., insurance payouts). Threshold: Disclose if aggregate amount of these equal/exceed 1% of absolute value of income or loss before income tax ex-



pense/benefit (<\$100,000 exception).

- Capitalized costs and charges from severe weather events and other natural conditions. Excludes recoveries. Threshold: Disclose if aggregate amount of these costs/charges equal/exceed 1% of absolute value of stockholders' equity or deficit (<\$500,000 exception).
- Recoveries: if severe weather disclosure, aggregate amount of recoveries as a result of severe weather events/natural conditions, and where presented in income statement and balance sheet.
- Attribution: Capitalized cost, expenditure expensed, charge, loss, or recovery results from severe weather event/natural condition when it is a significant contributing factor in incurring the cost, expenditure, charge, loss, or recovery. Then entire amount of cost, expenditures, charge, loss or recovery must be disclosed.
- Carbon offsets and RECs:
  - If these are a material part of a plan to achieve disclosed climate targets or goals, aggregate amount of offsets and RECs expensed; capitalized offsets and RECs recognized; losses incurred on capitalized offsets and RECs; and beginning and ending balances of capitalized offsets and RECs.
    - » Where expenditures expensed, capitalized costs, and losses are presented in income statement and balance sheet
    - » Accounting policy for offsets and RECs
- For financial estimates/assumptions materially impacted by severe weather events/natural conditions/ disclosed targets or transition plans, whether the estimates/assumptions were materially impacted, and if yes, provide qualitative description of how impacted.

**Disclose the following climate-related information in the narrative portion of the SEC filing (Regulation S-K) but only if material** (has materially impacted, or is reasonably likely to have a material impact, on the registrant):

- **Governance** (§ 229.1501):
  - Board's oversight of climate risks. If applicable, board committee/subcommittee responsible for oversight, and the processes by which they are informed. If climate-related target/goal or transition plan, whether and how board oversees progress against them. (Note: this disclosure requirement does not include a materiality threshold).
  - Management's role in assessing and managing material climate risks. As applicable, disclose whether and which positions or committees are responsible for this, details on the relevant expertise of individuals (such as prior work on climate, degrees, knowledge, etc.) in order to fully describe the nature of the expertise, processes for assessing/managing the risks, and whether information is reported to board.



- **Strategy (§ 229.1502):**

- Climate risks, including whether likely to manifest in short term and separately in the long term, whether physical or transition risk, nature of risk, and exposure to risk, including, as applicable:
  - » Physical risks: whether acute or chronic, geographic location and nature of properties, processes, or operations subject to the risk
  - » Transition risks: whether related to regulatory, technological, market, or other factors; and how factors impact the company. If significant operations in jurisdictions that made an emissions reduction commitment, whether may be exposed to a material transition risk related to implementation of commitment.
  - » Actual and potential material impacts of the risks on strategy, business model and outlook, including as applicable, material impacts on business operations, including types and locations; products or services; suppliers, purchasers or counterparties to material contracts, to extent known or reasonable available; activities to mitigate or adapt to risks, including adoption of new technologies or processes; and expenditure for R&D.
    - Whether and how the impacts are part of strategy, financial planning, and capital allocation, including as applicable: whether impacts are integrated into business model or strategy, including whether and how risks are mitigated; and how targets or transition plans relate to business model or strategy.
  - » How the risks have materially impacted or are reasonably likely to materially impact business, results of operations, or financial condition. Describe quantitatively and qualitatively material expenditures incurred and material impacts on financial estimates and assumptions directly resulting from activities related to these material impacts.
- If transition plan was adopted to manage a material transition risk, describe plan. Update each year by describing actions taken under the plan, including how they have impacted business, results of operations, or financial condition. Include quantitative and qualitative disclosure of material expenditures incurred and material impacts on financial estimates and assumptions as direct result of plan.
- If scenario analysis is used to assess impact of climate risks on business, results of operations, or financial condition; and if that leads to determination a risk is material; describe each such scenario, including parameters, assumptions, analytical choices, and expected material impacts, including financial ones, under each scenario.
- If use of internal carbon price is material to how registrant evaluates and manages a material climate risk, disclose in units of registrant's reporting currency: price/metric ton of CO<sub>2</sub>e, total price including estimate of change over time, as applicable. If multiple internal carbon prices are used, provide disclosure for each one and reasons for using different prices.





- **Risk management (§ 229.1503):**
  - Processes for identifying, assessing and managing material climate risks. As applicable, address how company:
    - » Identifies whether it incurred or is reasonably likely to incur a material physical or transition risk;
    - » Decides whether to mitigate, accept or adapt to the particular risks; and
    - » Prioritizes whether to address the risk.
  - If managing a material risk, whether and how its processes are integrated into overall risk management system/processes.
- **Targets and goals (§ 229.1504):**
  - Any target or goal, and information necessary to understanding of a material impact, including, as applicable, scope of activities, unit of measurement, time horizon, and description of how company intends to meet it.
    - » If baseline was established, time period and means for tracking progress.
    - » Progress made toward meeting any target/goal, and how achieved, updated annually by describing actions taken toward achieving it. Discuss any material impacts, including quantitative and qualitative information of material expenditures/impacts of financial estimates and assumptions.
    - » If carbon offset or RECs used as material part of plan to achieve targets/goals, amount of carbon avoidance, reduction or removal; nature and source; description and location of underlying projects; registries or other authentication; and cost.
- **GHG emissions metrics (§ 229.1505):**
  - If large accelerated or accelerated filer, Scopes 1 and/or 2 GHG emissions, separately, expressed in aggregate in CO<sub>2</sub>e, in gross terms (by excluding impacts of purchased or generated offsets). If any constituent gas is material, disclose it, disaggregated. Smaller reporting companies and emerging growth companies are exempt. Emissions from a manure management system are exempt in specified circumstances due to an appropriations rider prohibiting that disclosure.
    - » Methodology, significant inputs, and significant assumptions used to calculate emissions, including:
      - Organization boundaries and calculation method used, brief discussion of those boundaries, brief description of emissions reporting protocol or standard used, including calculation approach, type and source of emissions factors, and calculation tools.
    - » Reasonable estimates may be used if underlying assumptions and reasons for using are disclosed.





- Timing of disclosure: may be disclosed later than 10-K filing date in the second quarter Form 10-Q or through an amendment to the 10-K if an express statement about the intent to incorporate by reference or amend is included in the annual report. For foreign private issuers (20-K filers), may be disclosed no later than 225 days after end of fiscal year to which emissions metrics relate. For registration statements under '33 Securities Act or filed on Form 10 or Form 20-F, must be provided as of most recently completed fiscal year at least 225 days prior to effective date of registration statement.
- **Attestation of Scopes 1 and 2 emissions disclosure (§ 229.1506):**
  - If required to disclose Scope 1 and/or 2 emissions, attestation report, prepared pursuant to free publicly available or widely used emissions assurance standards that were established using due process including public comment. The form and content of attestation report must follow requirements of attestation standard used. For the type of assurance (limited or reasonable) applicable to different types of registrants, a compliance dates, see “Compliance dates” section above. Emissions attestation provider must prepare and sign attestation report.
    - » Such provider must be an expert in measuring, analyzing, reporting or attesting to emissions, and independent.
    - » SEC will consider several factors to evaluate independence: view of reasonable investor with knowledge of all relevant facts and circumstances; whether relationship or provision of a service creates a mutual or conflicting interest and other factors listed in the rule; all relevant circumstance including financial or other relationships between attestation provider and registrant.
  - “Attestation and professional engagement period” means both the period covered by attestation report, and the period of engagement for attestation or report preparation purposes.
  - As necessary, whether attestation provider is subject to any oversight inspection programs, and if so, additional specified details; whether any attestation provider was previously engaged and resigned, declined to stand for re-appointment, or was dismissed. If so, additional details, including any disagreements on any matter of measurement or disclosure, a description of such disagreements, and additional information. The term disagreements is defined.
  - Voluntary assurance: registrants that voluntarily disclose an attestation report must disclose information if the relevant emissions were subject to third-party assurance, including the service provider, assurance standard, level and scope of services, brief description of results, whether material business relationships or provision of material professional services exists, and whether the provider is subject to any oversight inspection program (and if so, which program and additional information).
  - Location of attestation report and related disclosures: in the filing in which relevant emissions disclosure is made.



## About Ceres and the Ceres Accelerator for Sustainable Capital Markets

Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. Through our powerful networks and global collaborations of investors, companies, and nonprofits, we drive action and inspire equitable market-based and policy solutions throughout the economy to build a just and sustainable future. For more information, visit [ceres.org](https://ceres.org) and follow [@CeresNews](https://twitter.com/CeresNews).

Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. The Ceres Accelerator for Sustainable Capital Markets is a center of excellence within Ceres that aims to transform the practices and policies that govern capital markets to reduce the worst financial impacts of the climate crisis. It spurs action on climate change as a systemic financial risk—driving the large-scale behavior and systems change needed to achieve a net zero emissions economy through key financial actors including investors, banks, and insurers. The Ceres Accelerator also works with corporate boards of directors on improving governance of climate change and other sustainability issues. For more information, visit [ceres.org](https://ceres.org) and [ceres.org/accelerator](https://ceres.org/accelerator) and follow [@CeresNews](https://twitter.com/CeresNews).

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