Boston Common
Asset Management

200 State Street, 7th Floor | Boston, MA 02109

June 17, 2022

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

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

Dear Ms. Countryman,

Boston Common Asset Management writes in support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors. We appreciate the SEC's focus to ensure the proposal meets the needs of investors for material climate-related information, and also furthers the SEC's objectives to maintain fair, orderly, and efficient markets and facilitate capital formation.

Boston Common Asset Management is a global investment manager that specializes in sustainable and responsible global equity strategies. Boston Common urges companies we invest in to improve their sustainable business practices and to promote transparency, accountability, and inclusivity in the way they conduct business with their employees, customers, suppliers, and other partners. Boston Common has a long history of investing in companies that are accelerating the transition to a low carbon economy, including companies that focus on renewable energy, climate mitigation and adaption, more efficient processes, and circular economies. We fully divested from fossil fuels in 2019.

Our Firm's Focus on Climate

In early 2020, Boston Common became the first US asset manager to join the Partnership for Carbon Accounting Financials (PCAF) – with 123 signatories representing $39.8 trillion in financial assets. As part of the PCAF Core team, we helped develop global carbon accounting standards launched in November 2020 covering six asset classes. In March 2021 Boston Common joined the Net Zero Asset Managers Initiative alongside 273 global asset managers representing over $60 trillion in assets under management. As signatories, we are committed to aligning our investments to net-zero emissions and a 1.5 degrees Celsius scenario by 2050. Since 2015 Boston Common Asset Management has publicly disclosure our own financed emissions (portfolio carbon footprint).

We also work in collaboration to advance climate action with other investor coalitions and multi-stakeholder organizations including PRI, Ceres, Interfaith Center on Corporate Responsibility, the International Corporate Governance Network, and the Climate Safe Lending Network. All of which have been advocating with companies on the risks posed by climate change and therefore deeply understand the value of comparable, consistent, and reliable climate-related information.

The Need for Mandatory Climate Disclosure

Under the previous US Administration, four years of potential progress in mitigating climate impacts was lost. While investors and businesses continued to address climate, advances were blunted by lack of appropriate US government intervention. This motivated Boston Common to sign onto the 2021 Global Investor Statement on Climate Change supported by 456 investors with over $41 trillion in assets. We have supported previous versions and encourage others to sign onto the latest statement, highlighting the critical need to back comprehensive action steps for governments ahead of COP26; this included stepping up ambition related to NDC (Nationally Determined Contributions) targets, adopting mid-century net-zero goals (2050 or sooner), and supporting mandatory climate disclosure. These actions must be combined with addressing just transition of workers and communities with a focus on resilience.

Our support for mandatory disclosure is further qualified by a study that found mandatory ESG reporting enhanced the quality and increased the accuracy of reporting while reducing dispersion among analysts' earnings forecasts.[1] Disclosures to CDP in 2019 showed 215 of the largest global companies reported nearly US$1 trillion at risk from climate impacts, with many of those impacts likely to hit within the next 5 years. Meanwhile, companies also reported US$2.1 trillion in cumulative gains from realizing business opportunities related to climate change.[2]

Climate Disclosures are Critical for Effective Decision-making

There is a growing demand and need for broad and consistent climate disclosure by issuers globally but also in the United States. This was reinforced by the recent FSOC report which highlighted *"For the first time, FSOC has identified climate change as an emerging and increasing threat to U.S. financial stability."* One of the key recommendations was to *"Enhance climate-related disclosures to give investors and market participants the information they need to make informed decisions, which will also help regulators and financial institutions assess and manage climate-related risks".*

Boston Common has been part of individual and collaborative discussions with the SEC over the past year on and has provided written feedback to the SEC including June 2021 (attached) and November 2021. In our meeting and written follow up with Chairman Gensler and the SEC in November 2021 we shared a few key points which I will summarize as follows:

1. **Scope 3 is Essential** - The inclusion of Scope 3 emissions is critical as this is where investors and companies have the most risk and therefore the greatest need to assess and

[1] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3832745

[2] https://www.cdp.net/en/articles/media/worlds-biggest-companies-face-1-trillion-in-climate-change-risks

mitigate. While the data quality and scope are evolving, we support the use of industry sector averages and other estimations already being used by investors from a variety of sources including those like ISS and MSCI which provide carbon analytics. Boston Common Asset Management already discloses Scope 3 emissions for its portfolio carbon footprint as a signatory to PCAF (Platform for Carbon Accounting Financials). The SEC could consider limited liability for reporters related to data quality. We feel that while Scope 3 GHG emissions vary from sector to sector it should be required regardless of sector but must be prioritized for those sectors like fossil fuels where Scope 3 represents more than 40% of their overall GHG emissions.

2. **Investors need backward and forward looking disclosure** – This includes disclosure of climate transition plans, The+Good+Transition+Plan.pdf (squarespace.com) such as those developed for banks by the Climate Safe Lending Network of which we are a member. We need to support the use of robust carbon accounting tools like those provided by PCAF (Partnership for Carbon Accounting Financials) for "financed emissions" which produced guidance for six asset classes including **listed equities and bonds, business loans and unlisted equity, project finance, mortgages, motor vehicles and commercial real estate and the use of tools** and the use of climate scenarios like that supported by the Network for Greening the Financial System using NGSF NGFS Scenarios Portal. There are more tools and climate scenarios available for both investors and companies and there is a global industry being built around this need.

3. **Assurance is needed** – While the current climate accounting practice is not where it needs to be it is important to build this into the SEC climate disclosure requirements. Assurance could be one of the last steps required for issuers in a tier approach or timeline.

4. **US Financial Regulatory System Alignment** – The SEC climate disclosure requirements should be aligned and support a US financial regulatory system wide approach which is now called for in the most recent Financial Stability Oversight Council . FSOC Report on Climate-Related Financial Risk (treasury.gov).

In addition, we hope the SEC will support the following:

5. **Just transition:** We recommend that the SEC modify the definitions of physical and transition risks to include potential and actual impacts to communities and a company's workforce, as well as the changing perceptions of the public, as these impacts may lead to a variety of business risks that can affect the likelihood of success of companies' climate transition plans due to the lack of just and equitable opportunities to these stakeholders in the transition.

6. **Policy alignment with climate strategy**: We would also like to highlight the importance to investors of understanding the extent of corporate alignment of federal and state policy advocacy with internal corporate climate strategies, and whether companies have aligned their policy positions, and their trade association memberships with the goals of the Paris Agreement.

Boston Common Support for Proposed Rules

Climate-related disclosures are critical for effective investment analysis and decision-making. We therefore support and recommend full inclusion of the following:

1. The SEC's integration of nearly all of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into your proposal, because the TCFD recommendations cover many of the essential elements of climate risk disclosure that we use for our decision making and are broadly supported and used by companies, investors and securities regulators worldwide.

2. The inclusion of a GHG emissions reporting requirement in the proposal, because this information is critical to our understanding of the quality of a company's earnings in the face of climate change and the energy transition.

3. Requiring assurance of certain GHG emissions disclosures, and for the phasing in of reasonable assurance over time, because assurance is needed to ensure that we receive accurate, relevant, and consistent information about emissions, which is currently very difficult to obtain.

4. Climate-related impacts or risks can materially affect a company's financial position and operations, we support the inclusion of some climate-related information in the financial statements; this also promotes consistency in information across a company's reporting.

5. The global alignment of climate risk disclosure standards is essential to both investors and issuers, so we support the SEC's efforts to align its proposal with developing ISSB climate risk disclosure standards.

We believe focusing on innovation and climate resilience supported by robust climate policies will create opportunities for investors, companies, and governments, and the SEC has a critical role in this by mandating robust, standardized, and comparable climate disclosures by issuers.

Sincerely,

Lauren Compere, Managing Director, Head of Stewardship & Engagement
Boston Common Asset Management

BOSTON COMMON
ASSET MANAGEMENT

200 State Street, 7th Floor | Boston, MA 02109

June 14, 2021

The following letter is presented by Boston Common Asset Management in response to an [invitation for comment] on climate change disclosures by SEC Acting Chair Allison Herren Lee to be submitted by June 14th, 2021.

Boston Common Asset Management submits this comment letter in support of a rulemaking by the SEC on mandatory climate change disclosures. We believe that disclosure of the material and systemic risks of climate change will help companies and investors to 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.

Our Firm Focus on Climate Change

Boston Common Asset Management is a global investment manager that specializes in sustainable and responsible global equity strategies. Boston Common urges companies we invest in to improve their sustainable business practices and to promote transparency, accountability, and inclusivity in the way they conduct business with their employees, customers, suppliers, and other partners. Boston Common has a long history of investing in companies that are accelerating the transition to a low carbon economy, including companies that focus on renewable energy, climate mitigation and adaption, more efficient processes, and circular economies. We fully divested from fossil fuels in 2019.

In early 2020, Boston Common became the first US asset manager to join the **Platform for Carbon Accounting Financials (PCAF) – with 123 signatories representing $39.8 trillion in financial assets.** As part of the PCAF Core team, we helped develop global carbon accounting standards launched in November 2020 covering six asset classes. In March 2021 Boston Common joined the **Net Zero Asset Managers Initiative alongside 73 global asset managers representing $32 trillion in assets under management.** As signatories, we are committed to aligning our investments to net-zero emissions and a 1.5 degrees Celsius scenario by 2050. Since 2015 Boston Common Asset Management has publicly disclosure our own financed emissions (portfolio carbon footprint).

We also work in collaboration to advance climate action with other investor coalitions and multi-stakeholder organizations including PRI, Ceres, Interfaith Center on Corporate Responsibility, the International Corporate Governance Network, and the Climate Safe Lending Network. All of which have been advocating with companies on the risks posed by climate change and therefore deeply understand the value of **comparable, consistent, and reliable** climate-related information. Boston Common Asset Management believes climate disclosures are critical for effective investment decision-making.

Climate change poses a systemic risk to the economy, and therefore has material impacts on companies of all sizes in all industries.

U.S. regulators recognize climate change as a systemic risk to the financial system.[1] A company may be *impacted by* climate change, and a company can have climate-related *impacts on* the larger economic and social systems in which it is embedded. This is the concept of double materiality,[2] which has been recognized by corporate reporting systems internationally. The impacts of climate change include physical risks to real assets from climate-fueled weather events and transition risks posed by regulatory, technology, economic and litigation changes during the shift to a net-zero economy. These risks are happening now as evidenced by the increased frequency and intensity of "100-year" weather events across the globe and the EU taxonomy regulations, for example.

Given the current climate emergency, it is especially critical for investors including Boston Common Asset Management to actively support all interventions including progressive climate policies globally such as mandatory climate disclosure. Even before the Paris Agreement, advocating for progressive climate policies has been one of our firm's highest priority. What has changed is the urgency for regulatory interventions especially given the latest IEA energy modeling which concludes there is a very narrow path to achieve a 1.5 degrees Celsius by 2050 pathway including no new investment in new fossil fuel supply projects as of now, no new sales in non-electric vehicles by 2035, and having the global electricity sector have net zero emissions by 2040.

Under the previous Administration in the US, we lost four years to advance progress on efforts to mitigate climate impacts. While investors and businesses continued to address climate, progress was limited without comprehensive government interventions. This is one of the reasons our firm is a signatory to the new **Global Investor Statement on Climate Change** - supported by 456 investors with over $41 trillion in assets. It is critical for investors to back a set of comprehensive action steps for governments to take ahead of COP26. This includes the need to step up ambition related to NDCs (Nationally Determined Contributions) targets, adopt mid-century net zero goals - by 2050 or sooner, and support mandatory climate disclosure.

The current state of climate disclosure does not meet investor needs for comprehensive, science-based, decision-useful data from all enterprises facing material short, medium, and long-term climate change risks. Under Boston Common's five-year flagship initiative, "Banking on a Low Carbon Future", we engaged nearly 60 global banks on climate risks and

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[1] https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf

[2] https://www.bsr.org/en/our-insights/blog-view/why-companies-should-assess-double-materiality

opportunities, highlighting the need for the financial sector to step up on climate. Our November 2019 report **Banking on a Low-Carbon Future: Finance in a Time of Climate Crisis,** concluded that there is a systematic reluctance by banks to demand higher standards from high carbon sector clients with only half the banks explicitly engaging clients on low carbon transition plans and only 7 banks asked clients to adopt the TCFD recommendations. Our findings illustrate that voluntary climate disclosure is not enabling the robust climate disclosure and action by the financial sector that is needed and calls for the SEC to adopt robust mandatory climate disclosure.

A new study has found that mandatory ESG reporting has the quality of reporting and increased the accuracy and reduced the dispersion of analysts' earnings forecasts, among other benefits.[3] Disclosures to CDP in 2019 showed that 215 of the biggest global companies reported nearly US$1 trillion at risk from climate impacts, with many of those impacts likely to hit within the next 5 years. Meanwhile, companies also reported US$2.1 trillion in cumulative gains from realizing business opportunities related d to climate change.[4]

Considerations for climate disclosure rules

For the benefit of all market participants, we believe climate change disclosure rules from the SEC should include, at a minimum, the following elements:

- **Based on TCFD:** The SEC's work should be based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which has been endorsed by hundreds of companies and investors globally. The TCFD covers disclosure guidance on governance, strategy, risk management, and metrics and targets.
- **Transition plan disclosure:** Disclosure rules should provide clear insights into companies' climate transition plans, including short, medium, and long term targets. Disclosure on transition plans should address risk management, governance and strategies, and scenario planning for a net zero future.
- **Industry-specific metrics:** SEC rulemaking should include industry specific metrics, because material climate risks manifest in different ways by industry. These metrics should build on existing standards in common use by investors and companies. Identifying such industry specific metrics would also allow for comparable disclosures.
- **Complete emissions disclosure**: Disclosure rules should include Scope 1, 2 and 3 greenhouse gas emissions, which are needed to assess the full range of climate change risks facing companies. This must include emissions attributable to the lending, investing, and underwriting activities of financial institutions, often referred to as "financed emissions", which contribute substantially to the systemic risk of climate change faced by the financial sector.

[3] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3832745
[4] https://www.cdp.net/en/articles/media/worlds-biggest-companies-face-1-trillion-in-climate-change-risks

- **Inclusion in financial filings:** Material climate disclosures, including discussion on risk exposure and business opportunities, impacts on strategy and emissions reporting and management, should be included in annual, quarterly and other appropriate SEC filings.
- **Subject to audits:** Climate-related disclosures in financial filings should be subject to auditing and assurance measures as are financial disclosures. The SEC should work with the Public Company Accounting Oversight Board (PCAOB)[5] to fully incorporate climate into its audit regulatory functions, over which the SEC has statutory oversight responsibility.
- **Regular updates**: Scientific consensus around climate impacts and capital market responses to climate risks are rapidly evolving. SEC rules should be updated regularly in response to these developments, and they should include the development or adoption of new metrics, as existing climate standards and frameworks have done as the science and markets have evolved.
- **Broad ESG disclosure framework**: The topics of "E", "S" and "G" disclosures are inextricably linked; therefore, the SEC should consider the development of a broad ESG disclosure framework that climate disclosures would feed into; however, it is imperative that the development of a broader ESG disclosure mandate does not delay a rulemaking for mandatory climate disclosures. The climate crisis is too urgent and investors need this information as soon as possible. Additional ESG disclosure themes that the SEC should consider prioritizing include, but are not limited to, political spending and human capital management.

The climate crisis requires immediate action to mitigate the growing threats to financial markets and the economy, as well as to the people and communities that exist within them; therefore, we ask the SEC to act urgently in its climate disclosure rulemaking process. We appreciate the opportunity to participate in the SEC's request for information and thank you for your consideration of our comments.

Sincerely,

Lauren Compere

Managing Director/Director of Shareowner Engagement

[5] The PCAOB was set up to oversee the audits of public companies and other issuers in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports