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ESG & Impact Investing

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LEGISLATIVE AND REGULATORY FRAMEWORK

General ESG legislation and regulation

Does your jurisdiction have any laws or regulations at the national or sub-national level that address environmental, social and governance (ESG) matters across corporate, environmental or administrative law?

Environmental, social, and governance (ESG) refers to frameworks and metrics used to evaluate the non-financial impacts of a company's activities. ESG encompasses topics ranging from climate risks to human rights. Today, ESG is often used interchangeably with 'sustainability' to encompass approaches to measuring performance in the underlying ESG topics as well as broader principles and initiatives. In this chapter, we use the terms ESG and sustainability to address all of these elements. Due to the broad scope of ESG and sustainability, we focus primarily on environmental aspects.

There are laws or regulations at the federal and state level in the United States that address a wide range of ESG and sustainability matters, notably including corporate, securities, environmental, and labour and employment laws and regulations.

At the federal level, many existing laws serve, at least in part, to promote ESG and sustainability-related objectives (including laws that predate the development of ESG as a conceptual framework). These laws address a range of topics, including environmental protection, civil rights, and corporate conduct. Examples of relevant laws include the Clean Air Act (CAA), the Fair Labor Standards Act, Title VII of the Civil Rights Act and Securities & Exchange Commission (SEC) Regulation S-K.

Additionally, some federal agencies have published guidance and policies that address ESG and sustainability-related matters. For example, the SEC published interpretive guidance in 2010 that described the non-financial statement disclosure rules that may require disclosures related to climate change.

Another example is the Federal Trade Commission's (FTC) 'Guides for the Use of Environmental Marketing Claims', or 'Green Guides', which provide guidance to marketers on how to avoid making claims that mislead or deceive consumers. ([Green Guides | Federal Trade Commission](#)). The Green Guides are not independently enforceable, but marketing practices that are inconsistent with the policies laid out in the Green Guides can serve as evidence of a violation of Section 5 of the FTC Act (FTCA) and in some states, consumer protection laws.

The second Trump administration has generally redirected the federal approach to ESG and sustainability-related policy, regulation, and enforcement adopted by the Biden administration. Consistent with the Trump administration's stated deregulatory agenda, various ESG and sustainability-related policies and regulations have been or are in the process of being repealed.

For example, the US Environmental Protection Agency (EPA) has published a [proposed rule](#) to rescind the 2009 Greenhouse Gas (GHG) Endangerment Finding and repeal all GHG emission standards for light-, medium-, and heavy-duty motor vehicles and engines under [CAA Section 202\(a\), 42 U.S.C. § 7521\(a\)](#).

The SEC voluntarily stopped defending its challenged rules requiring disclosure of climate-related risks and GHG emissions by issuing and reporting companies previously

finalised in March 2024. The SEC also announced a withdrawal of the proposed rule, 'Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices'.

The Federal Acquisition Regulatory Council withdrew a proposed rule that would have required federal contractors to disclose annual GHG emissions of their operations.

The Department of Labor confirmed plans to issue a new rule restricting consideration of ESG factors by the Employee Retirement Income Security Act plan fiduciaries, reversing course from the 'ESG Rule' adopted under the Biden administration, where the agency took the position that considering such factors is permitted in certain circumstances.

By contrast, at the state level, many states have recently enacted or expanded upon laws addressing ESG and sustainability-related matters. For example, in 2023, California enacted three climate disclosure laws: (1) The Climate Corporate Data Accountability Act, which requires US businesses with total annual revenues exceeding US\$1 billion to report on their GHG emissions from the prior fiscal year starting in 2026 ([California Health and Safety Code Sec 38532](#)); (2) Greenhouse gases: Climate-Related Financial Risk, which requires covered entities to disclose climate-related financial risks and the measures they adopt to reduce and adapt to those risks ([California Health and Safety Code Sec 38533](#)); and (3) the Voluntary Carbon Markets Disclosure Act, which creates disclosure requirements for voluntary carbon offset market participants and other entities that operate within the state and make certain specified climate-related claims (eg, net zero or carbon neutral)([California Health and Safety Code Sec 44475](#)).

Another example is Washington, which in 2025 enacted a law focused on improving Washington's solid waste management by creating an extended producer responsibility (EPR) programme for paper and packaging and expanding access to curbside recycling. ([WA SB 5284](#)). The law places financial responsibility on producers of paper and packaging for costs associated with collecting, processing and recycling packaged materials. California, Colorado, Maine, Maryland, Minnesota and Oregon also have packaging EPR laws.

Political divergence on ESG matters is visible in legislative and regulatory activity across states. Republican-majority legislatures are increasingly proposing measures to curtail the integration of ESG factors in business operations (known as anti-ESG laws) and challenging ESG initiatives. Some measures prohibit public pension funds, state and local government authorities, and investment managers from considering non-financial factors when investing state assets. Others restrict state entities from doing business with financial institutions considered to be boycotting certain industries, such as fossil fuels. State attorneys general have also brought actions against ESG initiatives alleging violations of antitrust laws. For example, in July 2025, the Florida Attorney General issued subpoenas to the Carbon Disclosure Project and Science Based Targets Initiative investigating alleged antitrust violations and deceptive trade practices.

Law stated - 23 September 2025

ESG claims and greenwashing

What legislation or regulations exist within your jurisdiction that govern green marketing or ESG representations by companies?

Legislation and regulations applicable to green marketing and 'greenwashing' exist at the federal and state levels. Green marketing refers to the practice of promoting products, services or business operations based on their environmental benefits. The term 'greenwashin' is used to describe businesses making false, misleading or unsubstantiated claims about the sustainability impacts of their products or business.

At the federal level, the FTC is the agency primarily in charge of regulating marketing claims. Section 5(a) of the FTC Act (FTCA) declares unlawful 'unfair or deceptive acts or practices in or affecting commerce'. The FTC issued the Green Guides to aid marketers in avoiding making unlawful claims. The Green Guides set forth general principles that apply to all marketing claims and additional specific guidelines for 14 common types of claims, such as 'made with recycled content' or 'non-toxic'. While the Green Guides themselves are not legally binding, compliance with the Green Guides may help demonstrate compliance with the FTCA, especially in litigation or enforcement contexts.

Also at the federal level, SEC regulations generally prohibit companies from making false or misleading statements, including those pertaining to ESG and sustainability. Additionally, section 43 of the Lanham Act prohibits any company from making false or misleading statements regarding the quality of its own products and services or those of a competitor.

All 50 states have consumer protection laws that prohibit deceptive business practices and false advertising to some extent. These laws commonly serve as a basis for private greenwashing suits. For example, the District Court for the Southern District of New York evaluated whether a company's claims of a product's 'sustainability' and 'low carbon footprint' were deceptive under New York's General Business Law. ([Dwyer v Allbirds, Inc, 598 F Supp 3d 137](#)).

Many states have enacted legislation to regulate green marketing. California, for example, enacted a law that prohibits the use of the 'chasing arrows' symbol and the placement of resin identification codes within that symbol unless the product or packaging meets statewide recyclability criteria. ([CA SB 343](#)).

Law stated - 23 September 2025

Biodiversity and nature-related risk management

How does your jurisdiction regulate corporate impacts on biodiversity and ecosystems? Are companies required or encouraged to assess, disclose or mitigate nature-related risks (eg, habitat loss, deforestation, species protection) as part of their ESG or sustainability strategies?

Companies are not required by law to assess or mitigate nature-related risks as part of an ESG or sustainability strategy; however, ecosystem health and biodiversity in general are addressed by a host of federal and state laws. An example of a federal law that seeks to minimise adverse impacts on biodiversity is the Endangered Species Act (ESA). The ESA prohibits small businesses, entities, corporations and individuals from 'taking' any species listed as endangered without a permit.

Additionally, there are federal and state environmental statutes that establish national permitting frameworks that may indirectly minimise adverse impacts on biodiversity.

Permits issued under these laws limit emissions, prevent discharges of pollutants, manage hazardous wastes, and require monitoring and reporting by permittees.

Law stated - 23 September 2025

International frameworks

Is your jurisdiction a party to or participant in any international ESG-related initiatives? How are these commitments implemented domestically?

The United States is party to multiple major international environmental treaties such as the United Nations (UN) Framework Convention on Climate Change as well as international human rights treaties such as the International Covenant on Civil and Political Rights. The United States has actively participated in many international ESG and sustainability-related treaty negotiations though it has not always joined such agreements as a Party. For example, the United States has not ratified the Convention on Biological Diversity.

The extent of US participation in international ESG and sustainability-related initiatives often fluctuates with changes in administration. For example, the Trump administration withdrew the United States from the Paris Agreement in 2017, while the Biden administration rejoined it in 2021. The Trump administration again withdrew the United States from the Paris Agreement (effective 27 January 2026).

The United States incorporates certain international human rights guidelines into domestic ESG-related initiatives. For example, the Bureau of Democracy, Human Rights, and Labor in the US Department of State states that it leads policy efforts to disseminate and implement the UN Guiding Principles on Business and Human Rights.

Law stated - 23 September 2025

ESG POLICY FRAMEWORK

Government incentives

Are there any fiscal incentives, procurement advantages or other government programmes in your jurisdiction intended to encourage ESG and sustainability activities among businesses?

There are incentives at the federal and state levels intended to encourage ESG and sustainability among U.S. businesses. These incentives are generally focused on environmental sustainability and particularly the decarbonisation of the economy.

The landscape of federal incentives has changed significantly from the Biden administration to the Trump administration. At the federal level, the Inflation Reduction Act extended and created over a dozen tax credit programmes to encourage investment in and utilisation of clean energy. The One Big Beautiful Bill Act (OBBBA), signed into law by President Trump on 4 July 2025, impacts many of these programmes. For example, OBBBA phases out the clean electricity production and investment credits for wind and solar projects that have not begun construction by July 2026. ([H.R.1 - One Big Beautiful Bill Act](#)). The Trump administration has also identified other federal programmes incentivising sustainability-related activities that it intends to eliminate or scale back such as the EPA's Energy Star program, which

provides businesses that invest in energy-efficient office equipment, appliances rebates and tax credits.

At the state level, there are many different types of fiscal incentives. For example, many states offer incentives for solar energy projects, such as upfront rebates, tax exemptions and credits, production-based incentives and solar renewable energy credits. Other states offer fiscal incentives for geothermal projects.

Law stated - 23 September 2025

Policy guidance and strategy

How would you describe the level and scope of government or regulatory policy guidance on ESG and sustainability at the national and sub-national level?

Federal policy guidance on ESG and sustainability-related topics has generally decreased under the Trump administration compared to the Biden administration. For example, the White House ordered federal agencies to stop including the 'social cost of carbon' when writing regulations, unless its use is explicitly required by law. In the near term, ESG policy in the United States is thus likely to evolve primarily at the state level, and through market-based pressure and voluntary initiatives.

The level of policy guidance on ESG and sustainability available at the state level varies, depending on both the state and the area of governance. For example, California has some of the most aggressive climate policies in the United States, including specific GHG emissions targets, a cap-and-trade program for carbon, and low-carbon fuel standards, whereas Texas has not adopted similar policies.

Law stated - 23 September 2025

ESG-focused government bodies

Are there any governmental actors in your jurisdiction at the national or sub-national level specifically tasked with promoting socially and environmentally responsible business practices? What purposes do they pursue and how do they operate?

At the federal level, initiatives promoting environmentally responsible business practices under heading of ESG or sustainability do not currently exist. There are federal initiatives promoting socially responsible business practices focused on countering forced labour. The Biden administration promoted ESG and sustainability-related issues in part through the creation of task forces that are no longer operating. For example, the SEC has disbanded its Climate and ESG Task Force.

At the state level, the role of promoting environmentally and socially responsible business practices is typically delegated to environmental agencies. For example, the California Air Resources Board, as part of the California Environmental Protection Agency, is responsible for implementing and enforcing the state's climate disclosure laws.

Law stated - 23 September 2025

CORPORATE GOVERNANCE, PURPOSE-DRIVEN COMPANIES AND NGOS

Duties and liability of company directors

What legislation or regulations govern the duties and potential liability of company directors with respect to ESG compliance?

Director liability is determined by the law of the jurisdiction in which the company was incorporated. For example, under Delaware law, a director has two principal duties: a duty of care and a duty of loyalty. The duty of care focuses on the director’s decision-making process and generally requires a director to be informed on all information material to a decision and to act appropriately. The duty of loyalty focuses on a director’s obligation to protect the interests of the company and avoid conduct that would harm the company. Under these two principles, a director may be required to at least be informed of ESG and sustainability-related issues that could materially affect the company and to present those risks to the company.

Directors can be named in lawsuits alleging breach of these duties. These lawsuits are known as shareholder derivative suits and they are typically filed by a shareholder or group of shareholders on behalf of the corporation against directors, officers, or third parties who have allegedly harmed the corporation. For example, some lawsuits allege that companies ignored environmental harms despite public commitments to environmentally responsible practices. ([Carponi v Rintoul, No. 1:25-cv-01216 \(N.D. Ohio\)](#)).

Law stated - 23 September 2025

Corporate sustainability strategy

How are ESG factors incorporated into long-term business strategy and risk management frameworks? Are there any incentives or reporting mandates for this integration?

Mandatory reporting obligations in the United States and other jurisdictions can influence the degree to which US companies incorporate ESG factors into their business strategy and risk management. For example, the requirement to report on material climate-related financial risks under California Health and Safety Code section 38533 may encourage companies to integrate climate risk into their long-term business strategy and risk management.

Law stated - 23 September 2025

Establishment of social or environmental purposes

What legislation or regulations govern the establishment of companies’ social or environmental purposes and mission? Can such purposes be pursued alongside or instead of profit?

The establishment of companies is a matter regulated by state law. Certain business structures provided for in state law formally allow companies to pursue both public benefits and profits.

Law stated - 23 September 2025

Purpose-driven companies

What legal forms or statuses are used in your jurisdiction to incorporate purpose-driven companies?

The first, and most common option to incorporate a purpose-driven company is creating a nonprofit corporation. Nonprofit organisations are formed to serve a public good and can be exempt from federal taxes under section 501(c)(3) of the Internal Revenue Code. Tax exemptions for nonprofit corporations at the state level vary by state.

Over 30 states have adopted the benefit corporation structure. In its articles of incorporation, a benefit corporation lays out a broader public benefit purpose, which allows directors to have more flexibility in making decisions that balance profits with public good.

Additionally, 10 states allow for the creation of a low-profit limited liability company (L3C). Like benefit corporations, the L3C structure allows businesses to serve a public benefit while also pursuing profits.

Law stated - 23 September 2025

NGO activity

Are there any non-governmental organisations in your jurisdiction that are specifically dedicated to promoting and supporting socially and environmentally responsible business practices? What purposes do they pursue and how do they do so?

There are many different nongovernmental organisations (NGOs) within the United States dedicated to promoting socially and environmentally responsible business practices. Green America, which promotes environmentally responsible and ethical consumerism and green businesses, is an example of this. There are also Certified B Corporations (B Corp), which are for-profit companies driven by both their mission and profit. Specifically, a B Corp considers how its business decisions will impact its employees and community in addition to focusing on increasing shareholder value.

Law stated - 23 September 2025

COMPLIANCE AND PRODUCT REGULATION

ESG compliance obligations

Are there industry-specific ESG or sustainability compliance obligations at the national or sub-national level? Which enforcement bodies oversee compliance?

There are no industry-specific ESG or sustainability compliance obligations at the federal level. There are, however, federal laws and regulations that seek to address environmental impacts from certain industries. For example, the Toxic Substances Control Act (TSCA) addresses the production, importation, use, and disposal of specific chemicals. TSCA also authorises EPA to require reporting, record-keeping and testing requirements, and

restrictions relating to chemical substances and/or mixtures. Such laws are typically conceptualised as environmental compliance laws rather than ESG or sustainability laws.

At the state level, there are more examples of industry-specific ESG and sustainability compliance obligations, with obligations varying significantly by state. For example, Illinois requires investment managers acting as fiduciaries – or seeking to be selected as such – for public agencies, pension funds, retirement systems or governmental units to annually disclose the methods they use to incorporate sustainability factors into their investment decision-making process. By contrast, South Carolina’s definition of pecuniary factors within the investment and management of retirement assets prohibits the consideration of the promotion, furtherance, or achievement of environmental, social, or political goals, objectives or outcomes.

Enforcement bodies vary depending on the obligations. For example, state attorneys general are typically empowered to enforce ESG-related compliance obligations imposed by state consumer protection statutes.

Law stated - 23 September 2025

ESG factors in decision-making

Are companies or institutional actors in your jurisdiction legally required to consider ESG or other sustainability factors in their decision-making?

There is no federal requirement that explicitly requires companies or institutional actors to consider ESG or sustainability factors in their decision-making. Under US securities laws and regulations, companies must consider and decide whether information regarding the company, which could include ESG or other sustainability factors, is material and required to be disclosed. At the state level, some states require investment managers to consider ESG factors in their investment decisions, and California Health and Safety Code section 38533 requires subject companies to explain how climate risks factor into their decision-making.

Law stated - 23 September 2025

Environmental and human rights risks

What legislation or regulations require businesses to consider environmental or human rights risks in their operations or supply chains?

At the federal level, the SEC Conflict Minerals Rule, the Uyghur Forced Labor Prevention Act (UFLPA), Countering America’s Adversaries through Sanctions Act (CAATSA), Lacey Act and the Federal Acquisition Regulation (FAR) are all examples of laws that require businesses to consider human rights and environmental risks in their operations or supply chains.

The SEC Conflict Minerals Rule requires issuers with conflict minerals that are necessary to the functionality or production of the products they manufacture to disclose annually whether any of those minerals originated in the Democratic Republic of the Congo or an adjoining country and if so, submit a report to the SEC describing the due diligence conducted on the conflict minerals’ source and chain of custody.

The United States prohibits forced labour under 19 USC 1307 and enforces this prohibition through various laws, including the UFLPA and CAATSA. US Customs and Border Protection (CBP) implements 19 USC 1307 through issuance of Withhold Release Orders (WROs) and Findings and enforces the UFLPA and CAATSA. The UFLPA establishes a rebuttable presumption that any goods produced wholly or in part in the Xinjiang Autonomous Uyghur Region or by an entity on the Entity List are prohibited from entering the United States. CAATSA similarly establishes a rebuttable presumption that goods produced wholly or in part by the labour of North Korean nationals are prohibited from entering the United States.

The Lacey Act broadly prohibits trade in plant products that have been taken, possessed, transported or sold in violation of US or foreign law and requires an import declaration for certain plant products.

The FAR requires contractors and subcontractors to notify government procurement personnel upon receiving credible information of human trafficking or violations of specified prohibited practices associated with trafficking (eg, using recruiters that do not comply with local labour laws).

At the state level, California's Transparency in Supply Chains Act requires companies to disclose information regarding their efforts to eradicate human trafficking and slavery within their supply chain. Florida and Arizona have also enacted laws that prohibit state entities from contracting with companies that produce their goods, in any amount, by forced labour.

Law stated - 23 September 2025

Green procurement

What kinds of sustainable procurement rules and policies exist in your jurisdiction at the national or sub-national level?

The United States has various sustainable procurement rules and policies. At the federal level, FAR requires federal agencies to procure sustainable products and services to the maximum extent practicable. (This regulation could change, as the Trump administration intends to amend and streamline the FAR.)

Numerous states have imposed their own sustainable procurement rules and policies. For example, California has an Environmentally Preferable Purchasing program, which provides state agencies with information and assistance to make environmentally preferable procurement decisions.

Law stated - 23 September 2025

ESG considerations in product design

Does your jurisdiction have legal or regulatory requirements that encourage or mandate the integration of ESG or sustainability into product design?

At the federal level, the FAR directs the federal government to purchase sustainable products and services 'to the maximum extent practicable,' defined to include products that meet specified statutory mandates and purchasing directives such as those that are

ENERGY Star certified. The ENERGY Star program administered by EPA sets specifications, testing procedures and verification testing requirements for various consumer appliances, electronics and commercial equipment, and identifies products that meet the highest energy efficiency and performance standards.

Certain states also have mandatory energy efficiency standards. Extended producer responsibility, packaging material restrictions, recycled content, and right to repair laws also encourage the integration of sustainability into product design at the state level.

Law stated - 23 September 2025

Circularity

Does your jurisdiction have laws or policies that promote circular economy principles, such as reuse, recycling or extended producer responsibility?

At the state level, extended producer responsibility (EPR) laws, packaging material restrictions, recycled content, and right to repair laws seek to promote circular economic principles. Generally, EPR laws require 'producers' of certain products (defined to capture various entities from manufacturers to retailers, depending on the law) to pay a fee to support recycling and waste management programmes. These laws are often sector or product-specific – there are EPR laws covering packaging, textiles, batteries, electronics, paint, mattresses and boat wrap, among other products. The number of state EPR laws is increasing rapidly. For example, there are seven states with packaging EPR laws, and Maryland, Minnesota and Washington all enacted these laws within the last year.

Right to repair laws in California, Colorado, Minnesota, New York and Oregon require manufacturers of electronics and/or appliances to provide the means to diagnose, maintain, or repair the product. Other states continue to introduce electronic right to repair laws.

Law stated - 23 September 2025

Carbon footprint

Are companies required to measure or disclose product-level carbon footprints (PCFs)? If so, are there verification requirements or standardised methodologies (eg, ISO 14067)?

Product-level carbon footprint measurements are not currently required at the federal level outside of the government procurement context, where disclosure of carbon footprint data could be a criteria depending on the procurement, or at the state level.

Law stated - 23 September 2025

REPORTING AND DISCLOSURE

Mandatory ESG reporting and disclosure

What statutory ESG reporting and disclosure frameworks apply to businesses in your jurisdiction?

Statutory ESG reporting and disclosure frameworks exist at both the federal and state level. For example, at the federal level, public companies may have to include disclosures related to climate change, if material, as part of their SEC filings.

At the state level, California Health and Safety Code section 38532 requires subject entities to annually report their scope 1, 2, and 3 GHG emissions in the coming years. Covered entities must obtain independent assurance of their disclosures. California Health and Safety Code section 38533 requires subject entities to biennially prepare and publish climate-related financial risk reports disclosing their climate-related financial risk and measures they adopted to reduce and adapt to said risk.

Law stated - 23 September 2025

Voluntary ESG reporting and disclosure

What ESG-related voluntary standards and industry best practices are commonly used by businesses in your jurisdiction?

There are multiple voluntary reporting frameworks commonly used by businesses in the United States. Stakeholders can engage with these frameworks in various ways, most often through submitting comments on draft standards published as part of a public consultation process.

Recommendations published by The Task Force on Climate-Related Financial Disclosures (TCFD Recommendations) are widely used for reporting on climate-related financial risks and opportunities. The TCFD Recommendations focus on four thematic areas: governance, strategy, risk management, and metrics and targets. The TCFD disbanded in 2023 and the International Financial Reporting Standards (IFRS) now oversee companies' voluntary disclosures.

The International Sustainability Standards Board (ISSB) IFRS S2 standard, which focuses on climate, incorporates and builds on the TCFD Recommendations. IFRS S2 is not yet widely used in the United States. California's climate-related financial risk disclosure law allows companies to meet their reporting obligations using the TCFD or IFRS S2 (or equivalent frameworks as specified in the law). Usage of IFRS S2 by US companies is, therefore, likely to expand.

The Sustainability Accounting Standards Board (SASB) industry-based disclosure standards are also widely used by US companies. IFRS S2 requires companies to refer to and consider the SASB Standards to identify sustainability-related risks, opportunities and related metrics.

Another commonly used voluntary reporting framework is the CDP (formerly the Carbon Disclosure Project). CDP covers multiple sustainability topics, including climate change, water security, forests, plastics and biodiversity, and is aligned with other disclosure frameworks, including the TCFD Recommendations, the IFRS Sustainability Standards and the Global Reporting Initiative (GRI). GRI is also commonly used by US companies and provides standards for reporting on sustainability impacts across a wide range of topics.

Some US companies also participate in sustainability-related goal-setting and due diligence initiatives. The Science Based Targets Initiative enables companies to set science-based net-zero targets through GHG emissions reduction plans. The Responsible Minerals Initiative standards focus on human rights due diligence in conflict mineral supply chains and are designed to enable compliance with human rights due diligence regulatory requirements.

Law stated - 23 September 2025

Climate risk assessments

Are companies required or encouraged to conduct climate risk assessments or scenario analyses (eg, TCFD-aligned)? If so, in which sectors or under what frameworks?

The Task Force on Climate-Related Financial Disclosures, the International Sustainability Standards Board International Financial Reporting Standards S2 standard, Carbon Disclosure Project, and Global Reporting Initiative all encourage companies to conduct climate risk assessments and scenario analyses. Additionally, the California Air Resources Board (CARB), the agency charged with implementing California Health and Safety Code section 38533, recently stated that they do not expect companies to discuss scenario analysis in their initial climate-related financial risk reports, however CARB expects to see scenario analysis in future reports.

Law stated - 23 September 2025

Data quality requirements

How do ESG reporting frameworks in your jurisdiction govern the use, reporting and verification of climate and environmental data by businesses? What kind of data quality standards or audit requirements are incorporated into ESG reporting frameworks?

California's Climate Corporate Data Accountability Act requires entities to obtain an assurance, performed by an independent third-party assurance provider. Beginning in 2026, the law requires limited assurance for scope 1 and 2 emissions, and progresses to reasonable assurance beginning in 2030. Entities must obtain limited assurance for scope 3 GHG emissions beginning 2027.

Law stated - 23 September 2025

ENFORCEMENT AND LITIGATION

ESG-related enforcement and litigation

6.1.1. Has your jurisdiction seen any ESG-related litigation or enforcement activity at the national or sub-national level? What courts or forums are hearing these cases?

At the federal level, the SEC and FTC are central to ESG and sustainability-related enforcement activity. Enforcement actions may involve administrative proceedings and proceedings in federal courts. Claims generally stem from deceptive marketing of environmental claims and efforts by a company. An example is a large beverage manufacturer's recent SEC administrative proceeding involve statements by the company indicating that its products could be effectively recycled in violation of the Exchange Act and Rule 13a-1, resulting in a civil penalty of US\$1.5 million.

ESG and sustainability-related enforcement actions and private actions are increasing at the state level under general state business and consumer protection laws. Claims in these actions commonly allege misleading advertising related to the sustainability attributes of particular products or a company's sustainability targets and goals.

Law stated - 23 September 2025

Greenwashing enforcement

What enforcement mechanisms are in place to address greenwashing or misleading ESG representations by companies?

The FTC is one of the main agencies that regulates green marketing claims through its authority under the FTC Act and the FTC Green Guides. The National Advertising Division of BBB National Programs may refer issues to the FTC. Another important enforcement agency is the SEC, which can enforce securities regulations that prohibit false or misleading statements.

At the state level, state attorney generals can enforce state laws aimed at protecting consumers from deceptive and predatory business practices. For example, Missouri's Merchandising Practices Act was recently used as a basis to challenge sustainability-related advertising as misleading ([Ellis v Nike USA, Inc, 4:23-cv-00632](#)).

Law stated - 23 September 2025

Responsible sourcing enforcement

What, if any, enforcement mechanisms exist within your jurisdiction relating to responsible sourcing?

At the federal level, responsible sourcing requirements included in the Federal Acquisition Regulation (FAR) can be enforced through fines, contract rescission and suspension or debarment from future government contracts. The SEC Conflict Minerals rule can be enforced through actions brought by the SEC, though there has been very little enforcement to date.

Federal laws also prohibit the importation of goods produced by convict, forced, and indentured labour in foreign countries. Goods in violation of these laws can be detained, re-exported, excluded and seized, and importers can be subject to enforcement proceedings.

At the state level, under the California Transparency in Supply Chains Act, a company's failure to post the required disclosures on its website enables the attorney general's office to seek injunctive relief.

Law stated - 23 September 2025

UPDATE AND TRENDS

ESG trends and future outlook

What are the key recent developments, hot topics and future trends in your jurisdiction relating to ESG and sustainability?

At the federal level, the Trump administration's general opposition to ESG and deregulatory initiatives is expected to continue. Companies can expect further repeals of regulations in areas related to ESG. These changes may be accompanied by legal challenges. Some states may push back against ESG-related deregulation through new or strengthened regulations. This trend is visible in the intensified regulatory activities concerning extended producer responsibility over the last year. Private citizen-suit litigation may also be filed to enforce ESG and sustainability-related regulations. Other states will align with the federal government's general opposition to ESG. The expected result is increasingly fragmented ESG and sustainability-related requirements across the country.

Law stated - 23 September 2025