



December 12, 2022

Chair Gary Gensler
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors, Release No. 33-11042, 34-94478; File No. S7-10-22

Dear Chair Gensler,

We greatly appreciate the opportunity to meet with you last month. Together, as leading business organizations we urge the SEC to swiftly finalize its rule to enhance and standardize climate-related financial disclosure for investors.

Collectively, we work with thousands of companies – including 22% of the S&P 500 – with trillions in revenue and millions of employees. Our members include apparel and footwear, communications, consumer products, energy, financial services, food and beverage, healthcare, heavy industrial and manufacturing companies, media and entertainment, real estate, retail, technology, transportation, and utilities.

In our view, clear rules and comparable information on climate-related risks are a critical component for well-functioning capital markets, and thus fall directly into the purview of the SEC.

Finalizing this rule will affirm the market signals already in motion. Most major investors and hundreds of leading companies have already determined climate risk is material and are calling for mandatory disclosure. Standardized disclosure protects investors, facilitates capital formation and ensures efficient and orderly markets as U.S. companies improve risk management and their ability to compete in a transitioning economy.

Issuers with unabated emissions will be exposed to significant transition risks, including exposure to litigation, changing consumer behavior, increased employee and stakeholder concern, potential energy price volatility, among others. To gauge their exposure to transition risks, investors must be able to access issuers' scope 1 and 2 emissions data, at minimum.

As for scope 3, we believe that reporting is essential. Moreover, there are ways to effectively address the legitimate concerns raised. We believe that many private, small businesses that are not currently receiving requests for data from the companies they supply are unlikely to be

impacted by the rule as proposed. Suppliers that are material in a company value chain, meanwhile, likely already receive emissions data requests in most instances.

In our view, the rule will simplify the process for thousands of companies that already report this kind of emissions data. It will also reduce the burden that results from the current lack of standardization with the use of multiple voluntary reporting frameworks.

According to the ERM report submitted to the SEC, institutional investors spend on average, [over \\$1.3 million annually](#) to collect, analyze and report climate-related information. Lack of harmonization in the regulatory landscape is increasing costs, as issuers need to meet divergent requirements and investors are forced to collect and analyze data of limited comparability. Alignment and harmonization across jurisdictional requirements would reduce costs, and ensure the disclosure of comparable, decision-useful information.

In light of this, we propose the following recommendations for consideration in the final rule.

We hope the Commission will retain these provisions:

- Align to the greatest extent possible with the TCFD, working towards the International Financial Reporting Standards' International Sustainability Standards Board standard as the global baseline.
- Climate disclosures should be made in financial filings, either the Form 10-K or another appropriate form that is incorporated by reference into the Form 10-K.
- Governance and strategy disclosures should provide insights into companies' climate risk exposure, strategies, and scenario planning.
- Scope 1 and 2 emissions disclosure should be required and subject to attestation by an independent third-party to be investor-grade information.
- Scope 3 disclosures should be required but exempt small reporting companies.

We hope the Commission will consider amending these provisions:

- The safe harbor for scope 3 emissions is appropriate and could be strengthened.
- State that for foreign issuers, the SEC will accept alternative reporting mechanisms for climate disclosure namely, the IFRS' International Sustainability Standards Board. To the greatest extent possible ensure that terminology and definitions in the final rule are interoperable with those of the ISSB's approach to ensure that the regulation of climate disclosures for issuers with accounts in international markets is not dictated by foreign legislation.
- Allow companies additional time (possibly a few months) after the 10-K filing, at least in the initial years, to file reports of the GHG emissions.
- Explore alternatives to the Regulation S-X requirement.
- State, in the rule text, that estimates and industry averages are acceptable for scope 3.
- Board oversight information should be disclosed, including information about training board members on climate risks.

Thank you for your leadership and focus on finalizing this important rulemaking as soon as possible. We stand ready to provide further information if helpful. If there are questions, please reach out to Randi Mail at rmail@ceres.org or Steven Rothstein srothstein@ceres.org.

Signed,

Mindy Lubber, Chief Executive Officer and President, Ceres

William Sisson, Executive Director, World Business Council for Sustainable Development, North America

Maria Mendiluce, Chief Executive Officer, We Mean Business Coalition

Aron Cramer, President and Chief Executive Officer, BSR

Nat Keohane, President, Center for Climate and Energy Solutions (C2ES)