Tools for Action:
Submit Input on SEC Climate Change and ESG Disclosure Requirements
Assembled by Kim Leslie Shafer, customized with input from the Predistribution Initiative

Context

On March 15, 2021, the SEC issued a request for public input on the Commission’s rules and guidance regarding climate change and ESG disclosures. This request signals an inflection point and important opportunity. We encourage those in the Predistribution Initiative (PDI) community to respond to the SEC’s inquiry with your feedback on why mandatory disclosure is important, what should be disclosed, and how disclosure should be developed and structured. It is particularly important for investors, including asset owners, allocators, and asset managers, to respond given the SEC's mission of, "protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation."

PDI advisor, Kim Leslie Shafer, has spent significant time and effort engaging with various investor, legal, academic, and civil society networks to aggregate and synthesize perspectives. As a true leader, she is generously sharing the knowledge she has developed to encourage widespread responses to the SEC. We are pleased to share the following findings of her research with you, which we hope can be of value in developing your own responses. Below is the excellent toolkit Kim assembled.

Should you want more information or encouragement, please reach out to Kim at kimlesieshafer@caa.columbia.edu. Also, here is a zoom recording to an Impact Capital Forum webinar on the topic that Kim moderated with lots of practical guidance, entitled SEC Call for Public Input on Climate Change Disclosures: A Practical Guide for the Role You Can Play.

Given PDI's focus on investment structures and practices and their relationship with ESG issues, we are still reviewing what suggested disclosures may be appropriate for us to recommend on these topics at this time. ESG implications of investment structures is an emerging field, and there is little precedent of disclosure of risks on such topics. If you have ideas, we welcome your input. Please reach out to us at info@predistributioninitiative.org.
Tools for Engagement

1) If inclined, submit a **formal letter** of input directly via webform or email ([rule-comments@sec.gov](mailto: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.

Note that submissions may be made anonymously; we would suggest indicating your professional status (e.g., asset manager, asset owner, asset allocator, family office, financial advisor, retail investor) if you need to keep your name out of the public record.

2) Consider **signing on** to sample letters of other organizations (see below in this document). **PDI is not in a position to endorse any of these letters**, particularly the longer and more comprehensive ones. They are intended as a potential resource, should you agree with their language, or wish to use them to refine and differentiate your views.

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

- 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?

- 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.

- 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.)

- Where you have expertise, provide relevant examples of environmental justice, inequality, or political contribution 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:

- 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?

- 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?

- 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:

- **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, or even to support improved benchmarks. The more concrete you can be, the better the argument.

- **Private Companies** - 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.

- **Other ESG issues** - 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. Additionally and significantly, this is the place to expand the scope of the ESG discussion to encompass areas that matter to you as an investor. Examples could be environmental justice, inequality, or political contributions. Please do include any that matter to you in your investment evaluations.

**Sample Letters:**

These letters are provided as a resource. PDI does not necessarily endorse the below.

- 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 for its signatories in support of climate change and ESG disclosures is linked here (under “attachments”); 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.

**Additional Resources:**

- The Intentional Endowments Network makes the case for long-term investment considerations including systemic risk factors.

- 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.