



CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

Evan Williams
DIRECTOR

1615 H STREET, NW
WASHINGTON, DC 20062-2000

August 23, 2021

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission

Washington, DC 20549

Re: Request for Information on Climate Change Disclosure

Dear Ms. Countryman:

The U.S. Chamber of Commerce (“the Chamber”) appreciates the Securities and Exchange Commission’s (“SEC” or “Commission” or “agency”) ongoing work to review the viewpoints of stakeholders expressed in response to the agency’s request for information on climate change disclosure.¹ Attached are the results of a survey the Chamber recently conducted with a host of other organizations to better understand the practices and sentiments of public companies on climate change and environmental, social, and governance (ESG) disclosure.

The survey was conducted between June and July of 2021 and elicited responses from 436 individual companies. The survey polled a diverse range of companies in industry and size, with 67% of survey respondents representing companies under \$5 billion in market capitalization. The purpose of the study was to better understand disclosure challenges and opportunities from the public company perspective.

Chief among the findings of the survey, 82% of companies agreed that they should be afforded the flexibility to determine how ESG issues apply to them and what information they should be required to disclose. Further, companies overwhelmingly support tailoring climate change and ESG disclosures: 89% of survey respondents support scaling disclosure for companies based on a metric of size and 74% support a phase-in for new requirements for all public companies.

¹ <https://www.sec.gov/news/public-statement/lee-climate-change-disclosures>

We trust the Commission will take account of issuers' perspectives as it weighs any new mandates related to climate change and ESG topics. The Chamber looks forward to continued conversations with the SEC and will work to provide resources, like the attached survey, to ensure the Commission has timely and relevant information as it considers proposals and subsequent action related to climate change and ESG topics.

Sincerely,

A handwritten signature in black ink, appearing to read "Evan Williams". The signature is fluid and cursive, with a large initial "E" and "W".

Evan Williams
Director
Center for Capital Markets Competitiveness



**CLIMATE
CHANGE
& ESG REPORTING**

— from the —
Public Company Perspective

In March 2021, the then-acting chair of the Securities and Exchange Commission (SEC) solicited public input on the current state of climate change reporting for public companies and what steps the SEC should take to ensure that investors are adequately informed about climate risks. The SEC is expected to soon propose a rulemaking that mandates a certain level of climate change reporting for all public companies listed in the United States.

The SEC's request for information and expected rulemaking occur as investor demand for enhanced climate change disclosures has grown significantly over the last decade. Along with other regulators around the world, the SEC is prioritizing the development and implementation of a standardized reporting regime for climate risks. Although many public companies are disclosing more about climate change than they were in 2010, when the SEC adopted Commission-level guidance regarding climate disclosure,¹ the SEC has made clear it believes the current principles-based approach employed in the 2010 guidance is insufficient and can only be remedied through mandated disclosure.

A niche industry of standard setters, third-party assessment providers, quasi-governmental bodies, nongovernmental organizations (NGOs), and others have also greatly influenced the way companies share this information and whether it is included in SEC filings or in voluntary sustainability or corporate social responsibility (CSR) reports. Public companies have had to navigate a complicated web of disclosure expectations, and little consensus exists regarding the role and authority that regulators such as the SEC have in mandating specific disclosure requirements related to climate change.

Climate change disclosures are typically viewed under the broader lens of environmental, social, and governance (ESG) disclosures. ESG is a frequently used but malleable term that encompasses climate change as well as an increasingly broad set of issues. While regulators and market participants sometimes use the terms climate change and ESG interchangeably, the SEC is expected in the coming months to issue rulemakings involving other topics under the ESG umbrella.



1. *Commission Guidance Regarding Disclosure Related to Climate Change (effective February 8, 2010).*

CLIMATE CHANGE / ESG SURVEY

The U.S. Chamber of Commerce’s Center for Capital Markets Competitiveness (CCMC), Nasdaq, Nareit, The Real Estate Roundtable, National Investor Relations Institute, TechNet, BIO, and Silicon Valley Leadership Group have partnered to conduct a survey to learn more about current practices and the outlook for climate change and ESG reporting from the public company perspective. A total of 436 companies participated in the survey, with respondents encompassing a wide spectrum of roles including CEO, CFO, corporate secretary, general counsel, chief sustainability officer, investor relations, and corporate communications.

Notably, survey respondents represent a broad cross-section of industries and range from small to large in terms of market capitalization. In fact, 67% of survey respondents have less than \$5 billion in market capitalization, including 32% below \$700 million. We believe it is critically important that the views of these companies be heard by policymakers given that regulatory burdens have historically had a disproportionate impact on smaller issuers.

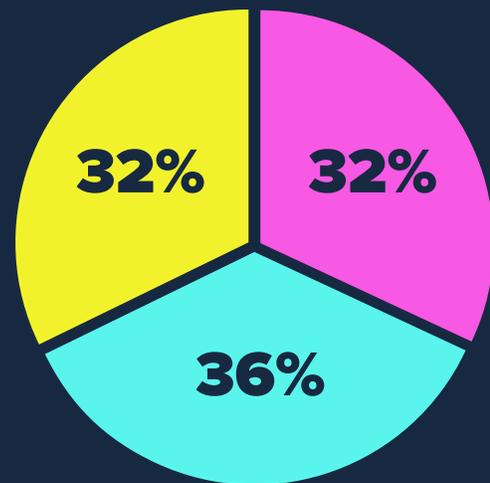
This survey is intended to inform policymakers as they consider the impacts that new mandates for climate change and other ESG disclosures would have on public companies and their shareholders.

SURVEY PARTICIPANTS

436

companies, with viewpoints encompassing various roles within these businesses: CEO, CFO, corporate secretary, general counsel, chief sustainability officer, investor relations, and corporate communications.

MARKET CAPITALIZATION OF RESPONDENTS:



- Below \$700 million
- Between \$700 million and \$5 billion
- Over \$5 billion

INDUSTRIES REPRESENTED



AGRICULTURE



BIOTECHNOLOGY



CHEMICALS



**CONSUMER
GOODS**



**ENERGY: OIL
AND GAS**



**ENERGY:
RENEWABLE
RESOURCES**



**FINANCIAL
SERVICES**



HEALTHCARE



**INFORMATION
TECHNOLOGY**



MANUFACTURING



MATERIALS



MINING



**REAL ESTATE
INVESTMENT
TRUSTS (REITs)**



RETAIL



**TELE-
COMMUNICATIONS**



TRANSPORTATION

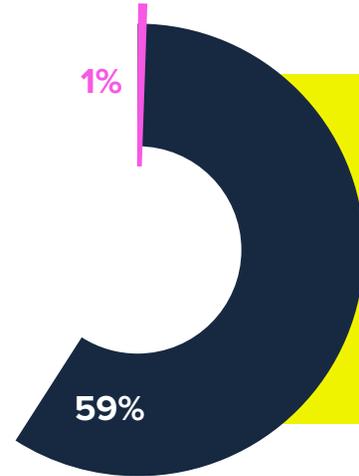


UTILITIES

MAIN FINDINGS

Over the last decade, most companies have increased the amount of climate change disclosure they provide.

Roughly **59%** report they are disclosing more information regarding climate change since the SEC issued its 2010 guidance; **only 1% of companies** report they are disclosing less information during that same period.



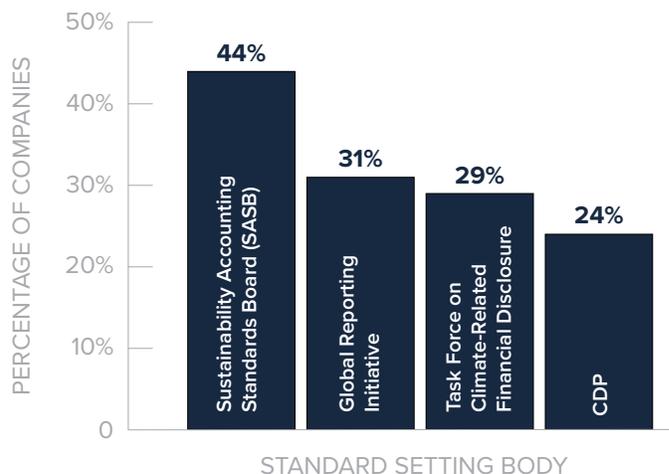
61%
**SAY IT IS A
SUBJECTIVE
TERM**

Companies are cautious about the term ESG.

Only **8%** say ESG encompasses a generally understood set of issues and can be easily defined by regulators. **61%** say it is a subjective term that means different things to different companies and is difficult to define by regulators.

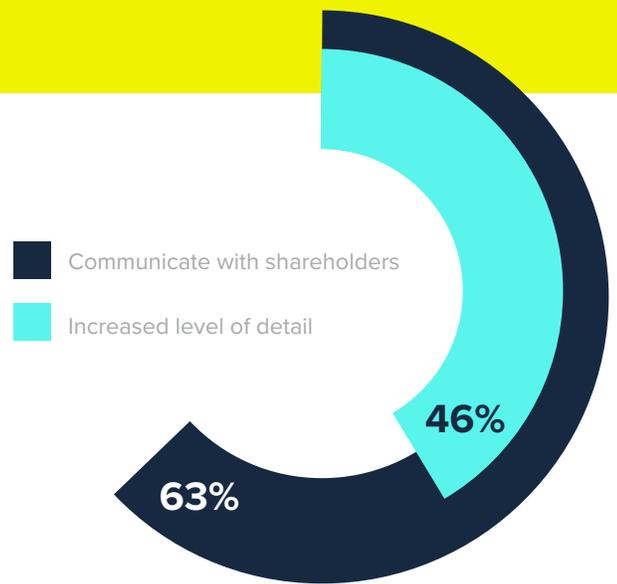
Although companies have split opinions on whether the SEC should designate one ESG standard setter, multiple standard setters, or promulgate rules on its own, current use of third-party standard setters shows a wide divergence of choices made by companies: For companies that rely on one or more standard-setting bodies, **44%** use the Sustainability Accounting Standards Board (SASB), **31%** use the Global Reporting Initiative (GRI), **29%** use the Task Force on Climate-Related Financial Disclosure, and **24%** use CDP.

COMPANIES THAT RELY ON STANDARD SETTING BODIES



Companies are communicating with and incorporating input from their shareholders about climate change.

Nearly two-thirds (**63%**) of companies communicate with their shareholders regarding the evolving risk of climate change, and **46%** have increased the level of detail in climate change reporting due to shareholder input.



50%

**SAY THIRD-PARTY
STANDARD SETTERS
ARE DIFFICULT TO
UNDERSTAND**

Many companies view third-party ESG standards with a fair deal of skepticism.

Half of the respondents (**50%**) say third-party standard setters provide frameworks that are difficult to understand, address immaterial information, and lack transparency.

89%

**SUPPORT
SCALING
DISCLOSURE**

Companies overwhelmingly support tailoring climate change and ESG disclosures for small issuers and phasing in new requirements for all public companies.

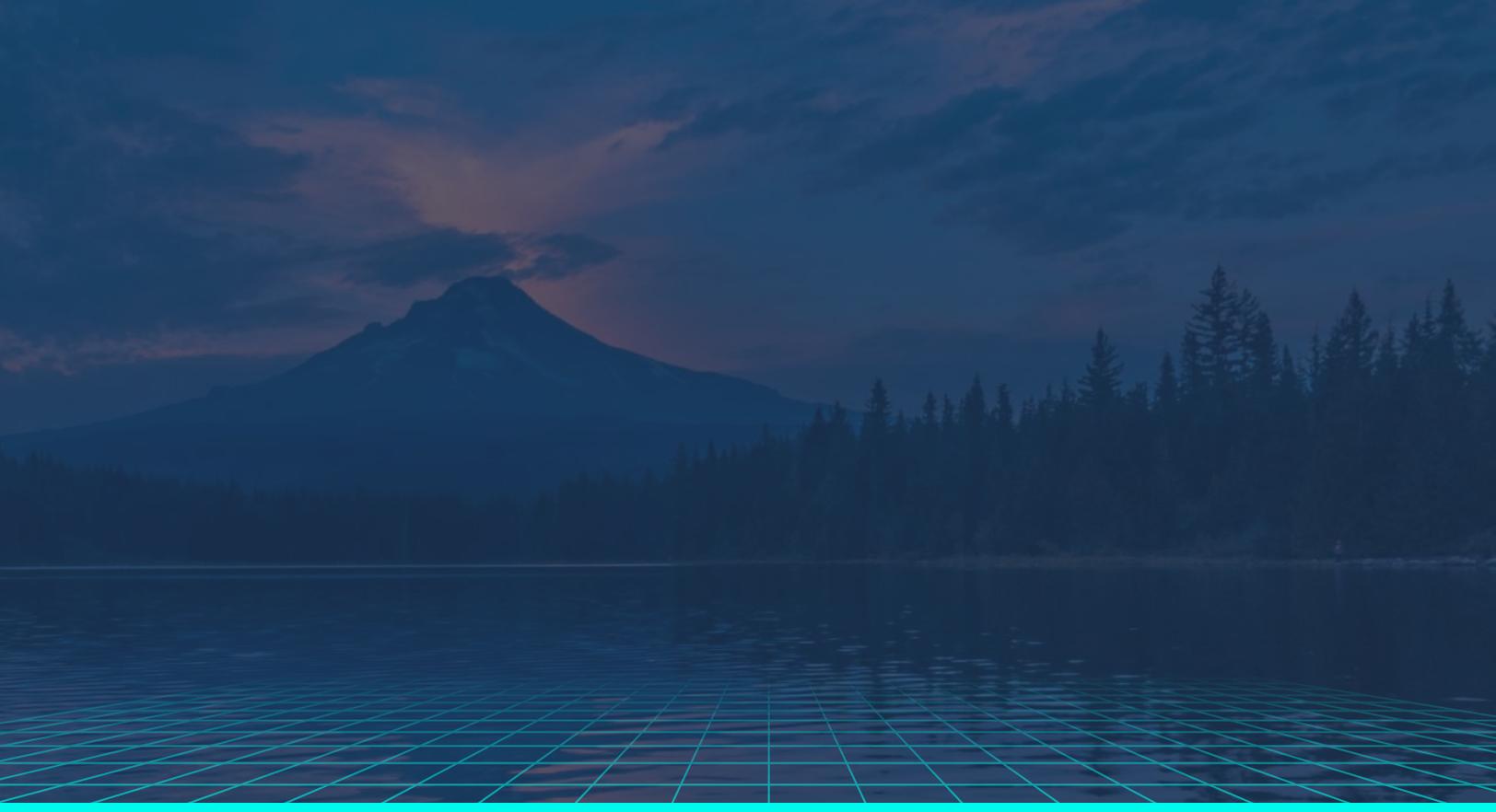
A full **89%** support scaling disclosure for companies based on a metric of size; **74%** support a phase-in for new requirements for all public companies.

47%

**OPPOSE CEO/CFO
CERTIFICATION**

Companies oppose the SEC mandating executive certification of climate change disclosures or a requirement for third-party assurance.

Only **24%** of companies would support these requirements; **47%** oppose CEO/CFO certification, and **57%** oppose a requirement for third-party assurance.



CURRENT STATE OF CLIMATE CHANGE / ESG REPORTING

Public companies are required to disclose material information related to climate change or ESG in annual or quarterly reports filed with the SEC. The long-standing materiality standard applies to climate change and ESG just as it does to any other risk or issue that a company considers when disclosing information to investors.

That said, many companies choose to publish voluntary CSR, sustainability, ESG, or similar reports outside of their SEC filings—usually on an annual basis. Although shareholders are typically an intended audience for these reports, companies use them to communicate with other constituencies such as their employees, customers, vendors, and the communities in which they operate. For this reason, CSR, sustainability, ESG, or similar reports published by companies often include information that a company believes is important to provide but that may not necessarily meet the test of financial materiality under federal securities laws.

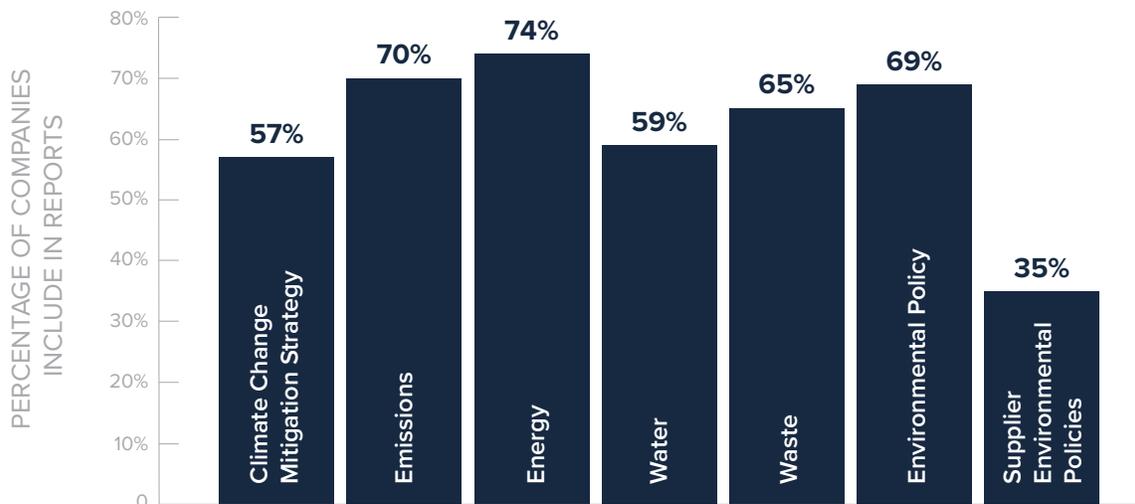
CSR, SUSTAINABILITY, ESG OR SIMILAR REPORTS

52%

OF COMPANIES ALREADY PUBLISH A CSR, SUSTAINABILITY, ESG, OR SIMILAR REPORT

Just over half (**52%**) of companies already publish a CSR, sustainability, ESG, or similar report. Additionally, many companies stated they are planning to publish their first report in 2021 or 2022.

- Companies often do not receive much input or feedback on their annual CSR, sustainability, ESG, or similar report. **Nearly one-third** say they “seldom” hear feedback from shareholders or other entities on the report, with only another **41%** saying they “sometimes” hear from shareholders or other entities about the report.
- For companies that do already publish an annual CSR, sustainability, ESG, or similar report, the vast majority (**86%**) include it as a separate report on their company website.
- Companies report a wide range of intended audiences for their annual CSR, sustainability, ESG, or similar reports. Though shareholders remain the top intended recipient (**95%** of companies say shareholders are an audience), companies state that other constituencies—including employees (**89%**), customers (**82%**), and ESG standard setters or rating firms (**84%**)—rank high. Companies are less likely to report that NGOs (**52%**), the press (**60%**), or regulators and elected officials (**56%**) rank high in terms of intended audiences.
- The content of annual CSR, sustainability, ESG, or similar reports also varies widely. When asked what issues or topics they cover in annual reports, companies responded as outlined below:

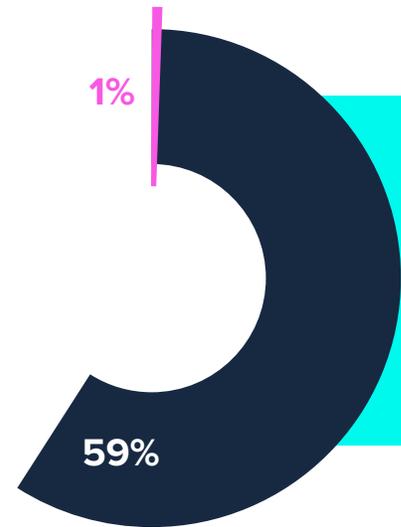


TOPICS COVERED IN ANNUAL REPORTS

Many companies also reported they include information on human capital management and diversity in their annual reports.

CLIMATE CHANGE / ESG INFORMATION IN SEC FILINGS

- A little more than half (**59%**) report that they are **disclosing more information about climate change** since the SEC issued its 2010 Commission-level guidance on climate change disclosures. **Only 1% of companies** say they are disclosing less information since that guidance was released.
- About a third (**34%**) of companies disclose information regarding risks related to climate change, greenhouse gas emissions, or energy sourcing in their annual or quarterly SEC filings.
 - » For those companies that do include disclosures related to climate change, greenhouse gas emissions, or energy sourcing in their SEC filings, they are most likely to do so under Item 105 of Regulation S-K (Risk Factors). When asked to select all areas where they disclose this information, companies responded with the following:
 - Risk Factors (Item 105 of Regulation S-K): **82%**
 - Management Discussion and Analysis (Item 303 of Regulation S-K): **26%**
 - Description of Business (Item 101 of Regulation S-K): **19%**
 - Legal Proceedings (Item 103 of Regulation S-K): **4%**
- Nearly two-thirds (**63%**) of companies regularly communicate with their shareholders regarding the evolving risk of climate change.
- Companies have also made significant changes to the volume and detail of climate change disclosure, due to input from their shareholders over the years:
 - » **46%** have increased the level of detail in climate change reporting due to shareholder input.
 - » **41%** of companies have adopted standards established by a third-party standard setter due to shareholder input.
 - » **15%** have increased their reporting frequency about climate change.



- Companies are most likely to use their own internal research and analysis to identify material climate change or ESG issues to disclose. When asked to select all the methods they use to identify material climate change or ESG issues, companies responded with the following:
 - » Third-party standard setters: **56%**
 - » Communication with shareholders: **46%**
 - » Internal research and analysis: **71%**
- About **73%** of companies report that the time and expenses they dedicate to meeting investor demand regarding climate change and ESG have increased over the last five years, with **37%** reporting that time and expenses grew “significantly.”
- A little less than a third (**28%**) of companies engage a third party to provide auditing on assurance regarding climate change or ESG disclosure.



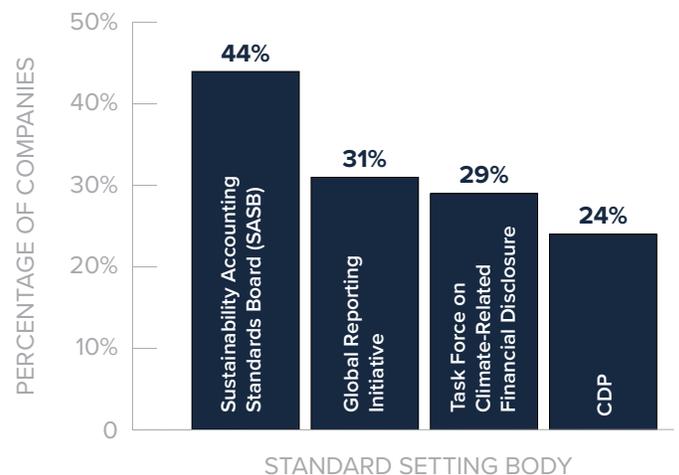
USE OF THIRD-PARTY STANDARD SETTERS

- Just under half (**41%**) of companies report that they do not rely on any standard-setting body when developing climate change and ESG disclosures for SEC filings or to be included in annual CSR, sustainability, ESG, or similar reports.

» For those companies that do use at least one standard-setting body, the below table outlines which standard setters are most likely to be used:

- Sustainability Accounting Standards Board (SASB): **44%**
- Global Reporting Initiative (GRI): **31%**
- Task Force on Climate-Related Financial Disclosure (TCFD): **29%**
- CDP: **24%**
- International Financial Reporting Standards (IFRS): **6%**
- United Nations Principles for Responsible Investment (UNPRI): **6%**
- EU Non-Financial Reporting Directive: **5%**

COMPANIES THAT RELY ON STANDARD SETTING BODIES



» Additionally, several companies report using standards that have been developed by industry-specific organizations—for example, the Edison Electric Institute’s sustainability reporting template.

- Many companies have a negative view of standard setters for climate change and ESG, with **50%** saying that standard-setter frameworks are difficult to understand, address immaterial information, and lack of transparency. Only **9%** of companies believe that standard setters provide consistent, easy-to-understand metrics.
- Companies also have skepticism regarding the term *ESG*, with **61%** saying it is a subjective term that applies to different companies in different ways; another **20%** saying that *ESG* is used too broadly, and they are concerned about “greenwashing.” Only **8%** believe *ESG* encompasses a generally understood set of issues and can be easily defined by regulators.
 - » Companies overwhelmingly (**82%**) agreed with the following statement: “Companies should be afforded the flexibility to determine how ‘ESG’ issues apply to them and what material information they should be required to disclose.”

SEC REQUEST ON CLIMATE CHANGE DISCLOSURE / FORTHCOMING RULEMAKING

- Most companies (**84%**) know that the SEC recently solicited public comments on climate change disclosure and is contemplating new mandates on the issue.

84%

AGREE THAT CLIMATE CHANGE DISCLOSURE RULES ADOPTED BY THE SEC SHOULD BE FLEXIBLE

- Companies overwhelmingly (**84%**) agree that any climate change disclosure rules adopted by the SEC should reflect the differences between various industries.
- Nearly a third (**31%**) of companies disagreed with the statement of the then-acting chair of the SEC that investor demand for climate change and ESG information is “not being met by the current voluntary disclosure framework”—**33%** of companies agreed with the statement, while **36%** didn’t know or had no opinion.
- Companies are about evenly split on the idea of the SEC adopting uniform standards for climate change information, with **36%** of companies supporting the adoption of uniform climate change standards by the SEC and **36%** opposing the idea. Almost half (43%) of companies believe the SEC should adopt a comply-or-explain approach to climate disclosure; **33%** are opposed.
- If the SEC were to mandate uniform climate disclosures, **27%** of respondents prefer that the SEC designate one existing standard setter to establish standards, while **21%** would support the SEC designating multiple standard setters. Another **24%** believe the SEC should develop and maintain the standards directly.

SUPPORT SCALING DISCLOSURE REQUIREMENTS BASED ON SIZE AND/OR TYPE OF REGISTRANT

89%

- Companies also overwhelmingly support scaling disclosure requirements based on the size and/or type of registrant. A considerable **89%** of companies support such scaling based on market capitalization, revenue, type of registrant (e.g., emerging growth company, smaller reporting company), or other metric.

- Companies also overwhelmingly support phasing in any new disclosure requirements, with **74%** supporting phase-in for all issuers and another **14%** supporting a phase-in for smaller companies.
- Companies largely oppose the SEC requiring a certification by the CEO, CFO, or other corporate officer of a company regarding climate disclosures: Only **24%** support this concept, while **47%** oppose.
- Many companies would oppose a requirement by the SEC to mandate an audit or other form of third-party assurance on climate change disclosures. Only **22%** support this idea; **57%** oppose it.

CONCLUSION

Climate change and the broader category of ESG involve fundamentally complex issues and challenges—particularly when it comes to corporate disclosure. Promulgating rules that provide for effective disclosure without overburdening public companies and their shareholders will be an enormously difficult task for the SEC. The wide spectrum of public company opinions on these issues show why the SEC must proceed cautiously and include the input of those who will be most affected by new regulations.

CCMC, Nasdaq, Nareit, Real Estate Roundtable, National Investor Relations Institute, TechNet, BIO, and Silicon Valley Leadership Group hope this survey contributes to the ongoing public debate about climate change and ESG. We look forward to continuing to work with the SEC, Congress, and market participants to promote an effective system of corporate disclosure in the United States.

