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"Building a Sustainable and Competitive Economy: An Examination of Proposals to Improve Environmental, Social and Governance Disclosures"

July 10, 2019
Climate Risk Disclosure Act of 2019

Good afternoon and thank you.

I am Mindy Lubber, CEO of Ceres, a nonprofit organization working with hundreds of influential investors and companies to tackle a number of the world's sustainability challenges including: water scarcity and pollution, deforestation, inequitable workplaces and climate change.

I appreciate the opportunity to share our views on corporate disclosure of environmental, social and governance issues and to voice our support for the various proposals introduced this week, including, the Climate Risk Disclosure Act of 2019. This bill is rooted firmly in the principles of transparency, materiality and investors' needs for adequate information to assure long term returns.

Ceres runs the Investor Network on Climate Risk and Sustainability, which is comprised of over 160 institutional investors collectively managing over $26 trillion in assets. Since our founding 30 years ago, our network members have consistently felt that sustainability challenges pose material financial risks and that an understanding of those risks need to be embedded into our capital market systems.

Some like to believe that sustainability risks are not real financial risks. But let's be clear: Risks are risks, and they need to be disclosed -- whether they come from trade agreements, fluctuating commodity prices, inflation, or climate change.

Ceres has a long history in the field of disclosure, founding and launching the Global Reporting Initiative in 1997. And in 2010, Ceres and our investor network members petitioned the SEC to issue the first-of-its-kind climate disclosure guidance.

Despite the issuance of this guidance, our research shows that nearly half of the 600 largest U.S. companies that we assessed still do not provide decision-useful disclosures on climate-related risks. Those that do, often provide disclosures that are mere boilerplate or too brief, and effectively meaningless.

So, investors are not getting the information they need to understand how their portfolios are exposed, which in turn exposes them to potential losses.

Given the lack of adequate information, I urge the members of this subcommittee to support this Act, which would require companies to provide clear, consistent and comparable disclosures on climate-related financial risks.

Mandating disclosures will help companies better understand their own exposures and opportunities. These rules will help stimulate their ingenuity and strategic thinking, increase their competitiveness and create shareholder value. Or as the long held business school mantra suggests, what gets measured, gets managed -- and with adequate and relevant information being measured, companies WILL manage their climate risks better.

Mandatory reporting will also create a level playing field, where ***all*** companies provide the same information in consistent ways.

[Pause]

Climate change <u>is ***the*** greatest economic crisis of this decade--and beyond.</u>

And its implications must be disclosed-- nearly every sector of the economy is impacted -- from food to agriculture to transportation to energy to apparel, and on and on.

Consider the following:

More than 200 of the largest global companies reported almost $1 trillion dollars at risk from climate impacts, with many likely to hit within the next **5** years, according to CDP.

The Intergovernmental Panel on Climate Change projects $54 trillion dollars in damages to the world economy by 2100 - and that's ***only*** if we limit average global temperature rise to no more than 1.5-degrees Celsius.

Our research also shows that companies that *do* provide climate disclosures are more likely to set relevant goals, and to have systems in place to make them more resilient.

Yet, while we applaud the companies that are showing leadership, <u>**voluntary reporting**</u> is simply not enough.

The mandatory requirements laid out in the Act are carefully designed to meet the needs of investors without unnecessarily burdening companies.

Risks cannot always be avoided, but with the right information, they can be managed. And when the risks are fundamental, as they are for investors and companies, the right information can turn risks into opportunities or at a minimum, provide the opportunity to make informed investment decisions.

Time is running out. We have less than a decade to act in order to avoid the catastrophic human and financial impacts of climate change. And this legislation will help spur investor and corporate action **now** and at the pace and scale required.

We urge you to support this bill. We look forward to working with the subcommittee to advance this bill and other policy solutions that will help protect the US economy.

Thank you. I will be happy to take your questions.