Thanks to eight decades of stable financial disclosure requirements, the U.S. has built one of the most admired securities markets in the world. Yet there are new efforts to politicize these existing securities laws which could throw this investor certainty into confusion and mistrust.

These ideas can be found in the U.S. Securities and Exchange Commission's (SEC) Concept Release on Business and Financial Disclosure Required by Regulation S-K, which seeks to explore whether changes to disclosure requirements are needed. Among the reams of text is a suggestion that the SEC mandate disclosure of social policy and sustainability issues, including climate change.

Needless to say, the idea of the SEC straying outside its realms of authority into such speculative matters as possible climate change effects is troubling. Not only does S-K already apply to environmental and social issues, when they are material to a company's performance, but uprooting the stability of more than 80 years of settled precedent and legislation risks a negative – and wholly avoidable – effect on investors.

Another disturbing aspect is the influence of environmental activists on the SEC. We believe they are using this guise of "transparency" to further their anti-fossil fuel agenda, through close coordination between these activists, some state attorneys general and some SEC staff.

For more than 80 years, the SEC's mission has been to protect investors and the integrity of the financial market. This mission has remained unchanged as different issues of public interest have come and gone.

Changing the longstanding definition of materiality to reflect the latest social or political causes – effectively opening up the SEC to the whims of whoever is in the White House – will be detrimental to this mission.

Materiality and the SEC mission have long been supported by Democratic and Republican administrations. It would be a mistake to politicize these eight decades of settled legal precedent and regulation by suddenly requiring disclosure of potentially non-material, non-financial information.

Print as PDF:

Tags

Environmental Activists