



June 17, 2022

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

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

Ms. Countryman:

Friends Fiduciary Corporation submits these comments in support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (the “Proposed Rule”). We applaud the Commission and SEC Staff’s focus on this important issue and the substantive work involved in developing the Proposed Rule that will drive standardized disclosures and provide investors, like Friends Fiduciary, with decision-useful climate-related financial information.

Friends Fiduciary Corporation invests on behalf of more than 430 Quaker meetings, churches, and organizations across the country. We have over \$675 million in assets under management. Our investment philosophy is grounded in the beliefs of the Religious Society of Friends (Quakers), among them the testimonies of peace, simplicity, integrity and justice. We are long term investors and take our responsibility as shareholders seriously. We are active shareholders voting our proxies and engaging companies consistent with our faith and values. Friends Fiduciary is a long time, active member of the Interfaith Center of Corporate Responsibility (ICCR), a 50-year-old coalition of more than 300 faith- and values-based institutional investors representing over \$4 trillion in assets under management who engage with hundreds of corporations on their environmental and social impacts. ICCR members have been engaging for decades with companies on the risks posed by climate change and therefore deeply understand the value of comparable, consistent, and reliable climate-related information.

We believe that climate-related disclosures are critical for effective investment analysis and decision-making and we are therefore supportive of much of the Proposed Rule’s measures to establish a baseline of climate risk information accessible to investors of all sizes.

From our perspective, the Proposed Rule comes at a time when addressing material risks related to the climate crisis has never been more urgent. The latest IPCC report from April 2022 reaffirms the need for

“immediate and deep emissions reductions across all sectors” to limit global warming to 1.5 degrees Celsius.

We believe, as do many investors, that issuers must have clear decarbonization strategies and commitments backed up by credible science-based transition plans to mitigate climate-related risks. Decisions that companies and investors make today will have long-term impacts on emissions, sustainability, and other climate-related matters; for example, long-lived assets that may lock in increasing emissions over the course of the asset’s life.

We believe that disclosure of material and systemic risks of climate change will help companies and investors better understand, price, and manage climate risks and opportunities. These activities are not only at the core of efficient securities markets but are also essential to ensuring a just and thriving economy that works for all people and communities.

Inclusion of climate-related disclosures in the financial statements (Reg S-X) and in accompanying (Reg S-K) disclosures regarding company strategies, financial impacts, risk management, GHG emissions data, offsets, etc. will offer greater accessibility, comparability, and assurance of this information to investors.

We believe the Proposed Rule’s mandatory disclosures will fill essential gaps for investors and can be done by companies in a cost-effective manner. Current voluntary disclosures are inadequate in meeting investors’ needs for comparable, consistent, and reliable information from issuers. The lack of a regulatory mandate has led to inconsistent information across multiple reporting regimes, causing inconsistency in metrics used and which information to disclose. Further, companies currently either have this information, or arguably should have the requested information for effective risk management, business strategy development and refinement, and transition planning to meet their targets and commitments. Mandatory reporting is more efficient and cost effective than requiring investors to engage individual companies for voluntary disclosures for this information that allows investors to analyze relative company advantages and disadvantages to their peers.

We have the following comments on specific sections of the proposed rule:

GHG emissions metrics § 229.1504 (Item 1504):

As investors we seek to reduce the carbon intensity of our portfolios through management of its carbon footprint. To do this, we need timely, accurate, and comparable reporting from companies. We have engaged individual companies over the past 10 years on scope 1, 2 and 3 disclosures, a regulatory mandate would bring greater comparability, credibility, and consistency in the reported information. Specifically, we would support mandatory disclosure of scopes 1, 2 and 3 emissions without the proposed condition for a materiality assessment.

Attestation § 229.1505:

We believe attestation to be an important component of accurate, consistent, and comparable reporting from companies. Therefore, we strongly support attestation of Scopes 1, 2, and 3 emissions disclosures with a reasonable assurance requirement. The limited assurance requirement could give investors a false sense of confidence in the reporting.

Climate Lobbying Disclosure:

We encourage addition of disclosure of company climate lobbying activities and how they align with or are mis-aligned with the company’s GHG emissions goals and net zero commitments. Supportive public

policy will be required for companies to transition to a lower carbon economy and misalignment in company lobbying activities using corporate assets is important information for investors to have as it impacts company risk management, business strategies, transition plans and targets.

Transition Planning:

In the transition planning related portions of the rule, there is little to no explicit reference to the social impacts which can pose material risks to companies. These risks include social license to operate and reputational risks. Transitions plans should include consideration of potential social impacts, including workers and other stakeholders. In this context, transition plans should specifically identify the guidelines and frameworks the company will use to inform and guide their stakeholder engagements and the transition social impacts. In our engagements with companies on these issues we have found that companies have benefited from using frameworks such as the UN Guiding principles, International Labor Organization and Free, Prior and Informed Consent.

Indigenous Peoples' Rights:

We find no reference to the rights of Indigenous Peoples in the proposed rule as it relates to climate risk. We believe it is important for the SEC to explicitly reference Indigenous Peoples rights and to refer to the UN Declaration on the Rights of Indigenous Peoples as a framework, as the SASB and GRI reporting frameworks have done.

Risk Management:

We support the disclosure of company risk management strategies including those regarding transition plans. Further we believe a requirement for substantive scenario planning could be required and that one of the models be a rapid decarbonization scenario.

Carbon Offsets:

§229.1504(a)(2) – We strongly support the requirement that GHG emissions disclosures are reported without any deductions of carbon offsets.

§229.1506(D) – We strongly support the requirements for disclosure of any carbon offsets, or Renewable Energy Credits, such as locations, authentications, costs, etc., counted in meeting GHG reduction targets or goals.

Financial Statement Disclosures:

We support the requirement of a narrative discussion, in the financial statements, on the likely affect of climate risks to the company's financials. This allows investors to better assess a company's opportunities and challenges from a changing climate.

Governance and Climate Risk:

Climate risk is one of, if not the most critical systemic risk facing companies today. Therefore, it is critical that assessment of and mitigation strategies for these risks be consider at the highest governance levels – the board of directors. Disclosure of board oversight and consideration of these issues will provide valuable information to investors and better allow investors to assess company opportunities and risks.

We engage companies across various sectors and have yet to encounter any company management that questions the risk that climate change presents to their operations. As noted in these comments, there are also opportunities for companies that proactively and strategically manage the transition to a lower carbon economy. The SEC has an important role to play in ensuring investors have the necessary

information to effectively deploy capital. Therefore, we ask the SEC to strengthen the above noted elements of the Proposed Rule to ensure companies provide uniform, comparable information to allow investors to better assess and manage investment opportunities and risks. We are pleased that the Commission has taken on this critical issue and applaud the comprehensive efforts on the Proposed Rule. Thank you for the opportunity to participate in this rulemaking, and for your consideration of our comments. For further discussion or questions, please contact: Amy Carr, Shareholder Advocate, at [REDACTED].

Sincerely,

Jeffery W. Perkins

Jeffery W. Perkins
Executive Director