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ICI Calls on SEC to Require Companies to Disclose Greenhouse Emissions and Workforce Data

Disclosure of Sustainability Information Should Be Rooted in Materiality and Flexible Enough to Accommodate Future Developments

Washington, DC; June 7, 2021—The Securities and Exchange Commission (SEC) should require companies to disclose direct and indirect greenhouse gas emissions data and demographic information about their workforces, says the Investment Company Institute (ICI) in a letter filed with the SEC.

The letter is in response to the SEC's call for input on climate change–related corporate disclosure. ICI explains that consistent, comparable, and reliable data about climate change and workforce diversity make it easier for fund managers to make investment decisions on behalf of the millions of retail investors who invest in their funds.

"Mandating disclosure of greenhouse gas emissions and workforce diversity will give fund managers the consistent, comparable, and reliable data they need to better assess current and future sustainability-related risks," said ICI President and CEO Eric J. Pan. "While we believe certain disclosures should be mandatory, it's essential that the SEC develops a regulatory framework that is flexible enough to allow disclosure practices to develop organically over time. Having a dynamic framework will enhance the quality and volume of disclosures about how sustainability-related risks could affect companies' long-term value which drives investment decisions. In the past, the SEC has successfully applied the materiality standard to principles-based regulation, and we believe that standard is an appropriate foundation for any climate change–related corporate disclosure framework."

In addition to calling on the SEC to mandate specific climate change and workforce information (pages 7–10), ICI's letter calls upon the Commission to:

- Promote the development of reporting practices, including assumptions, models, and methodologies, before considering requiring companies to disclose other indirect sources of greenhouse gas emissions, such as emissions from business travel, otherwise known as Scope 3 emissions (pages 6–10).
- Leverage private-sector initiatives so that the Commission can more easily catch up to, and solidify, the progress on sustainability-related reporting that US market participants voluntarily have achieved over the past decade (pages 10–12).
- Enable companies to disclose climate change–related information in various formats and discourage the use of boilerplate language, which will ultimately produce more robust and meaningful information for investors (pages 12–13).
- Be a leader in developing and promoting a global framework for corporate sustainability disclosure, given the international nature of capital markets and the shared challenges that climate change poses to companies and investors worldwide (pages 13–15).
- Require private companies that meet specific asset and shareholder criteria to disclose the same sustainability information as public companies so investors can assess and compare those entities as well (pages 15–16).
- Establish, consult with, and oversee a committee that includes a wide range of market participants—including companies, funds, and investors—to better understand how climate change risk affects companies. This committee also would serve as a resource to help the SEC keep pace with the evolution of climate change–related reporting, which will position it well for any future rulemaking initiatives (page 17).