Private & Confidential
Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

17 June 2022

Dear Secretary Countryman

Response to SEC consultation on file no. S7-10-22:
The Enhancement and Standardisation of Climate Related Disclosures for Investors

We welcome this opportunity to provide our views to the SEC on the proposed Rule on Climate Related Disclosures. It is important that institutional investors and asset owners take a lead role in understanding, quantifying and reporting on the risks and opportunities presented by climate change, so that they can make better informed investment decisions on behalf of beneficiaries.

Hymans Robertson LLP is a partnership established in 1921. We work alongside the sponsors and governing bodies of pension funds, insurers and other asset owners, offering independent pensions, investments, benefits and risk consulting services, as well as data and technology solutions. Our wholly owned subsidiary, Hymans Robertson Investment Services, provides discretionary fund management services to independent financial advisers. In total, our clients invest over £300 billion across a range of equity, debt and real assets worldwide.

The need for climate disclosures

We view climate change as a systemic, financially material risk that investors need to address within the development, implementation and oversight of their strategy. We further believe that the transition towards a lower carbon economy has already begun, but that much more change is needed to allow investors to achieve this goal. We are therefore committed to embedding the consideration of climate change into our research, advice and services as reflected in our Climate Pledge[1].

We are also committed to supporting broader systemic change through our membership of the Net Zero Investment Consultants Initiative (NZICI) and recognise our commitment to *"engage with regulators and policymakers, to facilitate the transition to net zero carbon emissions, addressing any barriers to our clients adopting and achieving their net zero targets."* We see the lack of consistent global climate reporting standards as being one of these barriers with our own research having identified a lack of reported data as being an issue to address.

[1] https://www.hymans.co.uk/media/uploads/Climate_Beliefs_-_March_2021.pdf

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Whilst we primarily view the need for information as a tool for the better management of risk, we also recognise that our clients are increasingly subject to regulatory requirements on climate issues. Our larger private sector pension fund clients are required to publicly report in line with the Taskforce for Climate Related Financial Disclosures (TCFD) framework with similar requirements expected to be introduced for our significant public sector client base over the next year. Given our clients invest globally, with significant exposure to US markets, there is a need to access accurate information on climate related issues, including carbon emissions, by US companies.

Key to the delivery of change is the ability to accurately measure the progress that is being made by organisations to address the risks of climate change. This applies to the actions that organisations have taken (or are taking) to reduce the emissions associated with their own activities, the actions they have undertaken to reduce the reliance on emissions producing activity by those who they rely on and those which are produced in the direct use of their products. Each of these areas could be financially material and thus directly or indirectly affect the decision making of our clients, or the asset managers that they employ.

In recognition of this, many clients have adopted stewardship policies that support improved climate related disclosure by companies and engage with their asset managers to ensure that such requirements are being communicated to the companies in which they are invested and that climate-related resolutions are being voted on. However, such action targets companies individually, rather than collectively.

Comments on the proposed rule

The current voluntary approach to climate-related disclosure in the US does produce decision-useful information for investors. However, poor data, a lack of consistency between company reports through time and across sectors gives investors fragmented and limited insight into understanding companies' climate-related risks and opportunities and implications for investment portfolios. There is clearly scope for improvement.

We note that the proposed rule is modelled on the TCFD and Greenhouse Gas (GHG) protocol. It will require registrants to the SEC to disclose climate-related information in annual fillings to the Commission including on GHG emissions, and on certain climate-related financial metrics in audited financial statements. Given this, we are supportive of the proposed rule. We believe this has the potential to help address the issues outlined above and therefore provide the investors we advise, and their managers, with improved data and ability to manage investment risk related to climate issues more effectively.

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We would make the following additional comments:

- We believe the SEC should more closely align the proposed rule with the most recent update to the TCFD framework, for example, in requiring preparers to disclose the amount and extent of assets of business activities vulnerable to physical and transition risk, the proportion of revenues, assets or other business with climate-related opportunities or any executive remuneration that is linked to climate considerations.

- We support the requirements to report on Scope 3 emissions where these are financially material. Scope 3 emissions can be difficult to measure and, consequently, some firms simply avoid reporting on them altogether. However, for many assets, Scope 3 emissions represent a significant proportion of a companies' emissions, and hence the difference between metrics that include or exclude Scope 3 emissions could be highly material to the investment outlook for the business. This could directly impact investment decision-making, engagement and voting.

- The rule suggests that preparers "may" disclose information on climate related opportunities places no compulsion and hence it seems likely that those reporting would simply elect not to disclose. We consider that opportunities are directly relevant to both governance and strategy, and hence important to current and potential investors. We would suggest the disclosure requirement here be strengthened.

- We note that disclosure standards on climate related issues are likely to continue to evolve through time as information improves and the understanding of climate related risks changes. We therefore support regular review of the requirements to ensure they are not quickly outdated by advances in industry practice and expectations.

Yours sincerely

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For and on behalf of Hymans Robertson LLP

[redacted]

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