



Support Disclosure Rulemaking Agenda at the SEC

US SIF has long been a leading advocate for comprehensive disclosures of corporations' environmental, social, and governance (ESG) risks. Investors strive to be as accurate as possible in assessing future risks and opportunities when determining what they are willing to pay for a company's securities, and the universe of voluntary corporate disclosures has not met their needs. Therefore, we support the work of the Securities and Exchange Commission (SEC) to standardize and formalize corporate disclosures.

In 2022, the SEC released a [proposed rule](#) that would require corporations to disclose specific information related to the risks and opportunities they face from a rapidly warming climate. US SIF has been a leading advocate for comprehensive corporate climate disclosures since 2009 when we, along with scores of other investors, sent a [letter](#) petitioning the SEC to initiate a rulemaking to create an ESG disclosure framework. According to the US SIF Foundation's 2022 [Report on Sustainable Investing Trends](#), climate change is the most important specific ESG issue reported by money managers in asset-weighted terms, addressed across \$3.4 trillion in assets. Additionally, for the first time, institutional investors reported climate change as the leading ESG criterion they addressed in asset-weighted terms, affecting \$4.0 trillion.

The first step to managing any problem is to understand it. In the case of climate change, knowing how companies understand and manage greenhouse gas emissions and climate-related risk is essential to making informed investment decisions, conducting productive company engagements, and informing proxy voting. We strongly support the SEC's proposed rule on climate risk disclosures and have advocated for the agency to finalize a strong rule as soon as possible.

The risks and opportunities that arise from a company's workforce are also critical information to inform investment decisions. A [growing body of research](#) supports the conclusion that companies with effective human capital management perform better than those that manage their human capital poorly. Currently, the only line-item data U.S. public companies are required to disclose about their workforce is headcount. This reporting standard was set in 1973, when over 80% of the S&P 500's market capitalization was property, plants, and equipment (tangible assets). Today, 90% of the S&P 500's value is based on intangible assets (intellectual property, brand recognition, and the collective knowledge, skills, and experiences of the workforce). As our financial reporting standards have lagged, this also means that up to 90% of company value may not be reflected in companies' disclosed financials. Investors need and continue to demand high-quality, decision-useful workforce-related information to adequately assess a company's risks and opportunities. The SEC has indicated that it will produce a proposed rule to standardize workforce disclosures and we support the agency's efforts in this area.

In the past, the Financial Services and General Government (FSGG) Appropriations bill has been used to stop the SEC from finalizing disclosure rules. Last year, at least 13 amendments to the FSGG bill [were submitted](#) to the House Rules Committee that would have interfered with the SEC's ability to move forward with corporate disclosure regulations. US SIF opposes the inclusion of any language in FY24

Appropriations bills or an omnibus package that prohibits the SEC from requiring important disclosures that help investors make sound investment decisions.

Please communicate your support for the SEC's disclosure rulemaking agenda by communicating with the Commissioners and their staff, submitting supportive comments to the rulemaking files, and speaking publicly about the need for more and better corporate disclosure around climate and workforce risks. Please also oppose any underlying text or amendments included in the FY24 Appropriations process that would prohibit the SEC's ability to move forward with corporate disclosure regulations.

For questions please contact:

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