BlackRock

June 17, 2022

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Submitted online via https://www.sec.gov/rules/submitcomments.htm.

RE: The Enhancement and Standardization of Climate-Related Disclosures for Investors (File Number S7-10-22)

Dear Ms. Countryman:

BlackRock, Inc. (together with its subsidiaries, "BlackRock") respectfully submits the following response to the Securities and Exchange Commission's ("SEC" or the "Commission") proposed rule, "Enhancement and Standardization of Climate-Related Disclosures for Investors" (the "proposal").[1] We appreciate the Commission's consideration of our views expressed in our response (our "2021 Letter") to Commissioner Allison Herren Lee's March 2021 Request for Input ("RFI") on "Climate Change Disclosure" in issuing the proposal – including our support for mandatory climate-related disclosures aligned with the Taskforce on Climate-related Financial Disclosures ("TCFD") framework and our affirmation of the relevance of climate risk to investors' decision-making processes. Moreover, because we firmly believe that climate risk is investment risk, we also write to express our strong support for the Commission's goal of implementing a framework for public issuers to provide investors with more comparable and consistent climate-related disclosures.

As a publicly traded asset management firm, we write this letter from two perspectives: (i) as a fiduciary investor that uses climate-related data and disclosures in our investment and stewardship processes on behalf of our investment clients; and (ii) as a public corporate issuer responsible for making disclosures to our own shareholders and other stakeholders. Because we invest on behalf of clients with a variety of long-term financial objectives, in our role as a fiduciary, we engage in investment processes that weigh a variety of investment factors, risks, and opportunities, including those related to climate. As a publicly traded issuer, we are committed to providing meaningful climate-related information to all our stakeholders. Our climate-related reporting, which is aligned with the recommendations of the TCFD, can be found in BlackRock's 2021 TCFD

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[1] "The Enhancement and Standardization of Climate-Related Disclosures for Investors", Securities Act Release No. 11042 and Securities Exchange Act No. 94476, 87 FR 69 (April 11, 2022), 21334 ("2022 Proposing Release").

Report.[2] As both an investor and an issuer, we are guided by our fundamental conviction that reliable, comparable, and consistent climate-related disclosures by public issuers are essential for investors to accurately integrate climate risks and opportunities into their investment decision-making processes.[3]

Introduction

Investors on behalf of clients are not just looking for more data on climate risk, they need *high-quality* climate-related information that is (1) relevant to understanding climate-related risks and opportunities, and (2) reliable, timely, and comparable across jurisdictions.

Investors also recognize that climate data and risk methodologies are still evolving. As a fiduciary to our clients, BlackRock has engaged with public companies on climate disclosure in recent years. We have observed these companies continually developing and adapting their climate reporting tools, leading to improved quality of disclosure over time.

Therefore, we applaud the Commission for taking this important first step of proposing a framework that, generally speaking, incorporates the Commission's existing guidance on climate-related disclosures[4] while aligning with the core tenets of the TCFD framework.[5] We view the Commission's proposal as an important contribution to a multi-year, multi-jurisdiction effort for improving the availability, quality, comparability, timeliness, and interoperability of climate-related disclosures.

Our comments below are intended to align the Commission's proposal with the following principles, which we believe will provide investors with high-quality climate-related disclosures, while creating the flexibility necessary for continuing development of creative, pragmatic best practices.

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2 Further, our 2020 Sustainability Disclosure includes reporting aligned with the SASB Standards for Asset Management & Custody Activities, as well as reporting on additional sustainability topics that matter most to our stakeholders. The SASB Standards provide a roadmap for reporting to investors focused on achieving disclosure that is useful, cost-effective, industry-specific, evidence-based, and informed by market practitioners. We see the TCFD Recommendations and the SASB Standards as complementary. For more information, see our Investment Stewardship Commentary: Sustainability Reporting: Convergence to Accelerate Progress.

3 At present, climate-related information with respect to private issuers is lacking in comparison to what is increasingly available from public issuers. To avoid regulatory arbitrage between public and private market climate-related disclosures, we believe that climate-related disclosure mandates should not be limited to public issuers. Therefore, we encourage the SEC to explore its existing regulatory authority to mandate climate-related disclosures with respect to large private issuers.

4 *See* Commission Guidance Regarding Disclosure Related to Climate Change, Release No. 33-9106 (Feb. 2, 2010) [75 FR 6290 (Feb. 8, 2010)]; SEC Climate Change Disclosure-Sample Letter, *available at* https://www.sec.gov/corpfin/sample-letter-climate-change-disclosures.

5 *See* TCFD, Recommendations of the Task Force on Climate-Related Disclosures (June 2017); *see also* TCFD, Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures (Oct. 2021) (the "TCFD Implementing Recommendations").

Principles for High-Quality Climate-Related Disclosures

- **TCFD alignment**: We support disclosure frameworks aligned with the TCFD framework and sector-specific metrics, such as those that will be taken forward by the International Sustainability Standards Board ("ISSB"). The TCFD framework has incorporated market feedback and attracted widespread support because of its relative simplicity and consistency. Our experience is that it results in clear disclosures that allow investors to assess how companies are adapting their business models to respond to climate-related risks and would provide an effective global framework.

- **Global baseline standards with industry-specific guidance**: We strongly support a global baseline of climate-related disclosure standards to enable investors to make more informed decisions. We urge regulators to work with market participants and standard setters, like the ISSB, to continue developing industry-specific guidance.

- **Flexible approach to improving disclosures:** We believe that regulators should allow for a "comply or explain" regime (consistent with the TCFD framework) for disclosure areas, such as certain metrics and targets, that are still actively evolving. This regime will allow companies to provide the disclosures or explain why they cannot. A flexible approach to disclosure will likely encourage more and more companies to provide such disclosures.

- **Distinction between Scope 1&2, and Scope 3 disclosures**: We support quantitative disclosure aligned with the Greenhouse Gas Protocol ("GHG Protocol"). As investors, we use GHG emissions estimates to size an issuer's climate-related exposure. Specifically, we look to companies to provide Scope 1 and 2 GHG emissions disclosures, and meaningful short-, medium-, and long-term science-based reductions targets, where available for their sector.

  As investors, we use Scope 3 emissions as a proxy metric (among others) for the degree of exposure companies have to carbon-intensive business models and technologies. However, we do not believe the purpose of Scope 3 disclosure requirements should be to push publicly traded companies into the role of enforcing emission reduction targets outside of their control. Given methodological complexity for Scope 3 emissions and the lack of direct control by companies over the requisite data, our investors believe the usefulness of this disclosure varies significantly right now across industries and Scope 3 emissions categories. We encourage regulators to adopt a disclosure framework that accounts for this significant variation. Under this framework, companies would disclose emissions estimates for any of the fifteen Scope 3 categories that are material to them. If none of the fifteen categories are material, or if companies are not yet capable of estimating their Scope 3 emissions, they would have the option of explaining why that is the case.

- **Consistency across public and private markets**: Mandating reporting by companies across both public and private markets is critical to averting unintended consequences in the capital markets such as (1) the sale of physical assets to private companies to avoid disclosure, and (2) private companies being potentially disincentivized from going public, decreasing choice for public market investors. Uniform disclosures would also provide market participants with a clearer understanding of how the transition to a lower carbon economy is progressing across the entire economy. The absence of consistent private and public market disclosure standards forces public companies to step into the role of policing their value chain partners and clients through negotiating the implementation and monitoring of the data they need for their own disclosures, such as private companies' GHG emissions reporting.

- **Protections from liability**: The liability attached to climate-related disclosure should be commensurate with the evolving nature of that disclosure to encourage rather than discourage higher-quality disclosure. We urge regulators to adopt a liability framework that provides meaningful protection from legal liability for disclosures provided in good faith while standards continue to evolve, and that gives companies the flexibility they need to develop their disclosures without imposing a chilling effect.

- **Adequate time for companies to develop high-quality disclosures**: Climate-related disclosures often require companies to collect and aggregate data from various internal and external sources. Practical realities of data-collection and reporting do not cleanly line up with financial reporting cycles. Giving companies adequate time (e.g., 120 days) after their fiscal year-end to accurately collect and analyze this data will increase the quality of the climate-related information investors receive. This timeline should still result in companies producing climate-related data in advance of their annual meetings, giving investors time to assess it before making proxy voting decisions.

- **Adhering to relevant materiality thresholds**: Finally, we believe companies' climate-related disclosure obligations in their annual and quarterly reports should be linked to relevant materiality thresholds. Materiality thresholds will assist investors in identifying those companies that consider climate-related risks material to their operations and in evaluating the impact of those risks on companies.

Executive Summary

While we applaud the Commission's efforts, both as an investor and as an issuer, we are concerned that certain elements of the proposal, which go beyond or differ from the recommendations of the TCFD, will decrease the effectiveness of the Commission's overarching goal of providing reliable, comparable, and consistent climate-related information to investors. As discussed in our 2021 Letter, we strongly advocate for mandatory disclosures aligned with the TCFD framework, which we believe serves to provide investors with comparable and consistent information to assess issuers' long-term transition plans and near-term actions to mitigate climate risks, and to ultimately make better informed investment decisions. As an investor, we have been pleased to observe that an increasing number of issuers are using the TCFD framework to provide more detail to investors in disclosures that are becoming increasingly robust over time.[6] If the Commission's rulemaking were to require companies to disclose significantly more information than what is currently called for under the TCFD framework or TCFD-aligned international standards, particularly information that is not material, we are concerned that the resulting disclosure would obscure what information is material, have limited value to investors, heighten compliance costs and reduce the ability to compare across companies and regions.

Therefore, in offering our support for the Commission's initial efforts to mandate climate-related disclosures for investors and to offer much-needed guidance to issuers on the range of climate-related factors they should incorporate into their disclosures, we are submitting the following specific recommendations to the Commission, which we believe will allow the final rules to address the concerns outlined above and promote reliable, comparable, and consistent disclosures.

Disclosure of Material Climate-Related Information in SEC Filings: We respectfully request that the Commission link an issuer's climate risk disclosure obligations in its annual reports and registration statements ("SEC filings") to the well-established definition of materiality established by the Supreme Court in *TSC Industries, Inc.* v. *Northway, Inc.* [7] We also encourage the Commission to more closely align elements of the proposal to the TCFD framework. In particular, we respectfully request that the Commission (i) tie the proposed disclosure requirements pertaining to climate-related strategy[8] to materiality, including the disclosures related to internal carbon pricing, scenario analyses, transition plans and climate-related targets or goals (collectively, the "Analytical and Planning Measures"),[9] and (ii) further align the proposal with the TCFD framework by permitting issuers to disclose only relevant information under the proposed governance and risk management rules,[10] rather than mandating disclosure against each prescribed element, as would be required under the proposal. We believe these changes will assist us and other investors in evaluating the material impact of climate risk on particular issuers and in identifying those issuers that consider climate-related risks and risk oversight material to their operations. We believe that the proposal sets forth an important roadmap to inform disclosure decisions on climate-risk oversight, strategy, governance, and risk management and will compel issuers to conduct a more thorough analysis than currently

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[6] As long-term investors on behalf of our clients, we look to companies to help their investors understand how climate risks and opportunities are integrated into their governance, strategy, and risk management, as well as to provide Scope 1 and 2 GHG emissions disclosures, and meaningful short-, medium-, and long-term science-based reductions targets, where available for their sector. While recognizing the measurement challenges, we also look for disclosures on how companies are considering Scope 3 GHG emissions, particularly where these are material. We consider these disclosures in our qualitative and quantitative assessments of companies' risk return profiles and in our voting analysis.

[7] *See TSC Industries, Inc.* v. *Northway, Inc.*, 426 U. S. 438 (1976) (holding that a fact is material "if there is a substantial likelihood that a reasonable shareholder would consider it important" in making an investment decision or if it "would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available" to the shareholder).

[8] *See* proposed Item 1502.

[9] *See* proposed Items 1502(e), 1502(f), 1503(c)(3) and 1506.

[10] *See* proposed Items 1501 and 1503.

undertaken under the existing voluntary framework alone. Under our proposed approach, although issuers would ultimately only disclose in their SEC filings the climate-related strategy information that is material to their investors in making investment and voting decisions, and the governance and risk management information relevant to their climate oversight framework, they would have assessed each of the potential disclosure elements of these proposed items.

From an investor perspective, we believe that this approach would prompt many issuers to adopt the necessary capabilities for assessing the materiality of climate-related considerations outlined in the proposal, while reducing the likelihood that SEC filings become diluted by non-material climate-related information that obfuscates and distracts investors from information that is material. From an issuer perspective, we believe our recommendation would reduce the undue burdens and liability implications associated with mandatory disclosure of non-material information in SEC filings, which could have unintended consequences on issuers' willingness to take actions that would advance their climate-related efforts and reporting practices. Without a materiality threshold and closer alignment to the TCFD framework, disclosures on "Analytical and Planning Measures" required by the proposal may discourage issuers from initiating an assessment of their climate-related risks and opportunities under these measures, and then disclosing this information. In contrast, if the SEC's rulemaking requires a more narrowly tailored set of information to be included in annual reports and registration statements, we believe more issuers would be catalyzed to make climate-related disclosures for the first time in a furnished report, as further discussed below.

Disclosure of Specified Climate-Related Information in a Furnished Report: We strongly agree with the Commission that certain climate-related information may not be material but may nevertheless be useful to investors who are looking to understand issuers' climate-related exposure. As such, we recommend that the SEC provide guidance requiring issuers to supplement the mandatory climate-related disclosures in their SEC filings by furnishing a report, on an annual basis, that captures useful climate-related information regardless of whether such information is uniformly material. To that end, we respectfully request that the Commission develop an alternative disclosure form (the "New Form") for issuers to provide (i) their Scope 1 and 2 GHG emissions estimates and (ii) on a "comply or explain" basis (consistent with the TCFD framework), disclosures related to Analytical and Planning Measures and, under the circumstances described below, material Scope 3 GHG emissions estimates.

- ***Timing.*** The New Form would be furnished, rather than filed, within 120 days after an issuer's fiscal year-end, similar to the delayed reporting approach permitted with respect to the Commission's Form SD under the Securities Exchange Act of 1934 (the "Exchange Act") Rules 13p-1 and 13q-1. The New Form will allow issuers additional time to collect and analyze quantitative climate-related data, which often requires companies to collect and aggregate data from various internal and external sources and thus cannot be completed on the same timeline as issuers' annual reports. By giving reporting issuers more time after the annual report deadline to prepare the information required on the New Form, the SEC will also increase the quality and accuracy of the climate-related information investors receive. This timeline would still result in companies producing the New Form in advance of their annual meetings, giving investors time to assess the material before making proxy voting determinations, both on director elections and shareholder proposals.

- ***Furnished Disclosure.*** As noted, we believe that requiring issuers to disclose GHG emissions estimates and Analytical and Planning Measures on the New Form will serve the SEC's goal of increasing the availability of useful climate-related information. In order to have an appropriate liability standard and avoid discouraging the disclosure of information that may be useful to investors, while the relevant science, standards and methodologies for GHG emissions and Analytical and Planning Measures are still evolving, we believe it is necessary and appropriate for the SEC to (1) provide that the information on the New Form be "furnished" rather than filed, and (2) provide a robust safe harbor that affords meaningful protection from liability when such information is incorporated by reference into SEC filings under the circumstances described below. We believe that this approach strikes the appropriate balance between providing investors with protection against materially misleading disclosures, on the one hand, and mitigating the chilling effects on issuers that would result from imposing a stricter liability standard on "filed" disclosures where the underlying analytical frameworks are still actively evolving, on the other hand.

- ***Analytical and Planning Measures.*** The New Form will also establish a more flexible framework for issuers to disclose their Analytical and Planning Measures by allowing issuers that choose to undertake the relevant action to "comply" (*i.e.*, make the required disclosures) or explain why certain items are not relevant to their business or cannot yet be reliably disclosed. Issuers' determinations of whether to comply or explain will inevitably change as standards and methodologies mature and become more widely adopted, leading to increasingly more comprehensive climate disclosures over time. We are concerned that adopting a regime with prescriptive requirements that are immediately triggered upon initial usage of an Analytical and Planning Measure could have the unintended consequence of chilling the implementation of such measures by subjecting early adopters to premature and onerous disclosures. In addition, these companies would be exposed to ongoing liability exposure as scientific and methodological underpinnings continue to evolve. By allowing issuers to take a "comply or explain" approach, the SEC will provide issuers with greater flexibility, which we believe will lead to greater transparency and more robust climate-related disclosures in a cost-effective way. Mitigating the chilling effect for early adopters will allow us and other investors to encourage issuers and their boards to take climate action that may be in their long-term financial interests.

GHG Emissions Disclosures:[11] As investors, we believe that climate risk is investment risk, and we strive to help our clients make the most informed choices to improve their investment outcomes. As we stated in our 2021 Letter, we support the Commission's objective to require mandatory qualitative and quantitative reporting across all issuers as soon as practicable. However, unlike the qualitative elements of the proposal described above, we believe that the quantitative disclosure requirements related to GHG emissions are impracticable as currently proposed. Consistent with our 2021 Letter, recognizing that relevant data and methodologies are still emerging, we recommend that the Commission take a flexible approach to GHG emissions disclosures under proposed Item 1504.

- ***Scope 1 and 2 GHG Emissions.*** We recommend that the SEC require issuers to disclose their Scope 1 and 2 GHG emissions estimates on the New Form regardless of materiality, as this information helps investors assess exposure to climate-related risks and opportunities across a variety of sectors. Given the methodological and estimation challenges issuers face today in collecting Scope 1 and 2 data on a timely basis, we are of the view that it is impracticable to require this information to be disclosed in SEC filings on the annual report timeline, even if material, although that may change over time as these challenges abate. If the SEC provides for a robust safe harbor that affords meaningful protection from liability for Scope 1 and 2 disclosures made on a "filed" basis, we would support the SEC requiring material Scope 1 and 2 disclosures to be incorporated by reference from the New Form into issuers' SEC filings. We encourage the SEC to provide industry-specific guidance on when Scope 1 and 2 GHG emissions estimates could be material to investors in making voting and investment decisions. Alternatively, if the SEC does not provide a meaningful safe harbor from liability, we recommend that material Scope 1 and 2 GHG emission disclosures be furnished on the New Form until methodologies and industry practices have evolved sufficiently.

- ***Scope 3 GHG Emissions.*** As we have said previously, at this stage, we view Scope 3 emissions differently from Scope 1 and 2, given the methodological complexity and lack of direct control by companies over the requisite data to assess Scope 3 emissions. In our experience as investors, these issues, and the usefulness of Scope 3 disclosures more generally, vary significantly across industries and the 15 categories of Scope 3 emissions. For these reasons, while we are generally supportive of the Commission's proposal to require disclosure of Scope 1 and Scope 2 emissions, we respectfully disagree with the Commission's approach to requiring disclosure of Scope 3 emissions in SEC filings.

  This disagreement is not to minimize Scope 3 emissions. As investors, we believe it is important to be able to evaluate companies' assessments of their emissions across their value chain, or Scope 3 emissions, as such emissions could affect the economic viability of issuers' business models. Climate risk and the economic opportunities from the transition are a top

[11] *See* proposed Item 1504.

concern for our clients and a rapidly growing share of them have already committed to net-zero aligned portfolios. As investors, we use Scope 3 emissions as a proxy metric (among others) for the degree of exposure companies have to carbon-intensive business models and technologies. However, we do not believe the purpose of Scope 3 disclosure requirements should be to push publicly traded companies into the role of enforcing emission reduction targets outside of their control.

Further, as the Commission recognized in its proposal, "the methodologies pertaining to the measurement of GHG emissions, particularly Scope 3 emissions, are evolving," and with the broader adoption of reporting standards, datasets, and methodologies, they will improve meaningfully further.[12] Over time, we believe that Scope 3 emissions could become a routine part of material risk disclosure. This evolution will require effort on the part of the Commission to provide the further guidance necessary for these disclosures to be reliable and consistent for investors, including with respect to materiality and the appropriate calculation methodology for each category of Scope 3 emissions.

Therefore, we recommend that the Commission require material Scope 3 disclosures to be furnished in the New Form on a "comply or explain" basis, which allows issuers to either disclose material Scope 3 emissions or explain why certain emissions categories are not relevant to the issuer or not subject to reasonable estimation. The Commission should not mandate Scope 3 emissions in SEC filings as proposed. A flexible approach to rulemaking based on a "comply or explain" approach, compared to mandating complete Scope 3 disclosures in SEC filings before most issuers have the requisite capability, will provide issuers the opportunity to develop the resources necessary to comply with industry standards and best practices as they emerge.[13]

Omit Proposed Article 14 of Regulation S-X: Proposed Article 14 of Regulation S-X requires financial statement disclosures on a disaggregated, line-item basis without regard to materiality, which is likely to yield uneven and inaccurate disclosures, while the proposed 1% threshold is arbitrarily low and inconsistent with any materiality thresholds that currently apply to SEC disclosures.[14] We do not believe these new disclosures are practicable for issuers, and do not believe they are necessary, considering that issuers are already subject to Financial Accounting Standards Board ("FASB") standards that require them to consider changes in their business and operating environment when those changes have a material direct or

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12 *See* 2022 Proposing Release, p. 159.

13 While the Commission's proposal is ambiguous, a reasonable reading is that it requires issuers to furnish aggregate Scope 3 emissions across all categories, as well as the Scope 3 emissions for any category that is significant to the registrant.

14 There are a limited number of SEC disclosure requirements that apply a 1% threshold (e.g., under 17 CFR 210.5-03.1(a) with respect to excise taxes that exceed 1% of the total of sales and revenue; under 17 CFR 210.12-13 with respect to open option contracts with notional amounts exceeding 1% of net asset value; and under 17 CFR 229.404(d) with respect to related party transactions that exceed 1% of total assets). However, these are not "materiality" thresholds and do not apply a line-item level of granularity.

indirect effect on their financial statements and related notes. Therefore, we respectfully recommend that the SEC omit the proposed requirement related to financial statement disclosures from the final rules. In making this recommendation, we considered (and urge the Commission to consider) the substantial costs issuers would incur in connection with developing the appropriate disclosure infrastructure and reporting controls required for financial statement disclosures and auditing such disclosures to obtain reasonable assurance, as well as the limited usefulness of the resulting disclosures to investors as they are currently proposed.

Below, we provide further details on these recommendations, as well as why we believe they will enhance the effectiveness of the Commission's rulemaking. We stand ready to assist the Commission in its rulemaking process and would welcome the opportunity to discuss these recommendations with the Commission and provide additional information.

Discussion of Our Recommendations

We believe that, by taking a comprehensive approach in its rulemaking, the Commission has provided an important roadmap of potential disclosures that could help issuers refine their process for identifying and disclosing material climate-related risks. Compared to the existing voluntary framework, the Commission's detailed analytical and disclosure roadmap—which, subject to certain exceptions, is generally aligned with the disclosures recommended under the TCFD framework—is more likely to increase the comparability and consistency of issuers' climate-related disclosures.[15]

However, like the Commission, we recognize that the methodologies and procedures for corporate issuers to collect, analyze, and report climate information are still evolving. Therefore, we urge the Commission to provide issuers with the flexibility they need to scale up their disclosures against the SEC's roadmap. Requiring companies to create disclosures before standards and methodologies are sufficiently mature, and before companies can develop mechanisms necessary to produce robust climate-related disclosures, will result in climate-related disclosures across companies and industries that are costly, inconsistent, unreliable, and difficult to compare. That is why we propose a more flexible application of the Commission's proposal, where an issuer would:

- file as part of its SEC filings the climate-strategy information that is material to investors (*e.g.*, material climate-related risks and material business impacts);
- file as part of its SEC filings, with the option to incorporate by reference from the proxy statement, certain of the climate-related governance and risk management information as noted below;

[15] In addition, we urge the Commission to continue to participate in the ISSB's efforts in developing industry-specific guidance, including with respect to Scope 3 GHG emissions, in order to ensure that its final rule is aligned with a global baseline. We strongly support a global baseline of climate-related disclosure standards to enable investors to make more informed decisions.

- furnish on the New Form Scope 1 and 2 GHG emissions disclosures (which, if material and subject to a robust safe harbor that affords meaningful protection from liability, could be incorporated by reference into the issuer's SEC filings);

- furnish on the New Form, on a "comply or explain" basis, information on Analytical and Planning Measures to the extent relevant to the issuer and sufficiently ripe for disclosure (which, if material and subject to a robust safe harbor that affords meaningful protection from liability, could be incorporated by reference into the issuer's SEC filings);

- furnish material Scope 3 GHG emissions disclosure on a "comply or explain" basis on the New Form (provided the Commission issues further guidance, as described below, necessary for these disclosures to be reliable and consistent for investors); and

- not be required to disclose other information under the proposal that meaningfully exceeds the scope of the TCFD framework (*e.g.*, Regulation S-X requirements and certain granular disclosure requirements) where such disclosures are unlikely to be useful to investors and cannot be made in a reliable and cost-effective manner.

We firmly believe that the above approach will better enable the Commission to accomplish its goals in the near term. By allowing issuers to use proposed subpart 1500 of Regulation S-K as an analytical and disclosure roadmap in evaluating the materiality of climate-related information, we believe the Commission will enhance climate-related disclosures by providing a clearer, universal framework that outlines the climate-related issues that companies need to consider to make disclosure decisions. Requiring companies to identify and disclose material, TCFD-aligned information in their SEC filings will increase the comparability and consistency of the resulting disclosures across companies and enable investors to make informed investment decisions. Permitting issuers to use a furnished form to disclose GHG emissions and useful information regarding applicable Analytical and Planning Measures will lessen the disproportionate compliance burden and litigation exposure that would result from mandating in SEC filings non-material climate-related disclosures or climate-related disclosures in areas where the underlying analytical frameworks are still actively evolving.

Our recommendations promote a flexible approach to climate-related disclosures, which is both necessary and appropriate given the current limitations in climate disclosure methodologies and procedures. Under a flexible approach guided by the SEC's comprehensive disclosure roadmap, the TCFD framework and the SEC's further engagement with market participants and standard setters, we are confident that the climate disclosure landscape will continue to improve with more high-quality, useful information provided on an accurate and reliable basis over time.

Disclosure of Material Climate-Related Information in SEC Filings

The SEC should require disclosure of material climate information in issuers' SEC filings, applying the well-established definition of materiality. Investors have come to expect that the risk factor and business impact disclosures included on Form 10-K and other SEC filings will be appropriately limited by the well-established definition of materiality established by the Supreme Court in *TSC Industries, Inc.* v. *Northway, Inc.* Requiring disclosure of climate information that is not material to investors' investment or voting decisions in the Form 10-K and other SEC filings would create uneven disclosures that dilute and distract investors from the material information included in these filings.

For example, today, with respect to disclosure requirements related to issuers' climate strategy, issuers are required to disclose material climate-related information in their SEC filings, which is consistent with the requirement to disclose material climate risks under proposed Item 1502(a).[16] We recommend that the remainder of proposed Items 1502(a) through (d) be qualified in their entirety by materiality in a similar manner. Otherwise, the disclosure of any and all actual and potential impacts of potential climate-related risks[17] could create voluminous disclosure that ultimately makes it more difficult for investors to distinguish material impacts from those that are unlikely to either occur or significantly affect the business of an issuer.

In connection with linking all of proposed Items 1502(a) through (d) to materiality, we urge the Commission to provide industry-specific guidance on when the detailed information required under proposed Item 1502(a) should be considered material and included in SEC filings (*e.g.*, when disclosure of physical risks on a zip-code-by-zip-code basis and the percentage of assets located in flood hazard or high water stress areas would be material).[18]

The SEC should require most but not all of the governance and risk management information required under proposed Items 1501, 1503(a) and 1503(b) to be included in SEC filings. As a general matter, we believe that the oversight of climate-related risks and opportunities by an issuer's board of directors[19] and management[20] is important to the investment and voting decisions of investors. We believe that an issuer's risk management process[21] and the integration of such process into an issuer's overall risk management systems[22] are important to the investment and voting decisions of investors as well. The nature of

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16 *See* Commission Guidance Regarding Disclosure Related to Climate Change, Release No. 33-9106 (Feb. 2, 2010), 75 FR 6290 (Feb. 8, 2010); SEC Climate Change Disclosure-Sample Letter, *available at* https://www.sec.gov/corpfin/sample-letter-climate-change-disclosures.

17 *See* proposed Item 1502(b).

18 *See* proposed Item 1502(a)(1)(i).

19 *See* proposed Items 1501(a)(1) and (2).

20 *See* proposed Items 1501(b)(1) and (2).

21 *See* proposed Item 1503(a).

22 *See* proposed Item 1503(b).

these disclosures may better lend themselves to inclusion in issuers' proxy statements, where issuers currently report their governance and risk management procedures. Therefore, we recommend that these disclosures be placed in Part III of Form 10-K, which, as permitted by Instruction G(3), can be incorporated by reference into the Form 10-K from the issuer's definitive proxy statement filed within 120 days after the end of the fiscal year covered by the Form 10-K. In addition, issuers should be allowed to make the relevant disclosures about the board of directors' oversight role and management's role in assessing and managing climate-related risks[23] in their proxy statement, and incorporate such disclosures by reference into Part III of Form 10-K.

However, we do not think it is necessary or, in some cases, appropriate to require issuers to disclose the identity of directors who are responsible for such oversight,[24] or to identify "climate expert" directors.[25] We believe that robust board oversight with respect to climate requires a whole-of-the-board approach, and the identification of "specialist" directors is not conducive to a holistic undertaking by the board. We also respectfully disagree with the proposal to require issuers to describe whether and how a board sets climate-related targets and goals, as it implies that climate target- or goal-setting is an appropriate board responsibility. Setting climate targets and goals is the purview of management, subject to appropriate board oversight.

Finally, we believe that specified descriptions of members with climate expertise on a board of directors or in management and specific details regarding management's process for overseeing climate risk[26] should not be required disclosure, but should instead serve as items to consider when an issuer is determining which elements of its climate-related governance and risk oversight processes are relevant to its investors. Prescribing such a granular level of required disclosures under these proposed items would likely require issuers to disclose a large volume of information that is, on the one hand, unlikely to be material for investors, and on the other hand, may be competitively sensitive for issuers.

The SEC should more closely align the proposal with the TCFD framework. As discussed, we believe that proposed subpart 1500 of Regulation S-K, when appropriately limited to material information, will enhance issuers' disclosure practices compared to the existing voluntary framework by providing issuers with a concrete, comprehensive, and detailed disclosure roadmap against which they will evaluate their climate-related reporting. Although subpart 1500 is generally aligned with the TCFD framework, there are several important deviations that we believe will lead to confusion and result in inconsistent disclosures. Therefore, we urge the SEC to align the disclosure elements under subpart 1500 with the TCFD framework.

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[23] *See* proposed Items 1501(a)(1), 1501(a)(2), 1501(b)(1) and 1501(b)(2).

[24] *See* proposed Item 1501(a)(1)(i).

[25] *See* proposed Item 1501(a)(1)(ii).

[26] Specifically, we are referring to disclosures required under proposed Items 1501(b)(1)(i) through (iii), 1503(a)(1) and (2), and the second sentence of 1503(b).

For example, the proposal would require issuers to disclose how they determine the relative significance of climate-related risks compared to other risks,[27] which would require issuers to undertake an apples to oranges comparison of climate and other types of risks; (*e.g.*, credit risks, inflation, geopolitical, etc.) that will likely be both meandering and distracting for investors. In contrast, we believe investors will be better served by TCFD's recommendation that issuers "describe their processes for prioritizing climate-related risks,"[28] which aligns with how issuers generally prioritize risk disclosures in their SEC filings today. Therefore, an approach that is consistent with the TCFD's recommendations will be less confusing for issuers to implement and will result in more targeted disclosure that helps investors understand how a company prioritizes its various climate-related risks without soliciting less precise comparisons among all categories of risks.

<u>Disclosure of Specified Climate-Related Information in a Furnished Report</u>

We recommend that Scope 1 and 2 GHG emissions estimates and Analytical and Planning Measures be disclosed on a New Form to facilitate and incentivize the disclosure of useful climate-related information. As further discussed below, we recommend that the New Form include (i) Scope 1 and 2 GHG emissions information, which many issuers cannot produce on an accurate or reliable basis today on the same reporting timeline as their annual report, and (ii) on a "comply or explain" basis, relevant information on Analytical and Planning Measures. With respect to Scope 3 GHG emissions estimates, under the circumstances discussed below in "Phased-In GHG Emissions Disclosures", we believe that material Scope 3 GHG emissions disclosure should be furnished on a "comply or explain" basis on the New Form.

The information disclosable on the New Form should be provided by issuers annually on a delayed basis after the annual report deadline. We recommend that the New Form be furnished within 120 days after an issuer's fiscal year-end, in a fashion similar to the delayed reporting approach permitted with respect to the Commission's Form SD under Exchange Act Rules 13p-1 and 13q-1. We recommend that the New Form be furnished subsequent to the annual report to give issuers enough time to collect relevant data, including third-party data, as further discussed below. We note that this timeline should allow the New Form to be produced simultaneous to a corporate issuer's proxy statement, allowing investors time to absorb the information contained within before voting on annual meeting items.

The information on the New Form should generally be furnished. Allowing the information on the New Form to be furnished (rather than filed) will limit liability (including under Sections 11 and 12(a)(2) of the Securities Act of 1933) with respect to GHG emissions estimates and information on Analytical and Planning Measures, which we believe will encourage companies to provide increasingly detailed climate disclosure notwithstanding the foreseeable disclosure challenges. Absent such limitations, the foreseeable, meaningful expansion of litigation

27 *See* proposed Item 1503(a)(1)(i).

28 *See* TCFD Implementing Recommendations, Guidance for All Sectors 3(b), p. 20.

exposure will deter issuers from providing information that is useful to investors where the underlying frameworks are at a stage of particularly active evolution. Because the primary constraints on disclosure quality for issuers in the near future are beyond their control, such litigation exposure is unlikely to improve the quality of disclosure on these topics. As new best practices evolve, it is likely that many issuers would be forced to expend significant energy and resources defending their disclosures on GHG emissions and Analytical and Planning Measures, even though such disclosures were made in good faith based on the information and standards available at the time.

We would support the SEC requiring material disclosures on Scope 1 and 2 emissions estimates and Analytical and Planning Measures to be incorporated by reference from the New Form into issuers' SEC filings,[29] subject to a robust safe harbor that affords meaningful protection from liability for disclosures on GHG estimates and Analytical and Planning Measures made on a "filed" basis.

Issuers should be required to disclose Scope 1 and 2 emissions estimates on the New Form. We support the SEC's efforts to require all issuers to report quantitative GHG emissions estimates as soon as such estimates can be reported with appropriate accuracy and consistency. As the SEC notes in the Proposing Release, GHG emissions estimates are key to sizing an issuer's climate-related exposure and GHG emissions footprint, and serve as an important internal risk measurement tool. Thus, we support the Commission's decision to require all issuers to report their Scope 1 and 2 GHG emissions estimates under proposed Items 1504(a) and (b) of Regulation S-K, although we recommend that, at this time, such disclosure be made on the New Form, on a delayed basis. Requiring disclosure of Scope 1 and 2 GHG emissions estimates will ensure all issuers develop this essential reporting functionality, and that investors have access to consistent and comparable Scope 1 and 2 GHG emissions estimates for all issuers.

While issuers, including BlackRock, have made significant strides in developing the appropriate data collection tools and disclosure controls, many others still face substantial methodological challenges in reporting this information on a consistent, reliable, and timely basis. First, global standards and methodologies for the calculation of GHG emissions are still evolving, and issuers applying different methodologies will generate inconsistent Scope 1 and 2 GHG emissions estimates while broad methodological consensus is emerging.[30] Second, issuers must rely on estimates from third parties to make their own Scope 1 and 2 GHG emissions

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[29] For example, by including an instruction to Form 10-K analogous to Instruction G(3) of Form 10-K, the information disclosed with respect to Scope 1 and 2 GHG emissions estimates and Analytical and Planning Measures, to the extent material to investors' investment or voting decisions, could be incorporated by reference from the New Form so long as such information is filed within 120 days after the end of the period covered by the Form 10-K.

[30] For example, the GHG Protocol, which is one of the most widely-accepted GHG accounting standards, applies different organizational and operational boundaries in calculating GHG emissions than the proposal does, which is based on U.S. GAAP and would include all of the emissions of consolidated subsidiaries and a proportionate share of emissions from equity investees. In our view, so long as issuers sufficiently describe the organizational and operational boundaries used, it would be beneficial to give them flexibility to choose those boundaries that are best suited to their emissions data rather than forcing the use of boundaries consistent with U.S. GAAP.

estimates (although to a lesser degree than Scope 3 GHG emissions). Third, current lags in GHG emissions data reporting, including data collection from third parties, make it impractical for most companies to collect, analyze and disclose their GHG emissions estimates on the same timeline as the annual reporting obligations.[31]

Requiring Scope 1 and 2 disclosures in a separate report furnished subsequent to the annual report will give issuers more time to collect accurate GHG emissions information. In addition, while we believe that it is useful for investors to have access to Scope 1 and 2 GHG emissions estimates, we think it is important for such information to be subject to meaningful protection from liability while methodologies and industry practices are emerging. Therefore, we would support the SEC requiring incorporation of Scope 1 and 2 disclosures by reference into SEC filings if such disclosures are material under the Supreme Court's long-standing definition of materiality under a robust safe harbor that affords meaningful protection from liability for GHG emissions disclosures made on a "filed" basis. To be effective, the safe harbor must extend to both historical and forward-looking information in recognition of the challenges of disclosing either type of information based on standards and methodologies that are not yet well established, have changed and thus are likely to continue to change over time, which may cause prior disclosures to be second-guessed. We also believe it would be appropriate to explicitly recognize that all GHG emissions disclosures are good faith estimates. Furthermore, we urge the SEC to engage with market participants and standard setters to develop industry-specific guidance on applicable methodologies and on when Scope 1 and 2 disclosures could be material. Alternatively, if the SEC does not provide such guidance or safe harbor, we recommend that all Scope 1 and 2 disclosures be furnished on the New Form until methodologies and industry practices have evolved sufficiently.

In addition, we respectfully request that the Commission require the disclosure of Scope 1 and 2 GHG emissions on an aggregated basis together with detail on only the *material* constituent gases[32] and *material* offsets.[33] Moreover, we encourage the Commission to engage with market participants and work closely with a standard setter like ISSB to provide additional industry-specific guidance on which gases are likely to be material and how materiality should be evaluated in light of the long-standing definition of materiality. We also encourage the Commission to provide industry-specific guidance on how GHG intensity[34] should be calculated, including the appropriate unit of production.

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31 BlackRock agrees with the SEC that attestation of Scope 1 and 2 disclosures can help provide investors with accurate and comparable disclosures. In addition to the challenges of requiring attestation on an annual report timing, we are concerned that, today, the attestation procedures for climate-related disclosures are not sufficiently mature. We recommend that the Commission further engage with issuers, investors, attestation providers and other market participants to evaluate whether the attestation requirement should be included in the final rules as proposed (including with respect to the implementation timeline and level of assurance). If attestation is required by the final rules as proposed, we suggest that the SEC delay implementation to allow for more robust standards to develop and qualified providers to emerge.

32 *See* proposed Item 1504(a)(1).

33 *See* proposed Item 1504(a)(2).

34 *See* proposed Item 1504(d).

Finally, proposed Item 1504(e) would require issuers to describe the methodology, significant inputs and significant assumptions used to calculate GHG emissions, in many cases without regard to materiality and beyond the scope of the TCFD framework. We urge the SEC to permit issuers to use the prescriptive list of disclosure elements under proposed Item 1504(e) as an illustrative roadmap rather than to mandate disclosure against each element. For instance, the TCFD framework recommends that issuers "provide a description of the methodologies used to calculate targets and measures" where not apparent,[35] which gives issuers the flexibility to disclose what they deem to be appropriate and necessary for investors to understand how their GHG emissions metrics are calculated. We believe that using proposed Item 1504(e) as an illustrative roadmap will enhance the quality of TCFD-aligned reporting by prompting issuers to clearly and satisfactorily explain to their investors such useful information as the organizational and operational boundaries used in estimating GHG emissions.

Issuers should be permitted, on the New Form, to "comply or explain" with respect to any applicable disclosure requirements on Analytical and Planning Measures. As currently proposed, the disclosure requirements on internal carbon price,[36] scenario analysis,[37] transition plans[38] and targets and goals[39] are only triggered if an issuer chooses to take the relevant Analytical and Planning Measure. However, the proposal would require granular disclosures which relate to processes that involve emerging standards and methodologies. If such disclosures are required to be included in SEC filings as soon as an issuer takes the relevant action, issuers would likely be deterred from implementing Analytical and Planning Measures until standards and methodologies have sufficiently evolved. This could have the unintended consequence of delaying issuers' widespread use of these Analytical and Planning Measures.

We believe that the Commission can reduce this potential chilling effect by permitting issuers to disclose their evolving efforts with respect to Analytical and Planning Measures in a furnished form on a "comply or explain" basis (which is consistent with the TCFD framework). In other words, we recommend that the Commission require issuers to make good faith determinations as to which items under proposed Items 1502(e), 1502(f), 1503(c) and 1506 they are able to disclose, and which items are not relevant to their business or cannot yet be reliably disclosed. For example, if an issuer is deciding whether to conduct scenario analysis, such issuer may worry less about increasing its disclosure burden if, instead of having to provide detailed disclosures in the first year it decides to conduct scenario analysis,[40] it has the option to explain why such details are not yet relevant or cannot be disclosed in an accurate way given current limitations. A "comply or explain" regime will provide investors greater transparency into the

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[35] *See* TCFD Implementing Recommendations, Guidance for All Sectors 4(c), p. 22.

[36] *See* proposed Item 1502(e).

[37] *See* proposed Item 1502(f).

[38] *See* proposed Item 1503(c).

[39] *See* proposed Item 1506.

[40] *See* proposed Item 1502(f).

measures taken or planned by a company to mitigate their climate risks, while also allowing issuers to progress their disclosures at a responsible pace as methodologies and market practices evolve.

To the extent that any information disclosed on the New Form with respect to the Analytical and Planning Measures is material and not otherwise captured in an issuer's SEC filings, we believe that an issuer should be required to incorporate such information by reference into its SEC filings, subject to a robust safe harbor that provides meaningful protection from liability for such disclosures that are made on a "filed" basis. In addition, we urge the SEC to provide industry-specific guidance on when information with respect to any Analytical or Planning Measure could be considered material under the SEC's long-standing definition of materiality.

Phased-In GHG Emissions Disclosure

Consistent with our 2021 Letter, recognizing that relevant data and methodologies are still emerging, we recommend that the Commission take a phased approach to GHG emissions disclosures under proposed Item 1504.

Disclosure of material Scope 3 emissions should be furnished on the New Form on a "comply or explain" basis. Although methodologies pertaining to the measurement of GHG emissions continue to evolve, with broader adoption of reporting standards, datasets, and methodologies they will further improve, in turn creating a cycle of positive reinforcement whereby better and more easily measurable metrics can be introduced. Further, we do not believe Scope 3 disclosures should be predicated on whether a company sets or discloses GHG reduction targets, as we are concerned about disincentivizing targets that could be in the long-term economic interests of our clients on whose behalf we invest.

Until comparable GHG disclosure requirements are directly imposed on private companies, mandating that public companies disclose Scope 3 emissions without the flexibility to "comply or explain" also means that they must require the private companies in their value chains to prepare GHG disclosures in order for the public companies to ensure high-quality disclosure of upstream (*i.e.*, supply chain) Scope 3 emissions. This would effectively force public companies to step into the inappropriate role of policing their private, commercial counterparties through negotiating the implementation and monitoring of the ongoing compliance of such private companies' GHG emissions reporting.

Our recommendation with respect to Scope 3 will encourage an issuer to disclose the categories of Scope 3 emissions that are material to them, if, when and to the extent that such information is capable of being reliably estimated. We believe that the SEC needs to continue to engage with market participants and standard setters to develop the necessary industry-specific guidance, including with respect to (i) the appropriate calculation methodology for each category of Scope 3 emissions, (ii) the categories or subcategories of Scope 3 emissions that are likely to be material for a company in a particular industry, (iii) categories or subcategories that an issuer cannot disclose without unreasonable effort or expense, and (iv) appropriate GHG accounting standards applicable to a particular industry.

We think that this phased approach of allowing reporting of Scope 3 to develop over time through a "comply or explain" approach is the best way to encourage issuers to provide the most accurate and complete GHG emissions disclosures they can as soon as practicable, while market participants continue to work through current procedural and methodological limitations, and standard-setting bodies apply the necessary, deliberative process to bring standards and methodologies to maturity. We urge the SEC to continue to engage with market participants and standard setters in this process.

Disclosure Requirements That Should Be Excluded

The SEC should consider the evolving nature of climate data reporting when determining the scope of data issuers must report under the proposed rules. Issuers should not be required to report on metrics that are likely to be imprecise, misleading, and cumbersome for market participants. Consistent with our 2021 Letter, we believe that the SEC's rulemaking should focus on data that can be accurately and consistently reported. Through BlackRock's engagement, as a fiduciary, with issuers on climate disclosure in recent years, we have observed issuers' tendency to develop and adopt climate reporting tools through a flexible process as climate science and risk analysis methodologies evolve. Notwithstanding the rapid progress we have observed, we believe that the SEC should not require the disclosures under proposed new Article 14 of Regulation S-X or the other unduly burdensome disclosures described below.

The disclosures required under proposed new Article 14 of Regulation S-X would add substantial cost, burden and complexity to the public company reporting process and are unlikely to yield new material information. We are particularly concerned that the proposed requirements to provide disaggregated disclosures on a line-item basis without regard to materiality would result in highly inaccurate disclosures and unduly burdensome compliance costs. Further, the 1% reporting threshold is arbitrarily low, not aligned with the SAB 99 materiality standard and would result in the disclosure of immaterial and hard-to-calculate data, which would be subject to numerous estimates, assumptions, and judgments. As a result, the disclosures would dilute the materiality of climate-related financial disclosures and potentially mislead investors into assuming that such data is more relevant or reliable than it actually is. Moreover, the proposed financial statement disclosures are beyond the scope of the TCFD framework and other TCFD-aligned regulatory frameworks. For these reasons, we respectfully recommend that the SEC omit the proposed requirements under Regulation S-X from its rulemaking.

It would be more appropriate for a recognized standard setter subject to the SEC's oversight, like the FASB, to determine the appropriateness and necessity of any financial statement climate-related disclosures beyond the current GAAP standards that call for climate-related metrics in an issuer's financial statements and related notes under certain circumstances. Importantly, any new pronouncement or standard should be subject to a flexible process among key stakeholders as part of the rulemaking process, consistent with FASB practice. Further, we believe that the Commission's existing MD&A guidance provides a robust roadmap for how issuers should think of discussing the financial impact of material climate-related risks and events.

The SEC should eliminate other disclosure requirements that are unduly burdensome and would not yield useful information. BlackRock is mindful that the costs of unduly burdensome disclosure requirements that do not yield useful information are ultimately borne by an issuer's investors. We and other investors want more robust climate reporting, but only if such reporting yields high-quality information that can be compared across issuers and over time. Inaccurate or cumbersome information that dilutes reliability does not help investors make investment and voting decisions, and instead has the potential to be costly, obfuscating, confusing and misleading.

Therefore, in addition to eliminating the financial statements disclosure requirements, we recommend that the SEC eliminate the requirement to provide GHG emissions disclosures and other climate-related information for historical periods. Many issuers do not currently collect or report the information required under the proposal and thus will have to retroactively estimate their historical data, which process is both burdensome and unlikely to produce reliable and consistent disclosures for investors.

Furthermore, we recommend that the Commission exclude consolidated entities and equity investees from the application of the final rules. Under the proposal, an issuer will be required to obtain all Scope 1 and 2 emissions for consolidated subsidiaries and the issuer's share of GHG emissions for investments for which it applies either the equity method of accounting or proportionate consolidation. On the one hand, this proposed requirement could deter potential investees from engaging with U.S. public investors in favor of private U.S. companies or non-U.S. public companies. On the other hand, this proposed requirement will negatively affect the access to capital of smaller private companies, because U.S. public company investors may be concerned with these investees' GHG emissions reporting capabilities.

We also recommend that the SEC exclude pooled investment vehicles, exchange-traded products and business development companies from the application of the final rules. Pooled vehicles, business development companies and exchange-traded products often have few employees or operations, and primarily exist to invest in other companies. Although certain of these entities also make SEC filings, the climate-related disclosures by these entities should not be subject to the same rules that would apply to public company registrants given the unique nature of their business and operations.

Conclusion

While we agree with the Commission's goal of providing a robust framework for climate disclosures under the proposal, we believe that the Commission's rulemaking should provide issuers with more flexibility. We believe that our recommendations, which are consistent with the principles for high-quality climate-related disclosures we outlined above, will allow the Commission to strike the appropriate balance between providing issuers with flexibility and establishing a framework that provides market participants with the information they need to evaluate a company's climate-related exposure.

We believe that limiting reporting of climate-related information in SEC filings to information that is material to an issuer's business and financial performance will reduce the compliance burden for companies and ensure that material climate risks and opportunities are clearly identified for market participants alongside the discussion of an issuer's other material risks. Omitting certain elements of the proposal that require premature disclosure of quantitative and financial statement metrics will reduce the risk of uneven and inaccurate disclosures. Allowing the underlying methodologies and procedures to ripen before the Commission mandates disclosure will allow issuers to continue the voluntary engagement required to advance the development of the necessary methodologies and procedures, without being subject to high reporting and litigation costs before issuers' efforts are likely to yield useful information.

Furthermore, as an asset manager that invests in U.S. capital markets on behalf of our clients in order to deliver on our purpose of helping more and more people achieve financial well-being, we encourage the Commission to take greater consideration of the impacts the proposal could have on U.S. capital markets.[41] We are concerned that the impact of onerous disclosure requirements on U.S. public issuers could (i) encourage U.S. public issuers to sell assets that could harm their climate-related disclosure to opaque private issuers,[42] (ii) incentivize such assets to stay in the hands of opaque private companies, (iii) disincentivize initial public offerings by private companies or U.S. listing by non-U.S. companies, thereby potentially excluding public market investors from accessing pockets of U.S. capital markets and capital formation processes, and (iv) discourage merger activity between publicly listed U.S. companies and either private U.S. companies or non-U.S. companies.[43] Therefore, we urge the Commission to consider ways to extend greater transparency of climate-related considerations to U.S. private issuers.

Finally, we encourage the Commission to continue to closely align its rules around climate disclosure with emerging global standards, including under the ISSB. With our recommendations as discussed in this letter, we believe the SEC proposal would create a robust framework for climate disclosures and help set a global benchmark for efficient, informed capital markets.

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[41] Of note, the UK and EU regulators are evaluating climate disclosure requirements, which would apply to both public companies and private companies over a certain size.

[42] This is already occurring. See recent New York Times article: "Oil Giants Sell Dirty Wells to Buyers With Looser Climate Goals, Study Finds."

[43] Particularly for jurisdictions where such data is not required by local regulatory disclosure regimes, needing to report data immediately at the time of a merger without any phase-in period or safe harbor would be extremely difficult for non-U.S. companies and therefore create a significant barrier to M&A activity for U.S. listed issuers looking to acquire targets in foreign markets.

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We thank you for taking the time to review our input and are happy to be of further assistance as this endeavor proceeds. Should you have any questions about our views, please reach out to Robert Dunbar [redacted].

Sincerely,

Paul Bodnar
Managing Director, Global Head of Sustainable Investing

Kathryn Fulton
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