ESG **Book**

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

Via email: rule-comments@sec.gov

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

Dear Ms. Countryman,

By this writing, ESG Book expresses its support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors. We are thankful and appreciative of the SEC staff's efforts to ensure the proposal meets the needs of investors for material climate-related information, and to advance the SEC's objectives to maintain fair, orderly, and efficient markets and facilitate capital formation.

ESG Book, is a global leader in sustainability data and technology. ESG Book is using technology to provide transparency and comparability of multiple ESG and Climate-related data points, making the underlying drivers of single ESG ratings and Climate models accessible. ESG Book's sustainability data products and solutions are used by financial organizations which collectively manage over $120 trillion.

ESG Book supports the SEC's proposed rule, as the proposal:

1. includes a **GHG emissions reporting requirement**, given 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.
2. helps address the data comparability problem and other fundamental **data challenges** of current climate risk data in financial markets. If adopted, the proposal would result in more consistent, and comparable climate risk information that is significantly improved compared to the level of disclosures that are currently available, by making information more decision-useful for all stakeholders.
3. seeks alignment to leading **climate disclosure standards worldwide**. The proposal integrates nearly all TCFD recommendations as a leading global source used by most investors, corporates, and securities regulators, and is based on the SEC's efforts to align with the developing ISSB climate risk disclosure standards. In that regard, the proposal aligns with the established needs of issuers and investors.

Climate-related impacts or risks can materially affect a company's financial position and operations. Today's data availability is limited, which is a fundamental challenge to our apprehension of climate risks for corporates and financial institutions. By including well-structured climate-related information in financial statements, the SEC Climate Disclosure proposal promotes consistency in information across a company's reporting, by including climate as a material element of publicly accessible information.

The Importance of Emissions Data

Regarding question 2 for the proposal, among the most important types of climate-related disclosures is accurate, consistent, and comparable greenhouse gas emissions data. This helps investors with the assessment, monitoring, and managing of critical climate challenges by corporates, key examples of this are related to:

- The transitioning of business models towards less carbon-intensive industrial practices;
- The level of reorientation towards a more climate-resilient economy;
- Pro-active business innovation, alongside the emergence of new climate-friendly technologies.

Assessing companies and their peers on such matters can be done through emissions, metrics on economic green or sustainable activities, as well as business targets and commitments to achieve a net-zero operating model. ESG Book is developing tools to help its clients with 1.) establishing the baseline situation of where issuers or portfolios are in relation to their climate performance, 2.) demonstrating forward-looking climate alignment of corporates for investors; and 3.) identifying climate-related risks and opportunities.

The underlying data inputs integrate financial data, to normalize emissions data and develop comparable emissions profiles across companies and asset classes. Emissions data concerns Scope 1, 2, and 3 CO_2e emissions, as well as breakdowns of the particular GHG gasses (e.g. CH_4), types of Scope 2 emissions (market- or location-based), and types of Scope 3 (e.g. from goods and services, or investments).

Data Challenges

Currently, investors suffer from a lack of information on existing climate-related data flows and availability. While climate data disclosure is steadily improving, as of today, we see that there is still a gap of over 35% of global market capitalization that does not transparently disclose climate-related information.[1] Moreover, even if disclosed, the information is still not being reported in a consistent or comparable manner that enables its effective integration into portfolio management. Data providers are prone to using data proxies and estimation models without clearly stipulating the underlying assumptions or methodologies. There are differing views on the use of estimates and the timing of the disclosures, hence aligning the reporting with the financial reporting year could serve to ease some of these challenges and ensure comparability of reporting boundaries. Therefore, introducing a set of core guiding principles on the reporting and

[1] https://www.conference-board.org/press/climate-disclosures-gap

presentation of climate information would serve the purpose of benefiting both reporting entities by establishing a clear reporting framework, but also end-users of the data such as investors and financial markets.

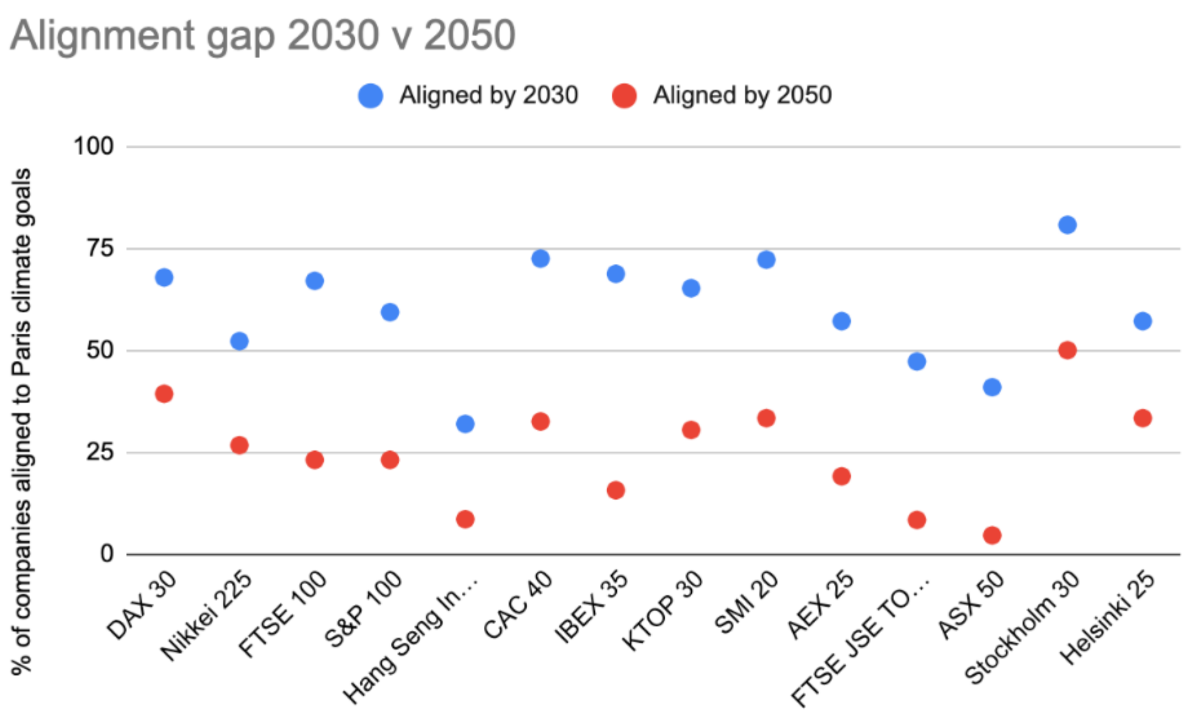
Companies are subject to detailed information disclosure requirements. It is therefore essential that they can focus on disclosing the data that is most financially material to their business and industry. There is a core set of climate-related metrics such as Scope 1, 2 and, where material, 3 GHG emissions – as set out by the Proposal. This data is very insightful, irrespective of listed companies' sector or size.

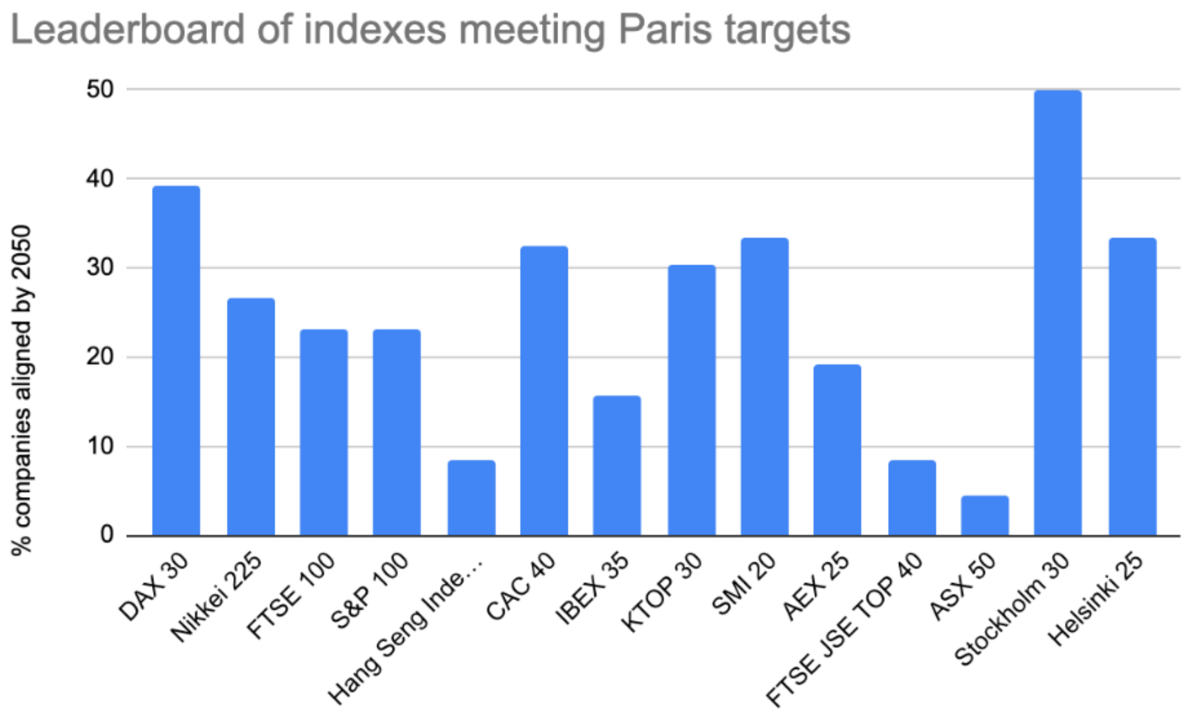
That said, there is a strong argument for introducing an industry-specific set of metrics that pertain to climate risks and opportunities, such as physical and transition risks, as well as green revenue data which would naturally impact companies across different sectors. There already exist several established industry frameworks that help guide financially material disclosures such as SASB/VRF and we advocate the use and reliance on such frameworks to avoid duplication of efforts. We see the SEC Proposal in question as a solid first step in the path towards more transparency and readiness in a world where climate takes center stage.

Consistent and comparable data disclosure is essential because less than 25% (24.84%) of the world's biggest companies are on course to limit global temperature rise to 1.5 degrees Celsius by 2050, according to ESG Book analysis. ESG Book data shows that 15% of companies listed across the fourteen largest indexes are not publicly disclosing their greenhouse gas emissions, equating to approximately USD 5 trillion in market capitalization.[2] This in turn prevents investors from taking well-informed financial decisions when it comes to effectively managing portfolio risk exposures as well as allocating capital towards more resilient and sustainable holdings.

[2] Find out more in our report, 'Less than one in four of the world's biggest companies are on course to limit global temperature rise to 1.5 degrees Celsius by 2050': https://www.esgbook.com/temperature-score/


% of companies on target for 2050 Paris goals
Aligned by 2030
Aligned by 2050
100
75
50
25
0
% of companies aligned to Paris climate goals
DAX 30
Nikkei 225
FTSE 100
S&P 100
Hang Seng In…
CAC 40
IBEX 35
KTOP 30
SMI 20
AEX 25
FTSE JSE TO…
ASX 50
Stockholm 30
Helsinki 25


Alignment gap 2030 v 2050
Aligned by 2030
Aligned by 2050
100
75
50
25
0
% of companies aligned to Paris climate goals
DAX 30
Nikkei 225
FTSE 100
S&P 100
Hang Seng In…
CAC 40
IBEX 35
KTOP 30
SMI 20
AEX 25
FTSE JSE TO…
ASX 50
Stockholm 30
Helsinki 25



Developments in Climate-related Information Needs

Climate change presents a unique set of challenges in terms of its impact on business and society and its scientific underpinnings. These topics are interconnected. We suggest being cautious to focus only on climate and discarding the inter-relationships between sustainability considerations and good governance practices, labor rights, and human rights principles. We advocate that climate and ESG matters be considered material through a multi-disciplinary approach that connects enterprise value and impact.

Additionally, we strongly support the SEC's proposal on the introduction of clearer ESG fund labeling disclosures, since the underlying transparency and risk assessment across a holistic spectrum of ESG products is instrumental for ensuring the better functioning of financial markets. ESG Book recommends regulatory efforts for enhanced climate information disclosure to focus on investment products tailored per product type - across institutional and retail products. Following principles laid out by the European Commission and EU, when investment products are promoted as 'green' or otherwise climate-focused, the issuer or regulated entity behind the respective product should be able to substantiate these claims with clear and transparent data and underlying assessment methodologies.

Finally, regarding question 14 of the consultation, ESG Book sees a growing interest in assessing climate risks stemming from private companies and asset classes such as sovereign and real estate. Our technology platform supports both public and private entities.

Ensuring Data and Disclosure Quality in the Long Run

To ensure this information is reliable and accurate across an expanded time horizon, ESG Book supports the SEC's provisions for requiring assurance of certain GHG emissions disclosures, and for the phasing in of reasonable assurance over time. For the climate-related assessments done by issuers and investors, the assurance requirement would help develop insightful, reliable, and actionable data – allowing end-users of such data to capture historical and peer-relative trends.

Additionally, we suggest close collaboration with the IFRS ISSB who plans to introduce a global baseline standard for climate disclosure and the SEC's alignment would have the undeniable benefit of providing greater coherence and comparability across global jurisdictions - which is particularly helpful for large multi-national companies that are frequently subject to often conflicting or contradictory data reporting practices. Coordinated global climate standards would minimize regulator arbitrage and minimize variance across disclosure requirements based on local or regional specificities and levels of sophistication by corporates on the reporting of non-financial information. It would be prudent to align with the global baseline of disclosures and give sufficient transition guidance for building additional capacity and ensuring region- or sector-specific considerations can be considered.

Considering the arguments outlined above and the fact-based assessment we aim to provide, we respectfully submit that the proposed rule on the Enhancement and Standardization of Climate-Related Disclosures for Investors is not only a welcome development in terms of ensuring a more resilient financial system, but also an essential prerequisite to the better functioning of markets and the more efficient pricing of risks and externalities. We remain available to discuss further any of the points we have raised above, and thank you very much for your consideration of our comments.

Sincerely,

ESG Book