June 16, 2022

Vanessa A. Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549–1090

Submitted via email: rule-comments@sec.gov

RE: File Number S7-10-22: Proposed Rule Regarding the Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

Warner Music Group Corp. (NASDAQ: WMG) is one of the world's leading music entertainment companies whose business spans both recorded music and music publishing. WMG's Recorded Music division includes renowned labels such as 300 Entertainment, Asylum, Atlantic, Big Beat, Canvasback, Elektra, Erato, First Night, Fueled by Ramen, Nonesuch, Parlophone, Reprise, Rhino, Roadrunner, Sire, Spinnin', Warner Records, Warner Classics and Warner Music Nashville. WMG's music publishing arm, Warner Chappell Music, has a catalog of over one million copyrights spanning every musical genre. WMG is also home to ADA, the independent artist and label services company, as well as WMG's artist services division WMX, which includes consumer brands such as Songkick, the live music app; EMP, the merchandise e-tailer; UPROXX, the youth culture destination; and HipHopDX, the hip-hop music news site. In addition, WMG includes Warner Music Entertainment and social media content creator IMGN among its brands. With operations in more than 70 countries, WMG is headquartered in New York City and has approximately 2,150 U.S. employees based at our offices in New York, Los Angeles, Nashville and Miami, and approximately 6,000 employees globally.

WMG welcomes this opportunity to provide comments to the Securities and Exchange Commission (SEC) in response to the request for public comment published in the *Federal Register* on April 11, 2022, regarding the proposed rule that would require registrants to provide certain climate-related information in their registration statements and annual reports (i.e., "the enhancement and standardization of climate-related disclosures for investors"). WMG applauds the SEC's interest in standardizing climate-related reporting and generally supports the goal of the proposed rule of providing consistent, comparable and reliable information to investors. Our comments focus on the inclusion of Scope 3 greenhouse gas (GHG) emissions in annual SEC filings, the proposed rule's departure from the Greenhouse Gas Protocol (GHG Protocol), the line-item disclosure threshold of one percent for financial statement disclosures and the overall uncertainty regarding costs for compliance.

As a threshold matter, WMG is dedicated to helping fight climate change and transparently reporting on our related efforts. In late 2021, we became a founding signatory of the *Music Climate Pact*, endorsed by the UN Environment Programme (UNEP), which included a pledge to set a GHG reduction target per the Science-Based Targets Initiative. In early 2022, in our first annual Environmental Social Governance (ESG) Report., we disclosed our carbon footprint and committed to provide further disclosure and updates. We are proud to have been the first major music entertainment company to produce an in-depth ESG report.

Since going public in June 2020, we have invested in our ESG efforts through hiring our first Vice President of ESG to formalize and oversee our global ESG strategy. This strategy is based on a materiality assessment that identified and prioritized the issues that are most relevant to WMG. It involved engaging with stakeholders and mapping our priorities against standards such as the Sustainable Accounting Standards Board (SASB), the United Nations Sustainable Development Goals (SDGs) and relevant Global Reporting Initiative (GRI) standards. We are now advancing this work by developing long-term, measurable targets for which we will provide progress updates through our annual ESG Report.

Notwithstanding our commitment to environmental sustainability and reducing our GHG emissions, we urge the SEC to continue the current practice of allowing companies to include their Scope 3 disclosures as part of their standalone ESG reporting rather than requiring that they be included in financial disclosures filed with the SEC. We arrive at this view as a result of our serious concerns that the following areas of the proposed rule may not achieve the goal of providing consistent, comparable and reliable information to investors:

- **The inclusion of Scope 3 GHG emissions in annual SEC filings may convey a level of precision and reliability that is misleading.**
    - Scope 3 calculations are frequently based on estimates and rely on imperfect data due to operational barriers and inaccuracies inherent in obtaining this data from vendors and other parties within the value chain, many of which may have limited emissions data. Providing such information alongside financial information that is inherently much more precise may lead to investor confusion about the reliability of Scope 3 data. Given the data creditability challenges, reporting Scope 3 within a company's financial disclosures could also undermine the goal of providing consistent, comparable and reliable disclosures to investors.
    - The lack of consistency in methodologies for calculating Scope 3 emissions creates further confusion. The GHG Protocol provides up to five different methodologies to calculate emissions for some of the 15 categories of Scope 3 emissions, which results in a lack of comparable reporting across companies. Additionally, there are no industry-specific methodologies for many industries, including the music industry, that take into account the unique nuances of different industries' value chains.
    - The inclusion of "safe harbor" protection from securities law liability for Scope 3 in the proposed rule reflects the fact that Scope 3 information relies heavily on judgment and estimates and lacks sufficient reliability to require disclosure.

- **The proposed rule does not fully align with the GHG Protocol, the leading target-setting standard that many investors, ratings and ranking agencies use as criteria for analysis.**
    - This misalignment may further fragment the existing reporting standards rather than encourage standardized, comparable disclosures.
    - The proposed rule may also result in divergence from global reporting standards that are under development by the International Sustainability Standards Board. This could create complications from a compliance perspective for global companies such as ours.

- **The proposed one percent threshold to disclose climate-related risks and transition activities is inconsistent with the SEC's established materiality definition, and would require entirely new reporting processes.**
    - The low threshold and line-item granularity of the proposed requirement could result in the disclosure of information that is immaterial and may be misleading to investors.
    - Estimating climate-related financial impacts would also require significant judgment. The proposed rule includes broad definitions of climate-related events and transition activities. Companies will therefore be required to apply significant judgment based on imprecise estimates to identify and measure the financial impacts reported in the financial statement. The lack of precedent and guidance regarding how companies would develop these financial metrics may result in a significant lack of comparability across disclosures.

- **The overall uncertainty regarding the costs of compliance hinders the ability of businesses to plan accordingly.**
    - The proposed rule would involve significant additional cost and administrative burden for reporting companies to develop the additional processes, procedures and internal controls necessary to track information at the detailed level required. This effort is disproportionate to any perceived benefit to investors. The proposed rule would also require a significant acceleration in reporting deadlines, which will further increase the costs and efforts required. We believe the actual additional cost and administrative burden will be substantially higher than those estimated in the proposed rule.
    - The rapid one-year adoption and implementation timeline will further increase costs by requiring companies to engage third parties to assist with implementation within the short time frame.

WMG is grateful for this opportunity to provide constructive comments, which we hope will be taken into consideration as the SEC finalizes its rule. We support the SEC's efforts to promote climate-related disclosures and consistent reporting, and hope the final rule will be practicable for businesses to provide useful and meaningful information for investors and other stakeholders who rely on this kind of reporting.

Sincerely,

DocuSigned by:
Eric Levin
2ED9FF10D53946F...

Eric Levin
Executive Vice President and
Chief Financial Officer