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June 14, 2021

Ms. Vanessa A. Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Submitted via email to: rule-comments@sec.gov

Re: Request for Public Input on Climate Change Disclosures

Dear Ms. Countryman:

State Street Corporation, including its investment management arm, State Street Global Advisors,[1] (collectively, "State Street") appreciates the opportunity to provide feedback on the Request For Comment[2] issued by the U.S. Securities and Exchange Commission (the "Commission") soliciting stakeholder views on the Commission's disclosure rules and guidance as they apply to climate change disclosures.

For the investors we serve, the measurement and mitigation of climate and other sustainability related risks are key elements in seeking long-term value, and, as a result, we have a long-standing and prominent commitment to voluntary efforts to increase investor-useful information concerning climate risk.

For example, earlier this year, State Street Global Advisors joined a group of global investment managers under the Net Zero Asset Managers initiative, and State Street's CEO, Ron O'Hanley,

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[1] Headquartered in Boston, Massachusetts, State Street Corporation is a global custodian bank which specializes in the provision of financial services to institutional investor clients. This includes the provision of investment servicing, investment management, data and analytics, and investment research and trading. With $40.3 trillion in assets under custody and/or administration and $3.6 trillion* in assets under management as of March 31, 2021, State Street operates in more than 100 markets globally.

**AUM as of March 31, 2021 includes approximately $60 billion of assets with respect to SPDR® products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated.*

[2] https://www.sec.gov/news/public-statement/lee-climate-change-disclosures

has been leading the *Asset Owner and Asset Management Task Force* under the Sustainable Markets Initiative. The Task Force, which was launched at the World Economic Forum in January 2020, is aimed at facilitating the flow of private capital needed to finance the net-zero transition.

These initiatives follow State Street Global Advisors' longer-term engagement with companies, notably as part of Climate Action 100+[3] to implement strong governance frameworks that take into account climate risks and opportunities, reduce emissions across the value chain and improve climate-related financial disclosures.

With respect to the Commission's role in addressing climate change related risks, State Street strongly supports mandated reporting of certain climate-related disclosures, leveraging off of already well-established voluntary reporting frameworks. We also urge the Commission to continue its participation in global efforts to harmonize corporate sustainability reporting.

More detailed discussion of our views around Commission climate disclosures follows below, divided into three sections:

1) Our views on the benefit to investors of improved climate disclosures,
2) Our recommendations for Commission rulemaking, and
3) Our recommendations for international harmonization.

The Benefit to Investors of Improved Climate Disclosures

As an investment manager, we have long believed companies that adopt robust governance and sustainability practices will be better positioned to generate long-term value and manage risk. Addressing sustainability risks is good business practice and essential to a company's long-term financial performance. From an investor perspective, sustainability is a matter of value, not values, and is an investment risk that needs to be appropriately incorporated into the investment risk framework. Investment managers', such as State Street Global Advisors', ability to deliver value to our clients depends, in part, on access to relevant sustainability data on the companies in which we invest.

Climate risk is considered within a broader spectrum of sustainability-related risks. We do not discount the need for improvement in other types of sustainability disclosures, including information regarding board diversity beyond gender[4]. Enhancing climate disclosures, however, should be prioritized given the uncertainty, pace and intensity of climate risk manifesting, and given the role of climate change in contributing to numerous other sustainability challenges, including human capital, biodiversity loss and supply chain resilience.

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[3] https://www.climateaction100.org

[4] See, for example, https://www.ssga.com/us/en/institutional/ic/insights/ceo-letter-2021-proxy-voting-agenda

Integrating sustainability risk into the investment process depends on the availability of robust and reliable sustainability data on investable companies. We have identified four primary uses for such data by investment managers:

i. To effectively execute stewardship duties by identifying and engaging with company boards on emerging risks, particularly for index strategies;
ii. To inform the selection of portfolio securities, particularly for "impact investing" or actively-managed investments;
iii. To meet growing investor/asset owner demand to understand climate-related risks and opportunities (including scenario analysis) posed to their investment; and
iv. To satisfy increasing regulatory demand for greater transparency as to how and where climate-related risks are factored into investment decisions.

For large index strategy asset managers, such as State Street Global Advisors, the availability of data sufficient to meet stewardship duties is particularly important. As a near-permanent holder of capital in the world's largest companies, divestment is not an option. Stewardship, including both engagement with portfolio company management and boards and proxy voting, is a critical tool that governs ongoing dialogue between investors and investee companies and, while sustainability has been topical for some time, potential risks stemming from climate change are rapidly emerging and dominating board discussions today.

All of these factors demonstrate the value to investors of clear, consistent, comparable and decision-useful sustainability data on companies in which they invest.

Recommendations for Commission Climate Disclosure Rulemaking

State Street has long supported voluntary frameworks for climate disclosures, which we believe has increased climate disclosures by U.S. companies, to the benefit of investors.

There are two widely prevalent frameworks that are recognized, globally, as supporting investor needs for concise, standardized metrics on material issues. The Financial Stability Board's Taskforce on Climate-Related Financial Disclosures ("TCFD") is not only a reporting framework but also a framework by which companies can develop strategies to plan for climate-related risks and make their businesses more resilient to the impacts of climate change. The Sustainability Accounting Standards Board ("SASB") framework presents measurable, comparable and consistent reporting of sustainability issues on a sector-specific basis.

Notwithstanding the comprehensive approaches of these two frameworks, gaps and inconsistency clearly remain in the disclosures undertaken by companies across markets. We believe this is largely attributable to the global proliferation of multiple and diverse sustainability frameworks, both voluntary and government mandated. An International Organization of Securities Commissions' ("IOSCO") report issued in April 2020 by its Sustainable Finance Network found more than 30 frameworks are in place today. Companies therefore struggle to determine which frameworks they should report against in order produce meaningful data for investors, and investors are challenged by interpreting and collecting data issued under multiple mandatory or voluntary frameworks.

We believe investors in U.S. firms will benefit from more consistent disclosures of climate risk. The most effective approach to meeting this goal is mandatory climate-related disclosures for all U.S. issuers.

As a result, we support Commission rulemaking establishing a mandatory framework for climate-related disclosures. In developing this framework, however, the Commission should avoid "reinventing the wheel" and instead leverage existing voluntary frameworks, should seek to minimize the cost and burden to U.S. issuers, and should recognize the still nascent state of development of some types of climate disclosures.

Specifically, State Street recommends:

1. **The Commission should mandate core climate disclosures for all U.S. public companies.**

   The Commission should mandate certain core climate-related disclosures for all U.S. public companies.[5] Such mandatory disclosures should include: (1) qualitative disclosure with respect to the way in which companies integrate climate-related risks and opportunities into their governance, business strategy, risk management; as well as (2) quantitative disclosure of scope 1, 2 and 3 greenhouse gas ("GHG") emissions.

   Scope 1 and 2 GHG emissions are well understood and should be disclosed immediately upon effectiveness of new disclosure rules. Consensus around scope 3 GHG emissions' disclosures, while also important to investors, is still emerging, and full Commission-mandated disclosure is premature. The Commission should, however, in consultation with all stakeholders, aim to reach consensus on the technical questions (*e.g.*, to address the risk of companies 'double counting' GHG emissions) around the feasibility of disclosing Scope 3, and mandate Scope 3 disclosures as soon as practicable.

2. **The Commission should facilitate establishment of an independent U.S. climate standard setter.**

   In addition to establishing a mandatory baseline of climate risk disclosures for all companies, the Commission should also establish clear expectations that companies will disclose other climate-related risks and metrics under standards promulgated by independent standard-setting bodies. Subject to appropriate structure, funding and

[5] While our comments today focus on disclosures by U.S. public companies, we also urge the Commission to consider the need for similar requirements for private companies as well, particularly with respect to possible "brown-spinning." See: https://www.ssga.com/library-content/pdfs/global/financial-times-cyrus.pdf

governance, the Commission should consider establishing and overseeing a domestic standards-setting body that would be responsible for developing and maintaining sector-specific climate risk reporting standards, based on financial-materiality, which would complement mandatory Commission rules.

By way of an example, the SASB framework is a proven framework that adopts a sector-specific approach by mapping material sustainability-related issues to, at least, 77 different industries. SASB and a number of other existing sustainability standards-setters announced that they intend to converge their standards in order to coalesce around common reporting requirements. State Street Global Advisors, in particular, utilizes the SASB materiality framework as part of its integration of sustainability risks and opportunities via a proprietary sustainability scoring system, R-Factor, which uses a range of third-party data to generate unique scores for over 6,000 listed companies, globally. This allows our stewardship team to evaluate a company's business operations and governance as it relates to financially-material sustainability-related challenges facing the company's industry.

In addition, State Street Global Advisors has been proactively encouraging investee companies to adopt both the TCFD and SASB frameworks for a number of years via ongoing engagement and communication with company management and boards.

For the avoidance of doubt, the Commission should also require companies to clearly disclose which framework(s) and/or methodologies they are using to report relevant climate information.

3. The Commission should adopt a practical approach to sequencing mandatory requirements.

As noted above, sustainability risk is not limited to climate risk, and the benefits of sustainability data from issuers apply to non-climate sustainability factors, such as diversity[6], as well. Nevertheless, given the urgency and importance of climate change to investors, and to minimize compliance burden on issuers, we recommend a "climate first" approach to new Commission disclosure mandates.

In addition, we recognize and support the investor need for climate, and other sustainability, disclosures, by investment funds. We are also aware of the potential risk of "green-washing," and believe that the Commission has an important role in protecting investors in this area. We support the identification of climate and other sustainability risks as a key focus of the Commission's priorities, and we support the Commission's efforts to address ESG-related investor protection concerns through its existing regulatory framework, as described, for example, in the Commission's April "ESG Risk Alert."[7] To the extent further fund or advisor disclosure regulation from the Division of Investment Management is needed, we

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[6] See, for example, PR021121-CorporateActionCoalitionEquityOpportunityCommitmentDiscloseWorkforceData.pdf

[7] https://www.sec.gov/files/esg-risk-alert.pdf

recommend timing such new requirements to leverage off new issuer disclosures, as described above.

4. **The Commission should encourage fulsome disclosure by providing issuers flexibility and providing transitional arrangements.**

As noted above, we strongly support full disclosure by all companies of core climate risk factors, along with additional disclosures of material climate risks. Nevertheless, we are cognizant of the nascent technical consensus around climate risk and the cost and liability companies will need to assume in providing new disclosures. In order to mitigate these impacts on issuers, and to encourage fulsome corporate disclosures as soon as possible, we urge the Commission to take a flexible and practical approach, which could include:

- Flexibility for companies in deciding where to publish such disclosures, such as permitting posting on websites separate from other financial reporting, provided they are public and readily accessible to investors;
- Consideration of targeted liability relief for ‘good faith’ efforts to comply with new disclosure requirements;
- Flexibility around assurance, focused initially on clear disclosure of the level and source of such assurance; and
- Risk-based phasing-in of new disclosure requirements over time, based on company size, business sector or other factors.

Recommendations for International Harmonization

We agree with international policymakers, notably IOSCO, that there is an “urgent need” for some degree of global harmonization with respect to sustainability reporting standards, and we strongly support global efforts to harmonize the regulatory and supervisory expectations around climate risk disclosures.

As a result, we support the IFRS Foundation’s proposal to establish a new Sustainability Standards Board provided that the IFRS Foundation takes on board three key recommendations:

1. to adopt a “climate first” approach,
2. to leverage existing international frameworks (TCFD, SASB), and
3. to recognize investors as the primary constituent of additional climate disclosures.[8]

[8] SSGA’s response: http://eifrs.ifrs.org/eifrs/comment_letters/570/570_27850_LisaTuomivaaraStateStreetGlobalAdvisors_0_201231IFRSConsultationPaperonSustainabilityReportingStateStreetGlobalAdvisorsComments1.pdf

It is therefore encouraging that the Commission is co-chairing IOSCO's work on corporate sustainability reporting, and that the IFRS Foundation is not only working closely with the Commission but has also confirmed an approach that is in line with our recommendations.[9]

We urge the Commission to fully engage in these efforts with a view to driving international harmonization consistent with U.S. policy and legal frameworks.

Conclusion

Once again, thank you for providing State Street the opportunity to comment on possible Commission rulemaking on corporate disclosures of climate-related risks. Access to reliable, consistent climate risk information is of critical importance to investors, and we support Commission rulemaking mandating additional corporate climate risk disclosures, as described above.

Please feel free to contact [redacted] should you wish to discuss the contents of this submission in greater detail.

Sincerely,

Richard F. Lacaille
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[9] https://www.ifrs.org/news-and-events/news/2021/03/trustees-announce-strategic-direction-based-on-feedback-to-sustainability-reporting-consultation/