Newground
Social Investment
a Social Purpose Corporation

111 Queen Anne Ave N, #500
Seattle, WA 98109
(206) 522-1944
newground.net

VIA ELECTRONIC DELIVERY TO: Rule-Comments@sec.gov

June 14, 2021

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

Re: Request for Comment on ESG & Climate Change Disclosures

Dear Ms. Countryman:

We write in response to the March 15, 2021 request by SEC Acting Chair Allison Herren Lee, to comment on the mandatory disclosure of Environmental, Social & Governance ("ESG") issues, particularly as relates to climate change.

Newground Social Investment is a registered investment advisor ("RIA") that, since its inception as an RIA in 1994, has maintained an exclusive focus on sustainable, responsible, impact investing. We were also the first Social Purpose Corporation.

An assessment of the data conclusively demonstrates that ESG issues are material, that their integration into investment analysis can avoid risk while improving performance, and that investors of every stripe now value and seek out ESG-oriented investments or investment managers. It seems apparent on its surface that a robust consideration of ESG issues should be deemed a fundamental fiduciary duty for advisors. Therefore, **(a)** for the benefit of the investors the SEC is mandated to serve, and **(b)** to create a level playing field, we urge the establishment of a mandatory and comprehensive reporting framework related to ESG criteria and considerations.

Company disclosure of climate-related and ESG information constitutes a rapidly-expanding proportion of the information investors seek and have come to expect from companies that espouse being transparent and accountable; and such disclosure is essential to the proper functioning of capital markets. Currently, advisors are forced to rely on a patchwork array of voluntary reporting frameworks for this information that, while useful to a degree, fail to fully support a responsible investment analysis and decision-making process – which means that these voluntary procedures also fail to fully serve or protect the investing public. This is because, typically, the reported information is spotty, incomplete, not comparable between companies, or missing altogether if a company chooses not to respond.

We see a fundamental need for a mandatory and robust baseline of disclosure around ESG information. In today's interconnected world, not only are a broad range of ESG issues material to each individual company in an investment portfolio, but the behaviors of non-portfolio companies can dramatically affect the investment ecosystem and, therefore, harm portfolio companies and all investors' wellbeing. The concept of "externalizing" costs onto others (such as pollution, to cite a single instance) is not only devoid of moral merit, in an age of broad diversification and "universal ownership" it makes no logical or investment sense, either.

Current voluntary frameworks, as referenced above, can serve as a resource for the SEC to consider. Specific examples worthy of drawing upon include the *Sustainable Accounting Standards Board* ("SASB"), *Carbon Disclosure Project*, *Taskforce on Climate Related Disclosures*, and many others. In traversing this path, the SEC would be wise to incorporate the best standards already in existence internationally and to harmonize the U.S. framework with those of the world, both to gain quicker footing, and also to avoid inadvertent jurisdictional issues around the activity and reporting of global companies that operate transnationally.

Useful information that mandatory ESG investor disclosure policies would benefit from incorporating include:

- **CLIMATE CHANGE**

  The risks associated with climate change are not currently priced into financial markets because investors lack the fundamental information needed to assess physical risk. Baseline disclosures should include:

  - Scope 1, 2, and 3 emissions as outlined in the *GHG Protocol Corporate Accounting and Reporting Standard*.
  - Locational disclosure of major assets and operations relative to climate-related hazards such as droughts, fires, floods, hurricanes & cyclones, sea level rise, etc.
  - Reporting that follows the *Task Force on Climate-related Financial Disclosures* ("TCFD") framework.

- **HUMAN CAPITAL**

  Disclosure of human capital management considerations is widely lacking, and the 2021 proxy season saw heightened shareholder proposal activity in this realm. Minimum disclosures should include:

  - Employee turnover and workforce composition
  - Pay gap ratios for all demographics
  - EEO-1 reports

In closing, there are solid reasons related to both material risk as well as missional mandate for the SEC to adopt comprehensive, mandatory, and consistent-with-international-norms ESG disclosure rules.

Thank you for undertaking these needed disclosure enhancements, and for inviting a consideration of our perspective.

Sincerely,

Bruce Herbert

Bruce T. Herbert, AIF
Chief Executive *and* ACCREDITED INVESTMENT FIDUCIARY