Before the United States House of Representatives
Committee on Financial Services
Subcommittee on Investor Protection, Entrepreneurship and Capital Markets

"Climate Change and Social Responsibility: Helping Corporate Boards and Investors Make Decisions For A Sustainable World"

Written Testimony of Heather McTeer Toney
Tentative Oral Testimony in Highlight
Climate Justice Liaison, Environmental Defense Fund
Senior Advisor, Moms Clean Air Force
February 25th 2021

Chair Maloney, Ranking Member Huizenga, and members of the subcommittee, Thank you for holding this very timely and important hearing to discuss the necessity to normalize climate change and social responsibility as a consideration of corporate boards and investors. I appreciate the opportunity to testify about the very real risk to investors, markets and communities; particularly black, brown and marginalized areas that are disproportionally impacted, when corporations fail to calculate the risk of climate change. This is especially important as our country continues to navigate our collective responsibility and response to Coronavirus, environmental justice and democracy as it exist in our country today.

I am here today in my capacity as the Climate Justice Liaison for the Environmental Defense Fund and Senior Advisor to Moms Clean Air Force. Together we are a community of over 3.7 million parents, members and allies that tackle our planet's biggest environmental challenges through science and partnership, economics and advocacy. I previously served as Regional

Administrator for the Environmental Protection Agency's Southeast Region under President Obama and I am also a former mayor, having served my hometown of Greenville, Mississippi, for two terms. I have recently served as a climate justice advisor to two Fortune 500 companies. My most important job is mom: I am the mother of 3; children ages 25, 15, and 4. It is through these lens that I share my expertise on the impact of climate change as a risk impact to corporations.

It is also with great pleasure that I sit alongside colleagues who are no strangers to this work or our organizations. This subject is not new to us: In 2009 EDF and Ceres jointly commissioned a report on Climate Risk Disclosure in SEC Filings (please see attached) and have supported the strong policy work from our friends at the Center for American Progress. What's unfortunate is that the warnings we all shared over 10 years ago were not headed. The science is clear and we do not need a financial forecast to calculate the climate risk posed to not only major US corporations, but local and state governments, small businesses our entire domestic economy and families across our country. Right now today, we are experiencing, in real time, the devastation, physical and financial loss borne by those most unable to stand the burden due to failures of corporations to adequately prepare and disclose their climate risk. While my colleagues are well equipped to go through the numbers, risk assessments and data, I will focus on the impacts felt by the "invisible investor" the American tax payers invested in the infrastructure and assets of our communities' nationwide. More often than not, the brunt of these expenses fall on communities most at risk to the impacts of climate change; communities of color and economically depressed regions.

Strengthening Climate risk disclosure is a necessity for more than markets and investors. Somehow, we've allowed the idea that publically traded companies are excluded from sharing information with the "public"--also identified as the places in which corporate assets sit and the communities in which people live when those assets suffer loss. These are systems that are required to abide by existing federal regulations. For example: a municipality is required to annually audit and disclose assets to its citizenry and the potential failure of those assets if not properly managed or updated. These failures include climate risk. It is a clear way to explain why one's water bill may increase or even decrease dependent on the calculated risk and updates needed for the system. That exact same system is adversely impacted when a corporate asset fails to properly asses and disclose its risk to the public.

When I was Mayor of Greenville, I was blessed with a good corporate partner with respect to disclosure. Mars Foods, Inc. has operated Uncle Bens Rice, now known as Ben's Original Rice, in Greenville, Mississippi for over 40 years. They not only supply needed jobs to the community but also hold an important role as a major public asset, occupying over 80 acres, 250,000 square feet and producing 100,000 tons of rice annually. It is the largest Mars Food factory in the world.[1] It sits right on the Mississippi River and serves as an anchor to a majority African-American community that has worked hard to overcome systemic poverty for generations. During my time of public service, I had to manage not one, but two [2]500 year flood events[3]. Both events caused extensive and expensive damage to the infrastructure of the community. Roads, bridges, water system were all impacted by the heavy

---

[1] https://www.usarice.com/news-and-events/publications/usa-rice-daily/article/usa-rice-daily/2018/09/28/mars-food-celebrates-40-years-in-greenville-mississippihttps://www.usarice.com/news-and-events/publications/usa-rice-daily/article/usa-rice-daily/2018/09/28/mars-food-celebrates-40-years-in-greenville-mississippi

[2] https://deltabusinessjournal.com/flooding-on-the-mississippi-river-becoming-more-common-and-severe/

[3] http://extension.msstate.edu/news/extension-outdoors/2017/understand-historic-record-breaking-floods - *Noted that this is based upon 2017 numbers. More recent floods have caused an increase from the recorded floods of this article.

rainfall and incessant storms that battered the city year after year. Quite frankly, the tax base of the city couldn't handle the existing infrastructure needs, let alone the added pressure of becoming resilient to climate impacts. It's the type of activity that would cause a major business to close up shop, and move someplace else. Nevertheless, the Mars Food climate sustainability plan took into account the asset placement, needs, preparation and mitigation necessary to continue strong global economic growth while supporting local community needs. Their willingness to not only assess climate risk but share the information meant that I was prepared to account for the necessary support: street upgrades, police and fire in case of emergency, water system points of weakness, potential levee breaches and places to point the Army Corp of Engineers for review. All of these calculated cost added value to the company while protecting the invisible investor: the citizens of my city that through tax dollars, were able to defer repairs to other places it was needed. Not only does Mars Food have a multipage climate action statement[4], they continue to share information and support the local community through advanced risk assessment for climate. In 2020 they invested $2.5 Million dollars into Greenville and continue to coordinate closely with local government solidifying even further their commitment to stability for their investors, the market and the community.

How I wish that same energy could have emerged in Texas with the recent winter storms and energy debacle that arose from the complete failure of publically traded energy corporations to prepare, let alone disclose their climate risk. While you will certainly here that voluntary climate risk disclosures create a better opportunity for corporations to self-regulate while protecting their proprietary information, the bottom line is that the astronomical rates in the deregulated system represent a

[4] https://www.mars.com/about/policies-and-practices/climate-action

failure of market incentives. It also demonstrates that some oversight is necessary to protect those most at risk from the economic fallout of these intense climate-weather events.

The people hit first and hardest by the Coronavirus pandemic, disparate economic impact and environmental pollution are the very ones to suffer when climate disaster strikes. These are the "invisible investors" that pay a high price when there in a market crash. They cannot short sell their stock in the community. They're not able to redistribute the loss among other assets. Invisible investors will not be able to categorize the outrageously high electric and water bills as a capital loss and reduce their tax rate.

There is no questions that extreme weather impacts black and brown communities worse than any other demographic in the nation[5]. To make matters worse, studies conducted by Rice University and the University of Pittsburg show that predominantly white areas realize an increase in the average wealth post disaster versus minority communities that see a noticeable wealth decrease. This dynamic is caused by the levels of reinvestment into communities post climate disasters.[6] Researchers further concluded that despite accounting for controlled factors including, but not limited to; age, education, and homeownership, wealth inequality increases in regions hit more by natural disasters[7]. How is it that in a system managed by federal oversight of agencies responsible for the disaster assessment and response, inequities continue to exist? I submit that it can directly tied to the missing piece of business/corporation climate risk disclosure.

---

[5] https://www.greenamerica.org/climate-justice-all/people-color-are-front-lines-climate-crisis

[6] https://www.eurekalert.org/pub_releases/2018-08/ru-ndw082018.php

[7] https://psci.princeton.edu/tips/2020/8/15/racial-disparities-and-climate-change

This harm is further compounded with the onset of Coronavirus and the looming threats of future pandemics as a result of climate change. Not only are people fighting a pandemic in the midst of a climate emergency, we're having to do it within a system of structural racism and inequity. The Coronavirus pandemic is impacting black and brown communities worse than any other demographic in the nation. A study from Yale found that Black Americans are 3.5 times more likely to die of Coronavirus than white Americans.[8] While this should not have been a surprise to any of us, it was certainly acknowledged within minority communities early. These COVID-19 disparities stem from multiple interrelated factors, all driven by longstanding structural racism and inequity.

How our government, corporations and communities respond right now will determine whether or not we have learned for our history of systemic racism and exclusion by following the science and listening to community experts in order to create a more efficient and equitable process that saves our economy, ecosystem and lives at the same time.

There is hope. In addition to the broad benefits associated with managing systemic risk, improved reporting is also beneficial for the health of society as a whole, while ensuring the safety and welfare of vulnerable communities in particular. As corporations are required to undertake and disclose careful analyses of their exposures to climate risk, they will be incentivized by their investors to develop transition plans that diminish exposure to these risks. In addition, the transparency

---

[8] https://www.medrxiv.org/content/10.1101/2020.05.07.20094250v1.full.pdf

of climate risk and subsequent preparation will be an asset to public planning. As metrics to determine the potential financial risk to a company's assets become more and more measurable, sharing this information can drive investment to marginalized communities as additional justification and leverage for infrastructure support. Correlating physical climate risk to public sustainability and resiliency preparations could not only result in reducing the impact of the threat, but also reduce the cost mitigation and future climate disaster related expenditures. Because policy risks—including the enactment of a carbon tax—are particularly salient for many corporations, disclosure of climate risks will likely prompt greater efforts by corporations to mitigate their greenhouse gas emissions. Economic research indicates that other related forms of disclosure have already resulted in reduced emissions: one study found that UK-incorporated firms reduced their emissions by an average of 14 to 18% after the government mandated that companies disclose their emissions in 2013.[9] To the extent that such mitigation occurs, they will provide climate benefits to society by reducing the severity of air pollution, the spread of infectious disease, the intensity of severe weather events, and the risks to the global food supply.[10] These benefits are multiplied in low-income communities and communities of color. Given that the harms of climate change have been demonstrated to disproportionately harm those communities, strengthening risk disclosures can help corporations and regulators address disproportionate impacts of the physical risk to marginalized communities. Public policy is shifting to safeguard marginalized communities from further damage while spurring sustainable and resilient economic development. This includes not

[9] Benedikt Downar, et. al., *The Impact of Carbon Disclosure Mandates on Emissions and Financial Operating Performance* (Stanford Graduate School of Business Working Paper No. 3873, May 2020), https://perma.cc/ET7A-52TV.
[10] Megan Ceronsky & Peter Heisler, *The Many Benefits of Reducing Carbon Pollution from Existing Power Plants*, EDF (May 15, 2014), https://perma.cc/67CC-H9FW.

only direct physical effects like flooding and heat island effect,[11] but also economic impacts from increased food and energy prices and human health impacts due to respiratory illness and other diseases that are exacerbated by climate change.[12]

Moms Clean Air Force Organizer Columba Sainz[13], wife and mother of 3 in Phoenix, Arizona, explained it best. "Energy poverty is real; people in the lowest income groups spend the most on energy. The hotter it gets, the more it cost and the more we need. Who can afford to pay over half of their paycheck on air conditioning in the middle of a pandemic and a heat wave?" The same rings true for extreme cold, wildfires and flooding. Communities of color are energy poor and 25 years later, we see the exact same dynamics played out on the exact same people in the exact same way: we have not legislated or required oversight in some areas key to lessening the impacts of structural racism but instead, have placed a higher burden and lower value on the lives of black and brown people by allowing corporations to voluntarily decide "if" and "when" they want to participate. Systems that are meant to protect the health of the most vulnerable among us are being cast aside for profit and climate disasters continue to reveal just how deadly inaction can be.

I have attached additional documents for review of this subcommittee and as part of my written testimony. They include the following:

A. Two Page Policy Brief on Mandating Disclosure of Climate-Related Financial Risk - *Environmental Defense Fund and Institute for Policy Integrity. February, 2021*

B. Full Paper – Mandating Climate Risk Financial Disclosures - *Environmental Defense Fund and Institute for Policy Integrity, February, 2021*

---

[11] IPI report; also studies on redlining that implicate flooding and heat
ILIANA PAUL, ET. AL., IMPROVING ENVIRONMENTAL JUSTICE ANALYSIS: EXECUTIVE ORDER 12,898 AND CLIMATE CHANGE 6–7, INSTITUTE FOR POLICY INTEGRITY (Jan. 2021), https://perma.cc/58A2-M477.

[12] *Id.* at 6.

[13] https://www.momscleanairforce.org/

C. Climate Risk in the Electricity Sector: Legal Obligations to Advance Climate Resilience Planning by Electric Utilities - *Columbia Law School and Environmental Defense Fund, December 2020*

D. Climate Risk Disclosure in SEC Filings, *Ceres and Environmental Defense Fund, June, 2009*

E. "There is No New Normal Weather", *Dominique Browning, Moms Clean Air Force Co-Founder and Associate Vice President*

I stand available to answer any questions of the Committee.