

HWW Tools for Action

Submit Input on SEC Climate Change (and ESG) Disclosure Requirements

This past March 15, Acting SEC Chair Allison Herren Lee issued a request for public input on the Commission's rules and guidance regarding climate change and ESG disclosures.¹ This request signals an inflection point for investors and corporations alike; the SEC has the capacity and intent to implement mandatory climate related disclosures, to be followed by a broader set of ESG disclosure regulations including human capital and diversity. High Water Women (HWW) knows that investing with impact, which includes ESG and other strategies, is designed to produce better returns, stronger businesses, and a more resilient economy. As such, HWW seeks to mobilize the voices of its "Investing for Impact" network in response to the SEC's request.

Should you want more information or encouragement, please reach out to us at investorvoice@highwaterwomen.org. Also, here is a zoom recording with lots of practical guidance, moderated by HWW member, Kim Leslie Shafer², and hosted by Impact Capital Forum, entitled **SEC Call for Public Input on Climate Change Disclosures: A Practical Guide for the Role You Can Play**.

Tools for action:

- If inclined, submit a **formal letter** of input directly via [webform](#) or email (rule-comments@sec.gov). The SEC published 15 numbered [questions](#) in pursuit of stakeholder feedback on what information investors seek regarding climate change and ESG, what is insufficiently available currently, the associated burdens and costs of the current patchwork of such information, and the most effective methods and means such disclosure should take. Letters typically include an introductory descriptive paragraph about your organization and a stated interest in addressing climate change and any additional ESG disclosure. The most useful letters to the SEC will include empirical data, information, or experiences in support of these comments. Importantly, letters need not respond to all 15 numbered comments; rather, a robust response to any small subset of questions is still a highly valuable contribution to the record.
- Submit **informal comments** to investorvoice@highwaterwomen.org for potential inclusion in a letter that HWW is considering crafting. Responses here should be limited to a paragraph or two. Use this option if submitting your own letter is too daunting or restricted by your employer (and you want to provide information anonymously). Kindly indicate clearly any comments sent to HWW that must be treated as anonymous, but in all circumstances do identify submissions by professional context (e.g., asset manager, financial advisor, asset allocator, family office) if not by full name.

¹ <https://www.sec.gov/news/public-statement/lee-climate-change-disclosures>

² Caroline Shipley provided invaluable assistance to Kim in preparing this toolkit.

- Consider **signing on** to sample letters of other organizations. We have collected samples from Ceres, UNPRI (only PRI signatories can sign to our knowledge), and Public Citizen thus far, but we will be looking for others. **HWW is not in a position to endorse any of these letters**, particularly the longer and more comprehensive ones. (We also include them as a potential resource, should you agree with their language, as plagiarism in writing comment letters is prevalent rather than suspect – or alternatively, use them to refine and differentiate your views. Indeed, SASB submitted its letter early so that its perspective would be available for others' support.)

Regarding either submission above, concrete discussion of any of the following would be especially useful to counter those who oppose mandatory disclosures:

- a. If you consider ESG factors when investing or engaging with issuers, when did you begin and how has your demand for this information grown? How small of an ESG issue, risk or opportunity needs to be present for it to affect your decisions?
- b. If you make capital allocation decisions, can you argue that better climate or ESG information will improve capital formation or efficiency? Will it attract capital from international sources that otherwise might flow elsewhere? The tripartite mission of the SEC is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation, so *illustrating* how any mandatory disclosures you support would advance the SEC's mission (rather than just asserting the same) would be powerful.
- c. Explain your own experiences with current reporting regimes. Specific information about time and money spent on gathering data, challenges with inconsistent data, as well as benefits from better ESG disclosures, are very helpful for the SEC. (See #2 below.)
- d. Where you have expertise, provide relevant examples of environmental justice or diversity issues that should be disclosed.

Strategic Considerations

We have been advised that the three most critical issues into which the SEC seems to need input from investors are:

1. What exactly do you want to see for climate-related disclosures and why? What are you missing by not having mandatory, comparable disclosures? (Put simply, tell them exactly what line items or discussions you want companies to make.) What specific metrics matter to you and why are they important?
2. What are your burdens and costs (including missed opportunity costs) in trying to obtain and compare climate-related information now, and how would that change with mandatory disclosure?
3. Should the SEC require disclosures itself, or should it rely on a third-party standard-setter to establish what and how information gets disclosed? And if it does rely on a third party, what are important governance, funding or other issues to worry about?

Other top concerns that you might wish to address in addition to the above or even instead of, if this is what matters to you, are:

4. **Materiality** – make the case that the information you want is material to your decision-making as an investor, whether or not that information has a material impact on a company's financials at this moment in time. You may want the information for risk management purposes. You may value information in comparable form so that you may better evaluate performance against benchmarks or best practices within an industry. The more concrete you can be, the better the argument.
5. **Private Companies** - Additionally, if you have opinions about disclosures that private companies should make, consider weighing in on question 14. If you invest in privately offered securities, note this and describe how having ESG disclosure would be valuable to you. The SEC's authority to mandate disclosure from public companies is more direct, but private companies, including very large ones, have become a much more significant part of the market. Some believe that information on private companies is important for comparability. Larry Fink, BlackRock's CEO, argues that private companies need to be covered or public companies will sell their climate-troubled businesses to private companies, resulting in no net improvement to the environment while disclosing public companies will have better looking disclosure.
6. **Diversity** - Finally, question 15 explicitly opens the door to ESG issues beyond climate change. Many submissions will address desires for greater disclosure on human capital management, diversity, and other issues of environmental management. Please do include this if you agree.

Sample Letters

These letters are provided as a resource. HWW is not in a position to endorse the below. Note that disagreement amongst these letters exists, e.g., SASB and Public Citizen.

- Ceres is inviting investors, companies, non-profit organizations, and individuals to **sign on** to its **“Statement of Essential Principles for SEC Climate Change Disclosure Rulemaking”** by June 3.
- SASB has submitted its **response** to the SEC already and is on the SEC website; SASB CEO Janine Guillot **summarizes its views** on the SASB Blog.
- UN PRI's sign-on letter (both for its signatories and others) in support of climate change and ESG disclosures is linked [here](#); contact karen.kerschke@unpri.org to sign on. PRI also published a **Policy Briefing** on the SEC Request for Comment.
- Americans for Financial Reform and Public Citizen, both progressive advocacy non-profits, developed a fairly comprehensive and quite progressive letter. They invite organizations to sign on to their joint comment **letter** through this **google form** by June 11 or to use their letter and its list of essential disclosures in crafting one's own submission.
- Additional comment letters that have already been submitted are available [here](#). Recent additions on June 3 include letters in support and in opposition.

Additional Resources:

- The Task Force on Climate-related Financial Disclosures (the TCFD) supports a climate disclosure framework, which incorporates governance, strategy, risk management, and specific metrics and targets; the framework has been endorsed by hundreds of companies and investors globally.
- The Intentional Endowments Network makes the case for long-term investment considerations including systemic risk factors. [Here](#).
- An important perspective on “materiality” can be found in Commissioner Lee’s May 24 speech, “Living in a Material World: Myths and Misconceptions about ‘Materiality.’” [here](#). Her March 15 speech, “A Climate for Change: Meeting Investor Demand for Climate and ESG Information at the SEC” is [here](#). Of course, differing viewpoints of other SEC Commissioners can also be found on the SEC website.