**Public Comment: S7-10-22 via Electronic Mail to rule-comments@sec.gov**

Secretary Vanessa Countryman
U.S. Securities and Exchange Commission
100 F Street, NE Washington, DC 20549

Dear Secretary Countryman,

The World Business Council for Sustainable Development (WBCSD) welcomes the opportunity to comment on The Enhancement and Standardization of Climate-Related Disclosures for Investors.

WBCSD is a global community of over 200 of the world's leading sustainable businesses. Together we are working with CEOs and CFOs to accelerate the system transformations needed for a net-zero, nature positive, and more equitable future.

Our member companies come from all business sectors and major economies, representing a combined revenue of more than USD $8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled global reach. Since 1995, WBCSD has been uniquely positioned to work with member companies and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability, united by our vision of creating a world in which 9+ billion people are living well, within planetary boundaries, by mid-century.

WBCSD's CFO Network is comprised of nearly 50 CFOs across all geographies, representing USD $1.5 trillion in combined revenue and over 3 million employees**.** As major preparers of financial and non-financial information, we welcome the efforts of the US Securities and Exchange Commission's proposed Climate Risk Disclosure Rule.

**WBCSD welcomes the US SEC's efforts to more formally and adequately "regulate, monitor, review, and guide climate change disclosures in order to provide more consistent, comparable, and reliable information for investors while also providing greater clarity to registrants as to what is expected of them."**

Forward-thinking and sustainable businesses within WBCSD believe that clear, comprehensive and comparable disclosure is a foundational building block of a well-functioning financial system. Better reporting – including on issues related to climate risks and impacts – by firms and financial institutions is urgently needed to reflect a truer picture of costs, benefits and values.

WBCSD has extensive experience in providing feedback and best practice on sustainability risk and reporting frameworks, including directly to the Taskforce on Climate Related Financial Disclosure (TCFD). WBCSD members have worked on TCFD interpretation and implementation for several years through our Preparer Forum initiatives for priority non-financial sectors: Autos, Electric Utilities, Food, Ag, Forest, Construction & Building Materials, Chemicals, Oil & Gas.

Please read below our formal consultation response, with key questions selected in partnership with the We Mean Business Coalition. The CFO Network remains available to support and enhance the US SEC's efforts. We welcome the opportunity to further discuss the above feedback as appropriate.

Note that this consultation response was released in the name of WBCSD. Like others, it is the result of collaborative efforts by the secretariat, partners and representatives from member companies. It does not mean, however, that every member company agrees with every word.

## Please see below for a selection of questions chosen and answered in partnership with the We Mean Business Coalition and Partners

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**Question 3 - TCFD**

*Should we model the Commission's climate-related disclosure framework in part on the framework recommended by the TCFD, as proposed? Would alignment with the TCFD help elicit climate-related disclosures that are consistent, comparable, and reliable for investors? Would alignment with the TCFD framework help mitigate the reporting burden for issuers and facilitate understanding of climate-related information by investors because the framework is widely used by companies in the United States and around the world? Are there aspects of the TCFD framework that we should not adopt? Should we instead adopt rules that are based on a different third-party framework? If so, which framework? Should we base the rules on something other than an existing third-party framework?*

We welcome and appreciate the use of the TCFD framework and encourage alignment with the TCFD and the ISSB frameworks to the greatest extent possible. In our view, alignment with the TCFD will go a long way to ensuring consistency across approaches globally. We see that all elements of the TCFD are relevant for a good understanding of a company's approach to climate-related risks, the related performance and its resilience.

The TCFD framework was built with strong input from both investors and preparers. We believe the TCFD is a decision-useful tool for investors, and it is also relevant and feasible for preparers.

As the SEC states in its discussion for this proposal, the TCFD is widely adopted globally by investors, preparers and regulators. It has become de facto a global baseline standard for reporting on climate-related risks and opportunities. Alignment with the TCFD will likely reduce the reporting burden and enable consistent, comparable information for investors.

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**Question 18 – Opportunities**
**(optional: see also question 28, 31, 33, 41, 49, 51 and 62)**

*Should we define climate-related opportunities as proposed? Should we permit a registrant, at its option, to disclose information about any climate-related opportunities that it is pursuing, such as the actual or potential impacts of those opportunities on the registrant, including its business or consolidated financial statements, as proposed? Should we specifically require a registrant to provide disclosure about any climate-related opportunities that have materially impacted or are reasonably likely to impact materially the registrant, including its business or consolidated financial statements? Is there a risk that the disclosure of climate-related opportunities could be misleading and lead to "greenwashing"? If so, how should this risk be addressed?*

In our view, the best way to avoid greenwashing is to align with the TCFD and ISSB frameworks to the greatest extent possible. As companies are encouraged to report using the same terminology and definitions, there will be fewer loopholes or opportunities to greenwash.

In terms of disclosure of opportunities, rather than a risk of greenwashing, we see disclosure of opportunities as a driving factor across industries to perform more strongly and stay ahead of the competition. Keeping disclosures focused on **material** issues related to climate risks/opportunities will help avoid greenwashing.

For climate change, many opportunities are very closely related to the reduction of risks: if the opportunity isn't seized, the risk to the company would increase.

In our view, opportunities are of equal importance to risks for investors to understand. Only when a company is entering a completely unrelated market will there be a concern about disclosing competitively sensitive information. We would therefore be in favor of mandatory disclosure of climate-related opportunities, except when such opportunities are unrelated to the core of the business or to risks that the company would face in case of inaction.

Greenwashing is a risk for all disclosures that, in our view, would not only relate to opportunities. Equally, risks can be portrayed in a downplayed manner or omitted from a report.

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### Question 93 – Usefulness of GHG reporting

*How would investors use GHG emissions disclosures to inform their investment and voting decisions? How would such disclosures provide insight into a registrant's financial condition, changes in financial condition, and results of operations? How would such disclosures help investors evaluate an issuer's climate risk-related exposure? Would such disclosures enable investors to better assess physical risks associated with climate-related events, transition risks, or both types of risks?*

In a world that needs to move to net-zero, GHG emission levels indicate the extent to which a company is ready for that transition or is on the appropriate path towards the net-zero objective. GHG emissions levels provide insight into risk exposure.

When compared to other companies in the same or related industries, such information provides investors with insight into the (relative) climate resilience and climate-related financial risks. If the change does not happen quickly enough, investors can use – and are already using – the GHG emission levels and related targets/plans to influence the company's board via voting or even proposing resolutions.

GHG emissions alone do not inform the financial condition and/or results of operations. Rather, they serve as data that can help investors understand to what extent the future financial condition situation may change.

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### Question 115 – GHG Accounting principles

*Should we require a registrant to disclose the methodology, significant inputs, and significant assumptions used to calculate its GHG emissions metrics, as proposed? Should we require a registrant to use a particular methodology for determining its GHG emission metrics? If so, should the required methodology be pursuant to the GHG Protocol's Corporate Accounting and Reporting Standard and related standards and guidance? Is there another methodology that we should require a registrant to follow when determining its GHG emissions? Should we base our climate disclosure rules on certain concepts developed by the GHG Protocol without requiring a registrant to follow the GHG Protocol in all respects, as proposed? Would this provide flexibility for registrants to choose certain methods and approaches in connection with GHG emissions determination that meet the particular circumstances of their industry or business or that emerge along with developments in GHG emissions methodology as long as they are transparent about the methods and underlying assumptions used? Are there adjustments that should be made to the proposed methodology disclosure requirements that would provide flexibility for registrants while providing sufficient comparability for investors?*

Accounting for GHG emission metrics is subject to assumptions, tailored methodologies and approaches. Such accounting can be very detailed and technical. Still, in light of desired consistency and comparability for investors' evaluations, it will be critical to understand the methodology, inputs and assumptions at a summarized level. We would not see any objection to require such information from registrants. In addition to consistency and comparability, it would also serve transparency and openness as such.

The GHG Protocol is a widely-used international approach to accounting for GHG emissions. We are in favor of global harmonization as much as possible and strongly support the use of the GHG Protocol. If the secretariat publishes a new version of the GHG Protocol, the latest draft should always be the preferred reporting method for the SEC disclosure and reporting. Consistency between SEC disclosure requirements and the existing GHG Protocol (and future drafts) is crucial to reducing the reporting burden on filers.

We believe the SEC has a unique opportunity to ensure and support such global harmonization by implementing the de facto global standard for GHG accounting.

Methodologies to GHG accounting are (almost) always tailored to the specific circumstances. We would therefore welcome a requirement for companies to apply the GHG Protocol as much as possible while allowing for more sector- and product-specific guidance that is compliant with the overarching GHG Protocol Guidance.

For the financial sector, the flexibility to choose one of three consolidation approaches when defining their organizational boundaries might compromise comparability and, to a certain extent, the consistency of reporting. It is recognized that the GHG Protocol is sector agnostic and provides GHG accounting rules for all sectors. More sector-specific rules on system boundaries for the financial can be adjusted and adapted to meet one of the three choices in the GHG Protocol. We therefore support use of the GHG Protocol insofar as it can be used to align to financial boundaries.

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**Question 116 – Boundaries**
**(see also 119, 120 and 121)**

*Should we require a registrant to disclose the organizational boundaries used to calculate its GHG emissions, as proposed? Should we require a registrant to determine its organizational boundaries using the same scope of entities, operations, assets, and other holdings within its business organization as that used* *in its consolidated financial statements, as proposed? Would prescribing this method of determining organizational boundaries avoid potential investor confusion about the reporting scope used in determining a registrant's GHG emissions and the reporting scope used for the financial statement metrics, which are included in the financial statements? Would prescribing this method of determining organizational boundaries result in more robust guidance for registrants and enhanced comparability for investors? If, as proposed, the organizational boundaries must be consistent with the scope of the registrant's consolidated financial statements, would requiring separate disclosure of the organizational boundaries be redundant or otherwise unnecessary?*

We agree with the intended objective to reduce or eliminate investor confusion. This calls for a clear-cut and consistent approach to reporting boundaries. We are supportive of the proposed approach that would be equal to the organizational boundaries for financial reporting.

However, rules should allow for flexibility and differentiation if discrepancies are explained and steps to align are considered. For example, companies should aim to align their climate-related disclosure with boundaries in their financial filings – such alignment would reduce confusion. However, climate-related metrics differ from financial metrics and some climate metrics are not as mature. In these instances, companies should be permitted to explain any misalignment and outline plans to address them.

For instance, Scope 3 emissions account for aspects of a product's lifecycle that a manufacturing company is not financially responsible for – such as the disposal or recycling of the end product, employee commuting, processing of sold products, and other categories. If the exact same boundaries must be followed for emissions modeling as financial modeling, a significant portion of Scope 3 emissions, if not most of them, would fall outside those boundaries. Therefore, in our view, the filer should disclose the organizational boundaries used to calculate its GHG emissions.

**Question 124 – Emission factors**

*Should we require a registrant to disclose the methodology for calculating the GHG emissions, including any emission factors used and the source of the emission factors, as proposed? Should we require a registrant to use a particular set of emission factors, such as those provided by the EPA or the GHG Protocol?*

Though existing emissions factors are helpful, they should be a minimum requirement. However, where more accurate and specific emissions factors have been calculated for certain use cases, companies should be able to use those more accurate factors with a disclosure on the methodology for how that emissions factor was determined (e.g., electricity coming from a natural gas co-generator, not from grid electricity). In this scenario, companies should be allowed to use the more accurate and primary emissions factor for 100% natural gas combustion as opposed to grid electricity.

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**Question 133 – Safe harbor for Scope 3**

*Should we provide a **safe harbor for Scope 3 emissions** disclosure, as proposed? Is the scope of the proposed safe harbor clear and appropriate? For example, should the safe harbor apply to any registrant that provides Scope 3 disclosure pursuant to the proposed rules, as proposed? Should we limit the use of the safe harbor to certain classes of registrants or to registrants meeting certain conditions and, if so, which classes or conditions? For example, should we require the use of a particular methodology for calculating and reporting Scope 3 emissions, such as the PCAF Standard if the registrant is a financial institution, or the GHG Protocol Scope 3 Accounting and Reporting Standard for other types of registrants? Should we clarify the scope of persons covered by the language "by or on behalf of a registrant" by including language about outside reviewers retained by the registrant or others? Should we define a "fraudulent statement," as proposed? Is the level of diligence required for the proposed safe harbor (i.e., that the statement was made or reaffirmed with a reasonable basis and disclosed in good faith) the appropriate standard? Should the safe harbor apply to other climate-related disclosures, such as Scopes 1 and 2 emissions disclosures, any targets and goals disclosures in response to proposed Item 1505 (discussed below), or the financial statement metrics disclosures required pursuant to Proposed Article 14 of Regulation S-X? Should the safe harbor apply indefinitely, or should we include a sunset provision that would eliminate the safe harbor some number of years, (e.g., five years) after the effective date or applicable compliance date of the rules? Should the safe harbor sunset after certain conditions are satisfied? If so, what types of conditions should we consider? What other approaches should we consider?*

Safe harbor should be provided for Scope 3 emissions. Scope 3 emissions are inherently difficult to calculate since they lie outside of the scope of control of the reporting company, and it will realistically take years to develop the relationships with suppliers necessary to approach "complete" Scope 3 reporting. Safe harbor for Scope 3 reporting would indeed "alleviate concerns that registrants may have about liability for information that would be derived largely from third parties in a registrant's value chain."

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**Question 159 – GHG Protocol and "suitable criteria"**

*If we require or permit a registrant to use the GHG Protocol as the methodology for determining GHG emissions, would the provisions of the GHG Protocol qualify as "suitable criteria" against which the Scope 1 and Scope 2 emissions disclosure should be evaluated?*

Yes, the Scope 1 and 2 disclosure a company submits should be evaluated against the GHG Protocol.

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**Question 173 – Offsets and RECs**

*If a registrant has used carbon offsets or RECs, should we require the registrant to disclose the amount of carbon reduction represented by the offsets or the amount of generated renewable energy represented by the RECS, the source of the offsets or RECs, the nature and location of the underlying projects, any registries or other authentication of the offsets or RECs, and the cost of the offsets or RECs, as proposed? Are there other items of information about carbon offsets or RECs that we should specifically require to be disclosed when a registrant describes its targets or goals and the related use of offsets or RECs? Are there proposed items of information that we should exclude from the required disclosure about offsets and RECs?*

To achieve a real net-zero global economy, the primary objective is to reduce carbon emissions in a company's operations and value chain. In our view, offsets should be the last resort option after mitigation. However, companies who buy carbon offsets or RECs demonstrate that they are not (yet) able to achieve such reductions. Therefore, the amounts of carbon offsets/RECs and the source of these would be relevant information for investors to assess whether a registrant is in a (sufficient) transitional mode over time.

In some instances, offsets are in the form of carbon removals and so the registrant should disclose the amount of carbon removal represented by the credit.

We would also emphasize introducing metrics to assess the quality of credits. GHG Protocol land sector and removal guidance (in development) recommends:

"Ensure that any credited GHG reductions or removals adhere to the following quality criteria: additionality, credible baselines, permanence, avoid leakage, unique issuance and claiming, regular monitoring, independent validation and verification, GHG program governance, and no net harm."

Equally, understanding whether the offsets/RECs have been certified supports the confidence of the investor. The level of costs would inform investors over time about the financial implications of the (developments in) offset/REC levels.

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**Question 176 – Private issuers**

*Should we require foreign private issuers that report on Form 20-F to provide the same climate-related disclosures as Form 10-K filers, as proposed? Should we require climate-related disclosures in the* *registration statements available for foreign private issuers, as proposed? If not, how should the climate-related disclosures provided by foreign private issuer registrants differ from the disclosures provided by domestic registrants?*

Climate-related risks and opportunities regard all registrants equally. As stated in the proposal, there is no difference in requirements from domestic and foreign issuers regarding risk factors and MD&A. Therefore, we would see no reason to exclude foreign issuers from the proposed disclosure requirements.

Furthermore, it should be recognized that the SEC is not the only regulator proposing climate-related disclosures. The United Kingdom, the ISSB and the European Union, amongst others, are working on similar proposals. Therefore, reporting should not be a significant additional burden for foreign issuers to also report against the SEC climate-related disclosure requirements. However, we urge that the US SEC works closely with the ISSB, UK, EFRAG and others to ensure interoperability as much as possible.

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**Question 189 – Conditions for using ISSB standards as alternative reporting (see also question 92)**

*An International Sustainability Standards Board (ISSB) has recently been created, which is expected to issue global sustainability standards, including climate-related disclosure standards.*

*If we adopt an alternative reporting provision, should that provision be structured to encompass reports made pursuant to criteria developed by a global sustainability standards body, such as the ISSB? If so, should such alternative reporting be limited to foreign private issuers, or should we extend this option to all registrants?*

*What conditions, if any, should we place on a registrant's use of alternative reporting provisions based on the ISSB or a similar body?*

Investors are not bound to jurisdictional boundaries. In investing on a global scale, they are best served with comparable information and data. In particular, for climate change, whose impact is borderless, global consistency makes utmost sense. The ISSB aims to achieve such global consistency and WBCSD strongly endorses this approach. We would welcome a global, consistent approach as much as possible, starting with effective alignment efforts between the SEC and the ISSB.

We believe that alternative, yet comparable, reporting under global standards should be allowed to all registrants, as this would enable consistent reporting internationally.

If the alignment efforts between SEC and a global sustainability standards body like the ISSB succeed, there should be no material differences between them. However, we could see that some relatively minor additional requirements are still included in the SEC requirements. If this is the case, we recommend including a clause stating that companies should assess the additional requirements on financial materiality and disclose them as appropriate.

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