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

Re: SEC Proposal on Climate Related Disclosures for Investors - File Number S7-10-22

Dear Ms. Countryman,

We welcome the opportunity to respond to the March 21, 2022 proposal of the Securities and Exchange Commission ("Commission") entitled "The Enhancement and Standardization of Climate-Related Disclosures for Investors" (the "Proposal"). We support the Commission's aim to enhance guidance regarding climate change disclosures. Additional requirements for climate risk disclosure will benefit the capital markets by informing asset pricing, risk pricing, risk management and capital allocation and enhance the ability for investors to make informed investment decisions. We approach this letter as both an Exchange Act registrant and as a consumer of client data. Comparable and usable disclosures will benefit the global effort for companies to provide climate-related data.

Although we support the Proposal, the specific refinements we highlight below will allow for more reliable and comparable disclosures of financially material climate-related information. We have contributed to and support the comments submitted by the Securities Industry and Financial Markets Association (SIFMA), Institute of International Bankers (IIB), Institute of International Finance (IIF) and the European Banking Federation (EBF) in response to the Proposal and want to further emphasize five key recommendations:

- Ensure continued international coordination to prevent regulatory fragmentation. This will increase the comparability of disclosed information to investors.
- Enable foreign private issuers the ability to rely on home country reporting that meets global standards to simplify the reporting for investors and enhance comparability.
- Revise or reconsider the audited financial statement requirements which could create undue confusion to investors as they attempt to analyze granular detail that is not material to the Registrant's climate risk profile

- Revise the disclosures associated with scenario analysis to remove the requirement for disclosures of all scenarios used by management and to allow management discretion on how best to quantitatively and qualitatively describe the analysis performed and more accurately reflect the registrant's risk profile.
- Extend the implementation timeline by at least one year to allow for 2 years implementation from the rule finalization for Scope 1 and 2 disclosures (and at least 3 years for Scope 3) for large, accelerated filers, to adequately account for the complexity of incorporating these changes into financial filings.

More detailed responses in regard to these five recommendations can be found in the Annex.

We appreciate your consideration of our recommendations. Please contact me at [redacted] if you require further information.

Sincerely yours,

Erik Soderberg

Erik Soderberg
Head of Regulatory Policy Advocacy - Americas

Annex

International Coordination

We welcome the Commission's continued engagement internationally to help align climate disclosure standards to ensure their inter-operability and reduce the risk of regulatory fragmentation. We commend the Commissions approach to these disclosures in tackling climate risk first and foremost and that the requirements focus on financial materiality which is of utmost importance to investors.

International cooperation and coordination for climate risk disclosures is essential given the global nature of climate risk. With many companies operating internationally, there is a need to avoid fragmented reporting to ensure these disclosures are appropriately comprehensive, comparable, and meaningful for investors. Aligning disclosure criteria across jurisdictions will also help to facilitate the tracking of broader international targets related to the shift to low-carbon, resilient economies.

Because standard setting with respect to climate-related disclosures and other environmental matters is in its infancy, global regulators, such as the International Organization of Securities Commissions (IOSCO) and the International Sustainability Standards Board (ISSB), have a unique opportunity to work together to promote the development of a single, world-wide set of high-quality standards. We urge the Commission to continue to engage in this area so that all issuers and all users of financial statements globally can report and receive information that is truly comparable across all jurisdictions.

Alternative Reporting Regime

We welcome the Commission's questions regarding an alternative reporting provision in the Proposal and encourage the Commission to follow the precedent that it set by recognizing and accepting global accounting standards in developing the provision.

We recommend that the Commission adopt an alternative reporting provision whereby a foreign private issuer would be able to utilize its home country reporting to satisfy the Commission's requirements. This would be dependent on those disclosures being consistent with the Commission's goals and objectives. The Commission should use a principles-based approach to determine whether the alternative regime consists of a comprehensive set of high-quality disclosure standards and therefore is sufficient for all filers under that regime.

For example, it can consider those regimes that incorporate the elements of a global standard such as that being developed by the ISSB for the purpose of satisfying the Commission requirements. Analogous to the Commission's proposal, the current ISSB draft standards are geared towards investors as the primary intended users of this data and require governance, strategy, and risk disclosures along with Scope 1, 2, and 3 emissions data. By utilizing a global standard, such as the ISSB framework, the Commission would enhance the level of comparability of disclosures across jurisdictions. It would also not need to establish a mutual recognition system with other jurisdictions, simplifying the process.

By analogy, the IFRS and U.S. GAAP accounting standards foster greater transparency by enhancing the ability to compare results across companies in different jurisdictions and the quality of financial information. Even though IFRS and US GAAP are not identical, they are equivalent in that each provides a framework that results in high quality information that is useful in decision making. This has a direct impact on the ability of investors to assess the performance of firms and identify risks. A similar benefit could be achieved through the recognition of a global standard for climate risk disclosure, such as the ISSB sustainability standards, by ensuring that a firm's climate risk reporting can be compared to other firms across different jurisdictions. This additional level of comparability and transparency is consistent with the global nature of climate risk and the fact that Green House Gas emissions do not recognize legal or jurisdictional boundaries.

It is also important to allow a registrant to follow the submission deadline of the approved alternative reporting regime even if that deadline differs from the Commission deadline because requiring simultaneous deadlines would increase the reporting burden with no incremental benefit in terms of reporting quality or usefulness.

We recognize that the development of international standards is still a work-in-progress. If international standards are not fully formed or finalized by the time that the Commission requires disclosures to be submitted, we encourage the Commission to look to currently available voluntary disclosure standards as a guide. This includes those set by the Task Force on Climate-Related Financial Disclosures (TCFD), the Carbon Disclosure Project (CDP), or the Sustainability Accounting Standards Board (SASB) as a proxy for that global standard until such time that global standards are more fully developed. We encourage the Commission to continue to work with regulators from other jurisdictions to ensure that a comprehensive and global approach is developed.

Audited Financial Statements

We appreciate the Commission's aim of providing investors with disclosure information that is decision useful. The requirement to provide financial statement metrics may, however, create undue confusion to investors as they could be presented with disclosures of granular detail that are not material to, and may obscure, the Registrant's climate risk profile.

We recommend that the Commission revise or reconsider the requirement to separately identify the effect of climate related impacts and expenses on a line-item basis as part of the audited financial statements. The climate-related information already provided within the current reporting framework is sufficient for investors when complemented by the additional disclosures set forth within the Proposal. If the Commission feels that this information requires further specificity, we propose that work is initiated with FASB to develop appropriate financial statement disclosure standards for climate-related matters within the normal due process. This would allow the time necessary for standard setters, preparers, auditors and users to address the complexity of these requirements and the levels of controls and audit that would need to be developed in parallel.

The Proposal requires an audited financial statement footnote indicating the effect of climate-related impacts on individual line items in the financial statements above a 1% de minimis threshold. This obligation could inadvertently result in a disclosure system that does not provide investors with relevant information related to climate and other environmental information and rather may overwhelm investors with disclosures that obscure what is truly material.

Current U.S. GAAP and IFRS both already require registrants to consider climate risk which is directly impactful to the measurement of the corresponding assets or liabilities, including the evaluation of the potential for asset impairment or contingent losses. These impacts are directly incorporated into the amounts recognized in the balance sheet. The Commission's proposal effectively requires the registrant to estimate what the reported amounts would have been as a result of physical or transition risks. This would require registrants to make assumptions and quantify –with a degree of false precision – the extent to which results were impacted by severe weather events or transition activities as opposed to any number of other factors. Registrants would need extensive Commission guidance including how to define and quantify severe weather events, assess whether events are truly climate related and how to account for certain ambiguities before firms could get a clear picture of how to amend their practices to incorporate this requirement.

Additionally, the metrics disclosures that would be required by proposed Article 14 of Regulation S-X would be subject to internal control over financial reporting and audit testing. It is unclear how these controls would be applied to these requirements given the number of individual judgments necessary to create the scenario analyses needed to calculate the impacts the Commission proposes that registrants disclose.

We encourage the Commission to revisit this part of the proposal as the risks under consideration are already appropriately captured by the existing reporting framework, the approach would deviate from established accounting and reporting practices and the information included would provide the user of the disclosures with a false sense of precision.

Scenario Analysis

We support the SEC's requirement for firms that use scenario analysis to include associated information in their disclosures. Scenario analysis is well-suited to assessing the effects of climate change over the medium and longer term. However, these disclosures should be limited to those which a registrant's management determines are most useful to provide investors with an understanding of its resilience to climate-related risks.

The proposal's requirement for registrants, that use scenario analysis, to "disclose the scenarios considered, including parameters, assumptions, and analytical choices, and the projected principal financial impacts" implies a requirement to disclose the information on any and all scenarios run. Scenarios are used by companies for a multitude of reasons such as internal risk management purposes or informing strategic decision-making, thus requiring disclosure of any scenario run could have the effect of deterring companies from experimenting with certain scenarios for fear of having to publicly disclose all results.

In addition, the inherent differences in how registrants will implement scenarios will result in a lack of comparability of the results. Registrants, members of different industries and sectors, will each use different assumptions, methodologies, and timeframes to implement the scenarios. These differences will create a complex set of results that investors will find difficult to use in assessing the relative suitability of a registrant.

This requirement also creates concerns around confidentiality given that it may result in a registrant needing to disclose sensitive proprietary data or certain confidential aspects of its specific business plan. Furthermore, in the case of banking institutions and other regulated entities, scenario analysis is often performed at the requests of regulators and this information would be considered Confidential Supervisory Information (CSI).

The Commission should require disclosures for those firms using scenario analysis, limited to the broad types of scenarios run and should summarize the results of selected representative scenarios, as determined by management, to provide a high-level profile of a registrant's risk position.

Implementation Timeline

As an Exchange Act registrant, we appreciate the Commission's recognition that registrants will require time to establish the necessary systems, controls, and procedures to comply with the proposed rules. The current internal controls framework necessary for financial filings under the Sarbanes Oxley Act includes multiple levels of external, internal and management level review and attestation. Any new requirements would need to be incorporated into this intensive framework and as such, registrants would need additional time to implement these requirements.

It is also important that the implementation timeline for compliance with the rule takes into account the developing nature of climate related data and the associated challenges, especially with regard to Scope 3 emissions data. Reporting entities will rely on greater Scope 1 and 2 disclosure from their clients in order to provide an accurate depiction of their Scope 3 emissions.

Given the complexity of the proposed rules, the implementation timeline for new disclosures should be extended by at least one additional year, and as a result, should be at least 2 years from the finalization of the rule (so that large, accelerated filers would include this information in 2024 reports to be filed in 2025, if the rule is finalized as of year-end 2022). While we agree that the eventual disclosure of Scope 3 emissions should be required as part of any climate reporting regime, given the issues with data gathering for Scope 3 emissions, the implementation deadline should be extended by at least 3 years from rule finalization.