



LORING, WOLCOTT & COOLIDGE

Trusted Relationships for Generations



June 17, 2022

Ms. Vanessa Countryman, Secretary  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-0609

RE: File Number S7-10-22

Dear Ms. Countryman,

On behalf of the Sustainability Group, part of Loring, Wolcott & Coolidge—a 200-year-old investment management firm with over \$10.6 billion in assets under management<sup>1</sup>—we write to express our strong support for File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (the “Proposed Rule”). Given the unequivocal risks of climate change to the planet, companies, and investors, we commend the SEC for upholding its mission and meeting a vital investor need by mandating climate reporting, standardizing disclosure, and assuring its accuracy.

We are long-term investors and typically hold stocks for years, if not decades. As a result, climate change poses clear and material risk to our portfolio. To assess this risk, we evaluate the GHG emissions, decarbonization plans, and relevant governance structures for individual companies and calculate the carbon footprint of our investment portfolio as a whole, benchmarked against common indices.

Despite investing significant resources into this process, this exercise is time consuming and costly, and the final outcome can be unreliable. To evaluate and augment the information voluntarily disclosed by companies, we purchase datasets from third parties, consult with external experts, and spend considerable staff time combing through company materials that present information differently from their peers due to a lack of regulatory standards. In the most extreme examples, the information is inconsistent and opaque across a company’s own reports.

Further, when companies do *not* disclose, we are dependent on modelled emissions. In our experience, we have found many modelled emissions to be inaccurate, leading to faulty conclusions. For example, when one large public company responded to the most recent CDP climate survey for the first time, we found the newly self-reported emissions data for the prior year to be nearly 70 percent lower than the modelled emissions data we had relied on during that prior year’s analysis. This greatly reduces our confidence in all modelled emissions numbers. By mandating standardized, audited reporting over time, the Proposed Rule would ameliorate these and other data quality challenges, reduce costs, improve efficiency, and ensure more accurate outcomes.

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<sup>1</sup> As of 3/31/2022. Please see our ADV Part II at <http://www.lwcostrust.com> for further detail.



In addition to disclosing GHG emissions, we expect companies to set absolute, science-based GHG reduction targets, integrate climate action into strategies and plans, and have clear governance structures in place to ensure the board and management are accountable for performance in this area. The disclosure

required by the Proposed Rule would enable us to more accurately evaluate leaders and laggards on a stand-alone basis and against peers. This would improve our direct engagements with companies and help us determine whether one is acting in the best interests of both the company and its shareholders when we are making proxy voting decisions.

We recognize and appreciate the Commission's and Staff's excellent and substantive work leading to this groundbreaking Proposed Rule. To further advance this effort, we offer the following specific suggestions:

- Scope 3 emissions are the largest source of emissions for many companies, and as such must be treated with the same rigor as Scopes 1 and 2.
  - In reference to the questions posed in request for comment 98, disclosure of Scope 3 emissions should be required for all registrants, regardless of materiality. Currently, more than half of the companies we look at already disclose one or more Scope 3 categories, and we are seeing a more comprehensive approach to Scope 3 disclosure every year. What they lack is a consistent manner in which to do so.
  - In reference to the questions posed in request for comment 139, we strongly recommend attestation of Scopes 1, 2 and 3 emissions disclosures with reasonable assurance.
  - In reference to the questions posed in request for comment 133, the safe harbor should be phased out over time. For investors to evaluate the scale and nature of the associated risks and opportunities, we need the strongest assurances as soon as possible.
- In reference to the questions posed in request for comment 170 and 172, we encourage the Commission to consider requiring companies to disclose how the transition to renewable energy will be achieved – for example, by disclosing the percent sourced from self-generation, PPAs, VPPAs, supplier programs, energy efficiencies, purchase of unbundled RECs, or other avenues. We find this level of detail to be vital in evaluating the efficacy of a company's approach.

Currently, around half of the companies we look at already disclose some or all of this information. However, given the lack of guidance for standardized disclosure, the information we see is inconsistent and therefore not as useful as it could be. Mandated, standardized disclosure would therefore be very beneficial not only to investors, but also to the companies that are currently doing their best to disclose important information, but for which they lack the requisite guidance to make their disclosure more useful.

- Further, in reference to 170 and the importance of understanding how a company intends to meet its long-term goals, companies should disclose how direct and indirect lobbying and public communications are aligned with GHG reduction commitments and strategies, and with



internationally recognized climate goals, as well as any material inconsistencies. Our engagement in this area has been hampered by poor disclosure, despite a growing recognition of its significance.

- In reference to the questions posed in request for comment 168, if a company has not yet set emissions reduction goals, we suggest requiring that an explanation of *why* it has not done so be included in its financial reporting, as well as an indication of which goals the company plans to set in the next one, two or three years.
- In reference to the questions posed in request for comment 127, we strongly support a requirement that companies report any material restatements in GHG emissions in a clear and consistent manner with adequate explanation, whether this restatement is due to a change in methodology, assumptions, or operational boundaries.

The climate crisis requires immediate action to mitigate the growing threats to financial markets and the economy, and, more importantly, to the planet and its people. Therefore, we welcome the advancements codified in the Proposed Rule and ask the SEC to consider the above suggestions to ensure investors and companies have uniform, comparable, and accurate information to best manage climate risks. Thank you for your consideration of our comments.

Sincerely,



**W. Andrew Mims**  
Trustee and Partner



**Larisa Ruoff**  
Director of Shareholder Advocacy