March 4, 2022

Chair Gary Gensler
US Securities and Exchange Commission
100 F St NE
Washington, DC 20549-0609

Re: Comment on Pay Versus Performance Disclosure Rules

Dear Chair Gensler,

Oxfam writes in response to the Securities and Exchange Commission's (SEC) decision to re-open the comment period for pay versus performance proposal to amend the rule. Thank you for reviewing our comment. Oxfam recognizes the SEC's efforts in re-opening the comment period and ensuring there is a basis for comparison across peers including recognizing the growing importance of inequality.

I. Oxfam's Organizational Interest

Oxfam is a global organization working to end the injustice of poverty by leading humanitarian responses to conflicts and disasters, building resilience, and supporting local organizations that develop the capacity of communities in living in poverty to grow nutritious food, access land and clean water, and obtain decent work and fair wages. Oxfam also tackles the systems, policies, and practices that keep people trapped in poverty by advocating for human rights, climate justice, gender justice, the dignity of survivors of conflicts and disasters, and against inequities in the food chain.[1]

As part of this mission, Oxfam regularly engages with corporations and other investors to understand how their financial decisions make an environmental and social impact on vulnerable communities. Our organization acts as a human rights risk advisor to firms with impact and ESG investing strategies, holds shares in numerous companies, and supports other stakeholders in the advancement of human rights and economic development objectives. We frequently support investors and companies in assessing companies' human rights risk management and advocate for improvements in disclosure and oversight of various social and environmental issues that help companies improve their financial prospects through sustainability and long-term value.

We are submitting this comment to the SEC to request disclosure of ESG metrics in pay versus performance measures. We are pleased to see the SEC's efforts to increase company disclosure and

[1] Oxfam America website: https://www.oxfamamerica.org/about/

create uniform standards which will offer a basis for comparison. Our analysis indicates that ESG incorporation provides investors with a comprehensive picture of financial risks across their portfolio, enhancing their ability to develop strategies to reduce these risks, including ESG integration in analysis and investment decisions, corporate engagement, and advocating for policy and regulatory solutions. We believe these measures will provide a complete picture to investors helping them assess whether pay structures that companies incorporate are aligned with long-term value creation.

II. The Commission must require companies to provide ESG disclosures as a criteria for investor consideration in pay versus performance.

Companies must make certain ESG disclosures for consideration in executive pay. Poor or lack of regard for ESG can represent high risks for investors. For example, between 2005 and 2015, 90% of bankruptcies among S&P 500 companies were concluded by Bank of America to be the result of poor ESG standards.[2] This assumption is also supported by the International Monetary Fund, which cites weak governance structures as the primary reason for both the global crisis and the Asian financial crisis.[3] Disregard for ESG factors can increase market volatility; more than 80% of investors surveyed (total of more than 600 investors with over $21 trillion AUM interviewed) by UBS believe that they are faced with "material risk" if they do not integrate ESG factors.[4] Many harmful business decisions could have been avoided if proper safeguards were in place to caution investors of the business risks.

Blatant violations of environmental and socially material factors have been extremely costly for companies. Fossil fuel companies, increasingly face legal risks (in addition to physical, regulatory, and transition risks of climate change), as states, counties and cities have filed legal claims against these companies for climate-related problems.[5] Poor oversight and lack of regard for public interest is the reason pharmaceutical companies, wholesale distributors, and retailers face legal action from hundreds of states, counties, and cities in the US and billions of dollars in fines and settlements for aggressively marketing opioids.[6] Legal challenges brought by stakeholders for poor implementation of social and environmental safeguards such as failure to conduct free, prior, and informed consent resulted in the closure of the Dakota Access Pipeline and the cancellation of the Atlantic Coast Pipeline by energy companies costing them $7.5 billion and $8 billion respectively.[7] Corporate hubris and indifference toward public health and safety cost Volkswagen over $30 billion in fines, suits, settlements, and recall expenses because of emissions cheating and immediately following led to a fall in its stock valuation by almost 25%.[8]

High ESG-rated companies are more likely to have lower volatility, higher profitability, higher dividend yield, and low business risks.[9] Currently, 51% of S&P 500 companies use ESG metrics in their incentive

---

[2] 10 reasons you should care about ESG, September 23, 2019, Bank of America Merrill Lynch, ESG Matters, https://www.bofaml.com/content/dam/boamlimages/documents/articles/ID19_1119/esg_matters.pdf

[3] Global Financial Stability Report: Lower for Longer, October 2019, International Monetary Fund, https://www.imf.org/en/Publications/GFSR/Issues/2019/10/01/global-financial-stability-report-october-2019

[4] Dennis Fritsch. (2019). "ESG: Do you or Don't you? Are the world's asset owners thinking about long-term sustainable finance?" Responsible Investor and UBS, https://www.ubs.com/campaign/res/ubs_extfront_prod/responsible-investor-ubs-esg-do-you-or-dont-you_.pdf

[5] Leslie Hook, (2019, June 9). "Oil majors gear up for wave of climate change liability lawsuits", Financial Times, https://www.ft.com/content/d5fbeae4-869c-11e9-97ea-05ac2431f453 and Ara Jerving, Kate Jennings, Masako Melissa Hirsch, and Susanne Rust. (2015, October 9) "What Exxon knew about the Earth's melting Arctic", Los Angeles Times, https://graphics.latimes.com/exxon-arctic/

[6] Colin Dwyer. (2019, October 15). "Your Guide to The Massive (And Massively Complex) Opioid Litigation" National Public Radio, https://www.npr.org/sections/health-shots/2019/10/15/761537367/your-guide-to-the-massive-and-massively-complex-opioid-litigation

[7] Carla F Fredericks, Mark Meaney, Nicolas Pelosi, and Kate R. Finn. (2018, November)"Social Cost and Material Loss: Dakota Access Pipeline", First People's Worldwide University of Colorado, https://www.colorado.edu/program/fpw/sites/default/files/attached-files/social_cost_and_material_loss_0.pdf and Sarah Rankin. (2020, July 5). "Developers cancel long-delayed, $8 billion, Atlantic Coast Pipeline", Associated Press, https://apnews.com/5e4dec29b0da663e6243a71aea016940

[8] Charles Riley. (2017, September 29). "Volkswagen's diesel scandal costs hit $30 billion", CNN, https://money.cnn.com/2017/09/29/investing/volkswagen-diesel-cost-30-billion/index.html; Naomi Kresge and Richard Weiss. (2015, September 21). "Volkswagen Drops 23% After Admitting Diesel Emissions Cheat", Bloomberg, https://www.bloomberg.com/news/articles/2015-09-21/volkswagen-drops-15-after-admitting-u-s-diesel-emissions-cheat

[9] Guido Giese, Linda-Eling Lee, Dimitris Melas, Zoltan Nagy, and Laura Nishikawa. (July 2019). Foundations of ESG Investing: How ESG affects equity valuation, risk, and performance, The Journal of portfolio Management, Vol 45, No. 5, p 1-15, https://www.msci.com/documents/10199/03d6faef-2394-44e9-a119-4ca130909226

plans, with 50% including it in annual programs and only 4% use ESG metrics for long-term incentive programs. A study analyzing a sample of 212 companies from the FTSE 350 between 2009 and 2011 concluded that ESG linked pay has a positive impact on shareholder returns.[10] Linking such practices to pay while studying S&P 500 companies between 2004 and 2013 revealed that it leads to an increase in firm value, long-term orientation and improves the firm's ESG performance.[11] Another study analyzing a similar sample of companies confirmed the conclusion that those with ESG-linked pay metrics have better ratings.[12]

When asking for companies to disclose ESG practices and ensure that ESG is a consideration in pay versus performance, it will be imperative that the Commission ensure that:

- ESG disclosures should be comparable and measurable especially among companies in the same sector
- Such disclosures should be time-bound and include action plans
- ESG disclosures should not be used as a greenwashing exercise
- ESG metrics should be included in both short-term and long-term incentive plans.

Even though the SEC is mandating disclosure on a number of issues that we discuss below, these disclosures should still be prioritized in a company's compensation and disclosure analysis in the proxy statement (DEF 14A) especially in light of increasing investor attention and the changing regulatory environment.

Workforce Disclosures

It is critical that the SEC require companies to disclose workforce information to allow investors to assess how companies are managing risks. According to a survey by the Conference Board, US CEOs have stated that labor shortages are the biggest threat to business.[13] Labor shortages across multiple industries have posed significant operational challenges and impacted company bottom lines. Many reasons have been cited for the Great Resignation –early retirement, US immigration policies, lack of childcare, and lack of good jobs. Within the consumer facing industries, workers in low paying jobs do not want to risk their health during the pandemic especially because the sector is characterized by poor or no benefits, lack of personal and medical leave, unpredictable schedules, and poor working conditions. Last year the US faced one of its highest rates of resignations especially in the service sector.[14] Women and people of color make up the bulk of the service sector workforce.[15]

Companies have certainly not been blind-sided by the Great Resignation. This has been the result of business' obsession with an economic model that is focused on short-term profits, maximizing efficiencies, limiting worker and stakeholder power and prioritizing gains for the top 1% over and above workers. When COVID-19 hit the globe, corporations were flush with cash; Fortune 500 companies saw their profits increase from $820bn in 2009 to $2.1tn in 2019, representing an increase in profits by over 150%.[16] Yet too little of this was invested in increasing wages or increasing the quality of jobs. Part of the profits went to inflating executive pay by augmenting stock prices through manipulative share reissuance

---

[10] Abdelmotaal, H., & Abdel-Kader, M. (2016). The use of sustainability incentives in executive remuneration contracts: Firm characteristics and impact on the shareholders' returns. Journal of Applied Accounting Research, 17(3), 311-330.
[11] Flammer, C., Hong, B., & Minor, D. (2019). Corporate governance and the rise of integrating corporate social responsibility criteria in executive compensation: Effectiveness and implications for firm outcomes. Strategic Management Journal, 40(7), 1097-1122.
[12] Ikram, A., Li, Z. F., & Minor, D. (2019). CSR-contingent executive compensation contracts. Journal of Banking & Finance, 105655.
[13] The Conference Board: https://www.conference-board.org/pdfdownload.cfm?masterProductID=20471
[14] US Bureau of Labor Statistics: https://www.bls.gov/news.release/jolts.t04.htm
[15] US Bureau of Labor Statistics: https://www.bls.gov/cps/cpsaat18.htm
[16] 2018 data obtained from Fortune: https://fortune.com/global500/ and 2009 data obtained from CNN Money: https://money.cnn.com/magazines/fortune/global500/2009/full_list/index.html

practices. In fact, since the 2008 global financial crisis, US executives' stock-related compensation rose from 60-85%.[17]

The pandemic forced wage cuts, furloughs, and layoffs across America, yet senior executives at many of the large corporations were insulated from the impacts. On average, Chief Executive Officers at publicly listed companies earned over 350 times as much as the typical worker in their industry in 2020. [18] In fact, many companies including Tyson Foods, Chipotle Mexican Grill, Aptiv, and YUM brands, offered their senior executives exorbitant pay packages while either laying off a large number of employees or only providing workers with temporary relief during the pandemic.[19] Another study found that among 200 companies assessed, 58% of them had larger pay gaps in 2020 than they did before the pandemic.[20] Median worker pay only rose by 1.9%.[21] Large pay gaps can increase turnover rates and reduce workplace effectiveness.[22]

Women have been disproportionately impacted by the pandemic. In many cases, women have had to leave the workforce because of childcare responsibilities or because of job loss; those sectors where women are employed at a higher rate than men were hardest hit by the pandemic.[23] This is concerning as women are graduating from high school and college at higher rates than men.[24] In fact, college enrollment rates for men are going down.[25] The inability of women to access benefits or decent jobs may reduce women's participation in the workforce, harming the economy. Moreover, women have also faced constraints because of the burden of unpaid care work, which has increased dramatically for women during the pandemic.[26] All of these factors contribute to reversing any gains made toward gender equality and threatens the overall health of the US economy.

In the wake of George Floyd's murder last year, racial justice movements gained increased momentum in the US and globally. Investors are now asking companies to disclose racial equity data; in 2021, 10 shareholder resolutions were filed at companies asking them to report on diversity, equity and inclusion efforts, and these proposals on average received almost 50% shareholder support.[27] Many of the companies (those with 100 employees or more) were hit with shareholder resolutions that wanted them to publish information they already provide to the Department of Labor's Equal Employment Opportunity Commission's (EEOC) in its annual survey called the EEO-1 data that includes information on race, ethnicity, and binary gender of multiple categories of employees. Last year, New York City Comptroller Scott M. Stringer launched a campaign asking 67 companies to publicly disclose their EEO-1 forms and 34 of them acquiesced.[28] Since then, a majority of S&P100 companies now provide this information.[29]

---

[17] W. Lazonick, Ö. Tulum, M. Hopkins, M.E. Sakinç and K. Jacobson. (2019). Financialization of the U.S. Pharmaceutical Industry. Institute for New Economic Thinking (INET). https://www.ineteconomics.org/perspectives/blog/financialization-us-pharma-industry

[18] Lawrence Mishel and Jori Kandra. (2021, August 10). CEO pay has skyrocketed 1322% since 1978. Economic Policy Institute. https://files.epi.org/uploads/232540.pdf and Institute for Policy Studies: https://ips-dc.org/wp-content/uploads/2021/05/report-executive-excess-2021-PDF.pdf

[19] Institute for Policy Studies: https://ips-dc.org/wp-content/uploads/2021/05/report-executive-excess-2021-PDF.pdf and Brookings Institution: https://www.brookings.edu/research/the-covid-19-hazard-continues-but-the-hazard-pay-does-not-why-americas-frontline-workers-need-a-raise/

[20] Peter Eavis. (2021, July 11). Meager rewards for workers, exceptionally rich pay for C.E.Os. The New York Times. https://www.nytimes.com/2021/06/11/business/ceo-pay-compensation-stock.html

[21] Id.

[22] Ethan Rouen (2017). Rethinking measurement of pay disparity and its relation to firm performance. Harvard Business School Working Paper 18-007. https://www.hbs.edu/ris/Publication%20Files/18-007_182aaa61-979e-4f84-ac61-d7e3837779d6.pdf

[23] Stefania Fabrizio, Diego B. P. Gomes, and Marina Mendes Tavares. (2021, March 4). COVID-19 She-Cession: The Employment Penalty of Taking Care of Young Children. International Monetary Fund. https://www.imf.org/en/Publications/WP/Issues/2021/03/03/COVID-19-She-Cession-The-Employment-Penalty-of-Taking-Care-of-Young-Children-50117; International Labour Organisation. (2020, April 29). ILO Monitor: COVID-19 and the world of work. Third edition. https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_743146.pdf

[24] Richard V. Reeves, and Ember Smith. (2021, October 8). The male college crisis is not just in enrollment, but completion. Brookings Institution. https://www.brookings.edu/blog/up-front/2021/10/08/the-male-college-crisis-is-not-just-in-enrollment-but-completion/

[25] Id.

[26] M. Gates. (2020, July 15). The Pandemic's Toll on Women. Foreign Affairs. https://www.foreignaffairs.com/articles/world/2020-07-15/melinda-gates-pandemics-toll-women

[27] Data sourced from Proxy Insight

[28] New York City Comptroller: https://comptroller.nyc.gov/newsroom/comptroller-stringer-and-nyc-retirement-systems-announce-34-sp-100-companies-will-publicly-disclose-workforce-demographics/

[29] As You Sow: https://www.asyousow.org/press-releases/2021/3/3/racial-justice-dei-scorecard-leaders-laggards

To address these workplace inequities, company level disclosures should include the following information about its workforce (including part-time employees and temporary workers):

- Calculation and publication of the ratio of employee pay in each quartile (25th, 50th and 75th) to that of the CEO single figure;
- Uniform standard applicable to all companies for median CEO-worker pay
- Breakdown of average worker pay by gender, ethnicity, and/race;
- Information on hourly wage rate paid to junior most workers;
- Workforce productivity (return on cost of workforce, profit/revenue per employee); and
- Workforce compensation and incentives (bonus metrics used for employees below the named executive officer level, measures to counterbalance risks created by incentives).

Tax Disclosures

Companies can resort to aggressive tax planning to reduce their tax payments by shifting profit from high to low tax jurisdictions. Aggressive tax planning can increase company vulnerability to tax enforcement and can impact companies' capital decisions such as spin off or offload certain assets or business units. Current disclosure standards do not tell a full picture of the effect of international corporate tax laws. Companies tax disclosure information can help investors determine a company's risk-taking appetite when it comes to its tax obligations. Country-by-country reporting (CBCR) is critical to better assess and manage financial risk and help expose corporate tax dodging and tax risks currently hidden from investors, regulators, and the broader public. Investors need this information to make decisions about where and how to invest and about capital allocation. Risky tax strategies can contribute to the future financial troubles of a company, making it financially material to investors to have access to CBCR information.

Aggressive tax planning has come under growing scrutiny in recent years. Last year, Nike failed to prevent a probe that would look into its efforts to dodge billions of dollars in taxes.[30] Even though Amazon, one of the most aggressive tax dodgers managed to win an appeal against the European Commission's efforts to fine the company $250 million for aggressive tax planning, the company faces increasing government scrutiny among United States, European Union, and international regulators.[31] In 2017, Chevron withdrew its appeal to challenge a $268 million fine imposed on the company for tax avoidance in Australia after it lost a case in Australian court over its high-risk tax interpretations in a transfer pricing dispute.[32] In 2016, Pfizer was forced to cancel a possible merger with Allergan for which it had to pay $150 million to Allergan after the US government introduced aggressive new tax rules that would thwart efforts by companies to move profits overseas.[33]

With increasing momentum to significantly change how multinational corporations are taxed, investors now, more than ever, need information on how their holdings may be affected by policy and regulatory reform. Public CBCR requirements have gone into effect in the European Union for all EU listed companies and non-EU based companies doing business in Europe with total consolidated revenues of more than €750 million.[34] In an effort to crack down on tax havens in October 2021, in negotiations lead by the Organization for Economic Cooperation and Development (OECD), leaders from 130 countries backed a 15% global minimum tax on companies with more than €750 million in revenues which will go

---

[30] Foo Yun Chee (2021, July 14). Nike loses fight against EU probe into Dutch tax deal. Reuters. https://www.reuters.com/article/us-eu-nike-taxavoidance-idCAKBN2EK0UY
[31] Simon Van Dorpe. (2021, May 12). Commission loses Amazon tax case at EU court. Politico. https://www.politico.eu/article/amazon-tax-benefits-eu-court-luxembourg-engie/
[32] No Author. (2017, August 18). Chevron drops appeal over landmark Australian tax ruling. Reuters. https://www.reuters.com/article/australia-chevron-taxavoidance/chevron-drops-appeal-over-landmark-australian-tax-ruling-idUSL4N1L41TK
[33] Jill Treaner. (2016, April 6). Pfizer's merger collapse prompts speculation it will seek new takeover. The Guardian. https://www.theguardian.com/business/2016/apr/06/us-tax-clampdown-sinks-pfizers-record-160bn-deal-with-allergan
[34] Official Journal of the European Union: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:2021:429:FULL&from=EN

into effect in 2023.[35] As Biden plans to allocate resources to the Internal Revenue Service to expand enforcement activities, investors' material risks will increase if corporations continue to dodge their tax responsibilities.[36]

Most importantly, investors are asking for disclosure of companies' tax practices. Investors with $2.9 trillion AUM wrote to legislators in support of the Disclosure of Tax Havens and Offshoring Act in 2021 which would have included much-needed disclosures of material information that would help investors gauge risks and assess value, strengthen the current state of opaque tax reporting by corporations, and meet emerging global CBCR standards.[37] In 2019, investors representing over $1 trillion in assets under management called on the Financial Accounting Standards Board to include public CBCR in an update to US accounting standards.[38] In 2020, investors with over $850 billion in assets under management commented on the OECD's consultation process for public CBCR.[39]

The Commission should require public companies, as part of disclosures on executive pay, to report several tax and tax-related items on a country-by-country basis including:

- revenues generated from transactions with other constituent entities;
- revenues not generated from transactions with other constituent entities;
- profit or loss before income and tax;
- total income tax paid on a cash basis to all tax jurisdictions;
- total accrued tax expense recorded on taxable profits or losses;
- stated capital;
- total accumulated earnings;
- total number of employees on a full-time equivalent basis;
- a complete list of subsidiaries; and et book value of tangible assets, which, for purposes of this section, does not include cash or cash equivalents, intangibles, or financial assets.

Political Lobbying Disclosures

Investors should be provided with information about companies' political lobbying activities that includes the decision-making process of senior management and oversight over such payments. Importantly, corporate political activity can provide great insights into a company's commitment to ESG. A disconnect between political activity and publicly stated values can increase risks for the company in the form of negative media publicity, consumer boycotts, or targeted social media campaigns. In the USA, the country's largest meat processing company, Tyson Foods, lobbied the government and published an advertisement advocating against closure of its factories, despite around 8,500 of its employees testing positive.[40] Within the oil and gas sector, some of the largest publicly listed companies spend nearly $200m a year lobbying to delay, control or block policies to tackle climate change.[41]

---

[35] Organization for Economic Cooperation and Development: https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm and https://www.oecd.org/tax/beps/oecd-releases-pillar-two-model-rules-for-domestic-implementation-of-15-percent-global-minimum-tax.htm

[36] Nicole Goodkind. (2021, October 29). Biden's $1.75 trillion plan includes an $80 billion expansion of the IRS to enforce new taxes—but critics say it's not enough. Fortune. https://fortune.com/2021/10/29/biden-budget-80-billion-irs-taxes-enforcement/

[37] Letter to the House: https://thefactcoalition.org/wp-content/uploads/2021/05/Investor-Letter-DTHOA-House-5.17.pdf and Letter to the Senate: https://thefactcoalition.org/wp-content/uploads/2021/05/Investor-Letter-DTHOA-Senate-5.17.pdf

[38] FACT Coalition: https://thefactcoalition.org/wp-content/uploads/2019/05/Investor-Letter-to-FASB-20190531-FINAL.pdf

[39] FACT Coalition: https://thefactcoalition.org/wp-content/uploads/2020/03/InvestorLetter-TaxTransparency-OECD-final.pdf

[40] Michael Corkery, David Yaffe-Bellany, and Ana Swanson. (2020, April 29). Powerful meat industry holds more sway after trump's order. The New York Times. https://www.nytimes.com/2020/04/29/business/coronavirus-trump-meat-plants.html; Katie Shepherd. (2020, April 27). 'The food supply chain is breaking': Tyson Foods raises coronavirus alarm in full-page ads, defends safety efforts, Washington Post, https://www.washingtonpost.com/nation/2020/04/27/tyson-food-supply-coronavirus/; D. Arkin. (2020, April 27). Tyson Foods chairman warns 'the food supply chain is breaking'. NBC News. https://www.nbcnews.com/news/us-news/tyson-foodschairman-warns-food-supply-chain-breaking-n1193256; and F. Miles. (2020, July 7). Tyson employees' coronavirus cases draw advocates' criticism. FOXBusiness. https://www.foxbusiness.com/markets/10-largest-tysonfoods-investors-under-fire-for-large-number-of-covid-19-cases

[41] Influence Map: https://influencemap.org/report/How-Big-Oil-Continues-to-Oppose-the-Paris-Agreement-38212275958aa21196dae3b76220bddc

Political lobbying disclosure should include itemized expenditures for both direct and indirect political contributions, election spending and lobbying including payments to trade associations, politically active nonprofits, and party committees. Investors have filed more than 1,000 proposals on the topic in the last 10 years, signaling interest in accessing this information. As of May 2021, 20 lobbying proposals averaged almost 40% support from investors. At Exxon Mobil's annual meeting in 2021, over two-thirds of the company's shareholders supported the disclosure of political- and climate-lobbying activities, while at Chevron Corporation that number stood at 47.8%.[42] In 2011, a petition requesting that the SEC require all public companies to disclose their political expenditures received more than 1.2 million comments, by far representing the largest submission to date.

Critically, disclosure must also include details about a company's participation in industry associations and trade groups, including any key differences between its lobbying position and the lobbying position of industry association trade groups it participates in, and any stated policies, goals, or other public positions the organization has taken. For fossil fuel companies particularly, where climate and transparency positions have not always lined up and have led to significant reputational risks, this is particularly important.

Climate Related Disclosures

Climate disclosures will be immensely beneficial to investors in understanding the risks involved in investing in a high carbon emitting company and/or industry. In general, climate change represents systemic risks to investors. We are already experiencing the climate crisis' impacts, and the effects will continue to worsen, transforming all aspects of public and economic life. S&P Global Trucost reveals that almost 60% of S&P 500 companies (with a market cap of $18 trillion) have at least one asset that is at high risk of climate change impacts.[43] In 2021, the US recorded 20 extreme weather events, which collectively led to $145 billion in damages.[44]

Climate change can impact the financial stability of markets because of physical and transition risks. Physical risks are climate fueled weather events, and include increasing precipitation, droughts, floods, and wildfires. According to the CDP, formerly the Carbon Disclosure Project, at least $250 billion in assets of the world's largest companies may need to be written off or retired early as the planet heats up.[45] Transition risks manifest in the form of regulatory, technological, economic, or legal changes for companies that are slow to transition to a low carbon economy. A report by the Principles for Responsible Investment analyzed companies in MSCI's ACWI Index – more than 2,700 companies – and concluded that those companies with some of the highest level of carbon emissions are expected to lose 43% of their value by 2025 owing to "abrupt and disruptive policy response to climate change."[46] Notably, for the fossil fuel sector, transition risks include rapidly changing market demand and regulatory changes that create significantly underappreciated risk of inflated values and future asset write downs.

Climate change risks drive economic instability, with serious, unexpected, and disruptive impacts on asset valuations and global financial markets, the health and productivity of populations, the predictability of supply chains, and the locations where people can live, and companies can do business. According to a recent report by Swiss Re, climate change can lead to a loss of 11% to 14% of global economic output by 2050 compared with growth levels without climate change.[47] The impacts of climate change will

---

[42] Exxon 8-K filing : https://www.sec.gov/ix?doc=/Archives/edgar/data/0000034088/000003408821000031/xom-20210526.htm and Chevron 8-K filing: https://www.sec.gov/ix?doc=/Archives/edgar/data/0000093410/000009341021000020/cvx-20210526.htm
[43] Standard and Poor (S&P): https://www.spglobal.com/en/research-insights/featured/seven-esg-trends-to-watch-in-2021
[44] Catherine Clifford. (2022, January 11). Weather disasters caused $145 billion in damage last year in the U.S., says NOAA. CNBC. https://www.cnbc.com/2022/01/11/weather-disasters-cost-145-billion-last-year-in-the-us-says-noaa.html
[45] CDP: https://www.cdp.net/en/articles/media/worlds-biggest-companies-face-1-trillion-in-climate-change-risks
[46] Principles for Responsible Investment: https://www.unpri.org/inevitable-policy-response/the-inevitable-policy-response-2021-policy-forecasts/7344.article
[47] The Economics of Climate Change, April 2021, Swiss Re Institute. https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-economics-of-climate-change.html

reverberate across all sectors and across labor and operations, supply chains, distribution chain, consumers and communities on which companies depend.

Climate related information is critical to investors in their decision-making process and they are asking for it. During the 2020 proxy season, investors submitted 99 environmental shareholder resolutions at US publicly listed companies, 55% of which (54 in total compared to 48 in 2019) were focused on climate change. Investor support for these proposals increased from 27.2% in 2019 to 32.1% in 2020. At last year's proxy season, climate related resolutions continued to receive high shareholder support. Exxon Mobil lost a proxy battle to the activist hedge fund Engine No. 1 after three of the hedge fund's slated candidates won support from majority shareholders.[48] Over 99% of Bunge's shareholders voted in favor of the company reporting on its soy supply chain.[49] The overwhelming support for these resolutions is testament to the desire of investors to seek information about companies' climate related disclosures.

Though the SEC will be releasing a separate rule on climate change disclosures, we believe investors would benefit from a preview of a company's progress towards achieving its short-, medium-, and long-term goals on climate in its proxy statement. In general, companies should be required to report on Scope 1, 2, and 3 greenhouse gas emissions in accordance with the Greenhouse Gas Protocols and disclose progress of targets set to reduce emissions and report progress against them. Importantly, emissions information must include both actual emissions and any emissions abatement or removal; it is insufficient to only show net targets reflecting emissions capture or other emissions removal efforts. Emissions data should include disclosures of cumulative emissions over time, in addition to current emissions.

Conclusion

ESG issues can pose systemic risks to financial markets that can destabilize the economy and negatively impact economic growth. Oxfam strongly encourages the SEC to include a broad ESG disclosure framework when asking companies to evaluate pay versus performance. This would allow market participants to have access to a wide variety of information that will enable them to assess company performance and arrive at a more informed opinion when evaluating executive pay. We thank you for your time and consideration of our comment. If you have any questions about our comments, please reach out to us. We also wish you the best in drafting the rules.

Respectfully,

Irit Tamir,
Director, Private Sector Department
Oxfam America

[48] Matt Levine. (2021, May 27). Exxon lost a climate proxy fight. Bloomberg. https://www.bloomberg.com/opinion/articles/2021-05-27/exxon-lost-a-climate-proxy-fight
[49] Bunge's 8-K filing: https://www.sec.gov/ix?doc=/Archives/edgar/data/0001144519/000114451921000079/bg-20210505.htm