InfluenceMap

The US Chamber of Commerce and Lobbying on Climate Change Disclosure Regulations

The industry group is at odds with investors and its finance sector members on emerging US disclosure requirements

An InfluenceMap Briefing

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Executive Summary

- Against a backdrop of increased regulation on Environmental, Social and Governance (ESG) reporting globally, since mid-2021 the US Securities and Exchange Commission (SEC) has been considering mandating reporting of climate change related risks by companies. A proposal is expected in early 2022.

- However, the US Chamber of Commerce - a powerful cross-sector industry association - is actively advocating against a mandatory approach to ESG disclosures and instead pushing for voluntary, flexible and market-driven reporting, stating on its website *that "ESG reporting is developing organically—it does not require rigid regulations".* In lobbying on this issue, the Chamber has taken a multi-pronged approach, targeting policymakers, regulators and the wider narrative around ESG disclosure to block policy action.

- The position of the US Chamber appears to be highly misaligned with the majority of its own finance sector membership, including BlackRock, Prudential Financial and Citigroup, with BlackRock CEO Larry Fink arguing that *"A consistent set of reporting standards will promote access to consistent, high-quality and material public information that will enable both asset owners and asset managers to make more informed decisions about how to achieve durable long-term returns"* in his *2021 Letter to Shareholders*.

- Furthermore, investors globally have strongly supported the need for increased climate and ESG related mandatory reporting, in stark contrast to the Chamber's assertion that voluntary disclosure has been largely sufficient in meeting investor demand. The Investment Company Institute (ICI), the industry association which represents regulated funds globally (totaling $41.5 trillion AUM), was strongly supportive of the need for mandatory disclosure in response to the SEC request for comments, *stating* that *"it is critical for the Commission to implement more uniform reporting* *standards for companies for the benefit of investors, efficient allocation of capital, and enhanced capital formation."*

- This disconnect between the Chamber, key members and the wider financial sector on the SEC's proposed climate disclosure rules again raises the question of how the powerful industry group forms its lobbying stances and who it is representing. While engagement from non-financial corporates on the SEC's proposal has been limited, the Chamber's membership includes numerous companies that are highly negatively engaged on climate policy in general. This includes 12 companies which featured in InfluenceMap's *recent list* of the 25 most influential companies blocking climate policy.

- The Chamber also has numerous non-financial members which are engaging on climate policy more positively, and appear to be misaligned with a number of the Chamber's positions. This also appears to be the case with regard to regulated climate reporting, with a letter to the SEC signed by Chamber members Salesforce, Meta (formerly Facebook), Amazon, Intel and Alphabet appearing broadly supportive of mandatory disclosure, *stating* they *"welcome the SEC's leadership on climate action and support this important and timely inquiry... Investors need clear, comprehensive, high-quality information on the impacts of climate change for market participants".*

Background

As recognized by the SEC's then acting chair Allison Herren Lee in March 2021, demand for company disclosure on climate change and associated risks has *increased dramatically* in the last decade, leading to a proliferation of voluntary standards and guidelines globally. Recognizing that current legal frameworks supplemented by voluntary disclosure are not sufficient to meet the demands of investors and other stakeholders, regulators have begun to act to mandate standardized, reliable corporate disclosures on climate and other ESG issues.

- In December 2020, the UK *introduced* a requirement for certain companies to disclose against the requirements of the Task-Force on Climate Related Financial Disclosures (TCFD).

- In April 2021, the European Commission adopted a *proposal* for a Corporate Sustainability Reporting Directive, which would introduce mandatory reporting standards with additional requirements for assurance and digitization of information.

- In all, the 2021 *status report* from the TCFD highlighted that eight jurisdictions now have TCFD-aligned reporting requirements: Brazil, the EU, Hong Kong, Japan, New Zealand, Singapore, Switzerland and the UK.

- In March 2021, the SEC opened a *public comment period* on climate change disclosures, stating that as a result of increased demand for information *"questions arise about whether climate change disclosures adequately inform investors about known material risks, uncertainties, impacts, and opportunities, and whether greater consistency could be achieved".* In a *speech* in July 2021, SEC Chair Gary Gensler stated that out of more than 550 unique comment letters received, *"three out of every four of these responses support mandatory climate disclosure rules".*

- In October 2021, TCFD secretariat chief Mary Schapiro, who has previously chaired both the SEC and the Commodity Futures Trading Commission (CFTC), *stated* that the US was *"behind the rest of the world at this stage"* on climate disclosures, increasing the pressure for meaningful action from the SEC which is expected to produce a proposal on climate risk disclosure at the start of 2022.

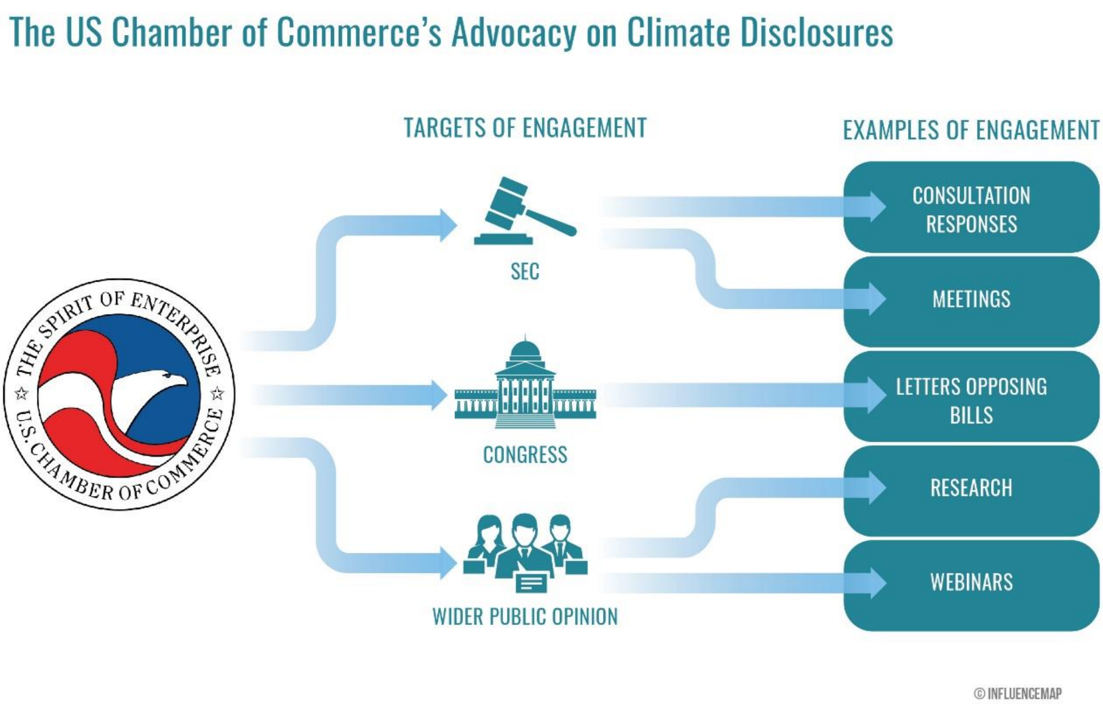
The US Chamber of Commerce and Climate Change Disclosures

Self-described as the "world's largest business organization", the US Chamber of Commerce (referred to as "the Chamber") disclosed spending more than *$80M on lobbying in 2020*. InfluenceMap's *previous research* has found the Chamber to be one of the most influential industry groups globally in delaying, weakening and blocking climate policy. On climate policy, the US Chamber appears out of step with many of its members, with some of its largest corporate members displaying significantly more positive engagement than it does.

The Chamber appears to take a similarly regressive stance on policy relating to sustainable finance, and appears to be particularly highly engaged on the issue of mandatory ESG and climate change disclosures. In doing this, the Chamber appears to be at odds with the global push by policymakers and investors towards comparable and reliable ESG disclosure.

The Chamber *states* on its website, last accessed October 2021, that: *"ESG reporting is developing organically—it does not require rigid regulations. In fact, these may do more harm than good if they require disclosure of nonmaterial information that is not useful to investors, also imposing unnecessary costs on firms filing securities disclosures."*

In lobbying on this issue, the Chamber has taken a multi-pronged approach, targeting policymakers, regulators and the wider narrative around ESG disclosure:



The Chamber has written to the US House of Representatives three times so far in 2021 on the issue of mandatory ESG disclosure, including two letters urging Representatives to vote against specific ESG disclosure bills.

- In February 2021, a letter from the Chamber warned against mandatory disclosure, *stating* that *"the Chamber has been and continues to be an advocate for voluntary, market-based disclosure, which allows companies appropriate flexibility".*
- In May 2021, the Chamber wrote a letter *opposing* the Climate Risk Disclosure Act, H.R. 2570, stating that *"it is clear that voluntary disclosures are responsive to investor demand for information, and issuers should continue to be able to respond to investor demand how they see fit and in a manner that makes sense for their company".*
- In June 2021, the Chamber wrote a letter *opposing* the ESG Disclosure Simplification Act of 2021, H.R. 1187, which would require the SEC to create a standard definition of ESG metrics and standardize ESG disclosures. The Chamber further state they will consider including votes on this in their *"How They Voted" scorecard*, which the Chamber uses to rank members of Congress on their votes on "Chamber-designated key votes".

The Chamber made two *responses* to the SEC consultation on climate change disclosures and had two meetings with the SEC on the subject.

- The first, in June 2021, argues that any potential disclosure regime should be "flexible" and references the importance of the *"materiality standard"* numerous times[1], including stating that requirements should "*defer to the materiality threshold to help continue to prevent securities from becoming politicized".* In this context, the Chamber refers to case law ruled on by the Supreme Court on the materiality issue. This is notable given the Chamber's history of successful legal action against disclosure requirements, for example the *Conflict Minerals Rule*, and against key climate legislation such as the *Clean Power Plan*.
- Despite the consistent assertion that market-based disclosures are well-advanced, the Chamber further argues for the need for a *"sufficiently long phase-in for compliance to ensure companies have adequate time to comply with mandates for climate-related information".* The Chamber responded again in August 2021, attaching the research *paper* detailed below.

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[1] In a *speech* in May 2021, SEC Commissioner Allison Herren Lee dispelled many "common myths" about materiality and reporting, including *"Myth #3: SEC disclosure requirements must be strictly limited to material information."* and *"Myth #4: Climate and ESG are matters of social or "political" concern, and not material to investment or voting decisions."*

- The Chamber also met with the SEC three times in 2021, in *March*, *April* and *June*, although further details about the content of these meetings is not available.

In a *webinar* in June 2021, US Chamber CEO Suzanne Clark questions the value of mandated standardized ESG reporting.

- Clark states that that *"overly prescriptive mandates and expansive regulations would impose significant costs with unclear benefits".* She goes on to argue that *"for more than 80 years, the materiality standard has ensure public company disclosure is relevant to the operation of the organization rather than broad mandates or sprawling disclosures dictated by activists or adversaries".*

In August 2021, the Chamber released a research paper entitled *Climate Change & ESG reporting from the Public Company Perspective*.

- Although in some places the research indicates that companies have varied views on the SEC's actions on climate change disclosures, overall the research promotes the idea that voluntary reporting is well-advanced and that companies are supportive of flexible and phased-in disclosure. The report concludes: *"The wide spectrum of public company opinions on these issues show why the SEC must proceed cautiously".*

The Investor Perspective

Investors globally have *strongly supported* the need for increased climate and ESG related mandatory reporting, in stark contrast to the Chamber's assertion that voluntary disclosure has been largely sufficient in meeting investor demand.

- The Investment Company Institute (ICI), the industry association which represents regulated funds globally (totaling $41.5 trillion AUM), was strongly supportive of the need for mandatory disclosure in response to the SEC request for comments, *stating* that *"Fund managers desire access to comparable, consistent, and comprehensive information on how companies are affected by, or are seeking to respond to, climate change. Therefore, it is critical for the Commission to implement more uniform reporting standards for companies for the benefit of investors, efficient allocation of capital, and enhanced capital formation."*

- In response to the SEC request for comments, UN Principles for Responsible Investment (PRI) signatories representing $11.6 trillion in AUM *stated* that *"standardized, mandatory disclosure of material climate and environmental, social and governance (ESG) information is necessary to fulfill their fiduciary obligation to fully consider material information and make informed investment decisions for long-term value creation".*

- Also in response to the SEC consultation, Ceres, a civil society group which acts to convene investors around ESG issues, coordinated a response representing $2.7 trillion in AUM, *arguing* that the *"current state of climate change disclosure does not meet our needs"*, calling for the SEC rulemaking to lead to *"consistent, comparable, and decision-useful information".*

Finance sector members of the US Chamber of Commerce

Many large financial institutions which have supported mandatory standardized climate disclosures are themselves members of the Chamber. The Chamber appears to be misaligned with the positions of the vast majority of these powerful finance sector members, with 9 of the 11 members identified clearly supportive of mandatory ESG disclosure. This includes:

- The CEO of BlackRock (Forbes Rank: 127), the world's largest asset manager with more than 9 trillion assets under management, Larry Fink *stated* in his 2021 letter to shareholders that *"A consistent set of reporting standards will promote access to consistent, high-quality and material public information that will enable both asset owners and asset managers to make more informed decisions about how to achieve durable long-term returns".* BlackRock has further advocated for ambitious mandatory reporting requirements in the *US* and the *UK*.

- In a 2021 position paper, Citigroup (Forbes Rank: 16) *states* that *"the ultimate aim would be to universally adopt globally consistent, mandated and broadly applied sustainable disclosure which require a double materiality approach".*

- In response to the SEC request for comments, US asset manager PGIM (1.5 trillion AUM), whose parent company Prudential Financial (Forbes Rank: 418) is a member of the Chamber, *stated* that they were *"supportive of the Commission adopting a uniform and harmonized disclosure framework that requires companies to provide relevant and consistent disclosure for investors".*

However, some of the Chamber's largest bank members, which would likely be more directly affected by disclosure requirements, have taken mixed positions on climate change disclosure.

- Bank of America (Forbes Rank: 6) appears to have taken a slightly more mixed position on climate change disclosure, *stating* in feedback to the SEC that *"Investors and markets would benefit from a single climate-related disclosure framework, which is critical to establishing the transparency needed to better identify, manage and measure the financial effects of climate-related risks and opportunities on businesses and economies"* but suggested that a phased-in approach was necessary in order to balance *"the pressing need for high-quality disclosure against the significant challenges companies face to produce such disclosure".*

- JPMorgan Chase (Forbes Rank: 2) met with the SEC in April 2021 to discuss climate change disclosures, but have not published a clear position on the subject. According to *reporting* from Reuters in May 2021, CEO Jamie Dimon *"said required disclosures could be onerous, expensive and would not help fight climate change. "Reporting won't solve the problem," Dimon said, adding he is concerned about multiple agencies proposing different disclosure requirements. "If we just impose rule after rule, we're going to not accomplish anything (and it will come) at a huge cost.".* However, in an interview with ESG Investor in October 2021, Global Head of Sustainable Investing at JPMorgan Asset Management *stated*

"The last thing that COP is going to trigger is regulations around disclosure, hopefully we will stop debating now whether these type of climate-related disclosures should be mandatory or not - they should."

The table below provides more detail of the positions that finance sector members of the Chamber have taken on ESG and climate disclosure, alongside an indicator of position on ESG disclosure policy:

Position on ESG/Climate Disclosure Policy	Explanation
(green)	Organization appears to support policy on ESG/climate change disclosure
(amber)	Organization has taken mixed position on policy on ESG/climate change disclosure
(red)	Organization appears to oppose policy on ESG/climate change disclosure

The Chamber does not disclose its membership. The financial institutions below were identified as being members of the Chamber through their own corporate disclosures.

Organization	Forbes Rank	Position on ESG Disclosure Rules	Statement on ESG/Climate Disclosure Rules
U.S. Chamber of Commerce	N/A	(red)	"ESG reporting is developing organically—it does not require rigid regulations. In fact, these may do more harm than good if they require disclosure of nonmaterial information that is not useful to investors, also imposing unnecessary costs on firms filing securities disclosures." US Chamber of Commerce website, accessed October 2021
Bank of America	6	(amber)	"Investors and markets would benefit from a single climate-related disclosure framework, which is critical to establishing the transparency needed to better identify, manage and measure the financial effects of climate-related risks and opportunities on businesses and economies. [...] Accordingly, we encourage the U.S. Securities and Exchange Commission (the Commission) to establish a framework and multi-phased approach for climate-related disclosure that balances the pressing need for high-quality disclosure against the significant challenges companies face to produce such disclosure [...] the Commission should permit such disclosure to be included in stand-alone reports to be furnished (i.e., not filed) with the

			Commission and should not require such disclosure to be subject to audit or assurance requirements...." Bank of America, response to SEC request for public input, June 2021
BARCLAYS	143		"In the context of this consultation, we acknowledge that regulatory intervention may help to accelerate higher standards of climate disclosure and accelerate good practice among premium issuers. [...] In due course, as the capabilities in climate risk disclosures improve, we would be supportive of the extension of these requirements to standard listed issuers and certain large FCA regulated firms to increase access to ESG data and transparency, and also ensure a level playing field." Barclays, response to FCA consultation, September 2020
BlackRock	127		"Because more comparable and consistent climate-related disclosures are in issuers' as well as investors' interests, BlackRock supports the SEC mandating climate-related disclosures." BlackRock, response to SEC request for public input, June 2021 "A consistent set of reporting standards will promote access to consistent, high-quality and material public information that will enable both asset owners and asset managers to make more informed decisions about how to achieve durable long-term returns." BlackRock CEO Larry Fink, Chairman's Letter to Shareholders, 2021 "Here in the UK, we've urged the government and the FCA to go further and introduce mandatory TCFD reporting for all issuers as soon as the next year. And so we welcome the UK Chancellor's announcement yesterday, mandatory with TCFD reporting. The United States for its part should move faster so that we can achieve greater global coordination." BlackRock CEO Larry Fink, speech at the Green Horizon Summit in November 2020
CAPITAL GROUP®	N/A		"Given growing investor need and market demand for climate-related disclosure, as well as related regulatory actions in many jurisdictions around the globe, we believe the time is ripe for the Commission to issue regulatory guidance in this area and to

			play a more active role in the international debate around sustainability-related reporting and disclosures. In short, we would support the Commission taking action to require climate and other ESG-related disclosures by all, or nearly all, public companies." Capital Group, response to SEC request for public input, June 2021
citi	16		"Globally, regulators are increasingly looking to the unilateral adoption of the TCFD recommendations, which will contribute to building confidence in being able to make well-informed investment choices — those that really do deliver on their promise to work towards the good of the planet. But the ultimate aim would be to universally adopt globally consistent, mandated and broadly applied sustainable disclosure which require a double materiality approach." Citigroup, position paper, February 2021
Credit Suisse	185		"Credit Suisse considers climate change disclosure vital to accelerating the sustainable finance market. That is why Credit Suisse supports the SEC adopting new rules requiring mandatory disclosure by reporting companies of material climate change information." Credit Suisse, response to SEC request for public input, June 2021
JPMorgan Chase & Co.	2		JPMorgan Chase met with the SEC in in April 2021 to discuss climate change disclosures, but have not published a clear position on the subject. According to *reporting* from Reuters in May 2021, "The head of JPMorgan Chase & Co, Jamie Dimon, who also spoke at the conference, said required disclosures could be onerous, expensive and would not help fight climate change. 'Reporting won't solve the problem,' Dimon said, adding he is concerned about multiple agencies proposing different disclosure requirements. 'If we just impose rule after rule, we're going to not accomplish anything (and it will come) at a huge cost.' " However, in an interview with ESG Investor in October 2021, Global Head of Sustainable Investing at JPMorgan Asset Management *stated* "The last thing that COP is going to trigger is regulations around disclosure, hopefully we will stop debating now whether these type of climate-related

			disclosures should be mandatory or not - they should. [...] It's one thing to have corporates disclosing their climate-related information but you also need to have standardized measurement as well as auditing capabilities. "
Morgan Stanley	31		Morgan Stanley does not appear to have made any individual statements on ESG disclosure. However, in September 2021 Morgan Stanley Investment Management *signed* a joint UN PRI letter supporting increased ambition for the EU's Corporate Sustainability Reporting Directive
Prudential	418		"ESG standards and disclosures are no longer a "nice to have" for company reports. They are now a business and regulatory imperative and need to be integrated into standard reporting. As we conduct our proprietary analysis and engage with issuers, there is an increasing onus on companies to provide greater disclosures. ESG requirements are increasing, and we are keen to work in partnership to address these issues." PGIM, position paper, July 2021 "The variability that currently exists in company approaches to climate-related disclosure inhibits the ability for investors to analyze and compare investments. [...] PGIM is supportive of the Commission adopting a uniform and harmonized disclosure framework that requires companies to provide relevant and consistent disclosure for investors." PGIM, response to SEC request for public input, June 2021
Standard Chartered	452		"We are encouraged that the FCA (Section 4.10) "will consider expanding the scope to other listed issuers, including standard-listing issuers". We would welcome rapid extension, via an implementation timeline communicated in the Policy Statement. We believe this is important to enable TCFD / climate disclosures across the economy." Standard Chartered, response to FCA consultation, September 2020 "We support mandatory disclosure aligned to TCFD for premium listed corporates and financial institutions." Standard Chartered, 2020 CDP Climate Change Information Request

TD	42		"Regulatory frameworks are seeking further transparency around various ESG risks. We have collaborated with regulators to advocate that securities filings include the requirement to disclose key ESG facts in plain language. For example, our work with Canadian Securities Administrators led to its notice on environmental disclosure requiring Canadian public companies to disclose carbon pricing assumptions made in planning activities." TD Bank, Sustainable Investing Approach, 2020
WELLS FARGO	19		"In summary, high yield companies rarely disclose sufficient information to implement the taxonomy in the absence of extensive assumptions and estimates by investors. The unintended result of such subjective assessments will be disparate assessments of alignment. [...] Policies are needed to encourage non-NFRD companies to report in ways that allow taxonomy implementation." Wells Fargo Asset Management, Case Study on the Taxonomy, September 2020