

June 11, 2021

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Request for Public Input on Climate Change Disclosures

Dear Chair Gensler:

This letter is submitted on behalf of Business Roundtable, an association of chief executive officers who collectively lead companies with more than 20 million employees and \$9 trillion in annual revenues. Business Roundtable members invest nearly \$147 billion annually in research and development. In addition, our companies pay nearly \$296 billion in dividends to shareholders and generate \$488 billion in revenues for small and medium-sized businesses.

We appreciate the opportunity to respond to the March 15, 2021 request for public input regarding potential rulemaking or other actions by the U.S. Securities and Exchange Commission (the “Commission” or “SEC”) related to climate change disclosures (the “Request for Input” or “RFI”).¹

INTRODUCTION

Business Roundtable is pleased to provide input to the Commission on the important topic of climate change disclosures. Business Roundtable shares the concerns articulated by many stakeholders, including investors, that climate challenges are creating growing risks in many parts of the economy including from physical risks (e.g., extreme weather), transition risks (e.g., technological and market shifts), and regulatory and policy risks. Climate change is of significant public interest, and we have previously stated our view that the United States should adopt a more comprehensive, coordinated and market-based approach to reduce emissions.² We appreciate that there is increasing interest in understanding how companies are impacted by climate change, including the risks and opportunities arising from climate change and the steps companies are taking to combat climate change.

The RFI raises critically important questions about whether and, if so how, the Commission should mandate specific climate change disclosures or otherwise become more proactive in the development of climate change disclosures provided by companies. The RFI focuses especially on steps the Commission could take to provide more consistent, comparable and reliable

¹ *Public Input Welcomed on Climate Change Disclosures*, Statement by Commissioner Allison Herren Lee (then Acting Chair), March 15, 2021, available at <https://www.sec.gov/news/public-statement/lee-climate-change-disclosures>.

² *Addressing Climate Change: Principles and Policies*, Business Roundtable, September 2020, available at <https://s3.amazonaws.com/brt.org/Business-RoundtableAddressingClimateChangeReport.September2020.pdf>.

information for investors while also providing greater clarity to companies about what is expected of them.

We provide our perspective on these important questions below, organized by general subject area. We look forward to continuing to be a part of a constructive dialogue as the Commission considers how best to approach this complex topic.

ROLE OF THE SEC IN CLIMATE-RELATED DISCLOSURES AND POSSIBLE PATH FORWARD

Background

Business Roundtable acknowledges that information about climate change risks faced by companies and how companies are addressing these risks has become increasingly important to a wide range of stakeholders, including investors. The interest in this information arises for many reasons. For example, companies are facing ever more complex and impactful decisions relating to climate strategies, which can be of interest to many stakeholders, including investors. And investment strategies built on companies' climate profiles have proliferated, which are dependent on access to companies' climate related information.

The Commission recognized that climate change can be important to investors over a decade ago, when it issued its interpretive guidance regarding disclosure related to climate change (the "2010 Guidance").³ The 2010 Guidance is helpful in eliciting some useful information about how climate change may impact companies, but we recognize that information needs have evolved over the last decade.

In response to these evolving needs, many companies are voluntarily providing substantial amounts of information about climate change in sustainability and other reports outside of SEC filings. These reports address requests from many different stakeholders, including investors. As interest in these matters increases, many stakeholders are raising important questions about whether and how the SEC could better facilitate investor access to decision-useful information about climate change. The RFI reflects the complex nature of this important topic.

Support for Climate Disclosure Rule Proposal

Business Roundtable supports the efforts of the SEC to seek enhancements to climate change disclosures. As the SEC considers possible ways to achieve improved climate change disclosures, we are supportive of a rulemaking approach, as outlined briefly below.

We believe it would be appropriate for the Commission to propose a rule that would govern the disclosure requirements regarding climate change. This approach could have the benefit of

³ *Commission Guidance Regarding Disclosure Related to Climate Change*, Release No. 33-9106 (Feb. 2, 2010) [75 FR 6290 (Feb 8, 2010)].

improving clarity about the disclosure requirements for companies and for investors. This also could lead to more consistent and comparable disclosures.

Importantly, a rule proposal that sets out the disclosures that would be required would provide the opportunity for consideration of public input on specific disclosure requirements. This approach would facilitate a meaningful discussion in which the perspectives of all interested parties can be considered.

In considering a rule proposal for climate change disclosures, we urge the SEC to continue to rely generally on a principles-based approach tied to traditional concepts of materiality. This approach has been successful in many SEC disclosure rules and is most likely to lead to disclosure requirements that will result in decision-useful information for the long term. Following this approach, like other existing Commission rules, a proposed rule could set out the principles for the required disclosure, provide guidance on how to satisfy the principles, and could include some specific requirements for information that is required to be included.

We recognize that there may be specific metrics or data points that are important to understanding companies' climate risks and opportunities. Consistent with that view, we would support issuance of a rule proposal to require disclosure of such information provided that any such new proposed requirement relates to metrics or data points that are measurable, quantifiable, widely reported and widely used. Applying these criteria, Business Roundtable would support the proposal of a new SEC rule to supplement traditional principles-based disclosure with a specific requirement to disclose annually Scope 1 and Scope 2 greenhouse gas emissions, consistent with standards developed by the Greenhouse Gas Protocol.

Additional Considerations for a Proposed Rule

In connection with developing a rule proposal, we encourage the Commission to recognize the challenges for companies presented by a new disclosure requirement of this nature and to include provisions to facilitate its successful implementation. In this section we briefly identify examples of provisions that we believe should be included in a rule proposal like the one we describe above. This is not an exhaustive list; there may be other challenges that need to be addressed. As noted, the goal of these provisions would be to lead to successful implementation of a climate change disclosure rule.

Examples of provisions that we believe should be included in a rule proposal include:

- Providing for a transition period, including delayed compliance dates to allow sufficient time for companies to prepare the disclosure for inclusion in an SEC report for the first time.
- Allowing the disclosure to be provided on a different schedule from the annual report (in a manner similar to Conflict Minerals reports) so that companies have enough time

each year to prepare the disclosure outside the time pressures of the regular periodic reporting calendar and address the differentiated data collection timelines for climate metrics.

- Appropriately tailoring disclosure requirements to companies of different sizes.
- Providing a mechanism for the disclosure to be furnished rather than filed for purposes of the Securities Exchange Act of 1934.
- Providing a liability safe harbor for any newly mandated metrics and data points and for forward-looking information provided in response to new disclosure requirements.

ROLE OF STANDARD SETTERS, VOLUNTARY DISCLOSURES AND INTERNATIONAL INITIATIVES

The RFI has a number of questions regarding the development of standards for voluntary disclosures, as well as the role of standard setters in voluntary disclosures and possible role of standard setters in future SEC required disclosures. The RFI also discusses international reporting initiatives and asks about the appropriate role for the Commission in those initiatives. These are important and complex topics that will need to be addressed by the SEC as it works to develop climate change disclosure requirements. We offer some general observations for the Commission to consider in this connection.

With regard to the current approach to the development of standards for voluntary disclosure about climate change, we note that there are advantages and disadvantages. On the advantages, those with expertise in climate change have worked with stakeholders to develop standards that can be used by companies to supplement their public disclosures in a manner that is adapted by companies to their particular circumstances and industries. Over time, some of these standards have become well recognized, widely used and satisfy information needs of stakeholders. On the disadvantages, there are many conflicting demands on companies to provide disclosures under different frameworks, which is unnecessarily costly and time-consuming for companies. In addition, the proliferation of standards may lead to confusion for users of the information.

It is also important to note that some companies in particular sectors have invested significant time and expense in developing disclosures that are responsive to one or more existing voluntary frameworks, including, for example, those developed by the Task Force on Climate-related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), CDP (formerly the Carbon Disclosure Project), and the Global Reporting Initiative (GRI). If the SEC moves forward to propose climate change disclosure requirements, an approach that would allow companies to satisfy particular new disclosure requirements through disclosures that comply with the guidance of a “recognized standard setter” (as defined by a new proposed SEC rule) would be worth considering. This approach would allow companies to leverage the work done to date and provide continuity and comparability in the disclosures provided. It also

would leverage the expertise of those dedicated to preparing private sector standards. This approach, however, should not be viewed as an alternative to notice and comment rulemaking and oversight by the SEC of climate-related disclosure requirements. Instead, it could be proposed as an alternative way for companies to satisfy SEC requirements that are adopted through notice and comment rulemaking.

With regard to voluntary disclosures, to the extent that companies desire to provide information that is more detailed, or covers other topics, or is prepared under a standard they believe is most appropriate for their reporting, compared to any new SEC disclosure requirements, we believe this should continue to be permitted on a voluntary basis (in addition to compliance with any mandatory disclosure requirements).

On the topic of international standard setting initiatives, we note that nearly all of our members lead a company that has operations around the world. There may be benefits to a more harmonized international regulatory framework that embodies the SEC's mission to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation. We believe the SEC should engage with international standard setters to help create and align climate change disclosure standards that are relevant and workable for a U.S. environment. It appears that the SEC and other U.S. regulators are moving in that direction, and we support that engagement. We also think that it is critically important to keep in mind the differences between U.S. and foreign markets.

OTHER IMPLEMENTATION MATTERS

Business Roundtable urges the SEC to carefully consider potential costs and implementation challenges associated with other requirements that it may consider proposing in connection with new climate-related disclosure requirements. These costs and challenges need to be carefully calibrated to assure that any new climate change disclosure requirements are workable for companies and necessary to support the preparation of appropriate climate related disclosures.

For example, with regard to potential requirements for third-party verification, assurance or audit of climate-related disclosures, practical considerations include the time needed for an external party to complete additional assurance procedures on climate-related disclosures to meet set deadlines and the need to further develop a framework for such third-party verification, assurance or audit.

As another example, with regard to the potential application of any additional internal control and other certification requirements, practical considerations include the time and costs needed to establish new processes, controls and governance around information used to comply with climate-related disclosure requirements, which has often been managed outside the financial reporting framework.

CONCLUSION

Business Roundtable appreciates the opportunity to share our views on climate disclosures. This is a topic of critical importance, and we look forward to working with the Commission as you move forward. We would be happy to discuss these comments or any other matters you believe would be helpful. Please contact Maria Ghazal, Senior Vice President & Counsel of Business Roundtable, at [REDACTED]

C: The Honorable Caroline A. Crenshaw
Commissioner
U.S. Securities and Exchange Commission

The Honorable Allison Herren Lee
Commissioner
U.S. Securities and Exchange Commission

The Honorable Hester M. Peirce
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The Honorable Elad L. Roisman
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