



Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

June 17, 2022

Via electronic mail (rule-comments@sec.gov)

**Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors
Attention: 87 FR 21334; Docket ID: SEC-2022-06342; File No. S7-10-22**

Dear Ms. Countryman,

On behalf of more than 500,000 members and supporters of Public Citizen, we are pleased to provide the following comment regarding the proposed rule (the “Proposal”) titled, “The Enhancement and Standardization of Climate-Related Disclosures for Investors.” This comment is respectfully submitted in addition to the other comments Public Citizen submitted to the docket on this proposed rule.

The SEC should add requirements for issuers to disclose their attempts to influence the policy-making process on climate issues. Investor understanding of the information the SEC is already requiring disclosure of in the Proposal could be significantly undermined if investors cannot assess whether a company is engaging in political activity that runs counter to its climate commitments. Any incongruity between a company’s stated climate commitments and its political activity could present a significant risk to investors.

Current law does not provide investors with a full picture of a company’s political activity, particularly money spent on indirect lobbying. Indirect lobbying refers to money spent to influence policy that is spent through an intermediary like a trade association. While the federal Lobbying Disclosure Act (LDA) requires federal lobbying information to be disclosed to the Federal Election Commission, other types of lobbying are not required to be disclosed. These include payments to trade associations and 501(c)4 social welfare organizations and money spent on grassroots lobbying, which is defined as activation of the general public in support of or opposition to a policy or piece of legislation. Additionally, state-level lobbying disclosure is often absent or incomplete.¹ So, even if investors had a regular way to interface with the information that is required to be made public, the picture is incomplete. Therefore, in order to provide investors with the most useful climate-related risk information, complete corporate climate-related lobbying information should be included in the proposed disclosure rulemaking requirements.

1. Kate Ackley, *Grass-Roots Lobbying Tactics Evade Public Eye*, ROLL CALL (March 21, 2013), <https://bit.ly/3OpqPuf>.

The history of shareholder proposals calling for disclosure of corporate lobbying activity demonstrates the intense investor interest in this information. Shareholder proposals asking companies to fully disclose their lobbying activity have been one of the most filed categories of ESG- related proposals since 2013. As of late February, 36 lobbying activity proposals were filed for the 2022 proxy season.² In addition to standard lobbying disclosure proposals, shareholder proposals focused on the alignment between companies' lobbying and their climate commitments have increased significantly in 2022.³ Investors are not only filing proposals on values congruency on climate issues, but they are voting to support these proposals as well. According to the Proxy Preview Report, "last year, five of seven similar proposals that went to votes earned support well above 50 percent."⁴ It is clear that investors want more information about corporate lobbying related to climate issues, not less.

A company's lobbying is relevant to its shareholders because it can present significant reputational risk if not disclosed and managed properly. Many customers and the purchasing public are paying close attention to whether a company's lobbying lines up with its corporate values. If there is a disconnect, companies can face bad press, boycotts, or targeted social media campaigns. A recent survey found that 92 percent of Americans overwhelmingly agree that the activities of our largest companies have an impact on society and that 86 percent of Americans think companies should be transparent about their societal impacts.⁵ The same survey found that 70 percent of Americans agree that companies have a responsibility to protect the democratic process and that 81 percent think it's important that companies disclose data about their political spending and lobbying.⁶ Many companies have acknowledged their customer and investor interests in mitigating climate- related risks and have made corresponding commitments, however, their stakeholders also increasingly recognize that in order for those commitments to be meaningful, a company must demonstrate that its political influence does not conflict with those commitments.

The current laws governing corporate lobbying activity do not require disclosure of all the necessary information for investors to get a clear picture of a company's political influence efforts. Disney, for example, spends significantly at the state level and has recently been embroiled in a scandal in Florida, facing backlash from both its customers and Governor DeSantis.^{7,8} Disney faced a resolution from shareholders asking for more information about the company's lobbying because the scope of Disney's lobbying activities is not clear and could

2. *Corporate Political Influence*, PROXY PREVIEW (viewed on June 17, 2022), <https://bit.ly/3HBu931>.

3. *Id.*

4. *Id.*

5. Jennifer Tonti, *SURVEY ANALYSIS: Americans Want to See Greater Transparency on ESG Issues and View Federal Requirements as a Key Lever for Increasing Disclosure*, JUST CAPITAL (February 2022), <https://bit.ly/3Qt8e2g>.

6. *Id.*

7. *Exempt Solicitation: The Walt Disney Company*, SECURITIES AND EXCHANGE COMMISSION (viewed on May 5, 2022), <https://bit.ly/3mZp3V0>.

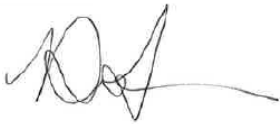
8. Alexandra Canal, *Disney vs. DeSantis: Chapek's 'Don't Say Gay' Fumble a Warning to CEOs, Says Harvard Professor*, YAHOO FINANCE (May 4, 2022), <https://yhoo.it/3zJmzl3>.

present significant reputational risk- as it recently has in Florida.⁹ Absent clear disclosure around 501(c)4 “dark money” groups, companies can risk additional scandal. For example, FirstEnergy came under fire for funneling \$60 million through nonprofit groups to support the Ohio Speaker of the House, Larry Householder, allegedly in exchange for a bailout of its nuclear plants.¹⁰ In addition to the scandalous fallout, shareholders have brought a lawsuit against the company that could end up costing \$180 million.¹¹ These examples demonstrate the gaps in our disclosure regime and the risks they pose to investors.

Shareholders need a better understanding of their company’s lobbying activity, especially when it comes to climate- related risk. Companies should disclose all money spent on lobbying (including on grassroots and at the state level), their affiliations with trade associations and other intermediaries, and a discussion of how management views the alignment between its stated goals on climate and its lobbying activity. This information should be subject to reasonable assurance just like the other climate- related risk information. While there is currently language in the federal Appropriations bill that stops the SEC from requiring disclosure of political contributions and dues paid to trade associations, that rider clearly does not block the disclosure of the lobbying- related activities stated above. Without this information, shareholders will not be able to fully assess their company’s climate- related risks.

If you have any questions or comments please don’t hesitate to contact Rachel Curley, Democracy Advocate, at [REDACTED]

Sincerely,



Rachel Curley

Democracy Advocate

Public Citizen

cc: The Honorable Gary Gensler, Chair
The Honorable Allison Herren Lee, Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Caroline A. Crenshaw, Commissioner

9. *Exempt Solicitation: The Walt Disney Company*, SECURITIES AND EXCHANGE COMMISSION (viewed on May 5, 2022), <https://bit.ly/3mZp3V0>.

10. *Angry Shareholders Pile into Lawsuits That Could Cost FirstEnergy Millions of Dollars*, PITTSBURG POST-GAZETTE (January 1, 2021), <https://bit.ly/3zIwvv0>.

11. *FirstEnergy Agrees on Terms to Resolve Shareholder Derivative Litigation*, FIRSTENERGY (February 10, 2022), <https://bit.ly/3HzkrOF>.