June 8, 2022

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20548-1090

Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors, File No. S7-10-22

Dear Ms. Countryman:

Fortive Corporation ("Fortive") appreciates the opportunity to submit this comment letter to the U.S. Securities and Exchange Commission (the "Commission" or "SEC") in response to the Commission's rulemaking proposal, "The Enhancement and Standardization of Climate-Related Disclosures for Investors" (the "Proposing Release").[1]

Fortive is a provider of essential technologies for connected workflow solutions across a range of attractive industrial technology end-markets. Our businesses design, develop, manufacture, and service professional and engineered products, software, and services, building upon leading brand names, innovative technologies, and significant market positions. We are an NYSE-listed company headquartered in Everett, Washington with over $5 billion in annual revenues and with operations in more than 50 countries around the world.

Fortive commends the Commission's goals of improving the consistency, comparability, and reliability of climate-related disclosures. However, we are concerned with certain aspects of the Proposing Release and the rules contemplated therein (the "Proposed Rules," and together with the Proposing Release, the "Proposal"), including the (i) proposed timeline and phase-in periods; (ii) 1% disclosure threshold for the financial impacts of severe weather events, other natural conditions, transition activities, and identified climate-related risks on the financial statements; (iii) Scope 3 greenhouse gas ("GHG") emissions disclosure requirements; and (iv) scenario analysis disclosure requirements.

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1 The Enhancement and Standardization of Climate-Related Disclosures for Investors, Release Nos. 33-11042; 34-94478; File No. S7-10-22 (Mar. 21, 2022).

Peter C. Underwood
Senior Vice President and General Counsel
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I. The Contemplated Timeline for Compliance with the Proposed Rules is Insufficient for Companies to Disclose Accurate Climate-Related Information

The Proposed Rules contemplate phase-in periods based on SEC filer status. However, the contemplated timeline for compliance with the Proposed Rules is insufficient for registrants to carry out the numerous processes needed to provide accurate climate-related disclosures to investors. For example, if the final rules become effective as proposed by December 2022, large accelerated filers would be required to provide extensive climate-related disclosures in their fiscal year 2023 annual reports on Form 10-K or Form 20-F. Therefore, registrants would need to have such processes implemented at the beginning of fiscal year 2023 and to begin preparing before any final rules are adopted. The required climate-related disclosure would include, among other things:

- Scopes 1 and 2 GHG emissions data, both in the aggregate and on a disaggregated basis;
- climate-related financial risks, metrics, and related disclosure in a note to the audited financial statements; and
- considerable qualitative disclosures.

Given the magnitude and complexity of the Proposal, registrants need additional time to develop, enhance, test, and refine numerous new processes to prepare the requisite climate-related disclosures and ensure their accuracy. These processes would include, among other things, developing and implementing related disclosure controls and procedures, as well as data collection systems, to record and measure this novel information for financial reporting purposes. Registrants also require additional time to adequately organize, train and, in certain cases, expand their personnel to ensure a cross-functional team with the requisite knowledge, including internal and external audit, is coordinated and in place to carry out these responsibilities.

Further, under the Proposal, certain emissions for accelerated and large accelerated filers are subject to assurance. Given the limited supply of qualified independent attestation providers with sufficient subject matter expertise and experience, a large number of companies will be competing for these costly resources on the same disclosure timeline and within a short period of time.

To provide companies with sufficient time to carry out these requisite processes, we request that the Commission provide an extended transition period from adoption of the final rules until [the annual reports on Form 10-K or Form 20-F covering fiscal year [2025]], in order to reduce the burden on public companies and to allow them to prepare adequately for compliance.

II. The 1% Threshold should be Replaced with a Materiality Threshold

The Proposed Rules would require companies to disclose (i) the impact of severe weather events, other natural conditions, and transition activities on financial statement line items, and (ii) expenditures to reduce GHG emissions or otherwise mitigate risks from severe weather events, other natural conditions, and transition activities, in each case subject to a bright-line threshold. In particular, such disclosures would be required if the aggregate impact on the line item is at least

1% of the total line item for the relevant fiscal year, without regard to whether such aggregate impact is material.

The Commission explained in the Proposing Release that it believes the 1% threshold would reduce overall costs for registrants, while assuring investors that the "more significant" impacts are reflected in line item reporting and also promoting comparability among different registrants.[2] We are concerned that the 1% threshold will have the opposite of the Commission's intended effect.

In particular, tracking the absolute value of each impact on a line-by-line basis and calculating the aggregate impacts against the 1% threshold would impose additional costs on companies, burden existing processes and capacity, and present other significant challenges. These challenges would include, among other things, (i) developing and implementing related controls and procedures, (ii) revising current disclosure and document preparation timelines, which in many cases are already extremely tight, and (iii) requiring registrants to exercise considerable judgment and include numerous estimates and assumptions in a filed document. Such estimates and assumptions would be subject to wide variability, including how to distinguish between and account for "severe weather events" (which is not defined in the Proposal) for a particular region versus less severe events. Additionally, tracking the absolute value of all impacts on a line-by-line basis would be incredibly challenging and costly for companies to operationalize. In particular, we do not believe it is feasible to disaggregate the impact of a severe weather event from the plethora of other factors impacting each line item. It will be challenging and costly for registrants to train their employees to (i) recognize when a severe weather event is occurring in multiple locations around the world, (ii) track the potential qualitative and quantitative impact of such event, (iii) accurately measure and record the potential financial statement impact on the relevant line items, and (iv) sufficiently demonstrate to auditors the basis for the numerous conclusions and assumptions used to account for a subjective, severe weather event.

As a result, the disclosures will be inconsistent across companies, thereby decreasing comparability of the data. In addition, even if companies could consistently ascertain accurate and comparable data, the strict 1% threshold in many cases would result in registrants disclosing information that is not material to investors. Imposing a 1% threshold also may discourage companies from adopting aspirational transition plans. The proposed threshold also is inconsistent with other disclosure frameworks, such as those released by the International Sustainability Standards Board (ISSB). Accordingly, we believe that the Commission should replace the 1% threshold with a materiality threshold, which would be consistent with U.S. generally accepted accounting principles (GAAP) or other SEC Staff Accounting Bulletins (SAB), including SAB 99. A materiality threshold would help companies make difficult judgments about climate-related disclosures and provide investors with more meaningful disclosure.

III. Scope 3 Emissions Disclosure Should be Required Only if Material, and Should be Phased-in After Three Years

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[2] See the Proposing Release at 121 and 347.

The Proposed Rules would require registrants to disclose their total Scope 3 emissions for the fiscal year if either (i) those emissions are material, or (ii) the registrant has set a GHG emissions reduction target or goal that includes its Scope 3 emissions. In addition, where a registrant has determined that its Scope 3 emissions are not material, the Proposing Release suggests that registrants should disclose the basis for such determination.[3]

Although the proposed Scope 3 emissions disclosure requirements are subject to a materiality qualifier to the extent a registrant has not set GHG emissions reduction targets or goals that include Scope 3 emissions, we believe these rules would, nevertheless, subject registrants to substantial administrative and financial burdens that are not commensurate with the purported benefits that such disclosure would provide to investors. Specifically, even where a registrant's Scope 3 emissions are neither material nor included in any GHG emissions reduction targets or goals, the registrant would need to conduct a full Scope 3 analysis in order to make the materiality determination on an annual or more frequent basis. The Proposal also suggests that a registrant consider disclosing the basis for any non-materiality determination, which is a departure from the SEC's long-standing disclosure regime.

As the Commission acknowledged in the Proposing Release,[4] obtaining and verifying Scope 3 emissions data from third parties, including suppliers in the registrant's value chain that are privately held or located outside the United States, may be challenging, as such data may not be readily available and will rely heavily on estimates and assumptions. The accounting for Scope 3 data is also in nascent stages and often based on modeled data which, combined with the required estimates and assumptions, imposes substantial risk that Scope 3 disclosures in periodic filings will not be comparable across industries or even across peer companies, which could lead to significant investor confusion or misunderstanding. Notwithstanding the proposed exemption for smaller reporting companies, the administrative and financial costs associated with collecting and measuring such data would be particularly burdensome for many registrants that currently do not report such information on a voluntary basis, especially small, medium-sized and newly reporting companies.

In addition, because Scope 3 emissions disclosure would be required if the company has disclosed related targets or goals, the Proposed Rules could discourage companies from adopting transition plans or climate-related targets or goals.

To help ease the administrative and financial burdens associated with collecting Scope 3 emissions data, and to circumvent the chilling effect that the Proposed Rules may have on companies who otherwise would voluntarily include Scope 3 emissions in their GHG emissions targets or goals, we believe the Commission should require Scope 3 disclosure only when such emissions are material. We also believe that registrants will need an extended phase-in period for Scope 3 disclosures. In particular, we recommend that disclosure of Scope 3 disclosure is not required until at least three years after accelerated and large accelerated filers are required to disclose Scopes 1

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[3] See the Proposing Release at 166.

[4] See the Proposing Release at 208.

and 2 GHG emissions. We believe additional compliance time is necessary in light of the inherent challenges in gathering and measuring reliable Scope 3 emissions data.

IV. Scenario Analysis Contains Competitively Sensitive Information and Requiring Disclosure Could Have a Chilling Effect

If a registrant uses scenario analysis to assess the resiliency of its business strategy to climate-related risks, the Proposed Rules would require the registrant to disclose the scenarios considered, including the parameters, assumptions, and analytical choices, as well as the projected principal financial impacts on the registrant's business strategy under each scenario.

The underlying assumptions and details for internal scenario analyses typically constitute competitively sensitive information. Therefore, requiring registrants to disclose such information could discourage registrants from voluntarily adopting transition plans or conducting climate-related scenario analyses, which could negatively impact the ability of registrants to proactively respond to climate-related risks. We believe this requirement is likely to have a negative consequence and a "chilling effect" on the progress of voluntary climate action by companies in the form of scenario analysis. Accordingly, we believe the Commission should not mandate specific disclosure requirements for climate-related scenario analysis.

In addition, scenario analysis, by its nature is highly speculative, and disclosure of such information could present increased liability risk. To the extent registrants are required by the Commission to provide such disclosure, we believe that, at a minimum, the disclosure should be subject to a separate and adequate safe harbor and a streamlined form of confidential treatment if a registrant believes that the information is competitively sensitive.

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We appreciate the opportunity to comment on this important proposal. If the Commission or its staff has any questions with respect to this comment letter, please do not hesitate to contact the undersigned at 425-446-6525.

Sincerely,

Peter C. Underwood
Senior Vice President and General Counsel
Fortive Corporation