



June 11, 2021

The Honorable Gary Gensler
Chair
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: Public Input Welcomed on Climate Change Disclosures (March 15, 2021)

Dear Chairman Gensler:

The Aluminum Association and its members appreciate that the Securities and Exchange Commission (SEC) is examining whether current disclosures adequately provide investors with consistent, comparable and reliable information on climate change as well as a broader range of issues under the heading of environmental, social, and governance (ESG) matters. We welcome the opportunity to submit comments in response to the request for comment published on March 15, 2021.

The Aluminum Association is the voice of the aluminum industry in the United States, representing aluminum producers and workers that span the entire aluminum value chain from primary production to value-added products to recycling, as well as suppliers to the industry. Association member companies make 70 percent of the aluminum and aluminum products shipped in North America, and the U.S. aluminum industry across the value chain directly employs more than 166,000 workers and indirectly supports an additional 494,000 workers. Aluminum is foundational to modern societies and to the U.S. economy, and its unique physical properties – light weight, corrosion resistance, and infinite recyclability paired with the innovative application of alloys and manufacturing processes – make the metal an ideal solution for a truly wide range of challenges in the 21st century.

A new report released in April 2021 by the Aluminum Association demonstrates positive environmental impact trendlines for the U.S. aluminum industry on virtually every measure over the past 25 years. The [U.S. Aluminum Industry Sector Snapshot](#) report focuses on seven key environmental issue areas: air, energy, greenhouse gas emissions, land management, water, waste and aluminum scrap usage. Positive environmental trends are attributable to both performance improvements by the U.S. aluminum industry and the transition from an aluminum supply heavily reliant on primary metal to one that includes significantly more recycled material.

Importantly, aluminum producers have reduced environmental impact while increasing output – meeting growing domestic demand for the material while demonstrating a commitment to sustainability. Despite the impact of the COVID-19 pandemic, the Aluminum Association estimates that in 2020, the North American demand for aluminum was 24.5 billion pounds. This represents a 30.8 percent increase in demand from 2009, when North American demand was

18.7 billion pounds. With demand increasing, the aluminum industry continues to invest in technologies that decrease operational environmental impact and to embrace operational practices and corporate policies that drive energy efficiency, reliable and sustainable sourcing for raw materials, diversity and inclusion for a next-generation workforce, and innovation for material applications.

The Aluminum Association believes it is critical that public companies communicate relevant information, data, and risk factors about these important efforts to their shareholders. As such, aluminum manufacturers are already taking steps—as appropriate for their businesses and in compliance with existing disclosure laws—to publicize ESG-related information. Many of the Association’s member companies report ESG data in their public filings and annual reports, publish sustainability reports accessible to shareholders and the public, voluntarily comply with third-party standard setters like the Aluminum Stewardship Initiative (ASI) [Performance Standard](#), the Sustainability Accounting Standards Board’s (SASB) [Metals and Mining Standard](#), the [S&P ESG Index Family](#), and more. We recognize that ESG information is useful to shareholders’ investing decisions, and manufacturers are diligent in ensuring shareholders have the information they need. The Association maintains online [here](#) a directory of Sustainability Reports from association members, and many of those reference the above-noted frameworks.

Aluminum is designated by the U.S. Geological Survey (USGS) as a [critical mineral](#) and the aluminum industry is recognized by the Department of Homeland Security’s Cybersecurity & Infrastructure Security Agency (CISA) as a core part of the [Critical Manufacturing Sector](#). The U.S. aluminum industry is comprised of primary and secondary aluminum production, as well as manufacturers of semi-fabricated aluminum products like foil, sheet, plate, extrusions, powder, and wire and cable. The modern U.S. aluminum industry is part of a closely integrated global supply chain.

The future of the aluminum industry is intrinsically linked to its sustainability profile. To help customers and investors evaluate the sustainability profile of the aluminum industry and its products, the Aluminum Association produces a range of sustainability research for the U.S. aluminum industry – including life cycle assessments for various aluminum products. As one recent example, the Association [released](#) a new *Life Cycle Assessment of North American Aluminum Cans* in May 2021 (an update to an earlier study published in 2014). The study tracks aluminum cans manufactured in North America and quantifies all material, energy use and potential environmental impacts over the life cycle of 1,000 cans from raw material acquisition through recycling and/or disposal.

The Aluminum Association strongly recommends the SEC apply the following principles in considering new or modified disclosure requirements:

- **Leverage existing frameworks.** The SEC should endorse standards that meet disclosure requirements, but public companies should be able to choose among various internationally recognized standards the one they will use for disclosure. Further, companies should be able choose which data they will report on, based on the specificity of their business and what is material. Accordingly, the SEC should accept disclosures in a separate document, such as a company’s Sustainability Report, furnished annually on different schedule than Form 10-K.
- **Allow flexibility or a phased approach.** New auditing and control requirements will demand significant compliance efforts and will require time to implement necessary

organizational changes. It is still premature to require a sustainability disclosure and analysis section similar to the current Management's Discussion and Analysis of Financial Condition and Results of Operations. Not all companies can provide the same level of disclosures, and therefore the SEC should consider scaling disclosures so that less mature or less-resourced companies are not overly burdened.

- **Align with European standards.** The SEC should ensure any new or modified requirements are aligned with European standards to avoid duplicative reporting for international companies.

Recommendations for Review of Climate Change and ESG Disclosures

As the SEC looks to craft a disclosure framework for ESG matters, the Aluminum Association urges flexibility for disclosures that fit the industry sector and company – while prioritizing clarity and consistency of expectations.

Fundamentally, we recommend the SEC set minimum standards for reporting and leverage internationally recognized standards already in place in order to provide clarity and structure to the data and disclosure requirements without creating redundant reporting schemes. The SEC should also leverage the expertise of, and companies' experiences with, existing standard-setters for ESG reporting.

We recommend the SEC endorse existing frameworks for reporting, allowing a company to choose the appropriate framework based on a materiality analysis of the company and the sector to which it belongs. For example, the Global Reporting Initiative (GRI) is a global framework that has been in place for decades, is updated on a regular basis with input from a multi-stakeholder process, and with a strong governance system. GRI reporting is intrinsically built on materiality and has flexibility incorporated into the system. Importantly, this flexibility does not allow reporters to fall short of civil society expectations that are increasingly important for investors. In terms of climate change related information, clear guidance should be TCFD, already incorporated into GRI. Additionally, the SASB has spent considerable time building a quality framework for companies to follow in their voluntary ESG disclosures and/or reports. Their thoughtful consideration of all stakeholders, including those of the preparers, has allowed the SASB to build a framework that is manageable for preparers while meeting the objectives of ESG-conscientious investors and other stakeholders. An endorsement would be similar to the SEC's endorsement of the FASB related to financial accounting and reporting disclosures.

Accordingly, we do *not* believe the SEC should develop their own ESG disclosure framework but instead work side-by-side with the SASB, or another similar standard-setter, to achieve the SEC's objectives.

Additionally, we believe that the SEC should not require disclosure of ESG-related targets. Public companies do not disclose financial targets, and there should not be requirements for companies to disclose ESG targets. That said, any material issue should be disclosed. Otherwise, investors will have a distorted market view. The Association also urges the SEC to align requirements with European standards to avoid duplicative reporting for international companies.

Other than including material financial impacts associated with ESG matters, we do not believe the Annual Report on Form 10-K is the proper forum for ESG disclosures. While all

investors are concerned with a company's financial performance not all investors are concerned with a preparer's ESG performance. We believe such reporting should be maintained, as many preparers already do today, as a separate annual report. This is parallel to certain information that is allowed to be incorporated by reference into the Annual Report on Form 10-K by including the required disclosures in a company's definitive proxy statement. As a result, we do not believe that it would be onerous to expect investors and other stakeholders to review a separate report for ESG topics to ensure they have considered all available company information when making informed investment decisions.

The SEC should only require ESG reports and disclosures to be "furnished," instead of "filed" with the Commission. ESG information is still at a very early stage and there is much learning and development. Companies will need to implement proper processes and controls in order to meet the burden necessary for ESG reports and disclosures to be "filed." Preparers would be unduly harmed by requiring strict liability instead of a reduced liability afforded by the safe harbor provision that is associated with "furnishing" reports to the SEC.

Many companies, even companies within the same industry, are at different stages in their ability to report ESG information. Accordingly, strong consideration needs be given by the SEC as to the length of time that will be provided to preparers to implement ultimately what are deemed to be material disclosures. For example, two recent financial disclosure requirements that involved revenue recognition and lease accounting were implemented over a prolonged period. The FASB provided multiple years for transition purposes due to preparer concerns over having the necessary processes and controls and reporting structure to meet the disclosure requirements. Notably, those concerns were expressed despite mature and advanced financial systems – and we know that the underlying systems for tracking and reporting ESG information significantly lag those for financial disclosures.

The Biden Administration and bipartisan members of Congress are examining new ways to support strategic industrial sectors and reliable supply chains, and U.S. capacity, technology and leadership in the aluminum industry are foundational to a strong U.S. economy. The Association and its members recognize this responsibility, and we pledge to maintain the highest standards – within the frameworks that already guide our efforts and action – to continue to strengthen the strategic asset to the United States that is the aluminum industry.

On behalf of the Aluminum Association and its member companies, I appreciate the opportunity to provide these comments to the SEC. Please let me know if you have questions or need additional information.

Respectfully submitted,



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The Aluminum Association