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NEW REPORT SPECIFIES AN APPROACH FOR CORPORATE CLIMATE RISK DISCLOSURE RULES

Disclosure mandates from the Securities and Exchange Commission would improve economic resilience and facilitate informed investing

Climate change presents grave risk across the U.S. economy, including to corporations, their investors, the markets in which they operate, and the American public at large. Unlike other financial risks, however, climate risk is not routinely disclosed to the public.

A new report from the Institute for Policy Integrity at NYU School of Law and Environmental Defense Fund makes detailed recommendations on how the Securities and Exchange Commission can develop mandatory, effective rules for disclosure of climate-related financial risk.

The SEC has previously issued regulatory guidance acknowledging climate risk, but the Commission needs to take further action to fulfill its statutory mandate to protect investors. Despite the increasing popularity of voluntary climate risk disclosure standards, most corporate disclosures contain incomplete information or boilerplate language that does not enable investors to make meaningful comparisons across companies. New rules must ensure that publicly traded companies provide comparable, specific, and decision-useful climate risk information.

The new report, “Mandating Disclosure of Climate-Related Financial Risk,” explains how the SEC should develop such disclosure rules. The authors provide process-oriented recommendations for crafting new regulations, with suggestions to:

- draw on best practices from existing frameworks and standards
- solicit input from financial and climate experts, corporations, and investors by issuing concept releases and/or creating a climate risk advisory committee
• coordinate with other financial regulators and draw on climate-related expertise at other federal agencies through interagency working groups
• develop greater SEC expertise in this area by having the Division of Economic and Risk Analysis conduct economic research on climate risk.

Taken together, these actions will facilitate informed investing, sustainable growth, and a more resilient economy.

The report is available at:

A two-page summary document is available at:

The authors are available for interviews on these issues.

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