

Thank you for the opportunity to comment on the proposed regulation. Any questions may be directed to [standards@asq.org](mailto:standards@asq.org).

The US Technical Advisory Group to ISO Technical Committee 207 (Environmental management) is the US national committee administered by ASQ and responsible for providing US input for the development, review, and revision of ISO environmental and climate change standards including environmental management, environmental labeling, green bonds and environmental financing, greenhouse gas reporting and validation and verification, environmental auditing, and climate change management and risk assessment. We are administered by ASQ which is accredited by ANSI as a US National Standards Development organization and for administration of the US TAG to ISO TC207.

ISO standards are developed through a rigorous process involving input from a wide range of countries and organizations internationally. As an example, ISO TC207 includes 120 member countries, each represented by their national standards body. ISO TC207 also includes liaisons with 32 organizations who monitor ISO TC207 standards development activities and can provide input during standards development – these include for example the European Commission, Environmental Coalition on Standards, Environmental Defense Fund, European Environmental Bureau, International Accreditation Forum, International Chamber of Commerce, International Institute for Sustainable Development, International Trade Center, Organization for Economic Co-operation and Development, United Nations Conference on Trade and Development, United Nations Environment Programme, United Nations Framework Convention on Climate Change, World Business Council for Sustainable Development, World Health Organization, World Resources Institute, and World Trade Organization. Because of the broad representation and input into the standards and the consensus process for standards approval, ISO standards have been effectively adopted throughout the world. And ISO standards are consistent with current scientific research. ISO Greenhouse Gas and climate change standards are developed by experts throughout the world, and are based on current climate research such as IPCC.

The US TAG to ISO TC207 includes representation from government including regulatory agencies, NGOs, industry, academia, and other stakeholders within the US. The standards development process follows ANSI and ISO rules for balanced and broad representation in standards development and in building consensus as part of the standards development and approval process. The process is rigorous, and ASQ is audited by ANSI on a regular basis to ensure ISO and ANSI rules for standards development are followed.

The US TAG generally supports the SEC's S7-10-22 *The Enhancement and Standardization of Climate-Related Disclosures for Investors* proposing regulations for climate disclosures under 17 CFR 210.14-01 and 17 CFR 229.1500-1506. As TCFD points out, in most G20 jurisdictions, companies with public debt or equity have a legal obligation to disclose material information in financial filings. This should include material climate-related information, as this can have a significant impact on business operations. According to NOAA, climate-related events cost the US nearly a trillion USD in 2020 and 2021 <https://www.climate.gov/news-features/blogs/beyond-data/2021-us-billion-dollar-weather-and-climate-disasters-historical>.

It needs to be made clear that because the TAG follows a consensus process, the following US TAG comments are those that were generally agreed to by the TAG, and do not necessarily represent specific views of individual members/companies, who may have differing opinions. We respectfully submit the following comments:

General comment: Meaningful progress in addressing our changing climate requires innovation that a free enterprise system can provide, as well as government policies that facilitate a sustainable path forward. We urge the Commission to ensure that its final rules optimally address both needs. Because of the complexities regarding evaluating climate change risks and GHG emissions reporting and particularly Scope 3 emissions reporting, the effective dates of any final rules should be extended to allow

practical phase-in periods. To allow for a reasonable transition to any final rules, the SEC should consider extending the effective dates of each of the provisions at least two years beyond those the SEC announced with the proposed rules.

Question 3 – We support the proposal to align with the TCFD framework. We note that this framework does not specify the level of detail needed in some areas for effective and consistent calculation of climate information. For example, the framework discusses carbon footprint information and provides high-level general calculations for this, however to provide meaningful, comparable and consistent information to investors the proposed regulation should recognize standards such as ISO 14067 for calculating carbon footprint which has been in use in the marketplace for nearly a decade and which is used as a basis for verification of this information. Similarly, the TCFD framework addresses GHG calculations at a high level, however specifics regarding the identification and calculation of GHG at a more granular level is required in order to obtain accurate, consistent and comparable information. Some ISO standards fill gaps here:

- ISO 14064-1 Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals provides specific requirements for identifying and reporting GHG emissions.
- ISO 14064-2 *Greenhouse gases — Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements* addresses carbon emissions reduction projects and related reporting. It should be noted that accounting industry standards do not address carbon emissions reduction project validation, and that this is a forward-looking standard as it discusses controls for developing and implementing projects focused on emissions reductions.
- ISO 14001 *Environmental management systems — Requirements with guidance for use* provides a management system which in part is used to manage compliance with environmental regulatory requirements (which would include, for example, the proposed SEC regulatory requirements for reporting environmental risks and related information) – this standard has been used in the marketplace since 1996.

Other ISO standards address environmental issues that easily supplement the TCFD framework include, for example:

- ISO 14067, Greenhouse gases — Carbon footprint of products — Requirements and guidelines for quantification
- ISO 14080, Greenhouse gas management and related activities – framework and principles for methodologies on climate actions
- ISO 14083, Greenhouse gases – Quantification and reporting of GHG emissions arising from transport chain operations
- ISO 14090, Adaptation to climate change – principles, requirements and guidelines
- ISO 14091, Adaptation to climate changes – guidelines on vulnerability, impacts and risk assessment
- ISO 14097, Greenhouse gas management and related activities – Framework including principles and requirements for assessing and reporting investments and financing activities related to climate (Note - This standard was developed specifically for GHG reporting and its influence on investments)

SEC should consider referencing these standards as additional sources to support the TCFD framework.

Questions 8 and 21 - The SEC should require a registrant to disclose climate-related risks that are likely to have a material impact on the registrant, including on its business or consolidated financial statements that include short, medium, and long-term risks. This information is critical to investors, particularly to those looking at medium- to long-term investments. The SEC should consider defining medium-term as

5-10 years and long-term as 10-30 years. Consider optional disclosure of long-term projections beyond 30 years.

Implementation of the required reporting will be difficult for many companies, and particularly for Scope 3 emissions reporting. The effective dates of any final rules should be extended to allow practical phase-in periods.

Question 9 – We believe that climate risks should be defined as actual or potential negative impacts of climate-related conditions and events on a registrant's financial statements, business operations, or value chains. This should include physical and transition risks, and this should include acute and chronic risks.

Question 12 – Because the location of a business is critical to evaluating climate change risks at individual locations, reporting entities should assess risks based on the specific location of each facility (latitude/longitude (GPS) information or other geographic location information). This information is typically included in many facilities' environmental permits or otherwise accessible through the internet.

Question 34-41 – We agree that SEC should require a registrant to describe the Board's oversight of climate-related risks including management's role. Note that ISO 14001 provides a management system framework that addresses requirements for identifying top management responsibilities and discusses evaluating environmental risks and opportunities and establishing environmental objectives and targets, including periodic review and monitoring.

Questions 94-99 – Reporting GHG emissions as CO<sub>2</sub> equivalent (CO<sub>2</sub>E) allows comparison of facilities with like processes within an industry, and comparison between industries. Granular emissions reporting by gas provides investors with a clearer picture of the "mix" and can provide investors with a clearer picture of risks and opportunities. For example, just reporting CO<sub>2</sub>E might not indicate how much of the total emissions is due to methane or fugitive emissions, which might present an opportunity for process improvements for emissions reductions and cost savings. Additionally, reporting by scope provides a clearer picture of the emissions controlled by the reporter, particularly since Scope 3 emissions often account for the majority of a facility's emissions.

Question 100 – SEC should require a registrant to report its significant Scope 3 emissions – this is consistent with ISO 14064-1 Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals. Reporting Scope 3 emissions may be difficult for registrants as companies commonly do not have control over, and often do not have access to, data from upstream and downstream emissions sources in their value chains that would relate to the registrant's Scope 3 emissions. SEC needs to recognize that registrants will also be dealing with some suppliers that do not fall within the SEC scope of reporting and who are not required to report their emissions. In these cases, emissions information from the supply chain may not be available, and a registrant may need to estimate Scope 3 emissions. Because of the difficulties regarding Scope 3 emissions reporting, SEC should extend the implementation timeline to allow companies additional time to identify and calculate significant Scope 3 emissions. SEC should encourage registrants to use of the GHG Protocol Value Chain (Scope 3) Accounting and Reporting Standard, ISO 14064-1, and ISO 14044 Environmental management — Life cycle assessment — Requirements and guidelines. And ISO 14067 Greenhouse gases — Carbon footprint of products — Requirements and guidelines for quantification.

SEC should also note that because of the inaccuracies and uncertainties associated with Scope 3 information, verification of this information to a reasonable level of assurance is not possible.

Question 101 – Registrants should be required to report offsets separately (this is addressed in ISO 14064-1 and in many GHG reporting programs). Offsets may or may not be reliable numbers, and can mask a poor performer who purchases offsets for most of its emissions – combining the offsets into the final reported emissions data would make it look like a major emitter is "green" and can mask climate-related risks and opportunities related to its actual emissions. This information can be important to investors.

Questions 115 and 122 – The registrant should be required to disclose the methodology used to calculate its GHG emissions metrics and the boundaries, as methodologies can vary and the reported emissions information depends on the boundaries. SEC should use the GHG Protocol Corporate Accounting and Reporting Standard definitions for boundaries, and this should be included in the disclosure since these can vary considerably. SEC should recognize the use of the GHG Protocol Corporate Accounting and Reporting Standard and related standards and guidance since this is widely used, and should also recognize ISO 14064-1 *Specification with guidance at the organization level* for quantification and reporting of greenhouse gas statements, as this parallels the GHG reporting Protocol and provides some additional requirements for reporting. Boundaries should be the same for all reported emissions in order to more accurately evaluate a registrant and its facilities – this is the approach typically specified by GHG reporting protocols and GHG programs.

Questions 144 – 149 - It was recognized early that accounting methodologies and auditing protocols fall short of addressing the competencies and controls for organizations specifically providing GHG validation and verification services. Several ISO standards were developed and originally published between 2006 and 2007 with input from the accounting industry to address this – these include ISO 14064-1 *Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals*, ISO 14064-2 *Greenhouse gases — Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements*, ISO 14064-3 *Greenhouse gases — Part 3: Specification with guidance for the verification and validation of greenhouse gas statements*, and ISO 14065 *General principles and requirements for bodies validating and verifying environmental information*, which have been effectively used in the marketplace for more than 15 years. ISO 14066 *Greenhouse gases — Competence requirements for greenhouse gas validation teams and verification teams* was published in 2011 to address additional competency requirements for GHG validation and verification teams including specific GHG accounting, data control, calculational and sectoral expertise and general GHG reporting program competencies, and is required as part of GHG validation and verification body accreditation under ISO/IEC 17011 *Conformity assessment — Requirements for accreditation bodies accrediting conformity assessment bodies* and ISO 14065. Accreditation is conducted by independent accreditation bodies who are members of the International Accreditation Forum (IAF) – the IAF periodically assesses member bodies to ensure that accreditation activities are being conducted in accordance with ISO/IEC 17011 and other applicable standards which provides checks and balances on the accreditation and validation/validation processes. These documents have been adopted by voluntary and regulated GHG reporting programs worldwide. These programs and regulatory bodies typically require accreditation of GHG validation and verification bodies in accordance with ISO/IEC 17011 and ISO 14065 and ISO 14066. Examples include:

- European Union Emissions Trading System (EU ETS) – requires accreditation of GHG verification bodies in accordance with ISO/IEC 17011 and ISO 14065 and ISO 14066, and for verifications to be conducted in accordance with ISO 14064-3.
- Mexico Ministry of the Environment – requires accreditation of GHG validation and verification bodies in accordance with ISO/IEC 17011 and ISO 14065 and ISO 14066
- Oregon Department of Environmental Quality (recognizes ANAB accreditation of GHG validation/verification bodies which is in accordance with ISO 14065, ISO 14066 and ISO/IEC 17011)
- British Columbia (Canada) GHG reporting regulation – requires verifications to be conducted in accordance with ISO 14064-3 and by a verification body which is accredited by a member of IAF in accordance with ISO/IEC 17011 and ISO 14065.
- Quebec, Nova Scotia, Ontario – also recognize validation/verification body accreditation to ISO/IEC 17011 and ISO 14065
- International Civil Aviation Organization (ICAO) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) recognizes accreditation of verification bodies in accordance with

ISO/IEC 17011, ISO 14065 and ISO 14066 and conduct of verifications in accordance with ISO 14064-3

- Voluntary programs, including The Climate Registry (California), Climate Action Reserve (California), the American Carbon Registry, Gold Standard, and Verra require GHG validation and verification bodies to be accredited by an organization which is a member of the International Accreditation Forum, which follows ISO 17011 and ISO 14065 for GHG, and require verifications and validations to be conducted in accordance with ISO 14064-3

We recommend SEC adopt the ISO standards that are already well-established in the marketplace as a basis for validation and verification of greenhouse gas emissions, accreditation of validation and verification bodies (including 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> party VVBs). It should also be noted that the scope of ISO 14065 has been expanded beyond GHG and now addresses requirements for bodies providing validation and verification of environmental information, and that ISO has issued ISO/IEC 17029 *Conformity assessment — General principles and requirements for validation and verification bodies* which is currently used in conjunction with ISO 14065 for accreditation of these bodies.

Questions 154 and 155 – See our response to questions 144-149, above. We do not agree that the attestation engagement and related attestation report should be provided in publicly available standards. The above referenced standards have been subjected to a rigorous development and approval process and have been accepted internationally and have been used as the basis for accreditation of third-party VVBs and conduct of attestation engagements for nearly two decades. They are proven effective and have the confidence of carbon trading schemes and stakeholders.