novata

June 16, 2022

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

RE: Response to the SEC's "Enhancement and Standardization of Climate-Related Disclosures for Investors" File Number S7-10-22

VIA E-MAIL

Dear Chair Gensler,

We applaud the SEC for the work it has done to deliver the proposed climate-related disclosures for investors and appreciate the opportunity to share our perspective. We write on behalf of Novata, a public benefit corporation created by a unique consortium of the Ford Foundation, Hamilton Lane, S&P Global and Omidyar Network.

Novata is a technology platform that provides a range of ESG data management capabilities aimed at enabling private equity funds to collect and report on the ESG performance and impact of their portfolio companies. Novata includes step-by-step guidance for reporting on GHG emissions — an area that many data reporters and requesters have highlighted as particularly challenging.

Novata builds on the efforts of leading organizations in the ESG reporting ecosystem, such as the International Sustainability Standards Board (ISSB) and Task Force on Climate-Related Financial Disclosures (TCFD.) Guided by the leadership of these organizations, companies have made major strides in voluntary reporting on climate-related issues.

There is broad public support for climate disclosure. [Survey research from JUST Capital, SSRS, Public Citizen, and Ceres] shows that “90% of Americans say it is important that there is a common, standardized reporting structure for companies.” The report goes on to note that the majority of the people surveyed “support the federal government requiring corporate disclosure on human capital and environmental impact data, making performance comparable across companies and/or industries.”

Today, both public and private companies produce voluntary climate-related disclosures. Yet, there is little alignment among U.S. companies on where and how they publish these disclosures, which can appear in corporate social responsibility reports, on websites, in marketing campaigns, and more. Investors seeking climate-related information for decision-making purposes dedicate a significant portion of their time to locating, coalescing, and structuring the data. This investment is not one all institutions can make. ***The SEC proposed rule creates a new, standardardized approach that will propel the industry forward by providing consistent, comparable information for a broad range of stakeholders to use in their decision making.***

Novata’s step-by-step guidance on ESG reporting has taken a similar approach to the SEC, using the GHG Protocol as a standard and recommending emissions data be reported in CO2e. Created in 1997, the GHG Protocol (GHGP) was the first, and remains the most, used and recognized carbon accounting framework. Mandatory climate disclosure is gaining acceptance around the globe, yet climate reporting and carbon accounting are new concepts for many companies. As pressure grows from climate information users such as investors, information reporters have been increasingly sharing their non-financial data in line with their financial disclosures, with Chief Financial Officers stepping up to review the data. Corporate disclosure on climate goals and impacts is crucial information that employees, communities, investors, and other stakeholders need to understand in order to grasp the role business plays in our planet's warming.

What is missing from the conversation on climate disclosure in the private markets is a sense of urgency. Private companies are part of the value chain of large, publicly traded companies — many of which have made disclosure commitments and established Net Zero targets. Today there are around 50,000 public companies while in contrast, there are an estimated 200 million private companies. As members of public company supply chains, private companies will have to quickly learn how to navigate climate-related disclosures in order to meet the disclosure demands of their public company customers.

In our conversations with private equity firms and their portfolio companies, we encourage organizations considering an IPO to adopt standardized ESG disclosure sooner rather than later. In addition to encouraging private companies to begin disclosing their climate-related goals and impacts, Novata seeks to dispel the myth that the cost of climate disclosure and assurance will lead companies to stay private. Standardized disclosure from private companies would enable publicly traded companies subject to SEC disclosure requirements to better identify and manage their climate financial risk, engage in target setting, and employ reduction strategies. This in turn would lead to building stronger and more resilient businesses.

Best wishes for success in your important deliberations.

Sincerely,
Lorraine Spradley Wilson
Chief Impact Officer

cc: Commissioner Hester M. Peirce
Commissioner Allison Herren Lee
Commissioner Caroline A. Crenshaw
Secretary Vanessa A. Countryman