June 16, 2022

By Email:

Vanessa A. Countryman
Secretary
U.S. Securities & Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

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

Dear Ms. Countryman,

The Institutional Limited Partners Association (ILPA) appreciates the opportunity to comment on proposed rule S7-10-22.[1] On behalf of the more than 590 institutional limited partners (LPs) and more than $2 trillion USD in private equity assets we serve, ILPA has worked to improve governance, transparency and alignment in the private equity industry for more than two decades. This includes setting forth numerous industry guidelines, such as due diligence best practices and fee and expense reporting standards.

ILPA believes that climate reporting disclosures, if aligned with globally recognized standards, will provide investors with more abundant, consistent and critical information for assessing climate-related risks and opportunities across their portfolios. As written today, the Securities and Exchange Commission's (SEC) Proposed Rule is a step toward achieving that goal.

In our earlier comment to the SEC's request for public input on climate-related financial disclosures issued June 11, 2021[2], we indicated that many LPs view environmental, social and governance (ESG) considerations to be an integral part of their investment decision-making processes.

In a more recent ILPA survey conducted with Bain & Company[3], we asked more than 100 LP organizations about the role of ESG adoption and standards in their private equity strategies. More than two-thirds of respondents stated ESG considerations play a part in their private equity investment policies. Nearly 70% of LPs expected to increase their ESG investment allocations and in-house ESG-related capabilities over the next three years. Ninety-three percent of

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[1] U.S. Securities & Exchange Commission, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, 87 FR 29059 (May 12, 2022).

[2] https://www.sec.gov/comments/climate-disclosure/cll12-8906802-244147.pdf

[3] https://www.bain.com/insights/limited-partners-and-private-equity-firms-embrace-esg/

respondent organizations would walk away from an investment opportunity if it posed an ESG concern.

However, LPs also reported barriers to integrating ESG into their processes. More than 69% of respondents cited difficulty quantifying and monitoring ESG performance and 50% cited a lack of harmonized reporting standards as the primary challenges they face.

While proposed rule S7-10-22 is written specifically for SEC registrants, we expect it will have a meaningful impact on private market participants in two principal ways. First, if enacted, the proposed rule will become a "north star" for privately held firms looking at an initial public offering (IPO) and will be viewed more broadly as a point of convergence around which other private markets standards can align. Second, we anticipate an increase in requests for climate-related reporting made of private companies that comprise the supply chains of registrant companies. These impacts have the potential to result in regular, more consistent and enhanced climate reporting across all markets.

With these principal impacts in mind, we commend the SEC for proposing a rule that is largely consistent with the International Sustainability Standards Board's (ISSB) Climate-related Disclosures (Climate Exposure Draft)[4][5]. Both the SEC and ISSB proposals are aligned with the Task Force on Climate-Related Financial Disclosures[6] (TCFD) recommendations and reference the Greenhouse Gas Protocol[7] (GHG Protocol) as the methodology by which emissions disclosures should be prepared. The TCFD recommendations and GHG Protocol are recognized as popular, globally utilized climate reporting frameworks[8][9].

In summary, the SEC's Proposed Rule is a step towards providing investors with the information they require to assess climate-related risks and opportunities in their portfolios. The Proposed Rule's alignment with the ISSB's exposure draft, TCFD recommendations, and GHG Protocol will help reduce the complexity and costs associated with collecting, disclosing and analyzing this information.

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[4] https://www.ifrs.org/content/dam/ifrs/project/climate-related-disclosures/issb-exposure-draft-2022-2-climate-related-disclosures.pdf

[5] The International Financial Reporting Standards (IFRS) Foundation Trustees announced the creation of the ISSB in late 2021 to deliver a comprehensive global baseline of sustainability-related disclosure standards.

[6] https://www.fsb-tcfd.org/recommendations/

[7] https://ghgprotocol.org/

[8] A 2021 survey conducted by Morrow Sodali saw three quarters of surveyed institutional investors nominate TCFD as their preferred ESG reporting framework (https://morrowsodali.com/insights/institutional-investor-survey-2021).

[9] In 2016, 92% of Fortune 500 companies responding to the Carbon Disclosure Project (CDP) used GHG Protocol directly or indirectly through a program based on GHG Protocol (https://ghgprotocol.org/standards).

ILPA’s Senior Director for Sustainable Investing, Matt Schey, is available to answer questions or provide additional information—[redacted]

Sincerely,

Steve Nelson
Chief Executive Officer
Institutional Limited Partners Association (ILPA)

cc:

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