

# Pressure Play



Tired of waiting for US regulators to insist that public companies disclose the risks they face from global warming, a group of heavy-hitting investors has fired off a stern memo to the head of the Securities and Exchange Commission (SEC) demanding that it lay down some clear, effective rules on risk disclosure (see Milestones, page 6). The investors, which include some of the US's biggest and boldest pension funds, are worried that the companies facing the greatest risks relating to global climate change are refusing to own up to investors about the potential future problems they might face.

It's an eminently sensible move for the investors. Simply by leaning on the SEC, the funds are sending a clear message to US corporations that, even if the regulators lack the nerve to lay down the law, the investors will be taking a very close look at polluters' efforts to assess—and mitigate—the risks they face. If the fund managers don't like what they see, they'll be quite prepared to take their billions of dollars elsewhere.

Several of the big investors involved have already shown they can cajole major corporations into changing their ways. After coming under pressure from a number of large institutional investors, for example, more than a dozen power generation firms, auto builders and oil companies agreed to report on their exposure to climate-related risks.

By putting pressure on the SEC, the institutions are taking their investor-activism to a new level. But their demand also serves as a wake-up call to an SEC that is often reluctant to throw its weight around for fear of being accused of hampering US companies with burdensome regulations. Certainly, the regulators should be wary of loading up companies with directives that achieve little beyond generating reams of paperwork. At the same time, though, the SEC should recognize when it has an opportunity to clarify a murky and confusing area of regulation and perhaps even enhance US firms' competitiveness. By taking the lead on a complex and potentially disastrous issue such as climate change, the SEC would be doing just that.

Until next month,

*Dan Keeler*

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