To Whom it May Concern:

As a concerned citizen, I support the SEC Proposal on Climate Change Related Disclosures. The SEC Proposal on Climate Change Related Disclosures calls companies to perform a deep dive on themselves. If the proposal goes into effect, companies will have to disclose information including, but not limited to, how any identified climate-related risks may have a material impact on the business, how any identified climate-related risks may impact the company's strategy, business model, and outlook, if a company uses an internal carbon price, and the disclosure of Scope 1, Scope 2, and Scope 3 emissions.

I think it is paramount for shareholders and other stakeholders to know whether or not companies are being environmentally friendly. BlackRock, a multinational investment management corporation, concluded that businesses who make decisions based on climate change risks will be better suited for long-term success (BlackRock Client Letter: Sustainability). Companies have a responsibility to be open and honest about their sustainability practices. Not only is protecting the planet the noble thing to do, but these practices can also translate into monetary wealth for the business through increased revenue, tax deductions and credits, and a boost in stock price.

The SEC Proposal fits under the broader umbrella of Environmental, Social, and Governance (ESG)-- in particular, E. Studies have shown a correlation between comprehensive ESG measures and strong financial performance. To start, ESG practices can increase revenue. Research done at McKinsey & Company suggests that customers are willing to pay to go green. In fact, "upward of 70 percent of consumers surveyed on purchases in multiple industries, including the automotive, building, electronics, and packaging categories, said they would pay an additional 5 percent for a green product if it met the same performance standards as a nongreen alternative" (Five Ways That ESG Creates Value).

Secondly, the SEC Proposal could help companies reduce their tax liability. The U.S. government incentivizes companies to go green by offering various tax advantages. Some examples include:

- "Business deductions for installation of HVAC, interior lighting, or hot water systems that significantly reduce power use
- Tax credits and grants of 10 and 30 percent for use of alternative energy properties
- Tax credits for use of alternative vehicles that meet specific fuel-efficient standards
- Bonus depreciation for qualified recycling and reuse of certain equipment or machinery" (Financial Benefits of an Eco-Friendly Business).

It is also important to note that, by implementing eco-friendly equipment, it will lead to savings over time. Recycling, solar energy, water-saving devices, and the like will naturally reduce waste and lower a company's overhead costs.

Lastly, the disclosures proposed by the SEC will grant companies the opportunity to boost stock price through enhancing perceived value and reducing risk. The SEC Proposal requests a more standardized approach to reporting. Investors will be able to compare climate-related disclosures on a company to company basis, much like the 10-K for financial statements. Currently, companies can highlight whatever ESG measures they would like and sweep harmful business practices under the rug, a concept known as greenwashing. A universal reporting system would minimize greenwashing and maximize transparency; this would assist investors in making sounder business decisions. Investors are interested in ESG stocks because studies show that they are less volatile than their non-eco-friendly counterparts (Zhou and Zhou). Common stock can be seen on the balance sheet as well as the statement of shareholders' equity.

A counter-argument I have observed pertaining to the SEC Proposal is that it is a costly measure which will, in turn, compromise company's returns. Companies will have to spend additional money and resources to track environmental data. Additionally, the SEC Proposal-- if passed-- will create a new sector of jobs within the accounting industry related to the audit of the climate-related reports. Some have argued that these jobs are senseless and will not serve a significant purpose. However, I stand firm that the public release of environmental measures will have a positive influence on a company's profitability, and the jobs created through the SEC Proposal will be of value.

Sincerely,
Marlys Mason

Resources

"BlackRock Client Letter: Sustainability." *BlackRock*, Dec. 2020, https://www.blackrock.com/corporate/investor-relations/2020-blackrock-client-letter.

"Financial Benefits of an Eco-Friendly Business." *Green Business Bureau*, 18 Nov. 2021, https://greenbusinessbureau.com/blog/financial-benefits-of-an-eco-friendly-business/.

"Five Ways That ESG Creates Value." *McKinsey & Company*, Nov. 2019, https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/Strategy%20and%20Corporate%20Finance/Our%20Insights/Five%20ways%20that%20ESG%20creates%20value/Five-ways-that-ESG-creates-value.ashx.

Zhou, D and Zhou, R. "ESG Performance and Stock Price Volatility in Public Health Crisis: Evidence from Covid-19 Pandemic." *MDPI*, Multidisciplinary Digital Publishing Institute, 25 Dec. 2021, https://www.mdpi.com/1660-4601/19/1/202.