June 11, 2021

The Honorable Gary Gensler
Chairman
United States Securities and Exchange Commission
100 F St. NE
Washington, DC 20549

Re: Request for Comment on Climate Change Disclosure (March 15, 2021)

Dear Chairman Gensler:

On behalf of Summit Strategy Group, I am pleased to submit this letter offering our perspective on climate change disclosure. We are a California-based consulting firm specializing in ESG, sustainability and corporate reputation. We work in this field every day, helping companies of all sizes navigate the rapidly-changing environmental, social and governance (ESG) landscape.

Summit Strategy Group enthusiastically supports the U.S. Securities and Exchange Commission (SEC) in exploring mandatory climate financial disclosures. For any corporate financial risk, investors require standardized, auditable information upon which they can make informed decisions. Climate risk is no different. There is already considerable investor demand for corporate climate disclosure. As demonstrated recently by the annual Exxon Mobil shareholder meeting, investors can and will make financial decisions based on a company's climate risk.[i] Despite the recent growth in corporate climate and other ESG disclosures, there are no unified standards that all companies use to share this information with investors. This results in an abundance of ESG information that can be inaccurate, incomplete, or misleading. Financial institutions cannot make accurate financial decisions based on this type of information.

There is a need for mandatory, standardized and auditable climate disclosure to give investors the most relevant and accurate information. The SEC is the correct body to develop these requirements. We fully support the creation and implementation of a standardized and mandatory framework for reporting on ESG-related performance. Furthermore, we urge the SEC to consider basing the future requirements on existing investor ESG disclosure frameworks like the Taskforce on Climate-Related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB).

Over the past decade, the number of companies reporting on sustainability has increased from 20 percent of the S&P 500 in 2011 to 90 percent in 2020.[ii] While corporate sustainability reporting has become mainstream, the momentum has accelerated since 2017 with the publication of the TCFD guidance. The Financial Stability Board (FSB) created the TCFD guidelines to improve and increase reporting of climate-related financial information for review by the financial markets. Financial institutions responsible for $150 trillion of assets[iii] have signed onto the TCFD guidelines. Furthermore, in 2018, BlackRock (the world's largest asset manager) CEO Larry Fink called for companies to report on climate financial risk in his annual letter. In each subsequent year, BlackRock's guidance and position has only become clearer—climate risk is financial risk and investors deserve to fully understand the climate risk of their portfolios.

Many companies are already reporting on climate change to address the needs of investors and other stakeholders. In 2020, about 1,700 large companies spanning sectors and regions reported on climate risks and opportunities according to the TCFD recommendations. Among this group are nearly 60% of the world's largest public companies, which have either directly stated support of the TCFD recommendations and/or reported in line with the recommendations.[iv]

Aside from TCFD, numerous other frameworks exist for companies to disclose on climate and other ESG topics. Some commonly used frameworks include SASB, the Global Reporting Initiative (GRI), World Economic Forum Stakeholder Capitalism Metrics and the United Nations Sustainable Development Goals (UN SDGs). While each framework addresses different stakeholder concerns, the absence of a unifying standard creates confusion, lack of comparability and no real accountability for companies reporting on climate and other ESG issues.

This needs to change. The SEC is the right agency to develop a common standard for ESG disclosure. We recommend that the agency develop any regulation based on the existing and widely-used TCFD and SASB frameworks. The TCFD framework was designed for integration into financial reporting and is already widely used by investors to assess corporate climate risk. The SASB framework, also widely used by investors and companies, is an industry-specific set of metrics for companies to disclose on other important ESG risks like water, biodiversity and workforce safety. Building a mandatory disclosure requirement based on these existing frameworks will reduce the administrative burden for companies already demonstrating ESG leadership by reporting to these standards.

Like any information included in corporate financial disclosures, climate and ESG disclosures should be mandatory, standardized and auditable. We support the SEC in pursuing this endeavor and look forward to seeing more consistent ESG information in the market.

Sincerely,

Michael A. Law
Founder & CEO
Summit Strategy Group

References

[i] Hiller, Jennifer and Svea Herbst-bayliss. (2021). Exxon loses board seats to activist hedge fund in landmark climate vote. Reuters. Retrieved from https://www.reuters.com/business/sustainable-business/shareholder-activism-reaches-milestone-exxon-board-vote-nears-end-2021-05-26/

[ii] G&A Institute. (2020). 90% of S&P 500 Index Companies Publish Sustainability/Responsibility Reports in 2019. Retrieved from https://www.ga-institute.com/research-reports/flash-reports/2020-sp-500-flash-report.html

[iii] Task Force on Climate-related Financial Disclosures. (2020). 2020 Status Report. Retrieved from https://assets.bbhub.io/company/sites/60/2020/09/2020-TCFD_Status-Report.pdf

[iv] Task Force on Climate-related Financial Disclosures. (2020). 2020 Status Report. Retrieved from https://assets.bbhub.io/company/sites/60/2020/09/2020-TCFD_Status-Report.pdf