



Via email to: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

June 14, 2021

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

RE: Public Input on Climate Change Disclosures (March 15, 2021)

Dear Ms. Countryman:

On behalf of the Unitarian Universalist Association (UUA) and its Unitarian Universalist Common Endowment Fund, LLC (UUCEF), we wish to submit these comments regarding the request for information issued March 15, 2021, "Public Input Welcomed on Climate Change Disclosures." In short, we strongly encourage the SEC to establish a mandatory framework for the disclosure of environmental, social and governance (ESG) factors by companies.

The Unitarian Universalist Association is a faith community of more than 1000 self-governing congregations that brings to the world a vision of religious freedom, tolerance and social justice. Our congregations are located in every state in the Union. With roots in the Jewish and Christian traditions, Unitarianism and Universalism have been forces in American spirituality from the time of the first Pilgrim and Puritan settlers. The UUA is also an investor with total assets under management in excess of \$780 million, including the UU Common Endowment Fund, the UU Organizations Retirement Plan, and other invested assets.

Others have submitted comments and recommendations, which we support. These include:

- The UN's Principles for Responsible Investment's (PRI) response to the SEC Request for Comment on Climate Change Disclosures.<sup>1</sup> The UUA is a PRI member.

---

<sup>1</sup>[https://dwtzyx6upklss.cloudfront.net/Uploads/g/q/m/priclimatedisclosuresignatory/signonletter\\_15524.pdf](https://dwtzyx6upklss.cloudfront.net/Uploads/g/q/m/priclimatedisclosuresignatory/signonletter_15524.pdf)

- Ceres' Statement of Essential Principles for SEC Climate Change Disclosure Rulemaking<sup>2</sup>, an investor letter which the UUA has signed.
- Public Citizen's investor letter addressing disclosure of political spending.

Mandatory standards for disclosure of environmental, social and governance (ESG) data are long overdue. Such information is clearly material because investors are asking for it. The PRI, for example, represents over \$90 trillion in assets under management. As Commissioner Allison Heron Lee said regarding what information is material to investment decisions, "investors are also the ones who decide what information they need to make those choices."<sup>3</sup> Today ESG disclosures are voluntary, inconsistent from one company to another, not assured by third parties, and widely varying in quality. For the disclosures to be useful to investors, this must be remedied.



ESG factors have been characterized by some, including the Commission in the past, as "non-financial," implying that ESG factors do not relate to the value of a firm. In their comment letter on the 2020 DOL rule on ESG investing, Nell Minow and Robert Monks of Value Edge Advisors wrote, "We note that while at times the term 'non-financial' has been used to describe the criteria for evaluating ESG investments, the record shows that a more appropriate term is 'non-GAAP.'"<sup>4</sup>

GAAP financial statements are quite limited in what they disclose. They are backward looking and only report data from the operations of a company. To say this is all investors need to understand assumes companies exist in a capsule isolated from the larger world. In fact, companies affect and are affected by other companies, communities, the natural world, geopolitics, social divisions, and public health. ESG data and analysis looks at companies in this larger context and provides useful data that helps investors understand the risks and opportunities facing companies.

<sup>2</sup> <https://survey.alchemer.com/s3/6292930/SEC-Climate-Disclosure-Support-Letter>

<sup>3</sup> <https://www.sec.gov/news/speech/lee-living-material-world-052421>

<sup>4</sup> <https://valueedgeadvisors.com/2020/07/20/our-comment-to-dol-ebssa-on-esg/>

Among the issues raised in the comment letters referenced above, we would urge the Commission to pay particular attention to the following:

1. Political spending/lobbying. Companies should be providing full transparency on their election and lobbying activities including amounts expended and how these functions are overseen by the board. In particular, companies should disclose their lobbying through third parties such as trade associations and social welfare organizations. (See the letter from Public Citizen.)
2. Climate change. Companies should be disclosing their plans for the transition to the net zero energy system, preferably in line with an independent framework such as the Task Force on Climate-Related Disclosures. In doing so, they need to recognize systemic risk, not just risk to a particular company. For example, if average temperatures rise 3-4° C, it's hard to imagine how economies will continue to function. There would be no place to hide.
3. Factoring climate into financial statements. We believe current US GAAP requires that the effects of climate change be factored into audited financial statements. Elements such as the valuation of fossil fuel reserves, useful lives of long-lived assets and attendant depreciation expense, and asset retirement obligations could be materially affected by climate change. At a minimum, footnotes should include sensitivity analysis to Paris aligned public policies and actions by other companies.
4. Human capital. Investors need to know how a company is addressing racial justice, diversity and inclusion. Currently companies are not required to disclose the EEO-1 diversity data that they are required to report to the Equal Opportunity Commission. Investors have demonstrated a desire to know the racial makeup of companies' employees as well as the distribution at different levels of the companies. Misalignment between a company's statements on racial justice and its actions exposes the company to risk, reputational and otherwise.
5. Plans for a "just transition." As companies shift capital and strategies towards addressing climate risk, employees and



communities could be adversely affected. Investors need to know how companies are managing such risks.

We very much appreciate that the Commission is taking on this review of ESG reporting and look forward to the forthcoming guidance and rules that will help to clarify and standardize ESG disclosures by companies.

Very truly yours,



Timothy Brennan,  
Special Advisor on Responsible Investing

Cc: Andrew McGeorge, Treasurer & CFO

