BSR

220 Montgomery Street, 17th Floor
San Francisco, CA 94104 USA

**T** +1 415 984 3200
**F** +1 415 984 3201

**June 11, 2021**

Dear Chair Gensler,

BSR™ is an organization of sustainable business experts that works with its global network of the world's leading companies to build a just and sustainable world. We have been working in partnership with our member companies[1] on climate change and broader ESG issues for nearly 30 years, and the comments provided in this submission draw upon the insights we have gained during this time and our view of how the proposed efforts by the SEC can make a major difference in creating incentives for creating long-term value for all stakeholders.

The landscape shaping reporting and disclosure on ESG issues is changing fast. After three decades of experimentation with voluntary frameworks, a fragmented environment is limiting the impact of reporting and creating undue confusion and cost on the part of reporters. In addition, the regulatory framework has not yet fully embraced the notion that ESG matters should be embedded into legal requirements.

There is now a historic opportunity to accelerate progress toward a strengthened and more unified approach that aligns incentives and rewards companies investing in business transformation for a just and sustainable world. This is why BSR strongly supports the SEC's interest in taking steps to require climate disclosure and, ideally, ESG matters more broadly. We believe that the SEC can enable crucial steps to provide consistent, comparable, and reliable information that will strengthen investors' ability to make decisions considering all relevant information; provide incentives for business to generate long-term value; and lead to a market economy that delivers on society's greatest needs.

---

[1] BSR does not seek to formally represent our member companies, but our point of view is influenced by working with them and learning directly about how best to achieve sustainable and resilient business.

In supporting SEC requirements for mandatory climate disclosure—and ESG more broadly—we encourage the Commission to adopt the following in its approach:

1. **While the urgency of climate disclosure is obvious, the SEC should require disclosure across other material ESG issues too.** The Commission should prepare a holistic approach to ESG disclosure that encompasses topics such as human capital development; environmental issues apart from climate change; diversity, equity, and inclusion; and governance of ESG matters. We believe that a comprehensive ESG disclosure standard will best serve business, investors, and society and is already in high demand from investors (Question 15).

   Comprehensive disclosure is badly needed to create an integrated framework rather than a piecemeal approach that risks creating multiple reporting requirements. Climate risk is increasingly understood to be fundamental to systemic financial risk and extreme social risk—but so too are social and governance questions, not least diversity, equity, and inclusion, as well as other environmental topics such as natural capital. No responsible company today reports only on climate, and the SEC should take an approach that reflects that reality.

2. **Existing reporting frameworks and standards, such as the Sustainability Accounting Standards Board (SASB), the Task Force on Climate-related Financial Disclosures (TCFD), and the Global Reporting Initiative (GRI), all provide logical starting places upon which to build**. The fragmentation between reporting standards, differing by jurisdiction, company, and issue, impedes improved performance on sustainability and decreases comparability across reports. Though the current reporting landscape is fragmented, each standard provides a strong foundation for sustainability disclosure. The SEC should utilize existing standards as a baseline to create new mandatory climate/ESG disclosures. Not only will this ease reporting practitioners' burdens to comply with another new disclosure, but these have also been well consulted and provide widely accepted metrics and disclosure requirements (Question 5).

   Climate change provides but one example of how the SEC can build on existing reporting frameworks and standards. For example, for climate disclosure the SEC could consider a two-part model with (1) climate disclosure requirements for all companies based on the TCFD guidelines (recommended for adoption by the G7 as of this month) and (2) industry-specific disclosures that utilize the SASB standards and metrics (Questions 2 and 5).

3. **SEC efforts to mandate climate/ESG disclosure should respect the need for reporting harmonization at the global level.** Companies and investors alike would benefit from a harmonized global approach to sustainability reporting. Jurisdiction-specific requirements (such as those being proposed by the EU and the SEC) need to be consistent with international sustainability accounting standards and with each other (Question 9). Further, in order to be flexible on important emerging issues, the disclosure standard should be updated and augmented over time to keep pace with emerging issues and our changing world (Question 6). We encourage the SEC to work closely and collaborate with the other jurisdictions (most notably the EU) and standard-setting organizations playing a leading role in the harmonization process (most notably the International Financial Reporting Standards Foundation) and to adopt interoperable and globally consistent standards.

4. **Strategic and forward looking.** Investors benefit from a forward-looking mix of qualitative and quantitative information, and the SEC's approach will be strongest if it takes this fact into account. For climate disclosure specifically, we believe it is important for companies to disclose key features of rigorous forward-looking climate change scenarios, as called for under the TCFD. This should be accompanied by core quantitative information, specifically scopes 1, 2, and 3 emissions and associated science-based reduction goals (Question 2).

5. **ESG information should be held to a high level of rigor, recognizing the distinctive nature of certain forms of information.** For this reason, BSR believes that certain core ESG and climate disclosures regulated by the SEC (e.g., for climate specifically: scopes 1, 2, and 3 emissions as well as approaches to climate change governance, strategy, risk management, and metrics and targets) should be provided within a company's annual Form 10-K (Question 1). To this end, we also support the requirement of issuers to utilize a third-party assurance provider to ensure quality of disclosure (Question 10).

> However, we also note (1) that investors benefit from disclosures made by companies regardless of the location, (2) that some ESG and climate disclosures do not yet have the level of rigor that merit inclusion in the Form 10-K or are available on different timeframes, and (3) that some companies may take a minimalist and “compliance only” approach for Form 10-K disclosure. For this reason, we believe that some ESG and climate disclosures can be “furnished to” the SEC via Form 8-K rather than “filed with” (Question 1).

In summary, BSR supports the SEC’s focus on ESG-related financial disclosure and believes that SEC-mandated ESG reporting—consistent, reliable, and comparable disclosures based upon robust and widely accepted standards—can play an essential role in the creation of the resilient business strategies needed to support a just and sustainable future.

Sincerely,

**Aron Cramer**

*President and CEO*

*BSR*