EthicalPartners
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Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

May 20th, 2022

Re: Support to the Enhancement and Standardisation of Climate-Related Disclosures for Investors

Dear Vanessa,

We are writing to you today to express our strong support for S7-10-22 – the Enhancement and Standardisation of Climate-Related Disclosures for Investors.

Ethical Partners Funds Management is an Australian investment firm who manages over $2.8 billion AUD on behalf of millions of Australian investors.

We are legally mandated by our large asset owner clients to deeply consider and integrate climate risk into our investments. Climate risks and impacts are also something that our individual values-based investors feel very strongly about and have entrusted us to assess and integrate into our investment decisions on their behalf. It is also becoming increasingly clear that integrating these risks into our financial analysis is an integral part of our fiduciary duty to our clients, as the financial impacts of climate risk become clearer and more marked. Ethical Partners therefore believe that it is of the utmost necessity for financial markets to properly price and act on the physical and transitional risks and opportunities of climate change. This integration of climate risk and opportunity into our investment and equity pricing is however only possible by being able to access consistent, standardised, comparable, quality disclosures from listed companies, and as such we welcome the SEC's proposed enhancement and standardisation of climate-related disclosure for investors.

As the role of the SEC is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation, we believe that this proposed rule is well within your scope of operations and responsibilities. The absence of adequate information on climate risk and opportunities is already contributing to systemic financial stability risks and barriers to investment in low-emissions and climate resilient economic activity. This includes overvaluation of emissions-intensive activities, under-pricing climate change risk and mispricing of assets, which results in poor decision-making and the misallocation of capital.

Additionally, voluntary reporting approaches on climate risks have proven insufficient. The quantity and quality of disclosures is currently inadequate for investors to efficiently respond to and manage material climate risks and opportunities, and for governments and financial regulators to address system risks to financial stability. Therefore, we believe the SEC's mandatory reporting policy will be instrumental in assisting investors to improve how they evaluate a company's climate initiatives and policies, and the resulting risks and opportunities.

It is for these reasons Ethical Partners is also a signatory to the Statement of Essential Principles for SEC Climate Change Disclosure Rulemaking, along with other investors managing over $4 trn in AUM, who support climate change disclosure rulemaking as being at the core of efficient securities markets and a thriving economy. We also strongly agree with these investors that the small cost for compliance with SEC climate disclosure rules is far less than the possible costs of unmitigated climate risks.

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We furthermore echo their calls that the SEC's work should be based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), a standard becoming well adopted across global investors and companies alike. We also agree that the SEC rulemaking should include industry-specific metrics that build on existing standards in common use by investors and companies and provide insights into companies' climate risk exposure, strategies, and scenario planning.

We also strongly agree that the disclosure rules should include Scope 1, 2, and 3 greenhouse gas emissions, which are all required to assess the full range of climate change risks facing companies, and that risk exposures, business opportunities, impacts on strategy, and emissions reporting and management should all be required to be included in annual, quarterly, and other appropriate SEC filings. We also agree with their request for regular updates in response to rapidly developing climate change impacts, scientific understandings, and capital market responses to climate risks.

In terms of our role as an Australian listed equities investor, we are supportive of this policy, firstly because of the leadership it displays to the Australian regulators regarding the management of climate related financial risks, but also because, if adopted, the Proposed Rule would apply to Australian companies that issue debt or have securities listed in the US as it will apply to foreign private issuers. Australian companies that do business with US companies may also be required as a condition of doing so, to provide disclosures to their foreign counterparts to allow them to comply with the required disclosures, clearly benefiting Australian investors and the Australian superannuants on whose behalf we wish to properly address climate risk in our investments.

Thank you for the opportunity to provide comment.

Kind Regards,

Nathan Parkin
Investment Director
Ethical Partners Funds Management