June 17, 2022

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

RE: PSC Comments on SEC Proposed Rule on Climate-Related Disclosures [File Number S7-10-22]

Dear Ms. Countryman:

On behalf of the 400+ member companies of the Professional Services Council (PSC), I am pleased to submit comments on the Securities and Exchange Commission's (SEC's; the Commission's) proposed rule, *The Enhancement and Standardization of Climate-Related Disclosures for Investors* (File Number S7-10-22), as published in the Federal Register on April 11, 2022.

As the leading trade association of companies that provide much-needed technology and professional services to federal agencies, PSC often submits comments on proposed rules or requests for information as they pertain to government services contracts and contractors. We have not historically provided comments on SEC proposed rules and other requests for comments.

That said, we have noticed that of late, the Commission has sought feedback on issues of high importance to PSC's member companies, from cybersecurity disclosures to this most recent proposed rule on climate-related disclosures. More specifically, PSC understands that the intent of the SEC's proposed rule on climate-related disclosures is

> to require registrants to provide certain climate-related information in their registration statements and annual reports, including certain information about climate-related financial risks and climate-related financial metrics in their financial statements. The disclosure of this information would provide consistent, comparable, and reliable—and therefore decision-useful—information to investors int enable them to make informed judgments about the impact of climate-related risks on current and potential investments.[1]

We recognize the urgency of both mitigating the range of risks posed by climate change <u>and</u> providing potential and current investors with a complete picture of a company's financial risks to support informed investment decisions. Given that investment is often necessary to support business growth and that PSC members are among government contracting industry leaders in addressing climate change, PSC welcomes the opportunity to provide feedback on this proposed rule and the disclosure requirements contained therein.

Comment / Recommendation (1): In promulgating requirements for climate-related disclosures, the SEC should make every effort to avoid overly burdensome, duplicative reporting requirements that often implicate national security and proprietary information

[1] The Enhancement and Standardization of Climate-Related Disclosures for Investors; notice; request for comments; 87 Federal Register 69 (11 April 2022), pp. 21335 et seq.

matters. Rather, the SEC should leverage data and information already required by the U.S. Government through other disclosure requirements to meet SEC objectives.

Discussion: In many cases, publicly traded government contractors already submit climate-related data and information to their government customers. It appears the proposed rule does not contemplate the potentially contradictory, unnecessarily duplicative, or financially burdensome nature of its requirements when compared with existing disclosure requirements for government contractors. It also appears the proposed rule does not contemplate the inability of many government contracting companies to disclose certain data and information pursuant to national security obligations, proprietary information concerns, or nonreceipt of the data and information from government customers.

Thus, prior to issuing a final rule, PSC encourages the Commission to **research, leverage, and if necessary build upon existing reporting requirements** rather than create duplicative ones that add to a company's compliance costs without offering novel data or information.

Comment / Recommendation (2): In requiring new disclosures on climate-related financial statement metrics, the SEC should make every effort to limit such requirements to information that is material and based on net absolute value.

Discussion: One new set of requirements within the SEC proposed rule includes financial statement disclosures specifically regarding climate-related financial statement metrics. Requiring certain information on a line-item basis with a very low threshold (i.e., disclosure is required unless the impact on the line item is less than one percent of the total line item for the fiscal year) would prove burdensome. Such a low threshold would require significant, likely costly controls to collect and measure detailed data and to determine whether those data meet the one percent threshold with a sufficiently high level of precision. This requirement would not allow for judgment and estimation, for example during and in recovery from severe weather events, which could prove more informative to investors regarding how a company approaches climate impacts.

Thus, the SEC should **focus its climate-related financial statement disclosure on the impacts of severe weather events and transition activities in line with SEC's established materiality definition:** "The term 'material,' when used to qualify a requirement for the furnishing of information as to any subject, limits the information required to those matters to which there is a substantial likelihood that a reasonable investor would attach importance in determining whether to buy or sell the securities registered."[2] In addition, rather than focus on impacts in each line item, the Commission **should consider allowing companies to base determinations on absolute value and to "net" positive / negative impacts in support of a holistic approach to climate impacts.**

Comment / Recommendation (3): By disregarding existing disclosure requirements placed on government contracting companies and instead adding to reporting requirements and compliance costs of one segment of this industry (i.e., publicly traded companies), the SEC's proposed rule exacerbates an already unhealthy bifurcation of this dynamic industry.

[2] See 17 CFR 240.12b-2.

Discussion: Government contracting is a dynamic industry with a range of privately held and publicly traded companies that compete daily for federal contracts. Should reporting become too burdensome on the latter, the number and scope of publicly traded firms would likely decline as companies may remain – or become – privately held. This development would reduce the SEC's visibility into climate-responsive activities that it is trying to support. It also would move firms from an arena where public pressure can be more easily applied (e.g., through shareholder meetings) than would be the case for privately held firms.

Thus, prior to issuing a final rule, PSC encourages the Commission to **consider carefully the industry dynamic that would be exacerbated by a two-tier disclosure system: government contractors and everybody else.** When considered in concert with disclosures already required of contractors, would Commission requirements inadvertently drive companies away from seeking investment, simply because disclosures are burdensome and compliance costs too high?

In addition to the comments mentioned above, other issues for the Commission's consideration include: (a) deeming climate-related disclosures as "furnished" rather than "filed"; (b) requiring climate -related disclosures as a separate report (similar to SEC Form SD) rather than as part of a 10-K; (c) delaying the first reporting period for a minimum of one year to allow companies sufficient time to create and implement necessary controls; (d) including an exception to provision of historical data within the first reporting period or extending the due date as necessary to allow companies sufficient time to collect such data; and (e) eliminating the requirement for companies to disclose board member expertise on climate-related risks, as this type of detailed disclosure would be precedent-setting and, more to the point, not necessarily tied to credibility of the reporting approach.

Two of PSC's principal goals as a leading trade association for the government technology and professional services industry are to demonstrate the value of government contracting (e.g., companies' effectiveness, innovation, efficiencies, and commitment to federal missions) and to help the federal government become a smarter customer and a better buyer (e.g., promoting a more effective, competitive federal acquisition system). Toward those ends, PSC is supportive of the SEC's efforts to focus on climate change-related metrics and information sharing.

I therefore respectfully request you consider carefully the comments and recommendations above. The SEC final rule could impact the ability of government contractors to attract investment, and as written, the proposed rule would impose potentially burdensome, expensive, and duplicative reporting requirements that do not add value to companies' commitment to mitigating the impacts of climate change and may hinder investment. If you have any questions or would like more information, please contact me at [redacted]

Sincerely,

Stephanie S. Kostro

Stephanie S. Kostro
Executive Vice President for Policy