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Former US treasury chiefs join call for SEC to mandate climate change disclosure

Ex-US officials lead efforts to improve disclosure

by **Laurie Havelock** | July 26th, 2016

Three former secretaries of the US Treasury have joined the chorus of responses to the Securities and Exchange Commission (SEC) asking it to introduce mandatory reporting on ESG-related issues, as the regulator mulls a reform in how US listed firms report their financials.

In a letter from The Risky Business Project to the SEC, Henry Paulson, George Schultz – both former Republican secretaries – and Democrat Robert Rubin urge the SEC to promote and enforce "mandatory and meaningful disclosures of the material effects of climate change on issuers" and to work towards issuing industry-specific guidance on how to account for climate risk. It was sent in response to the SEC's request for comment on a wide range of disclosure topics to help shape its future rule making.

The letter's authors call for the SEC to outline the factors that should be considered material for companies in given industries and regions, as well as providing a set of standards for filings, so that the quality of disclosures can be compared and benchmarked. Investors need to be able to "accurately compare and contrast companies", the letter continues, predicating a need for industry-based market standards for SEC filings so that shareholders are more accurately briefed on granular, industry-specific climate impacts.

The Risky Business Project, an NGO that aims to quantify and publicise the economic risks that US companies and organisations face from change climate, was co-founded by Paulson, hedge fund manager and philanthropist Tom Steyer and Michael Bloomberg, former mayor of New York City and chair of the Financial Stability Board's climate-related disclosure task force.

To illustrate the need for industry-specific guidance, Paulson, Schultz and Rubin point to recent Risky Business Project research that shows how the risks associated with climate change manifest differently across regions and sectors of the US economy. They pick out agriculture, real estate and manufacturing as three industries that will be adversely affected by extreme weather events, sea-level rises and heat increases, respectively.

The letter concludes: "Developing this level of granular climate risk information is not easy, but it is necessary to adequately account for the real impacts of climate change to the American economy".

The Risky Business Project letter coincides with a similar plea from environmental groups and NGOs, who have also asked the SEC to call for company disclosure on ESG risks, and to provide uniform ESG reporting metrics to make for easier comparisons.

Overseen by Osgoode Hall Law Professor Cynthia Williams, the effort is supported by The Centre for International Environmental Law, Centre of Concern, Environmental Investigation Agency, Foundation Earth, Friends of the Earth, Greenpeace USA, Rainforest Action Network, and the Sierra Club.

Michelle Chan, Vice President of Programmes at Friends of the Earth, noted that corporate activities are increasingly causing serious harm to the natural world and local communities. She added: "Both as a matter of ethical principal and as a matter that is material to the financial landscape in which these companies operate, shareholders and the public need to know about the full range ESG risks associated with corporate activities".

Others writing to the regulator to ask for similar measures include the London School of Economics' Jonathan Jachym, Trillium Asset Management's Senior Vice President, Jonas Kron, and the Carbon Tracker Initiative's Mark Campanale and Robert Schuwerk.

The SEC's disclosure consultation has now closed to further comments.

Earlier in July, a coalition of investors who manage $1.1tn also wrote to the SEC to ask it to beef up requirements for how sustainability risks are reported by US companies. The group of 45 institutions, coordinated by CERES and led by $300bn Californian pension giant CalPERS, urged the SEC to require better reporting of material ESG factors before its consultation on the future of financial filings was complete.

Anne Simpson, Investment Director, Global Governance at CalPERS, said that voluntary disclosure – the model currently used by the SEC – is like "Swiss cheese: appetising, and full of holes".

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