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IATP WELCOMES SEC CLIMATE FINANCIAL RISK DISCLOSURE RULE AS A FIRST STEP IN HOLDING COMPANIES, INCLUDING AGRIBUSINESS, ACCOUNTABLE TO INVESTORS, REGULATORS AND THE PUBLIC INTEREST

MINNEAPOLIS—Today, the U.S. Securities and Exchange Commission (SEC) released for public comment a proposed rule on the disclosure of climate-related financial risk by U.S. companies, including food and agriculture firms, listed for trade on SEC-regulated exchanges. The proposed rule, if finalized and implemented, will enable investors and the companies to allocate investments and tie risk disclosures to corporate plans to respond to the short, medium and long-term physical and transitional risks of climate change.

"Climate disclosure rules are necessary across all economic sectors, including agribusiness, food processing and food retailing companies. Without clear, uniform, comprehensive and consistent reporting rules, companies may report only climate investment opportunities without quantifying the risks and informing current or prospective investors how the company plans to reduce those risks over a stipulated timeframe. Voluntary disclosures have been inconsistent, incomparable and, therefore, of little use to investors. The proposed rule's phase-in provisions will enable companies to improve their disclosure compliance and inform investors more accurately about how they will reduce climate financial risks," commented the Institute for Agriculture and Trade Policy (IATP)'s Senior Policy Analyst Dr. Steve Suppan.

The proposed rule includes annual reporting of climate financial risks to fulfill the SEC's mandate to protect investors from harm due to undisclosed risks and to prevent the disruption of capital markets by the failure to disclose information required by investors and regulators. According to IATP, the final rule should cover quarterly posting of supply chain emissions, or "Scope 3 emissions," related to factory farms, including specific reporting of methane. Without mandatory, uniform and comprehensive reporting standards, meat and dairy companies will continue to misrepresent total emissions by excluding supply chain emissions and will neither plan nor make investments to reduce those emissions and their financial risks.

The SEC provides for a 60-day public comment period on the proposed rule. The rule requires that emissions reporting be disaggregated into types of greenhouse gas emissions, including methane, prevalent in agribusiness and 80 times as potent as CO_2 in terms of global warming. For too long, agribusiness and food companies, including global meat and dairy giants, have increased their profits while failing to report their supply chain emissions and hiding from investors the financial risks of that reporting failure.

"The proposed rule requires companies to report supply chain emissions and does so by separately reporting constituent greenhouse gases, such as methane, a major agribusiness source of global warming. However, the proposed rule qualifies that mandate with the words 'if material,' meaning if supply chain emissions affect a company's financial wellbeing. Investors have the final say on what is 'material,' according to a Supreme Court ruling. The proposed rule provides a safe harbor from litigation for Scope 3 reporting. IATP will advocate that the final rule contains a process for sunsetting the safe harbor, to allow companies time to improve their supply chain emissions reporting while providing investors with the ability to litigate when companies issue Scope 3 misreporting in bad faith or neglect to report Scope 3 emissions," says Dr. Suppan.

Agribusiness' current material risk disclosure on climate currently does not provide the quantitative and granular information that many investors are demanding. Disclosure enables corporate resilience by providing information to investors that will result in investor capital that corporations should use to reduce their climate related financial risk. If a company refuses to disclose, or advocates for making disclosure voluntary, voluntary disclosures can mislead investors and have often delayed corporate climate action in the past.

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Based in Minneapolis with offices in Washington, D.C., and Berlin, Germany, the Institute for Agriculture and Trade Policy works locally and globally at the intersection of policy and practice to ensure fair and sustainable food, farm and trade systems. To learn more, visit: www.iatp.org.