

GAO Highlights

Highlights of [GAO-16-211](#), a report to the Honorable Matthew Cartwright, House of Representatives

Why GAO Did This Study

Disruptions to global supply chains, such as those caused by natural disasters, can hurt economic growth and productivity around the world. These events may pose risks to private-sector companies by, for example, disrupting supply chains. Under federal securities laws, certain companies are required to disclose specified information in annual filings with SEC. SEC issued guidance in 2010 to assist companies in satisfying these disclosure requirements as they apply to climate change matters.

This report examines (1) the types of climate-related supply chain risks companies are disclosing in their SEC filings and other channels through which companies may disclose climate-related supply chain risks; (2) how SEC considers climate-related supply chain risks when monitoring and enforcing compliance with disclosure requirements; and (3) what actions, if any, SEC has taken to identify climate-related supply chain risk information that investors may need. GAO reviewed SEC's disclosure requirements and guidance; queried SEC's filings system to identify examples of climate-related risks disclosed by companies; interviewed SEC staff and representatives of stakeholder groups, such as nongovernmental organizations that work with investors, companies, and public interest groups; reviewed some nongovernmental organization, foreign government, and company websites; and obtained companies' perspectives on climate-related risks through a GAO forum.

SEC staff generally agreed with GAO's findings.

View [GAO-16-211](#). For more information, contact J. Alfredo Gómez at (202) 512-3841 or gomezj@gao.gov.

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SUPPLY CHAIN RISKS

SEC's Plans to Determine If Additional Action Is Needed on Climate-Related Disclosure Have Evolved

What GAO Found

Companies may disclose climate-related supply chain risks under four broad categories of climate-related topics that the Securities and Exchange Commission (SEC) identified in its 2010 guidance as some of the ways companies may be impacted. These categories are impacts of legislation and regulation related to climate change; impact of international accords; indirect consequences of regulation or business trends, such as decreased demand for goods that produce significant greenhouse gas emissions; and physical impacts, such as changes in water availability. For example, we identified a beverage company that disclosed in its filing that extreme weather conditions could disrupt its supply chain, reduce water availability, or affect demand for its products, resulting in adverse impacts on its business. In addition to SEC disclosure, companies may disclose climate-related risks through other channels, such as nongovernmental organizations, company websites, and foreign entities.

According to SEC staff documents, SEC staff consider climate-related supply chain risks during routine monitoring processes. SEC is required by law to routinely review companies' filings. In many cases, SEC's reviewers evaluate a company's disclosure from the perspective of a reasonable investor. When reviewers identify instances where a company can enhance its compliance with disclosure requirements, they may provide the company with written comments. A company generally responds in writing and, if appropriate, amends its filings. According to Ceres, an organization that advocates for climate change disclosure, from 2010 through 2013, SEC sent comment letters related to climate change to 23 companies, with 17 letters sent in 2010 and fewer in subsequent years. SEC staff could not comment on these numbers because they do not track this data. If reviewers identify potential violations, they may refer the potential violations to SEC's Division of Enforcement for investigation, which, according to SEC staff, has not filed any actions concerning climate-related disclosure issues.

SEC has taken one of three planned actions described in its 2010 guidance to determine if investors may need additional information on climate-related risks. Specifically, SEC has monitored the impact of its guidance on companies' filings through its routine review processes but has not held a public roundtable on climate change disclosure, and SEC's Investor Advisory Committee has not considered the issue. SEC staff believe that SEC has not taken the other two actions because some circumstances that existed when the 2010 guidance was issued have changed. Specifically, the 2010 guidance was issued when Congress was considering legislation that, if enacted, would have limited greenhouse gas emissions by establishing a cap-and-trade program. According to SEC, this could have triggered disclosure requirements for companies covered by the program. However, the legislation was never enacted. This and changing priorities have resulted in SEC and its Investor Advisory Committee not taking additional actions. According to SEC staff, however, other efforts may address the issue of climate-related disclosure, including SEC's project to review the effectiveness of disclosure requirements. This project provides investors and other stakeholders with opportunities to provide comments to SEC on any disclosure topic. As of October 2015, the project is in its initial phase, and SEC staff have not recommended changes to the Commission.