

Public Comment on Business and Financial Disclosure Requirements in Regulation S-K

Provided by eRevalue's Datamaran™

August, 2016



 **eRevalue**
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Dear Sir,

We welcome the opportunity to provide our input to the SEC's Concept Release 'Business & Financial Disclosure Required by Regulation S-K'.

eRevalue is a technology company, headquartered in London and with offices in New York. We offer a range of interactive platforms which use natural language processing and data visualisation to provide a competitive, regulatory and stakeholder view of emerging risks and opportunities. As such, we strive to bring clarity and consistency to otherwise complex and unclear market data to enable investors, companies and end-user customers make informed decisions.

We automate the reading of documents, in particular annual corporate filings, and as such document structure and content are key aspects we pay attention to.

The automated analysis of reports is fast becoming common practice to analyse disclosure on key issues; structure and reliable content are also key to effective machine learning.

A mandate for objective, materially important and standardized disclosure serves to enhance what many companies are disclosing, we are observing changes to corporate reporting content that demonstrates that corporate reports are a key component for identifying emerging risks and opportunities:

- The number of sustainability topics mentioned in SEC filings has risen since 2010, despite an imbalance in the level of disclosure
- Sustainability disclosure over three reporting types (Annual Financial, Sustainability, SEC) has also risen significantly for US companies, and would therefore not represent a costly new set of changes

Analysis of SEC filings reveal that a baseline of material topics is already visible, and more precise data will ensure that companies are better equipped to track emerging topics across corporate peers, industries and regions.

In order to fully utilise the contents of a corporate filing, consistency in the type of documents submitted to the SEC is essential. Features that assist automated document processing and narrative analysis is format and content:

- Html or another mark-up language is ideal – this would be accompanied by good formatting and a common naming standard within the table of contents and section titles, consistent with other reports
- The structured reporting approach should not compromise the narrative. The greater the degree of disclosure and transparency around company activities provides more robust analysis of emerging risks and opportunities.

continued »



The following pages contain a sample of our data that examines disclosure in SEC filings and highlights how emerging risks and trends can be captured through the reporting lens. However, this can also be done through the analysis of upcoming initiatives and social media trends. Our database covers 7,000 companies, 50,000 reports, and 2,500 regulatory initiatives.

Our dynamic ontology of 106 topics is based upon a flexible framework that can adapt as new issues emerge e.g. most recently: net neutrality, modern slavery, and digital inequality.

We appreciate the opportunity to respond to the Concept Release. If you have any questions regarding our comments or data, do not hesitate to contact Marjella Alma [REDACTED] or Jerome Basdevant ([REDACTED]).

Regards,

eRevalue Ltd.

Source: SEC filings

Sustainability topics on the increase in SEC filings

The graph below provides a snapshot of the average number of sustainability topics reported in SEC filings in the Extractives industry. The graph reveals that the number of topics has increased for both industries: **Oil and Gas** and **Basic Materials**. This is consistent with the wider trend of broadening disclosure taking place in SEC filings, and enhancing this disclosure would ensure all companies followed the same requirements. A more precise reporting framework would be an iteration of the present, rather than a costly new set of rules.

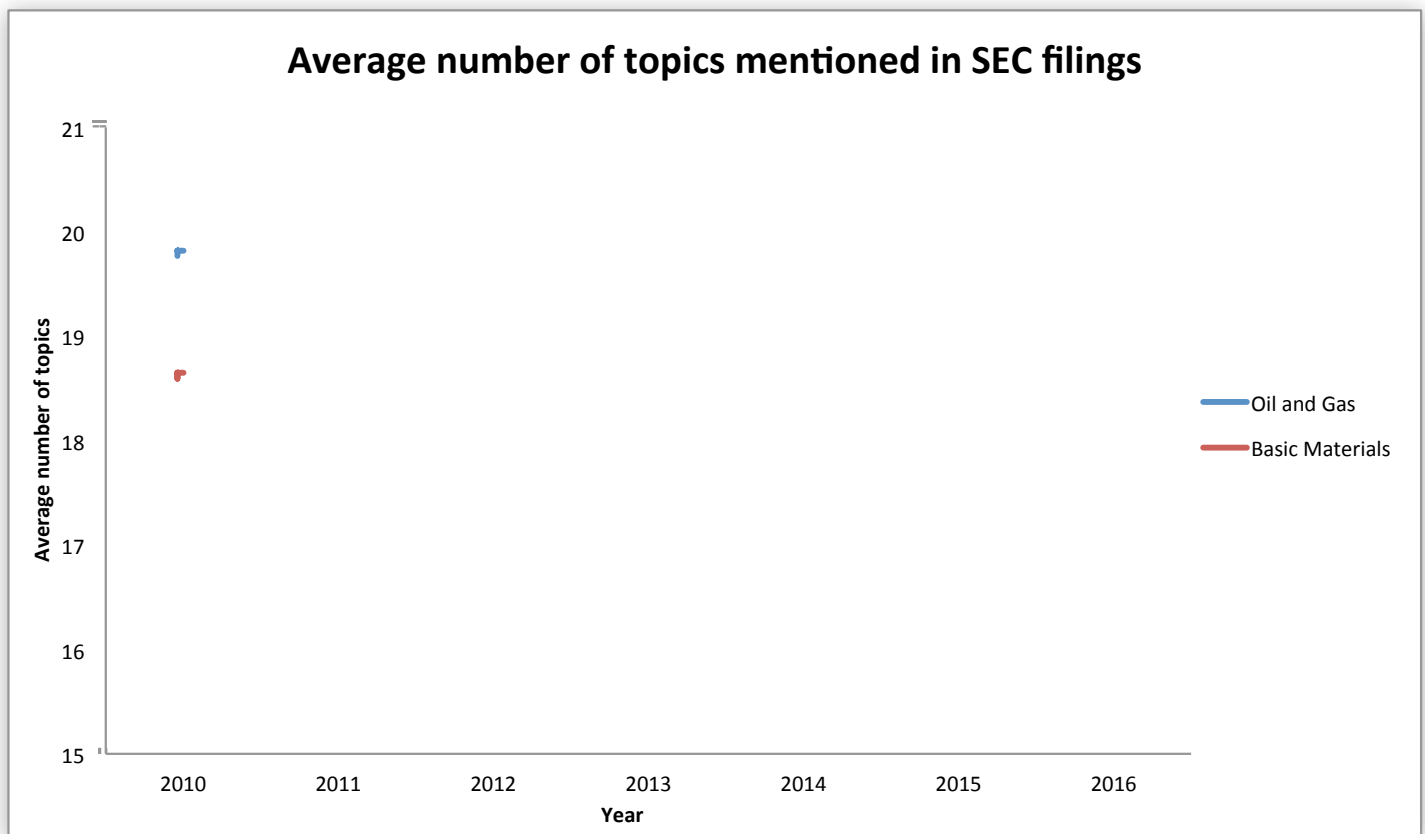


Fig. 1 Sustainability topics mentioned in SEC filings from 2010-2016

Source: SEC filings

eRevalue provides an objective and data-driven analysis of which sustainability topics are analysed in corporate reports. The Benchmark review identifies the top 20 issues discussed by companies in a selected peer, country, sector or industry. The gradient colors illustrate the level of emphasis (High, Medium, Low) placed on the topic.

Below are two benchmarks of the current S&P 500 in SEC filings from 2010 (left), and 2015 (right).

Benchmark peer topics comparison

Analysis comparison generated by Datamaran on August 18, 2016

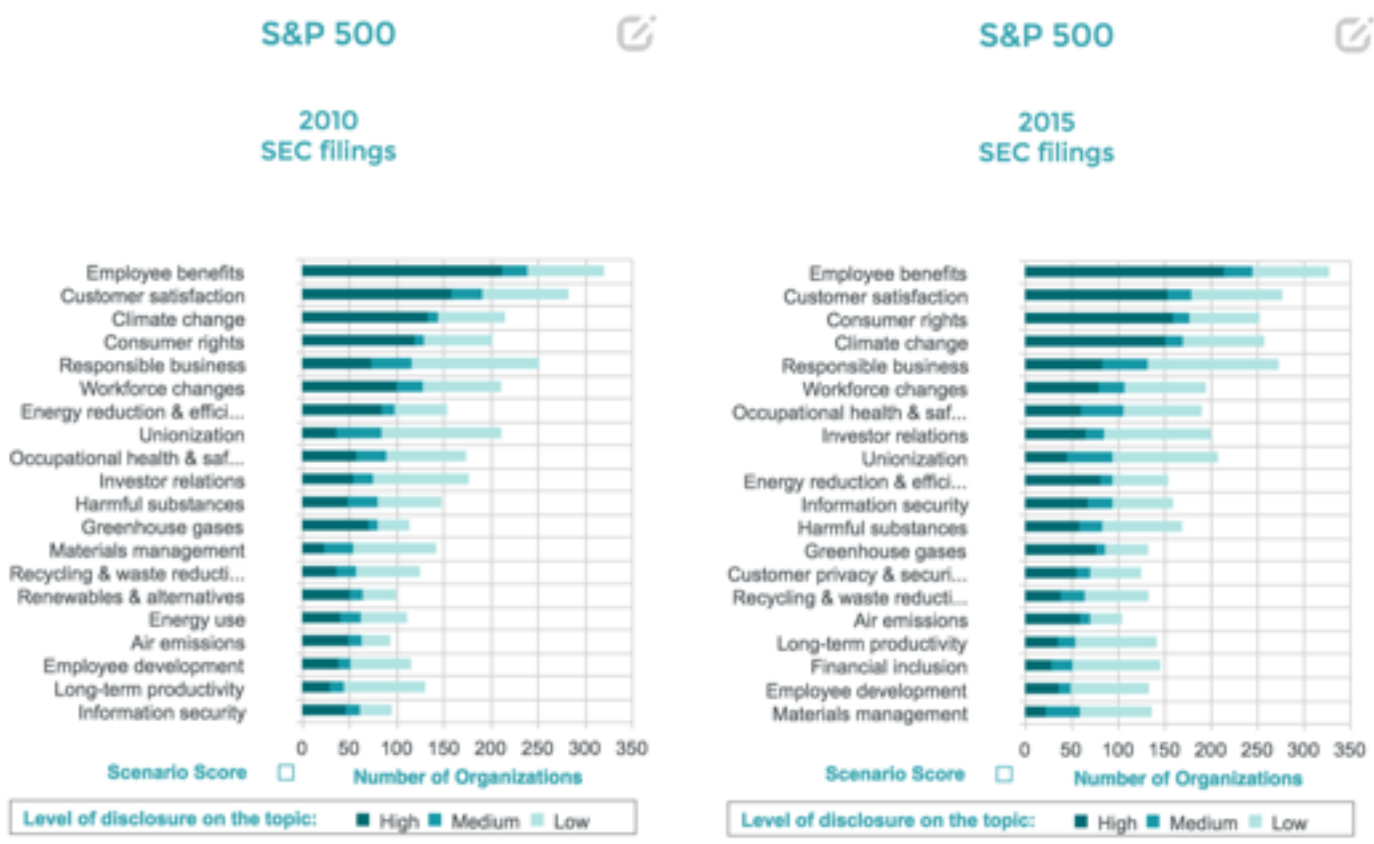


Fig. 2 Sustainability topics mentioned by S&P 500 companies in SEC filings (2010 & 2015)

A baseline of material topics

The above data from 2010 and 2015 demonstrates that sustainability disclosure already features heavily in corporate reporting across a consistent group of material topics.

The majority of topics (17/20) remain the same from 2010-2015, with over 300 companies emphasising the largest topic - Employee Benefits - in both years. In 2015, over 25% of companies mention the 20th most emphasised topic - Materials management. This indicates that a baseline set of material topics is largely established. From this baseline more defined benchmarks help to track the emerging issues that present risk for particular markets. The next two pages will demonstrate how benchmarking can be refined across industry and adapted as necessary to meet more specific requirements.

Sources: SEC filings

Below are four benchmarks that look at sustainability disclosure in SEC filings in a total universe of 1,617 US companies. These are displayed in four different industries: Utilities, Manufacturing, Professional Services and Extractives.

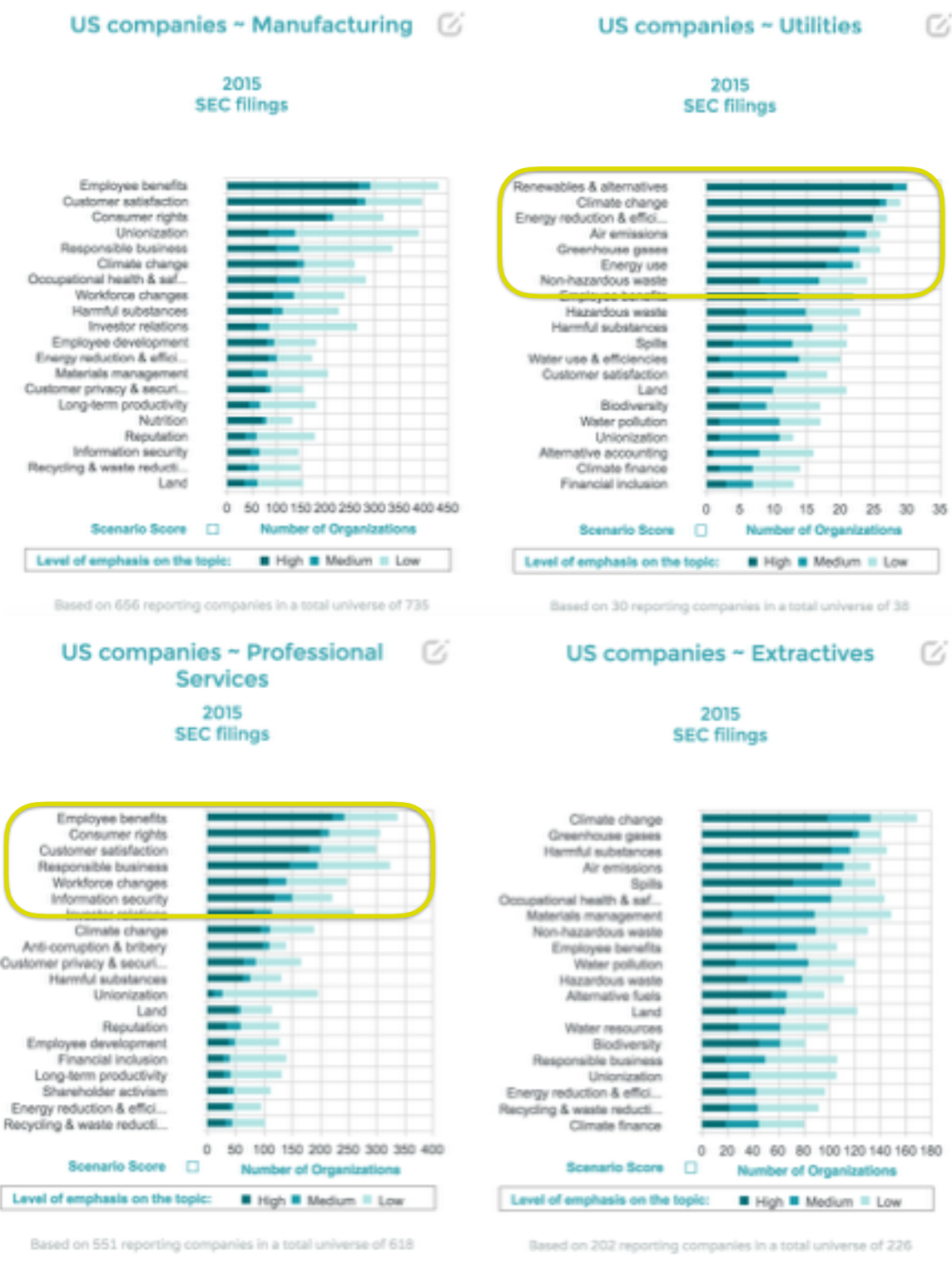


Fig. 3 Sustainability topics mentioned by US companies in SEC filings (2010 & 2015)

Material sustainability topics depend on industry

The data illustrates that there is variation in which topics are highly emphasised across different industries. For example, social topics regarding employee and customer welfare are the most emphasised topics. In the Extractives and Utilities industries, there is more focus on Environmental issues. This is particularly important when tracking emerging issues, as highlighted on the next page.

Sources: SEC filings, Annual Sustainability Reports, Annual Financial Reports

Below are two examples of an aggregated peer-based benchmark, looking at how the top issues disclosed by US Extractives companies has evolved from 2010 to 2015. The aggregated benchmark is across three report types: Annual Financial reports, SEC filings, and Sustainability reports.

From a purely reporting standpoint, the graph below reveals that the number of companies reporting on these issues has risen from 166 to 211 in a total reporting universe of 226 companies.



Fig. 4 Sustainability topics mentioned by US Extractives companies across three report types (2010 & 2015)

Emerging issues snapshot

Water resources, Biodiversity, and Recycling & waste reduction are good examples of topics that do not feature in 2010 in the top 20 topics but do emerge in 2015 for the Extractives industry. These could represent emerging topics and would be the type of topics for the Extractives industry to be aware of. A more detailed examination of these topics could then be conducted.

Our technology is built on our expertise: our team of data scientists, ESG specialists and lawyers ensure our platforms provide the accurate, reliable and insightful information you need to make better decisions.



Marjella Alma, CEO & Co-founder. A former Director at GRI, Marjella had the idea behind eRevalue and is a passionate believer in the disruptive power of technology.

“Transparency is the key to evaluating performance. Companies create a lot of value through their activities, and it is only with clear and measurable data that we can derive insights on how to capitalise on future opportunities and foresee risk.”



Jerome Basdevant, CTO & Co-founder. After almost two decades experience as a software architect in data analytics and innovative technology, Jerome teamed up with Marjella and Jp to make the vision a reality.



Jp Lecourt, CFO & Co-founder. Jp brings a wealth of risk management expertise after an extensive career with some of the big Wall Street banks. Jp leads the strategic engagement with the Financial Services industry.



eRevalue
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