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SUSTAINABILITY
GROUP

Shape your world.

August 12, 2014

Mary Jo White, Chair
Keith Higgins, Director, Corporate Finance Division
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Disclosure Effectiveness Review

Dear Chair White and Director Higgins:

The Sustainability Group of Loring, Wolcott & Coolidge, which manages approximately \$1.36 billion on behalf of our clients, is grateful to the Commission for the opportunity to comment on the Securities and Exchange Commission's (SEC) ongoing review of its existing disclosure requirements. We depend on comprehensive disclosure of material information by publicly traded companies as we make investment decisions. Therefore, we fully support the objective of the disclosure review ("the review") as a means to improve the disclosure process. We believe this review should remain focused on the *effectiveness* of current disclosure requirements rather than the *reduction* of disclosure. Currently, due to narrow interpretations of what is 'material', companies fail to fully disclose information meant to be mandated under Regulation S-K, particularly related to environmental liabilities. Furthermore, a new issue that requires disclosure to investors has emerged: the use of corporate treasury funds for political expenditures. We would urge mandatory reporting of such spending along with disclosure of how these expenditures benefit the shareholder.

There is incomplete disclosure of currently mandated information. According to a 1998 study conducted by the Environmental Protection Agency's Office of Enforcement and Compliance Assurance, "74 percent of publicly-traded companies had failed to adequately disclose the existence of environmental legal proceedings in their 10-K registration requirements."¹ Years after this finding, companies continue to rely on a narrow definition of materiality and, therefore, underreport crucial information related to environmental liabilities. As a result, shareholders are left unaware of potential


¹ Lawrence Schnapf, "Managing Environmental Liability in Business Transactions and Brownfield Redevelopment," *Juris Publishing*, last updated: December 2013.

liabilities. In our opinion, the existing regulations do not adequately protect investors. Through the review process, the SEC should assess the existing standards regarding materiality and, perhaps, clarify that for Regulation S-K reporting, the Commission does not consider current accounting standards to be adequate to deliver the desired result.

Comprehensive, uniform disclosure of information relevant to investors in emerging areas is necessary. To maintain its vital role of requiring material disclosures of critical business information to investors, the SEC must require new disclosures when necessary. There is currently a clear need for increased disclosure of corporate political spending. Because corporate treasury funds are used, shareholders have the right to understand how these expenditures enhance shareholder value. We strongly encourage the Commission to proceed with a rulemaking that would require the disclosure of political spending by all publicly-traded companies, with a very reasonable threshold of materiality. We are not alone. According to the SEC's own tally, nearly one million comment letters have been submitted to date—the vast majority support increased disclosure. Additionally, according to the Sustainable Investments Institute, from 2010 to 2014 corporate political activity was the single most popular topic for shareholder proposals.²

Conclusion. We encourage the SEC to use this review process to identify and remedy the use of narrow definitions of materiality that omit information vital to shareholders, while also mandating new disclosure requirements in political spending.

Sincerely,



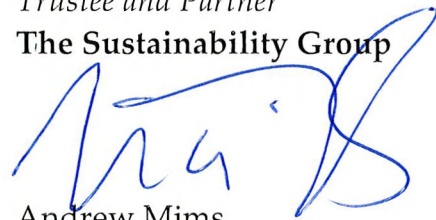
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² Sustainable Investments Institute Special Report: U.S. Shareholder Proposals Filed on Corporate Political Activity, 2010-2014, July 2, 2014.