



B Lab Comment on SEC Consultation Climate Change Disclosures
June 8th 2021

Hon. Gary Gensler
 Chair
 Securities and Exchange Commission
 100 F St, NE
 Washington, DC 20549

Dear Chair Gensler:

Thank you for the opportunity to respond to the SEC's request for comment on climate disclosures; we applaud your efforts to enhance mechanisms for businesses to disclose consistent, comparable, and reliable information on the issue.

B Lab is the global non-profit organization behind the B Corp movement. Its vision is for an inclusive, equitable, and regenerative economic system, which we believe aligns with the objectives of the SEC consultation and has never been more relevant or needed than it is now. The key focus points for B Lab to achieve its end goal are: (1) through the adoption by business of an adapted legal framework¹ that embeds a commitment to running companies in the interest of all stakeholders, not just shareholders; this is combined with an obligation to report impact through the use of a third party standard that is comprehensive, verified, credible and transparent; (2) through the creation of free and publicly available standardized impact management tools for businesses housed within a common technology and data platform (the B Impact Assessment and SDG Action Manager) for businesses to measure, manage, and benchmark their performance; and (3) by building a community of exemplary companies ("Certified B Corporations") that have met the highest levels of social and environmental performance,² transparency, and accountability.

Since its launch in 2007 in the United States, the B Corp Movement has now grown to over 4,000 B Corps in 77 countries, and over 70,000 users of the B Impact Assessment. Examples of companies that are B Corps include leading US based companies who have long been pioneers in both business and sustainability, including Patagonia, Allbirds, Lemonade, Appharvest, Danone North America.

B Lab's offerings allow companies to evaluate, manage, set, and improve on high standards for their non-financial performance. While these offerings themselves do not set out to create a non-financial reporting standard, our work is nonetheless related and overlaps with the objectives of the SEC's

¹ In the US, this legal form is referred to as Benefit Corporation; in Italy it is referred to as *Società Benefit*.

² Using the B Impact Assessment, which assesses impact over five key business performance areas – governance, community, workers, environment and customers

consultation. Our goal is to inform, collaborate with, and align our performance standards and management tools with best in class global reporting standards, including with organizations and networks like the Impact Management Project and Global Reporting Initiative, as well as regulatory disclosures like those under consideration. We can, furthermore, bring the expertise built from 15 years of experience engaging with companies that qualify as the highest performers and leaders in this space, which should be an important consideration in your development processes.

To that end, we agree with the SEC's assessment of their own ability and need to play an important role in accelerating and improving ESG disclosures and applaud the SEC for taking this project and consultation. We would like to express our support for the initiative, and have also supported and signed the input provided from CERES along with over 70 Certified B Corps themselves.

In addition to the perspective offered by CERES, we'd like to also provide additional important considerations for your work, particularly as it evolves over time. Our answers here are from the perspective of B Lab specifically and are intended to elaborate and provide additional recommendations for the SEC.

First, we'd like to iterate a few points from the CERES letter as particularly important, including the importance of an in depth approach to what is included in disclosures, including emissions through Scope 3, as well as the importance of alignment with other existing standards. Regarding inclusion of Scope emissions, for most businesses this represents the vast majority of their climate impact and necessitates consideration of core elements of a business like product and product formulations, business models, and supply chain practices that are fundamental in getting an accurate portrayal of a company's performance and management of climate issues. Regarding alignment with existing standards, such alignment not only produces a significant efficiency benefit and reduces the reporting burden for those who already are, or may be asked, to report to other standards, but also allows the SEC to inform their efforts through the credible, expert driven, stakeholder based, reporting standards development processes that have already taken place.

Second, while B Lab recognizes the value of taking a pragmatic and staged approach to such topics, particularly within the bounds of the SEC's mandate, we would also like to emphasize a few points for your consideration, both now and over time, regarding the concept of materiality and a potential climate focused approach.

Regarding the concept of materiality, given the mandate of the SEC the existing focus is oriented around the concept of financial materiality for investors. While incorporation of climate disclosures as a financially material issue is a substantive step forward, there is also a critical shift occurring in the perception of the fundamental purpose of corporations, to produce value not just for shareholders over the long term, but for other stakeholders as well.

This driver is evident not only in the growing Certified B Corp community - companies who hold themselves to a higher standard and a different purpose of business - but also in the existing and emerging policy efforts related to corporate purpose and stakeholder governance (such as [benefit corporation](#) legislation in the US and around the world³ and a review of [sustainable corporate governance](#)

³Stakeholder governance structures embedded in benefit corporation legislation have been passed into law in 40 jurisdictions in the US (where it has enjoyed an almost 90% approval rating on all votes from legislators in both parties), as well as Italy, Canada, Colombia, Peru, Rwanda, and Ecuador. Efforts are moving forward also in Argentina, Chile, and many others.

in the EU). 2019's announcement by the [Business Roundtable](#) acknowledging that the purpose of corporations should extend beyond even long term value for shareholders to also include fundamental commitments to stakeholders is further evidence of this cultural shift toward stakeholder capitalism.

This important shift in the purpose of corporations directly relates to the concept of double materiality, in which reporting is not only limited to sustainability issues that are material to the financial performance of the organization, but more broadly to society as a whole. The SEC can, and should, consider the best way to take into account this shift in the purpose of corporations in order to help achieve a more inclusive, equitable, and regenerative economic system by ensuring it is integrated into their strategy around climate disclosures. Furthermore, this approach to disclosure is in fact fundamental for diversified investors to be able to take a holistic view of their portfolio's overall financial performance in the long term, as outlined in the submission of a partner organization of ours, the Shareholder Commons.

Addressing this issue can include, at minimum, creating a defined mechanism to coordinate with those working in the domain of "stakeholder materiality." The SEC could, however, go beyond coordination alone by 1) acknowledging the concept of double materiality (combination of stakeholder and financial materiality) in their own standards, 2) considering the broader impacts of this evolution on the overall strategy and purpose of the SEC, and 3) lending their broad support to policy and other efforts to clarify this shift in purpose of the corporation, for instance collaborating with other agencies and the White house on other policy and regulatory changes like [From Shareholder Primacy to Stakeholder Capitalism](#) and a proposal for a [White House Initiative on Inclusive Economic Growth](#).

Regarding the SEC's proposed current focus on climate, B Lab believes that a comprehensive and holistic approach is essential to gain a complete and accurate understanding of a company's overall sustainability performance and avoid the unintended consequence of shifting company action and attention between ESG issues, rather than increasing the ambition and impact of them as a whole. There is no doubt that the climate emergency presents an existential challenge to business, but the climate emergency itself can not be evaluated separately from other issues, including its related social and climate justice impacts. Additionally, the past several years have clearly demonstrated that climate is not the only issue that requires urgent action, as the world has faced increasing inequality, social unrest, and a global health pandemic.

At minimum, therefore, the SEC should ensure that appropriate mechanisms are built in to expand the content of their ESG disclosures over time, and from the outset, it should explicitly clarify that a climate first approach does not imply that climate impacts are the only issue that should be reported and addressed.

B Lab would recommend, however, that the SEC go beyond these minimums by taking a broader lens from the outset. Considering the essential role of the SEC in the United States business and financial market landscape, there is significant risk to the broader sustainability movement if the SEC should choose to endorse reporting standards that are focused on climate only and financial materiality without an explicit recognition of both the social impacts of business and double materiality. Many newer entrants to this field will inevitably conclude that such reporting is sufficient, potentially negatively impacting the pace of change in the broader sustainability movement.

B Lab will continue to advocate for both the adoption of the measurement, management, and reporting of social and environmental impact and the expansion of the role of stakeholder governance structures as critical concepts for the creation of an inclusive, equitable and regenerative economy. We would be

delighted to share our experience and expertise with the SEC as appropriate as you continue to develop this important work, and please consider us at your disposal for such purposes.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. Kassoy', with a stylized flourish extending from the end.

Andrew Kassoy

Co-CEO and Co-Founder, B Lab Global

A handwritten signature in black ink, appearing to read 'Dan Osusky', with a stylized flourish.

Dan Osusky

Head of Standards and Insights, B Lab Global