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SEC Proposes Mandatory Climate-Risk Disclosures for Public Companies

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The Securities and Exchange Commission on a 3-1 vote Monday, March 21, released a proposal to require public companies to disclose climate risks and greenhouse gas emissions.

Bracewell's **Matt Paulson** told *InvestmentNews* that the measure goes farther than anticipated because the SEC is creating its own climate disclosure framework.

"It's bolder and requires even more disclosure and a lot of issues I didn't expect," Paulson said.

For instance, the proposal requires disclosures about so-called Scope 3 greenhouse gas emissions, or those that are produced in a company's supply chain. The proposal exempts some small companies and also provides a safe harbor from litigation.

"I have some concerns with how they framed safe harbor," Paulson said.

He also was surprised the SEC asserted that Scope 1 and 2 greenhouse gas emissions do affect a company's performance prospects.

"The materiality would appear to be assumed," Paulson said.

The 510-page proposal would mandate for the first time that companies include on registration statements and periodic reports filed with the agency information about how risks associated with climate change could affect their business operations and financial performance.

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