CHRISTOPHER NEWPORT
UNIVERSITY
Joseph W. Luter, III School of Business

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Mr. Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street NE.,
Washington, DC 20549-1090
Submitted Online

Re: Business and Financial Disclosure Required by Regulation S-K; Concept Release; Proposed Rule File Number S7-06-16.

Dear Secretary Fields,

This comment supports the adoption of the SASB standards for sustainability reporting, but in particular, the comment urges the SEC to adopt a reporting requirement for Benefit Corporations, which are legally organized to provide both financial return to their investors and a benefit to the public or a subset of the public. A disclosure requirement for the benefit mission of benefit corporations provides a first step towards a more comprehensive approach to non-financial reporting of material information. For benefit corporations, by definition, non-financial objectives are material to the corporation's performance of its legal obligations.

Thirty-one states have passed benefit corporation legislation, and 7 states currently have bills in process. Significantly, Delaware passed benefit corporation legislation in 2013. Accountability for the public benefit aspect of the benefit corporation's mission is at the heart of the question of whether benefit corporations can fulfill their promise of social impact. State laws, either based on the Model Act or the Delaware statute, do not require an independent audit of the financial or social mission and rely instead on the self-reporting regime of the corporation.

The provisional SASB standards were developed for SEC registrants in preparing their sustainability reports and not for benefit corporations; however, adopting the SASB Conceptual Framework can be the basis of standardizing the disclosure requirements of benefit corporations. Adopting the SASB Conceptual Framework is a step towards alleviating the concerns that the lack of a standard disclosure requirement negatively affects the credibility of the annual benefit report. The Conceptual Framework can be the foundation for a standard that allows a benefit corporation to report on information that is material to the achievement of its stated benefit. The resulting standard should provide decision usefulness and the benefits from applying the standard should exceed the costs of implementation. For example, a standard might include the following: percentage of revenue derived from the stated benefit activities, percentage of stakeholders receiving a stated benefit, and percentage of expenses spent towards achieving the benefit. In addition, qualitative information such as geographic coverage, duration and continuity of benefit activities, the relationship between the effort expended by the corporation and the impact on the targeted stakeholders may need to be included. Once the benefit corporation issues its report according to the standard, the auditor will use the standard as the

1 Avenue of the Arts · Newport News, Virginia 23606-3072
Voice (757) 594-7184 · TDD (757) 594-7938 · Fax (757) 594-7808

criterion necessary to conduct the examination of whether the reported information that is material to the achievement of the stated benefit is accurately disclosed. To do this, the auditor will supplement traditional audit procedures by surveying stakeholders and engaging experts. Having the foundation for a set of common standards for *reporting* provides the first step in reducing the expectation gap; using a set of common standards for *auditing* provides the second step in reducing the expectation gap.

For benefit corporations, where the two aspects of performance, financial and benefit, define the company's mission, integrated (financial and benefit) reporting is appropriate. As noted in the Laureate Education's discussion of risks in the Prospectus, "[a]s a public benefit corporation, since we do not have a fiduciary duty solely to our stockholders, we may take actions that we believe will benefit our students and the surrounding communities, even if those actions do not maximize our short- or medium-term financial results."[1] Laureate filed its preliminary prospectus in Oct. 2015. Thus integrated reporting on how the two aspects of the mission directly affect each other is an important component of the information benefit corporation investors need.

The millennial generation will be the recipient of the largest intergenerational wealth transfer in history.[2] A study of high income millennials showed an even greater commitment to social impact investing. According to a 2014 study by U.S. Trust of high net worth millennials, "one-half (50%) of high-net-worth investors, including 75% of Millennials, now consider the social and environmental impact of the companies they invest in to be an important part of investment decision-making. Two-thirds (67%) of Millennials view their investment decisions as a way to express their social, political or environmental values, and almost three quarters (73%) believe that it is possible to achieve market rate returns investing in companies based on their social or environmental impact. One-third of all high-net-worth investors and nearly two-thirds of Millennials currently own or are interested in social-impact investment strategies."[3] And, for benefit corporations, where non-financial benefits are part of the stated mission of the business, the importance of non-financial data is even more critical to the investors' "total mix of information" needed to decide whether to invest, and once invested, to make knowledgeable voting choices. Access to capital for businesses that articulate, implement and measure a public benefit, and a regulatory environment that requires reliable and robust disclosure of social as well as financial information, are necessary in order for these businesses to thrive.

Sincerely,

Ronnie Cohen, J.D., LLM

Gabriele Lingenfelter, M.B.A., C.P.A

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[1] *Laureate Education Plans IPO as a Public Benefit Company*, http://www.bloomberg.com/news/articles/2015-10-02/kkr-backed-laureate-education-files-for-initial-public-offering. Laureate Education's Preliminary Prospectus can be accessed at https://www.sec.gov/Archives/edgar/data/912766/000104746916013340/a2227130zs-1a.htm

[2] Vilas Dhar and Julia Fetherston, *Impact Investing Needs Millennials*, HARVARD BUSINESS REVIEW, Oct. 3, 2014 at https://hbr.org/2014/10/impact-investing-needs-millennials/

[3] U.S. Trust, *Insights on Wealth and Worth, High Net worth Millennials*, http://www.ustrust.com/publish/content/application/pdf/GWMOL/USTp_ARL8QSQ7_2015-09.pdf(2014)