6/2/2021

Via email to rule-comments@sec.gov

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: Comment on Climate Change Disclosure

Dear Ms. Countryman:

As a Managing Partner of Natural Investments, a registered investment adviser, I am submitting this letter on behalf of our firm for “Public Input Welcomed on Climate Change Disclosures” per the SEC’s request for information issued March 15, 2021. We are in full support of the SEC requiring a mandatory framework for the broadest array of environmental, social and governance (ESG) criteria, not just climate change.

Climate change is but one of many ESG issues of critical importance to investors. It may be one of the easiest issues to collect quantitative data for – e.g., tons of emissions emitted, amount of carbon sequestered – but it is by no means the only material issue of importance to investors and investment professionals. We have been involved in ESG advising since 1985, and as such we have long been well aware that leading companies voluntarily disclose a wide variety of ESG information. This enables investors and investment professionals to make informed decisions about the material risks associated with the companies they wish to own. Having access to this type of information is now a fundamental component of how many investment decisions are made, reflected by US SIF Foundation’s 2020 Report on US Sustainable and Impact Investing Trends, which notes $17 trillion (1 of 3 dollars) of professionally managed assets is evaluated with ESG factors.

The challenge investors and investment professionals face is the wide variety in how ESG information is disclosed, as much of it is minimal, inconsistent, and/or incomparable to other companies within and across sectors. Investors deserve to have such information about all regulated companies – public and private - in which they seek to invest.

To us, question #15 in your March 15, 2021 request for information is the most important one of the lot. A comprehensive framework for ESG disclosure will provide complete and consistent reporting across industries that addresses the myriad of stakeholder, environmental, and governance issues that affect company financial performance. Investors need to be able to examine the level of commitment companies are making to monitoring the risks associated with supply chains, community relations, labor issues, human rights standards, political contributions, independent Board leadership, environmental and carbon footprint, workplace safety, executive-worker pay gap and gender pay ratios, diversity and equity across all levels of a company, etc.

To be specific regarding climate change, investors want to see that companies are a) taking climate change seriously, and b) making progress towards stated targets. As such, investors should be able to see:

1. Scope 1, 2, and 3 greenhouse gas emissions
2. Greenhouse gas reduction goals and timeframe for achieving them
3. Policies, practices, and capital committed annually to achieve the goals
We do think it behooves the SEC to coordinate with the CFA Institute, US SIF: The Forum for Sustainable and Responsible Investing, the Task Force on Climate-Related Financial Disclosures, the Sustainability Accounting Standards Board, and the Climate Disclosure Standards Board. These representative groups in tandem have a lot of expertise and have looked at variable standards across sectors, for while it’s true that industries have unique characteristics and standards depending on their carbon use, it is critical that a baseline requirement be implemented across all sectors that reduces emissions by at least 50% in every company by 2030. Above that the SEC can and should consider higher targets for high-emissions industries.

We do not recommend that the SEC outsource the establishment of standards and criteria or the collection of this data, though clearly the work of these bodies can form a portion of the basis of the overall ESG disclosure requirements. In terms of data collection, its reporting should be integrated into regular S-K annual filings and not reported outside the agency.

Please also consider the well-formulated European Union Sustainable Finance Disclosure Regulation in order to help guide the establishment of a broad American ESG disclosure framework.

As such, we strongly encourage the SEC to establish a comprehensive, mandatory ESG disclosure framework. Thank you for your consideration.

Respectfully,

Michael Kramer, Managing Partner