June 15, 2022

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washing, D.C. 20154
Electronic Submission

Subject: File Number S7-10-22 The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Chair Gensler,

We are writing in support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors. We appreciate and commend the Commission's efforts in drafting the proposed rulemaking and soliciting broad input into the process.

DSC Meridian Capital LP is a corporate credit and fixed income asset manager focused on investment opportunities in the high yield universe. We are fundamental investors who integrate Environmental, Social and Governance (ESG) into our investment process and as a strategic tool that guides our engagement with portfolio companies. We are members of the Net Zero Asset Managers Initiative. One of our funds focuses specifically on climate change, and we use Scope 1 and 2 data in our underwriting and engagement with companies. The current dearth of reliable data in our opportunity set is a challenge that we believe mandatory disclosure can help address.

High yield issuer ESG data disclosure is more the exception than the rule. About a year ago we conducted a proprietary study with MSCI of the 963 companies in the MSCI US High Yield Index. We found that only fifteen percent of issuers in the index disclose Scope 1 and Scope 2 emissions whereas approximately seventy percent of S&P 500 issuers do.[1] This begs the question: How can we expect companies to reduce their emissions when they don't even measure them?

Despite the sharp increase in voluntary corporate disclosure over the past decade, even among the bottom half of the Russell 1000, the quality of the information companies provide is highly variable.[2] The proposed rule would result in decision useful, comparable climate risk information that is vastly improved compared to disclosures that are currently available.

We further support the inclusion of a GHG emissions reporting requirement and the phasing in of reasonable assurance over time. Reliable, standardized and assured data will strengthen our underwriting as it is critical to our understanding of the quality of a company's earnings in the face of climate change and the energy transition. We commend the SEC's integration of most of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into the proposal because the TCFD recommendations cover many of the essential elements of climate risk disclosure that we

[1] Sustainability Disclosure Practices 2022, ESGUAGE, The Conference Board
[2] https://www.ga-institute.com/fileadmin/ga_institute/images/FlashReports/2021/Russell-1000/G&A-Russell-Report-2021-Final.pdf?vgo_ee=R8PyZNxPHo8pFr8B3UXc2LY6QCr%2BMPugj8ePGhAtI5k%3D

888 Seventh Avenue, 16th Floor, New York, NY 10106 Tel 212-393-4860

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use for our decision making and are broadly supported and used by companies, investors and securities regulators worldwide.

While some argue that climate disclosure has no place in financial filings, the information is already making its way into larger company annual filings. According to Bloomberg Law[3], in 2020, nearly half of the S&P 500 companies cited climate change or greenhouse gas emissions as risk factors in their 2020 annual filings—up from just sixty companies in 2019. In our view, if a risk rises to the level of inclusion in SEC filings for nearly half of the S&P 500, then it is financially material to the investing public. Investors need to underwrite climate risk and understand how it is being managed. On a macro level, climate change presents a systemic risk to the economy and real material physical and transition risks to issuers. It is already changing consumer behavior and company and investor capital allocation.

We do not believe that the proposal will place an undue cost burden on issuers. ERM recently conducted a survey assessing current private sector spend associated with measuring and managing climate change data. It found that the SEC's projected issuer cost estimate of $530,000 following the first year of the proposed rule's implementation is roughly on par with issuers' current spend of $533,000. The survey also found that institutional investors spend $1.3 MM on average on investment related climate data.[4] The proposed rule would ease our firm's climate data cost burden while providing more robust data to inform our investment process.

We believe that the proposal can be further strengthened with respect to Scope 3 emissions and recommend that the Commission strengthen the Safe Harbor provision and provide further guidance to issuers on how that should determine materiality. A simple solution might be to follow the Science Based Targets Initiative recommendation that "if a company's relevant scope 3 emissions are 40% or more of the total scope 1, 2 and 3 emissions, a scope 3 target is required."[5] We also believe that exemptions to Scope 3 disclosure should be phased out over time.

We are running out of time to avoid the worst impacts of climate change, and the enhanced disclosure in the proposed rule is a strong step in the right direction. We commend the Commission's efforts and thank you for the opportunity to submit our comments.

Sincerely,

Sheru Chowdhry
Founder and CIO

[3] https://news.bloomberglaw.com/securities-law/climate-change-risks-surge-in-companies-annual-reports-to-sec

[4] https://www.sustainability.com/globalassets/sustainability.com/thinking/pdfs/2022/climate-disclosure-survey_fact-sheet-april-2022.pdf

[5] https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf