



May 5, 2022

Via Electronic Mail

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: Public Input on The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Chair Gensler:

At Allbirds, we have strived to build a new kind of business that puts purpose at its core from day one. Indeed, we think of ourselves as one of the first “purpose-native” companies. Where many businesses see tension between profit and purpose, we see opportunity—in fact, we believe that the more sustainable we are, the better our products are, and the better our business performs.

We are a young company—founded in 2015 with our first sales in 2016—and a newly minted public company, but we have been leading on climate measurement and transparency for years. The Commission's proposed climate disclosure rules are long overdue. You will surely hear from larger companies and their trade associations that the complexity of their supply chains makes it difficult to accurately measure greenhouse gas emissions. As a global business with an increasingly complex network of distribution, we know this to be false. We believe that companies bear a responsibility to understand the pollution that they create; it is insufficient to use complexity as an excuse. We think of pollution from emissions similarly to financial cost inputs. No company would make a product if it couldn't estimate the cost of manufacturing; pollution is no different and must be treated similarly for us to avoid societal catastrophe.

Secondarily, while the Commission's proposal is a step in the right direction, it is only a sliver of what public companies should disclose. Climate change does not exist in a vacuum—its impacts are far reaching and interconnected to other societal issues. For example, we cannot talk about the environmental impacts of climate change without also discussing the related social justice implications. We believe strong performance across Environmental, Social, and Governance (ESG) to be a critical task for management teams. As part of our IPO in 2021, we pioneered a new approach to ESG outcomes called the Sustainability Principles and Objectives Framework (SPO Framework).¹ We worked with a council of experts to develop a set of 19 criteria that, if satisfied, would help distinguish best-in-class ESG companies. To create these criteria, the council leveraged existing

¹For more information, visit <https://spo.bsr.org/>.



frameworks and best practices. During our IPO, we satisfied all 19 criteria and had Institutional Shareholder Services (ISS) verify our responses at a modest cost. The SEC climate disclosure proposal covers two of the SPO Framework criteria—specifically criteria 4 and 5.² If the SEC does not choose to adopt each of the 19 criteria just yet, this voluntary framework is, in our view, best in class for public companies. We invite others to follow on a voluntary basis.

The remainder of our letter seeks to provide more context towards these views.

Inclusion of Scope 3 Emissions

Climate change is an existential threat to humanity and what we believe to be the most urgent issue of our generation, and one that the private sector must also address. We became a carbon-neutral company (across scopes 1, 2, and 3 emissions) in 2019 with the aid of credible, third-party verified carbon credits. In 2020, we began labeling each of our products with their carbon footprints to provide transparency into the environmental impact of the products we create and hold ourselves accountable to achieving our ambitious climate targets. We plan to dramatically reduce the per unit carbon footprint for each of our products by 50% by the end of 2025 and by 95% by 2030, in each case, relative to a baseline of what our carbon emissions would be per unit in 2025 without any further action to limit emissions. In 2021, we began reporting our absolute scopes 1, 2, and 3 emissions, which have been verified by a third party in line with the GHG protocol.

Scope 3 emissions account for approximately **98%** of our total carbon footprint.³ We appreciate that data becomes more opaque and difficult to collect when it is outside a business's operational control. That said, this data is too material to omit. We believe we must be accountable to our full impact and must work to minimize those emissions across our entire value chain, as should others. Without reporting scope 3 emissions, businesses will only be accountable to a small minority of their emissions. We believe there are sufficient methods and tools to estimate scope 3 emissions to an acceptable degree of accuracy and that the climate crisis is far too urgent and the implications are too catastrophic to wait for perfect data.

We believe that robust disclosure and accountability is critical to achieving our ambition to help reverse climate change. And to stem the impacts of climate change before it levies significant harm to humanity, everyone must do the same.

A Common Disclosure Framework

While disclosure is essential for accountability, the number of ESG frameworks has proliferated, leading to an ever increasing reporting burden. We advocate for sufficient disclosure that

² See Category No. 3, Climate and Environment at <https://spo.bsr.org/#criteria>.

³ https://cdn.allbirds.com/image/upload/v1625161698/marketing-pages/Allbirds_Sustainability_Report_2020.pdf



thoughtfully balances accountability with pragmatism, tangible progress, and impact. We believe our SPO Framework does just that.

We have leveraged existing frameworks to ensure clarity and consistency in reporting. We began reporting to the SASB Standards and the Task Force on Climate-related Financial Disclosures (TCFD) framework in 2021 and included both disclosures in our first 10-K in 2022. We believe that material ESG metrics should be as important as financial metrics, and we strive to reinforce this at every opportunity. To that end, in addition to providing investors 2022 financial targets, we also provided a 2022 carbon reduction per unit target for our top 10 products, aligned with our long-term carbon reduction targets.

We encourage the Commission to follow a similar path in leveraging existing—and widely accepted—frameworks to guide disclosure, and we specifically recommend that disclosures be based on the TCFD framework. TCFD has been created to ensure companies have an understanding of climate risks and opportunities, a plan to manage the impacts of climate change, and a standard framework for communicating to investors. The Commission does not need to reinvent the wheel when many companies are already reporting to the TCFD framework.

Furthermore, the Commission should direct the PCAOB to establish auditing standards that provide a streamlined and cost-effective pathway to have assurance over these disclosures to minimize the administrative burden on companies. Given this will be a new process for many companies, we advise progress over perfection at the beginning; and as such, we would suggest a phased approach where companies may at first provide full disclosure into scopes 1, 2, and 3 emissions while not obtaining third-party assurance for their accuracy, followed by a requirement of third-party assurance after the transition phase.


Concluding Thoughts

At every turn—whether it's open-sourcing low carbon materials like our SweetFoam® shoe sole, sharing our carbon footprint methodology,⁴ or establishing the SPO Framework—we've looked for opportunities to share what we've learned with the rest of the industry. We're excited for the chance to extend those learnings in the realm of climate disclosure. As a relatively small, newly public company, we bring a unique perspective on the costs and benefits of such disclosures and feel strongly that if we can do it, the largest public companies certainly can. We have connected with many large firms and we know that should they have the will, they can account for their contributions to global warming, including scope 3 emissions. As a species, we are at a critical juncture, and we applaud the SEC's response to that moment and encourage you to act with urgency and push even harder.

⁴ <https://www.allbirds.com/pages/carbon-footprint-calculator>

allbirds

Respectfully,

A handwritten signature in black ink, appearing to read 'J. Zwillinger', with a long horizontal line extending to the right.

Joseph Zwillinger
Co-Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Timothy Brown', with a large, stylized 'T' and 'B'.

Timothy Brown
Co-Chief Executive Officer