



July 21, 2016

Brent J. Fields  
Secretary  
United States Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

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

Re: Concept Release "Business and Financial Disclosures Required by Regulation S-K", File Number S7-06-16, Release Number 33-10064; 34-775599

Dear Mr. Fields,

Corporate Sustainability Advisors welcomes the opportunity to comment on the Regulation S-K Concept Release, File Number S7- 06-16. We wish to express our support for the SEC's evaluation of disclosure under Regulation S-K, especially those addressed in Section F-Disclosure of Information Relating to Public Policy and Sustainability Matters. We support the establishment of enforceable SEC requirements for companies to report on sustainability issues.

I have been an environmental and sustainability professional for nearly 30 years in a variety of roles as:

- a lawyer representing public agencies, trade associations, Fortune 500 companies and other businesses to achieve their transactional, regulatory, and litigation goals on environmental, land use, transportation, and energy matters (e.g., utilize eminent domain laws to acquire property for rural electric utility, reduce regulatory burdens to tank truck carriers under Clean Air Act, minimize settlement contributions of potentially responsible parties to remediate Superfund sites),
- a government contractor supporting energy, environmental, and health missions (e.g., U.S. Environmental Protection Agency's Brownfields and Climate Leaders programs and other federal agency's sustainability mandates under federal laws and Executive Orders such as 12898, 13423, 13415, 13693), and
- founder and President of Corporate Sustainability Advisors, LLC.

Between 2010-2016, I served as SRA International's first Corporate Sustainability Director, including the initial planning to integrate the sustainability programming efforts of CSRA after the merger of SRA and CSCGov last fall.

In summary, Corporate Sustainability Advisors urge the SEC to establish mandatory sustainability reporting requirements as part of companies' annual filing requirements. We are in substantial agreement with most of the thoughtful, Section F focused commentary and recommendations from CERES, PRI, and the International Integrated Reporting Coalition (IIRC), including those by PRI and IIRC to encourage the SEC to reconsider and further assess its terminology to avoid further marginalization of environmental, social, and government (ESG) issues as non-material to corporate financial performance.

A few specific points for further consideration:

- As demonstrated with historical and trending research, data shows a positive correlation between ESG practices and corporate financial performance.
  - Gunnar Friede, Timo Busch & Alexander Bassen, "[ESG and financial performance: aggregated evidence from more than 2000 empirical studies](#)," *Journal of Sustainable Finance & Investment* (2015).
  - Deutsche Asset & Wealth Management and Hamburg University (2015), [ESG and Financial Performance: Aggregated Evidence From More Than 2,000 Empirical Studies](#).
- More than ever, sustainability-related issues present challenges, especially energy use and potential climate impacts and opportunities, to the long-term prospects of corporations. As illustrated by the many commenters encouraging further action on the Section F issues, there is a growing body of "reasonable investors" seeking increased transparency and consistency on corporate performance on these issues.
- As evidenced in many recent studies, most existing sustainability disclosure in the Form 10-K is boilerplate, which is not useful; we need a market standard for the disclosure of sustainability-related material information.
- Voluntary reporting frameworks provide some useful information on many companies but without providing consistency across companies and sectors, and without providing the checks on accuracy and completeness that are inherent in securities filings—at a great cost and burden to the reporting companies and with sub-optimal content for investment decision-making and other stakeholder engagement.
- Mandatory disclosure would provide more consistent, reliable, comparable, and verifiable ESG information that would allow educated investors to make more informed investment decisions across the portfolio and advance effective engagement strategies. We believe that the sooner the SEC standardizes the disclosure of ESG information by recognizing a market standard—or at a minimum sets a base level reporting requirement—the sooner the capital markets will become more efficient in identifying and pricing ESG risks and opportunities.

While each of the leading voluntary sustainability disclosure frameworks includes useful elements that SEC staff should consider when enforcing existing rules and guidance, issuing interpretive guidance or proposing new line-item disclosure requirements, each has their strengths and weaknesses. Even if made mandatory, none of the existing frameworks constitute a single repository for the ESG information investors are seeking. We recommend that SEC staff review the sustainability and climate-related reporting frameworks developed by the CDP, and the sector-specific climate risk management and disclosure guides developed by members of the Global Investor Coalition on Climate Change (Ceres/INCR, IIGCC and IGCC). We also recommend you review the frameworks focused on financial reporting developed by the IIRC, Climate Disclosure Standards Board, and the Sustainability Accounting Standards Board (SASB).

We feel that CDP and SASB have many compelling aspects, but several shortcomings as well. SASB, for example, too narrowly defines materiality and fails to account for evolving market-specific drivers such as the increasing requirements by the federal government to request or require Scope 1 and 2 greenhouse gas emissions reporting from its supply chain.

Thank you for soliciting input,

*Colleen Morgan*

Colleen Morgan  
President, Corporate Sustainability Advisors, LLC

#### **About Corporate Sustainability Advisors**

[Corporate Sustainability Advisors](#) helps our clients operate more efficiently and manage to the triple bottom line. We provide a range of sustainability services to for-profit businesses, non-profit corporations, and other organizations. We specialize in working with federal contracting firms, law firms, and other professional services businesses. We are certified under the U.S. Small Business Administration's Economically Disadvantaged Women-Owned Small Business (EDWOSB) program.