

June 17, 2022

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

Via E-mail: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

## Re: Comments on SEC proposed rulemaking on climate-related disclosures

Dear Ms. Countryman:

Mirova US LLC (“Mirova US”) welcomes this opportunity to comment on the Securities and Exchange Commission’s (the “SEC” or the “Commission”) proposed rule on climate-related disclosures. As a global asset manager exclusively dedicated to sustainable investing, we hope this letter will aid the Commission in its consideration of climate change disclosures by public issuers. This letter provides an overview of Mirova US and provides our general comments on the proposed rulemaking on climate-related disclosures.

### I. Overview of Mirova

Mirova US<sup>1</sup> began offering investment advice to US clients in March 2016, but our history with sustainable investing is much longer. Our parent, Mirova<sup>2</sup> (“Mirova France” and, collectively with Mirova US, “Mirova”) began providing sustainable investment advice in the 1990s and became a standalone investment adviser exclusively focused on sustainable investing in 2014.<sup>3</sup> Mirova collectively manages \$30.2 Billion USD Assets Under Management as of March 31, 2022, \$9.1 Billion USD of which is managed by Mirova US and \$1.2 Billion USD of which is exclusively for US investors. All Mirova strategies, including those offered to US clients, are focused on sustainability. Being so focused presents Mirova with unique opportunities to add its voice across various jurisdictions for key

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<sup>1</sup> Mirova US began offering investment advice in the US originally as a division of Ostrum Asset Management U.S., LLC and spun-out to become a standalone investment adviser in 2019.

<sup>2</sup> Note, Mirova France is also a “Participating Affiliate” of Mirova US. Pursuant to this arrangement, certain employees of Mirova France serve as “Associated Persons” of Mirova US within the meaning of Section 202(a)(17) of the Investment Advisers Act of 1940 and, in this capacity, are subject to the oversight of Mirova US and its Chief Compliance Officer. These Associated Persons may, on behalf of Mirova US, participate in providing discretionary and non-discretionary investment management services (including acting as portfolio managers and traders), research and related services to clients of Mirova US.

<sup>3</sup> Mirova France began offering investment advice originally within an affiliate, Ostrum Asset Management.

topics related to sustainability. Mirova is among the 1%<sup>4</sup> of global asset managers selected to be part of the Principles for Responsible Investing (“PRI”) 2020 Leaders’ Group<sup>5</sup> on climate reporting. Our participation in key initiatives and programs has included the following:

- Acting as a member of the High-Level Expert Group on Sustainable Finance that advised the European Union (“EU”) Commission in 2017 and 2018 on its sustainable finance action plan, which implementation we have actively supported;
- Being a founding member of the Green Bond Principles and a member of its Executive Committee;
- Acting as a member of the steering committee of the Science Based Targets Initiative, which provides technical assistance to the Net Zero Asset Owner and Asset Managers Alliances;
- Acting as a member of the Net Zero Asset Managers initiative;
- Working in close collaboration with Carbone 4<sup>6</sup> to develop key carbon-assessment methodologies; and
- Contributing to several global consultations, including consultations led by financial marketplaces and financial regulators such as the EU Commission, the European Securities and Markets Authority (ESMA), Singapore (MAS), Hong Kong Stock Exchange, as well as industry-led consultation such as the Task Force on Climate-related Financial Disclosures (TCFD).

Our participation in key sustainable finance marketplace and regulatory initiatives are summarized in our engagement report located at: [https://www.mirova.com/sites/default/files/2022-04/2022-Engagement-Report\\_0.pdf](https://www.mirova.com/sites/default/files/2022-04/2022-Engagement-Report_0.pdf)

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<sup>4</sup> This percentage is representative of total signatories. To find the complete PRI Leaders methodology, please visit the PRI website [here](https://www.unpri.org/showcasing-leadership/leaders-group-2020/6524.article): <https://www.unpri.org/showcasing-leadership/leaders-group-2020/6524.article>

<sup>5</sup> The PRI Leaders’ Group 2020 showcases PRI signatories that, in their responses to the PRI Reporting Framework, demonstrate a breadth of responsible investment excellence, and that excel specifically in this year’s theme: climate reporting.

<sup>6</sup> Carbone 4 offers dedicated methodologies and tools for the finance sector to better understand and assess the climate impact of companies issuing assets. This enables asset managers to have a comprehensive view of companies' positive and negative impact on climate and therefore align their investment portfolios with a 2°C or less trajectory.

## II. Mirova’s comments on the SEC 2021 consultation on climate disclosures

In March 2021, then-Acting SEC Chair Allison Herren Lee issued a statement requesting public comment on “whether current disclosures adequately inform investors” on climate change.<sup>7</sup> In the statement, the then-Acting Chair acknowledged the lack of consistent and comparable climate change information for investors being provided under the SEC’s current public company disclosure regime and provided a list of questions for market participants to answer to help inform SEC staff in reviewing existing disclosure rules to evaluate how best to facilitate disclosure of consistent, comparable, and reliable information on climate change.

In response, Mirova US submitted a comment letter that included:

- an overview of Mirova’s perspective on climate change disclosure;
- Mirova’s responses to some of the questions presented for consideration in then-acting Chair Allison Herren Lee’s March 15, 2021 public statement soliciting public input; and
- a summary of the disclosure principles supported by Mirova.

## III. General comment on climate-related disclosure proposal

Mirova supports the core principle underlying the Commission’s proposal – to provide consistent, comparable, and reliable climate-related information to investors. Climate-related information, and more broadly, environmental, social and governance (ESG)-related information, is crucial for investors. We consider this rule proposal to be a major first step to fill the information gap that we – and other investors – face today and to improve our capacity to factor sustainability and climate-related issues into our investment decisions.

Disclosure of climate-related information on both risks and opportunities, enables our ESG research team to analyse the sustainability profile of issuers, and to evaluate their eligibility for investment under our investment criteria and client guidelines. In our investment process, we look for companies that are both doing no harm and contributing to reaching the United Nations Sustainable Development Goals (the “SDGs”) and international climate objectives. Having information on an issuer’s activity that can contribute to mitigating climate change is crucial to building our investment case. As ESG messaging proliferates in corporate communication and disclosures, a consistent, comparable, and reliable disclosure framework for climate-related disclosures also helps mitigate the risk of greenwashing.

As a global asset manager dedicated to sustainable investing, the thoughtful execution of our client’s voting rights is also an important aspect to the responsible stewardship of our client’s capital. To this end, corporate disclosure regarding climate change influences the way we vote our clients’ shares through our proxy voting activity. For example, the new “Say on Climate” initiative has assisted in our analysis of proxy voting proposals, allowing us to more accurately reflect our client’s wishes. Additionally, our voting policy requires issuers to provide disclosure of their climate transition plans. This information assists us as investors to make the best decisions on behalf of our clients.

The convergence - or at least the coherence - of climate-related disclosure frameworks across different jurisdictions is of particular importance for global investors like Mirova. We operate in various jurisdictions and regulatory contexts and develop international investment strategies. When

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<sup>7</sup> Public Input Welcomed on Climate Change Disclosures, SEC Comm’r Allison Herren Lee (Mar. 15, 2021), available at <https://www.sec.gov/news/public-statement/lee-climate-change-disclosures>.

doing so, our information needs are the same regardless of the jurisdiction considered. Therefore, we look for coherent and consistent climate-related disclosures and regulatory obligations in Europe, the US, and other geographical locations. As explained below, we also very much support the European Union “double materiality” perspective, to ensure that issuers disclose the impact of climate risks on their financial perspectives, but also on the impact (both adverse and positive) that issuers can have on climate change. Consequently, we strongly encourage the SEC to consider and develop the following:

- a strong collaboration on climate-related disclosures with the EU regulatory bodies (the EU Commission, the EFRAG, the International Sustainable Finance Platform) and the International Sustainability Standards Board (ISSB), which we believe are among the most influential international standard-setters; and
- the inclusion of more qualitative and quantitative information related to the positive and negative impacts that a company can have on climate-change through its products, services and processes across the entire value chain, in a so-called double materiality perspective.

We very strongly support the adoption and implementation of this proposed rulemaking with all its current provisions, and we suggest the integration of some additional disclosure requirements in the provisions, as per our comments below.

In addition, we would also welcome the development of additional rulemaking, requiring investors to disclose how they factor climate-related risks and opportunities in their investment strategies. In the context of increasing competition of ESG-related funds, we believe this would enable more comparability, fair competition, and improved protection of end-investors and trustees.

## DISCLOSURE OF STRATEGY, BUSINESS MODEL AND OUTLOOK

In coherence with the TCFD recommendations, which endorses a simple financial materiality perspective, the proposed rule would require companies to disclose any climate-related risks reasonably likely to have a material impact on their business or consolidated financial statements, which may manifest over the short-, medium-, and long-term, and how climate risks have affected or are reasonably likely to affect the company’s consolidated financial statements.

While, as investors, we deem it important to receive information on the climate-related risks that can potentially affect a company’s business and financial results, we also need to be precisely informed about the potential positive and negative impacts that a company can have on climate change (through its business (product and services) and through its processes) across the entire value chain. This information should be made available to investors even in the absence of climate targets and goals or transition plans. This would enable investors to understand two key aspects of a company climate-related stakes:

- A) does the company significantly contribute to the acceleration of climate change, rather than solely understanding how such company can be affected by climate-change: while disclosures on scope 1, 2 and 3 emissions can provide quantitative information on this issue, the disclosure needs to be complemented by qualitative information at strategic and business model levels, so as to enable investors to understand the company climate strategy in its entirety; and
- B) whether the company can generate a positive contribution to mitigate climate change through its products and services or through the improvement of its processes (for example switching to low-carbon production processes in a very carbon-intensive industry).

The harmonization of disclosure frameworks across regimes would increase foreign investors likelihood to access the US market if information was consistent. Examples of harmonized disclosures include: the European Union (EU) Sustainable Finance Disclosure Regulation (SFDR) (disclosure on the energy mix associated with the company production process, that has to be reflected today in the disclosure requirements on Principal Adverse Impact Indicators) and with the EU Taxonomy Regulation (TR) (which requires to disclose on the share of activities that are positively contributing to climate change mitigation and adaptation).

## RISK MANAGEMENT DISCLOSURE

We appreciate the proposed requirement (Item 1503(a) of Regulation S-K) for companies to disclose their processes for identifying and assessing climate-related risks, including the consideration of existing or prospective regulatory requirements and/or policies, shifts in customer preferences, and how companies decide to respond to climate-related risks. In line with our previous comments, as investors dedicated to sustainability, we also need to understand the risk management processes implemented by the company to limit its own impact on climate change, across the entire value chain. A company might not only be affected by climate change: it can also directly contribute to increase global climate risks through the implementation of its own activities across the entire value chain. This is an important element of information to consider, especially for investors who wish to contribute to climate change mitigation (through capital allocation and engagement) In the long-term, this type of sustainability risk might materialise into a financial risk (as a transition and liability risks) for investors. It is crucial to endorse a double materiality perspective in terms of climate risks disclosure.

## GOVERNANCE DISCLOSURE

Disclosure of a board and management's oversight of climate-related activities, board's expertise and potential responsibility for the oversight of climate-related risks is important. Mirova believes that any final rulemaking should require disclosure of board and management oversight of climate-related activities and board expertise in overseeing such activities, including disclosures on skills, competencies, responsibilities and potential trainings on climate-related matters for the entire team of top-executive managers. One key expectation of our voting policy is that corporate sustainability be at the heart of corporate strategy for the companies in which we invest. It is our view that the board should have the requisite experience in order to challenge management appropriately on ESG and especially climate-related matters. We therefore vote against most companies that do not have a board committee dedicated to sustainability.

## ADDITIONAL DEPENDENT DISCLOSURE

The proposed rule sets out additional disclosure requirements for any company that utilizes, or has stated publicly it utilizes, strategies to assess, monitor or mitigate climate-related risks. Specific disclosures are required if a company has set climate-related targets and goals, has established a transition plan, utilizes scenario analysis or uses an internal price on carbon emissions.

We would appreciate if the final rule required a company to disclose whether it had endorsed such targets and goals, transition plans, scenario analysis, etc. in addition to the disclosure of the specific targets and goals, transition plans, scenario analysis, or internal price on carbon emissions. We strongly encourage the SEC to ensure that all companies, especially those belonging to a highly carbon-intensive sector (energy including electricity production, transportation, industry (steel, chemicals, cement), etc.) disclose whether the company has set climate-related targets and goals, transition plans, scenario analysis. In the event a company has not have adopted such tools, the disclosures should explain their rationale to investors.

## GHG EMISSIONS METRICS

We applaud the SEC for integrating scope 3 emissions in the disclosure requirements. While this disclosure is mandatory for scope 3 “if those emissions are material” (or if the registrant has set a GHG emissions reduction target or goal that includes scope 3 emissions), we encourage the SEC to go further than the Commission’s definition of “material” and Supreme Court precedent<sup>8</sup>, and adopt a more precise definition of “material” or to provide guidelines (potentially a list of sectors or activities concerned by material scope 3), to ensure that the scope of disclosing companies is satisfactory. An example of phase-in of scope 3 emissions by sector has been suggested in the European Commission’s rules for climate benchmarks<sup>9</sup>.

We also appreciate the inclusion of a “safe harbor” provision that will encourage scope 3 GHG emissions disclosure, while ensuring this does not perpetrate new litigation risks for the companies concerned.

We strongly encourage the SEC to consider an impact-oriented perspective, requiring public companies to also disclose the following additional climate-related metrics:

- the share of revenue / activities that contributes to climate change mitigation – guidance could be provided to companies on the activities to be taken into account in coherence with the EU taxonomy on climate-related objectives, in order to facilitate reporting and analysis for issuers and for investors;
- the amount of avoided GHG emissions that can be associated with these so called “green activities”; and

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<sup>8</sup> Proposed rule, page 162, «a registrant would be required to disclose its Scope 3 emissions if there is a substantial likelihood that a reasonable investor would consider them important when making an investment or voting decision ». This standard was set forth in *TSC Industries, Inc. v. Northway, Inc.*, 46 U.S. 438 (1976).

<sup>9</sup> Section 5.3.4 of the TEG final report on EU climate benchmarks accessible at [https://ec.europa.eu/info/sites/default/files/business\\_economy\\_euro/banking\\_and\\_finance/documents/1909\\_30-sustainable-finance-teg-final-report-climate-benchmarks-and-disclosures\\_en.pdf](https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/1909_30-sustainable-finance-teg-final-report-climate-benchmarks-and-disclosures_en.pdf)

- the share of low-carbon energy and fossil fuels in the company total energy mix, especially when they belong to a highly carbon-intensive sector.

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We appreciate the opportunity to provide comments on climate change and ESG disclosure and hope that the SEC will move forward to create a comprehensive, mandatory disclosure framework. If you have any questions, please contact me at [REDACTED].

Sincerely,



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Jens Peers

CEO of Mirova US LLC cc:

The Honorable Gary Gensler

The Honorable Allison Herren Lee

The Honorable Hester M. Peirce

The Honorable Caroline A. Crenshaw

## Appendix 1

### Mirova US June 2021 Comment Letter on SEC Climate Disclosure Proposal



Public Input  
Welcomed on Climate