Submitted via email: rule-comments@sec.gov

June 22, 2022

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

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

Institutional Shareholder Services Inc. (ISS) appreciates the opportunity to provide comments on the Securities and Exchange Commission's ("SEC" or "Commission") proposed rule on the Enhancement and Standardization of Climate-Related Disclosures for Investors ("Proposed Rule").[1] ISS' comments represent our views in our capacity as a service provider to institutional investors, and as a key stakeholder in the corporate governance and responsible investment industries, and not necessarily the views of our clients.

Founded in 1985, ISS is a leading provider of corporate governance and sustainable investing solutions, market intelligence and fund services, and events and editorial content for institutional investors and corporations. ISS ESG, the responsible investment arm of ISS, provides institutional investors with comprehensive data, analytics, and advisory services to help them understand, measure, and manage ESG-related risks and opportunities to achieve their investment objectives. With more than 35 years of corporate governance expertise and 25 years of providing in-depth responsible investment research and analytics, including through a dedicated global climate research team, ISS has an in-depth understanding of the requirements of the institutional investor community.

Given the increasing importance to many institutional investors of integrating environmental, social, and governance (ESG) factors into a prudent investment management strategy, ISS welcomes the Commission's proposal to enhance and standardize climate-related disclosures for the benefit of investors. We address in the Appendix some of the questions raised in the Proposed Rule, noting that our responses also draw from our comment letter on the SEC's

[1] *See* The Enhancement and Standardization of Climate-Related Disclosures for Investors, Release No. 33-11042 (March 21, 2022), https://www.sec.gov/rules/proposed/2022/33- 11042.pdf https://www.sec.gov/rules/proposed/2022/33-11042.pdf

March 15, 2021, *Public Input Welcomed on Climate Change Disclosures* (ISS June Letter).[2] In addition to providing in the Appendix our specific observations and recommendations on certain issues, we summarize our general views as follows:

- ISS generally supports the Commission's Proposed Rule, which we view as helping to close the current gap between corporate reporting and investors' information needs regarding material climate-related information. The proposed disclosure will help inform investors' investment, engagement, and proxy voting decision-making processes.
- ISS supports the proposed alignment with the Task Force on Climate-related Financial Disclosures (TCFD) framework. In our view, the TCFD framework has become widely accepted as a model for companies to meet climate-related disclosure expectations of institutional investors around the globe, particularly when used in conjunction with sector-specific metrics. We also support the Commission aligning the proposal with the Greenhouse Gas Protocol (GHG Protocol), which we recognize as a leading reporting standard familiar to many investors.
- ISS is encouraged by and supports the alignment of the Proposed Rule with the draft proposals recently published by the International Sustainability Standards Board (ISSB). We support the Commission's continuing engagement with the International Organization of Securities Commissioners (IOSCO) and ISSB to facilitate interoperability and comparability of sustainability standards, including the development of a global baseline for investor-focused climate disclosure.
- ISS views the Proposed Rule as generally consistent with the Commission's role as a disclosure agency. In our view, the Commission is proposing a framework for providing disclosure of climate-related information relevant to a company's financial risks and opportunities.
- With respect to the proposed GHG emissions disclosure, ISS supports Scopes 1 and 2 emissions reporting, along with accompanying narrative disclosures, while noting the challenges of mandating Scope 3 reporting at this point. We agree with the Commission's conclusion that this disclosure can help inform investors and acknowledge that the Proposed Rule mostly aligns with regulatory reporting requirements currently under development in a number of major capital markets, as well as with voluntary corporate reporting. Still, we are cognizant of the challenges posed by mandatory Scope 3 emissions reporting and of the diverse market views on how to best ensure such reporting produces reliable and comparable information.

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[2] *See* Letter from Gary Retelny, President and CEO, ISS to Vanessa A. Countryman, Secretary, U.S. Securities and Exchange Commission (June 14, 2021) (ISS June Letter), https://www.sec.gov/comments/climate-disclosure/cll12-8914286-244666.pdf.

ISS thanks the Commission for considering our comments and we welcome the opportunity to discuss this matter further.

Respectfully,

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ISS

Appendix: ISS Responses to Select SEC Requests for Comment

TCFD-based Framework & Location of Climate-related Disclosure.

SEC Request for Comment 1. *Should we add a new subpart to Regulation S-K and a new article to Regulation S-X that would require a registrant to disclose certain climate-related information, as proposed? Would including the climate-related disclosure in Regulation S-K and Regulation S-X facilitate the presentation of climate information as part of a registrant's regular business reporting? Should we instead place the climate-related disclosure requirements in a new regulation or report? Are there certain proposed provisions, such as GHG emissions disclosure requirements, that would be more appropriate under Regulation S-X than Regulation S-K?*

ISS generally supports the proposed additions to Regulation S-K and S-X. As we wrote in the ISS June Letter, "we believe that any regulation [of material climate-related risk] should not only require reporting but that such reporting should be subject to the same standards that the SEC applies to the current disclosure framework."

A guiding principle for any reporting regulation should be underpinned by the understanding that the ultimate goal is clarity and transparency so that investors can properly integrate material information into their investment activities. To allow investors to use ESG information in their investment activities, particularly with respect to proxy voting, material ESG information should be published at the same time as financial information or at a minimum in advance of a company's annual shareholder meeting. It would be useful, we believe, if reference to relevant ESG information, in this case climate-related disclosure, is also made in meeting materials. Regardless of the location of the disclosure, we believe digital tagging of disclosed information in Inline XBRL, as proposed, would be beneficial for parsing large volumes of such data and analytics. See also our responses to *Questions 190, 191, 193.*

The purpose of the SEC's public company disclosure regime is to foster fair and orderly markets by affording investors access to material information about public companies. "Material" information is that which a reasonable investor would think is an important part of the mix of information needed to make an informed investment decision. Judged by this standard, ISS observes that many investors today believe that climate-related information is generally material to their investment, engagement, and proxy voting decision-making processes.

In our experience, a broad range of investors are increasingly considering votes on issuers' strategies to mitigate climate risk, such as scenario analysis, targets, and climate transition plans and are developing investment policies and criteria accordingly. The ability to apply their respective voting policies and effectively evaluate company progress toward a given climate strategy is dependent on the availability and quality of relevant information. This information is also often used by investors to determine the effectiveness of board oversight of climate-related risk and may also impact their vote decisions with respect to directors.

In 2021, as part of a Global Voting Policy Survey on Climate,[3] ISS obtained responses from a broad range of investors (including asset owners, asset managers, and others) and non-investors (including public companies, board members, advisors to public companies, and others) to specific questions related to climate-related disclosure within the context of proxy voting. For companies whose operations, products, or services are considered to strongly contribute to climate change, investor responses to the survey showed the following:

- 88 percent of responding investors consider "...clear and appropriately detailed disclosure of [a company's] climate change emissions governance, strategy, risk mitigation efforts, and metrics and targets, for example such as according to the Task Force on Climate-Related Financial Disclosures (TCFD) framework" to be a minimum expectation.
- 73 percent of responding investors expect a high-emitter company to declare a long-term ambition to be in line with Paris Agreement goals for its operations and supply chain emissions (Scopes 1, 2 & 3 targets) that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals).
- 66 percent of responding investors expect that a company "[has] demonstrated it is improving its disclosure and performance (even if it is not yet in line with peers or with Paris Agreement goals)."
- 63 percent of responding investors expect high-emitter companies to disclose a strategy and capital expenditure program in line with GHG reductions targets that could reasonably be seen to be in line with limiting global warming to "well below 2 degrees C" (Paris Agreement goals).

Accordingly, in our view, the Proposed Rule helps meet investors' information needs to assess whether and how portfolio companies' performance and strategies align with their expectations.

Question 2. *If adopted, how will investors utilize the disclosures contemplated in this release to assess climate-related risks? How will investors use the information to assess the physical effects and related financial impacts from climate-related events? How will investors use the information to assess risks associated with a transition to a lower carbon economy?*

If adopted, the Proposed Rule would provide investors with more comprehensive, timely, and comparable disclosure to assess investment risks and opportunities. The proposed disclosure would help close the current gap between corporate reporting and investors' information needs and help inform investors' investment, engagement, and proxy voting decision-making processes.

We generally agree with the Commission's description of how specific disclosure, as proposed, is expected to improve investors' understanding of what the registrant considers the relevant short-, medium-, and long-term climate-related risks that are reasonably likely to have a material impact on the registrant's business. In addition to risk management, we believe such disclosure would help inform investors' portfolio strategies and stewardship and engagement practices. In some cases, the enhanced disclosure would also support investors'

[3] *See* ISS 2021 Global Voting Policy Survey on Climate - Summary of Results (October 1, 2021), https://www.issgovernance.com/file/publications/2021-climate-survey-summary-of-results.pdf. (Every year, as part of our transparent voting policy development process, ISS seeks feedback from all interested parties on areas of potential voting policy change for the next year and beyond.)

own climate-related goals and related mandatory and voluntary reporting to clients, the public, and regulators.

Question 3. *Should we model the Commission's climate-related disclosure framework in part on the framework recommended by the TCFD, as proposed? Would alignment with the TCFD help elicit climate-related disclosures that are consistent, comparable, and reliable for investors? Would alignment with the TCFD framework help mitigate the reporting burden for issuers and facilitate understanding of climate-related information by investors because the framework is widely used by companies in the United States and around the world?*

Yes. ISS strongly supports the proposed alignment with the TCFD framework, which is consistent with the recommendations of most commenters responding to the SEC's March 15, 2021, *Public Input Welcomed on Climate Change Disclosures*. Indeed, the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) framework has become widely accepted as a model for companies to meet climate-related disclosure expectations of institutional investors around the globe, particularly when used in conjunction with sector-specific metrics. The G7 nations have agreed to align mandatory climate-related financial reporting with the TCFD framework and other markets (e.g., Hong Kong, Singapore, Switzerland) are also developing reporting regimes that reference the TCFD framework. Further, the exposure drafts recently issued by the International Sustainability Standards Board (ISSB) have incorporated aspects of the TCFD framework.

The global convergence around the TCFD framework is promising in that it can help deliver comparability and reliability of corporate reporting across global capital markets. This has the potential to make sustainability reporting interoperable on a global level and would benefit both investors and corporate issuers, for whom the reporting burden would be lessened.

Questions 4-7. *Do our current reporting requirements yield adequate and sufficient information regarding climate-related risks to allow investors to make informed decisions? In lieu of, or in addition to the proposed amendments, should we provide updated guidance on how our existing rules may elicit better disclosure about climate-related risks?*

Should we require a registrant to present the climate-related disclosure in an appropriately captioned, separate part of the registration statement or annual report, as proposed? Should this disclosure instead be presented as part of the registrant's MD&A?

Should we permit a registrant to incorporate by reference some of the climate-related disclosure from other parts of the registration statement or annual report, as proposed? Should we permit a registrant to incorporate by reference climate-related disclosure that appears in a sustainability report if the registrant includes the incorporated by referenced disclosure as an exhibit to the registration statement or annual report? Are there some climate-related disclosure items, such as GHG emissions data, that we should not permit a registrant to incorporate by reference? Would requiring a registrant to include all of the proposed climate-related disclosures in a separate, appropriately captioned section, while precluding a registrant from incorporating by reference some or all of the climate-related disclosures, promote comparability and ease of use of the climate-related information for investors?

Should we permit a registrant to provide certain of the proposed climate-related disclosures in Commission filings other than the annual report or registration statement? For example, should we permit a registrant to provide information about board and management oversight of climate- related risks in its proxy statement?

As noted in our response to *Question 1*, ISS generally believes that the current reporting requirements do not meet the information needs of investors seeking to manage material climate-related risks across their publicly traded company portfolios. In particular, we agree with the conclusion reached by the Council of Institutional Investors (CII) in its comment letter to SEC Chair Gary Gensler in response to the SEC's March 15, 2021, *Public Input Welcomed on Climate Change Disclosures*:

> "Since 2010, investor demand for, and company disclosure of information about, climate change risks, impacts, and opportunities has grown dramatically."
>
> CII generally believes that climate change is a critical systemic risk that long-term institutional investors must address as part of their fiduciary duty. Many institutional investors are attempting "to assess climate risk and impact but are finding it difficult…." And we believe that current inadequacies of existing disclosures about climate change by companies can lead to mispricing of assets and a misallocation of investment capital.[4]

In our experience, despite greater sustainability reporting, there is little to no standardization of the reporting, making comparative analysis and normalization across industries a challenge. This is the case even where climate-related risk is integrated into companies' annual reporting. As explained, ISS generally supports the proposed requirement regarding the location of material climate-related disclosure.

That being said, if the Commission were to place some climate-related disclosure items in reports other than the annual report or the registration statement, to the extent it is appropriate, we would strongly encourage digital tagging in Inline XBRL. ISS would also support guidance helping to define/standardize climate-related tags to foster comparability and faster access across corporate disclosures.

[4] *See* Letter from Jeff Mahoney, General Counsel, Council of Institutional Investors (CII) to The Honorable Gary Gensler, Chair, SEC (June 11, 2021), https://www.cii.org/files/issues_and_advocacy/correspondence/2021/June%2011%202021%20CII%20Comment%20Letter%20on%20Climate%20Disclosure%20for%20SEC%20(final)%20LN.pdf (footnotes omitted).

Disclosure of Climate-related Risks.

SEC Request for Comment 8. *Should we require a registrant to disclose any climate-related risks that are reasonably likely to have a material impact on the registrant, including on its business or consolidated financial statements, which may manifest over the short, medium, and long term, as proposed?*

Yes. ISS agrees that to the extent climate-related risks are reasonably likely to have a material impact on a company that the company should disclose its assessment of the risk over the short-, medium-, and long-term.

8 continued. *If so, should we specify a particular time period, or minimum or maximum range of years, for "short," "medium," and "long term?" For example, should we define short term as 1 year, 1-3 years, or 1-5 years? Should we define medium term as 5-10 years, 5-15 years, or 5-20 years? Should we define long-term as 10-*20 years, 20-30 years, or 30-50 years? *Are there other possible years or ranges of years that we should consider as the definitions of short, medium, and long term? What, if any, are the benefits to leaving those terms undefined? What, if any, are the concerns to leaving those terms undefined? Would the proposed provision requiring a registrant to specify what it means by the short, medium, and long term mitigate any such concerns?*

ISS agrees with the Commission's conclusion that "disclosures should be based on the registrant's specific facts and circumstances" and that how climate risks impact a registrant and how the registrant addresses the risks are fact-specific and may vary significantly by registrant. For that reason, if the Commission decides to allow registrants to define and disclose how they define the terms "short-, medium-, and long-term," we believe the disclosure should be as specific as possible and articulate year ranges if the registrant uses year ranges internally (e.g., with respect to probability models, scenario analysis, transition planning, etc.).

At the same time, we recognize that having a standard view of "short-," "medium-," and "long-" term would help drive comparability, which we believe investors would welcome. We therefore suggest the Commission also consider a two-component time horizon as a more workable alternative. Specifically, the Commission should consider best practice guidance for defining a "long-term" horizon that runs through 2050 and an "intermediate" horizon, which runs through 2030 or 2035.

Question 9. *Should we define "climate-related risks" to mean the actual or potential negative impacts of climate-related conditions and events on a registrant's consolidated financial statements, business operations, or value chains, as proposed? Should we define climate-related risks to include both physical and transition risks, as proposed? Should we define physical risks to include both acute and chronic risks and define each of those risks, as proposed? Should we define transition risks, as proposed? Are there any aspects of the definitions of climate-related risks, physical risks, acute risks, chronic risks, and transition risks that we should revise? Are there other distinctions among types of climate-related risks that we should use in our definitions? Are there any risks that we should add to the definition of transition risk? How should we address risks that may involve both physical and transition risks?*

In our view, the proposed definitions are in line with the definitions under the TCFD framework and keeping them as proposed will help foster comparability.

Question 12. *For the location of its business operations, properties or processes subject to an identified material physical risk, should we require a registrant to provide the ZIP code of the* *location or, if located in a jurisdiction that does not use ZIP codes, a similar subnational postal zone or geographic location, as proposed? Is there another location identifier that we should use for all registrants, such as the county, province, municipality or other subnational jurisdiction? Would requiring granular location information, such as ZIP codes, present concerns about competitive harm or the physical security of assets? If so, how can we mitigate those concerns? Are there exceptions or exemptions to a granular location disclosure requirement that we should consider?*

ISS generally agrees with the Commission's assessment that location information where a company's business operations are exposed to material physical risk can be beneficial to investors looking to assess risk exposure in a particular area. We also recognize that a company's operations, where not readily disclosed, can in some cases be identified by investors and service providers using satellite mapping, and some companies already provide geographically specific information, such as the longitude and latitude coordinates. Still, we suggest the requirement to report granular location information, such as ZIP codes or equivalent information, be limited to where a company's operations are exposed to significant concentration of risk or loss. Where a company already provides disclosure regarding the magnitude of a material risk in a high-risk location, it would also be appropriate to require disclosure of the underlying terms and general methodology, as the Commission has suggested in the Proposed Rule.

Question 15. *Are there other specific metrics that would provide investors with a better understanding of the physical and transition risks facing registrants? How would investors benefit from the disclosure of any additional metrics that would not necessarily be disclosed or disclosed in a consistent manner by the proposed climate risk disclosures? What, if any, additional burdens would registrants face if they were required to disclose additional climate risk metrics?*

Because specific industry metrics and standards continue to evolve, ISS would generally support the Commission requiring registrants to disclose any industry-specific metrics they are using. This would offer companies flexibility while providing room for the metrics to mature. That being said, the Commission could also look to industry metrics such as those already developed by the Value Reporting Foundation (VRF), now part of the ISSB, or the cross-industry categories of metrics (as part of TCFD's 2021 guidance) that have not been incorporated into the Proposed Rule.

Question 18. *Should we define climate-related opportunities as proposed? Should we permit a registrant, at its option, to disclose information about any climate-related opportunities that it is pursuing, such as the actual or potential impacts of those opportunities on the registrant, including its business or consolidated financial statements, as proposed? Should we specifically require a registrant to provide disclosure about any climate-related opportunities that have materially impacted or are reasonably likely to impact materially the registrant, including its business or consolidated financial statements? Is there a risk that the disclosure of climate- related opportunities could be misleading and lead to "greenwashing"? If so, how should this risk be addressed?*

ISS generally supports the proposed definition of "climate-related opportunities," which is grounded in the TCFD definition, and the proposed flexibility for a registrant to disclose related information. We generally agree with the Commission's emphasis that such disclosure be treated as optional and that if a registrant makes the policy decision to disclose the impact of an opportunity on financial statement metrics that the registrant provide the disclosure consistently. We also view this disclosure as relevant to a company's transition plan.

Question 19. *Should we require a registrant to describe the actual and potential impacts of its material climate-related risks on its strategy, business model, and outlook, as proposed? Should we require a registrant to disclose impacts from climate-related risks on, or any resulting significant changes made to, its business operations, including the types and locations of its operations, as proposed?*

ISS generally supports this proposed requirement, as it would lead to more specific disclosure for the benefit of investors.

Question 21. *Should we require a registrant to specify the time horizon applied when assessing its climate- related impacts (i.e., in the short, medium, or long term), as proposed?*

Yes. As mentioned earlier, ISS generally supports the inclusion of a time horizon by a registrant in its assessment of climate-related impact.

Question 25. *Should we require a registrant to provide a narrative discussion of whether and how any of its identified climate-related risks have affected or are reasonably likely to affect its consolidated financial statements, as proposed? Should the discussion include any of the financial statement metrics in proposed 17 CFR 210.14-02 (14-02 of Regulation S-X) that demonstrate that the identified climate-related risks have had a material impact on reported operations, as proposed? Should the discussion include a tabular representation of such metrics?*

ISS agrees that requiring a narrative discussion of whether and how any of a registrant's identified climate-related risks have affected or are reasonably likely to affect its consolidated financial statements would be relevant to investors. As others have noted, this requirement is similar to that required for MD&A.

Question 30. *Should we require a registrant to disclose analytical tools, such as scenario analysis, that it uses to assess the impact of climate-related risks on its business and consolidated financial statements, and to support the resilience of its strategy and business model, as proposed? What other analytical tools do registrants use for these purposes, and should we require disclosure of these other tools? Are there other situations in which some registrants should be required to conduct and provide disclosure of scenario analysis? Alternatively, should we require all registrants to provide scenario analysis disclosure? If a registrant does provide scenario analysis disclosure, should we require it to follow certain publicly available scenario models, such as those published by the IPCC, the IEA, or NGFS and, if so, which scenarios? Should we require a registrant providing scenario analysis disclosure to include the scenarios considered (e.g., an increase of global temperature of no greater than 3°, 2°, or 1.5 °C above preindustrial levels), the parameters, assumptions, and analytical choices, and the projected principal financial impacts on the registrant's business strategy under each scenario, as proposed? Are there any other aspects of scenario analysis that we should require registrants to disclose? For example, should we require a registrant using scenario analysis to consider a scenario that assumes a disorderly transition? Is there a need for us to provide additional guidance regarding scenario analysis? Are there any aspects of scenario analysis in our proposed required disclosure that we should exclude? Should we also require a registrant that does not use scenario analysis to disclose that it has not used this analytical tool? Should we also require a registrant to disclose its reasons for not using scenario analysis? Will requiring disclosure of scenario analysis if and when a registrant performs scenario analysis discourage registrants from conducting scenario analysis? If so, and to the extent scenario analysis is a useful tool for building strategic resilience, how could our regulations prevent such consequences?*

ISS agrees that disclosure of analytical tools used, such as scenario analysis, is critical to investors. We are sympathetic to the view that different models and scenarios provide companies desired flexibility and, equally so, to the view that comparability is important to investors. Disclosure of specific scenarios and their underlying assumptions, data, and methodology is critical, as it would help investors to understand companies' internal evaluations of physical and transition climate-related risks.

***Question 34**. Should we require a registrant to describe, as applicable, the board's oversight of climate- related risks, as proposed? Should the required disclosure include whether any board member has expertise in climate-related risks and, if so, a description of the nature of the expertise, as proposed? Should we also require a registrant to identify the board members or board committee responsible for the oversight of climate-related risks, as proposed? Do our current rules, which require a registrant to provide the business experience of its board members, elicit adequate disclosure about a board member's or executive officer's expertise relevant to the oversight of climate-related risks?*

ISS supports the proposed requirement that a registrant describe the board's oversight of climate-related risks and provide disclosure about whether any board member has relevant expertise and, if so, the nature of that expertise. In this regard, the Proposed Rule is both an "E" and a "G" proposal. Understanding a company's internal governance and oversight of climate-related issues is fundamental to an investor's ability to evaluate a company's climate strategy and the financial implications and risks of that strategy. This is also the case with board management of climate-related risk, as the results to our 2021 Global Voting Policy Survey on Climate show.

***Questions 43, 44, 46-50**. When describing the processes for identifying and assessing climate-related risks, should we require a registrant to disclose, as applicable, as proposed:*

- *How the registrant determines the relative significance of climate-related risks compared to other risks?*
- *How it considers existing or likely regulatory requirements or policies, such as emissions limits, when identifying climate-related risks?*
- *How it considers shifts in customer or counterparty preferences, technological changes, or changes in market prices in assessing potential transition risks?*
- *How the registrant determines the materiality of climate-related risks, including how it assesses the potential size and scope of an identified climate-related risk?*
  Are there other items relevant to a registrant's identification and assessment of climate-related risks that we should require it to disclose instead of or in addition to the proposed disclosure items?

***44**. When describing the processes for managing climate-related risks, should we require a registrant to disclose, as applicable, as proposed:*

- *How it decides whether to mitigate, accept, or adapt to a particular risk?*
- *How it prioritizes climate-related risks?*
- *How it determines to mitigate a high priority risk?*
  Are there other items relevant to a registrant's management of climate-related risks that we should require it to disclose instead of or in addition to the proposed disclosure items?

46**. If a registrant has adopted a transition plan, should we require the registrant to describe the plan, including the relevant metrics and targets used to identify and manage physical and transition risks, as proposed? **47**. If a registrant has adopted a transition plan, should we require it, when describing the plan, to disclose, as applicable, how the registrant plans to mitigate or adapt to any identified physical risks, including but not limited to those concerning energy, land, or water use and management, as proposed? Are there any other aspects or considerations related to the mitigation or* *adaption to physical risks that we should specifically require to be disclosed in the description of a registrant's transition plan?* ***48. *If a registrant has adopted a transition plan, should we require it to disclose, if applicable, how it plans to mitigate or adapt to any identified transition risks.* ***49***. *If a registrant has adopted a transition plan, when describing the plan, should we permit the registrant also to discuss how it plans to achieve any identified climate-related opportunities.* ***50***. *If a registrant has disclosed its transition plan in a Commission filing, should we require it to update its transition plan disclosure each fiscal year by describing the actions taken during the year to achieve the plan's targets or goals, as proposed? Should we require a registrant to provide such an update more frequently, and if so, how frequently? Should we require a registrant to provide such an update more frequently, and if so, how frequently?*

ISS generally supports the requirement that companies provide annual updates on actions they have taken to achieve their goals and targets. This is consistent with the TCFD recommendation that transition plans are updated annually and would help inform investors' understanding of how a company is implementing its transition plan.

There is no one-size-fits-all approach to transition planning and climate-related risks and opportunities vary across and within industries. With this mind, disclosure of material past or future capital expenditures is a key area of effective climate transition disclosure.

Financial Statement Metrics.

SEC Request for Comment 59. *Should we require registrants to disclose the financial impact metrics, as proposed? Would presenting climate specific financial information on a separate basis based on climate-related events (severe weather events and other natural conditions and identified physical risks) and transition activities (including identified transition risks) elicit decision-useful or material information for investors? Are there different metrics that would result in disclosure of more useful information about the impact of climate-related risks and climate-related opportunities on the registrant's financial performance and position?*

ISS generally believes the proposed requirement is consistent with TCFD recommendations and offers relevant information to investors that expands on information reported in the financial statements. We note that the exposure drafts published by the ISSB also propose the inclusion of impact metrics for primarily the same reasons and that this disaggregated disclosure is analogous to other examples of segment reporting within financial statements. We agree with the Commission's determination that "separate disclosure of climate-related risks could help to provide investors with information to help them more effectively evaluate their portfolio risk."

Question 65. *We are proposing to allow a registrant to aggregate the absolute value of negative and positive impacts of all climate-related events and, separately, transition activities on a financial statement line item. Should we instead require separate quantitative disclosure of the impact of each climate- related event or transition activity? Should we require separate disclosure of the impact of climate- related opportunities that a registrant chooses to disclose?*

ISS generally supports the proposed requirement of separately stating the financial statement impacts from climate-related events and transition activities. We note, however, that requiring separate quantitative disclosure of the impact of *each* climate-related event or transition activity would likely present significant hurdles to reporting companies because of the challenges of calculating metrics in highly uncertain and undefined scenarios.

Question 68. *Instead of including a quantitative threshold, as proposed, should we require disaggregated disclosure of any impact of climate-related risks on a particular line item of the registrant's consolidated financial statements? Alternatively, should we just use a materiality standard?*

ISS generally believes that replacing the proposed one percent threshold with a materiality standard is an appropriate alternative consistent with existing financial statement practices. While we recognize that a "bright-line" standard may reduce the risk of underreporting, as noted in our response to *Question 65*, we believe that the reporting framework should also account for implementation challenges and the significant level of estimation uncertainty for some industries over others.

If the Commission were to pursue a one percent threshold standard, we would encourage it to provide guidance on determining relevant components in calculating the threshold, as well as guidance specific to a range of industries.

Question 76. *Should we apply the same disclosure threshold to the expenditure metrics and the financial impact metrics? Is the proposed threshold for expenditure metrics appropriate? Should we use a different percentage threshold (e.g., three percent, five percent) or use a dollar threshold (e.g., less than or greater than $1 million)? Should we use a combination of a percentage threshold and a* *dollar threshold? Should we only require disclosure when the amount of climate-related expenditure exceeds the threshold, as proposed, or should we also require a determination of whether an amount of expenditure that falls below the proposed quantitative threshold would be material and should be disclosed? Should we require separate aggregation of the amount of expense and capitalized costs for purposes of the threshold, as proposed? Should we require separate aggregation of expenditure relating to the climate-related events and transition activities, as proposed?*

Please note our earlier response to *Question 68*.

ISS

GHG Emissions Disclosure.

Questions 93, 97, 98. *How would investors use GHG emissions disclosures to inform their investment and voting decisions? How would such disclosures provide insight into a registrant's financial condition, changes in financial condition, and results of operations? How would such disclosures help investors evaluate an issuer's climate risk-related exposure? Would such disclosures enable investors to better assess physical risks associated with climate-related events, transition risks, or both types of risks?* **97.** *Should we require a registrant to disclose its total Scope 1 emissions and total Scope 2 emissions separately for its most recently completed fiscal year, as proposed? Are there other approaches that we should consider?* **98**. *Should we require a registrant to disclose its Scope 3 emissions for the fiscal year if material, as proposed? Should we instead require the disclosure of Scope 3 emissions for all registrants, regardless of materiality? Should we use a quantitative threshold, such as a percentage of total GHG emissions (e.g., 25%, 40%, 50%) to require the disclosure of Scope 3 emissions? If so, is there any data supporting the use of a particular percentage threshold? Should we require registrants in particular industries, for which Scope 3 emissions are a high percentage of total GHG emissions, to disclose Scope 3 emissions?*

ISS agrees with the Commission's determination that GHG emissions disclosure can help inform investors' investment decision-making, engagement, and proxy voting processes. As noted earlier, we generally support the Commission's proposed alignment with the TCFD framework, including GHG emissions reporting (Scopes 1, 2 and, if appropriate, Scope 3).

We acknowledge that the Proposed Rule generally aligns with regulatory reporting requirements under development in a number of major capital markets and with voluntary corporate reporting. As the Commission has noted, multinational companies, including US companies, are already or will likely be subject to Scopes 1, 2, and 3 reporting in multiple jurisdictions. Our own analysis shows that 85 percent of companies in the S&P 500 and 31 percent of companies in the Russell 3000 already disclose Scope 1 and 2 emissions; 70 percent of companies in the S&P500 and 21 percent of companies in the Russell 300 already provide some Scope 3 emissions disclosure.[5] In this regard, the Proposed Rule is not imposing disclosure requirements on larger filers that are necessarily new.

Still, we recognize there are concerns with and limitations to the proposed approach regarding Scope 3 reporting. At this time, we believe the market, including the global investor community, has diverse views on how to best ensure that GHG emissions reporting, particularly Scope 3 emissions reporting, produces reliable and comparable information. Investors also do not have a monolithic view on when Scope 3 reporting should become mandatory, whether it should be filed or furnished and/or limited to a materiality threshold.[6] Additional challenges compound the regulatory discussion. Reporting methodologies are still developing, not all asset classes are covered by existing reporting standards, and different institutions have adopted different approaches to measuring financed emissions. For these reasons and given current limitations, ISS supports the proposed Scopes 1 and 2 emissions reporting, along with accompanying narrative disclosures, while noting the challenges of requiring Scope 3 reporting at this point.

[5] ISS Corporate Solutions, *New SEC Climate Change Risk Disclosure Regulations* (April 11, 2022), https://insights.issgovernance com/posts/new-sec-climate-change-risk-disclosure-regulations/

[6] *See, e.g.,* letters from the Council of Institutional Investors (CII) (May 19, 2022), https://www.cii.org//Files/Correspondence/May%2019%202022%20CII%20Comment%20Letter%20on%20Climate%20Disclosure%20for%20SEC%20(final).pdf; Principles for Responsible Investment (PRI) (June 17, 2022), https://dwtyzx6upklss.cloudfront.net/Uploads/x/d/z/pricomment_secclimaterelateddisclosures_423012.pdf; Investment Company Institute (ICI) (June 16, 2022), https://www.ici.org/system/files/2022-06/22-ici-cl-sec-climate-proposal.pdf

Ideally, at a future date, the SEC would require companies to report material Scope 3 emissions and emissions intensity following the GHG Protocol and companies that do not provide such disclosure to explain their reasoning for not reporting.

Question 95. *We have proposed defining "greenhouse gases" as a list of specific gases that aligns with the GHG Protocol and the list used by the EPA and other organizations. Should other gases be included in the definition? Should we expand the definition to include any other gases to the extent scientific data establishes a similar impact on climate change with reasonable certainty? Should we require a different standard to be met for other greenhouse gases to be included in the definition?*

ISS supports the proposed definition that aligns with the GHG Protocol and the list used by the EPA and other organizations. To the extent the Commission seeks disclosure comparability across companies and jurisdictions, alignment with the GHG Protocol would serve investor and market needs well. The GHG Protocol is the most widely used and well-accepted international standard for calculating GHG emissions. The recently published ISSB exposure drafts also recommend GHG emissions disclosure to be made in accordance with the GHG Protocol.

Question 96. *Should we require a registrant to express its emissions data in CO2e, as proposed? If not, is there another common unit of measurement that we should use? Is it important to designate a common unit of measurement for GHG emissions data, as proposed, or should we permit registrants to select and disclose their own unit of measurement?*

Yes, we support the proposed approach, as it is consistent with the GHG Protocol.

Question 101. *Should we require a registrant to exclude any use of purchased or generated offsets when disclosing its Scope 1, Scope 2, and Scope 3 emissions, as proposed? Should we require a registrant to disclose both a total amount with, and a total amount without, the use of offsets for each scope of emissions*

ISS generally agrees with the proposed requirement to exclude purchased or generated offsets from GHG emissions reporting. We also agree that it would be helpful to report Scopes 1,2 and, if required, Scope 3 disclosure with and without offsets.

Question 104. *Should we, as proposed, allow a registrant to provide their own categories of upstream or downstream activities? Are there additional categories, other than the examples we have identified, that may be significant to a registrant's Scope 3 emissions and that should be listed in the proposed rule? Are there any categories that we should preclude, e.g., because of lack of accepted methodologies or availability of data? Would it be useful to allow registrants to add categories that are particularly significant to them or their industry, such as Scope 3 emissions from land use change, which is not currently included in the Greenhouse Gas Protocol's Scope 3 categories? Should we specifically add an upstream emissions disclosure category for land use?*

To facilitate a comparable approach and increase the effectiveness of disclosure, ISS would encourage the Commission to support the use of the GHG Protocol to categorize upstream and downstream activities.

Question 107. *Should we require a registrant to provide location data for its disclosed sources of Scope 1, Scope 2, and Scope 3 emissions if feasible? If so, should the feasibility of providing location data depend on whether it is known or reasonably available pursuant to the Commission's existing rules (Securities Act Rule 409 and Exchange Act Rule 12b-21)? Would requiring location data, to the* *extent feasible, assist investors in understanding climate-related risks, and in particular, likely physical risks, associated with a registrant's emissions' sources? Would a requirement to disclose such location data be duplicative of any of the other disclosure requirements that we are proposing?*

In general, ISS agrees that location data for disclosed sources of Scopes 1 and 2 emissions would be helpful for investors' understanding of a company's climate-related risk. We believe this requirement is generally workable for Scopes 1 and 2 reporting; we recognize that obtaining location data for Scope 3 emissions, however, would be less feasible and would not necessarily lead to reliable disclosure. Please also see our response to *Question 12*.

Question 108. *If we require a registrant to provide location data for its GHG emissions, how should that data be presented? Should the emissions data be grouped by zip code separately for each scope? Should the disclosure be presented in a cartographic data display, such as what is commonly known as a "heat map"? If we require a registrant to provide location data for its GHG emissions, should we also require additional disclosure about the source of the emissions?*

Please see our response to *Question 12*.

Question 109. ***Also Questions 110, 111, 113.*** *Should we require a registrant to disclose the intensity of its GHG emissions for the fiscal year, with separate calculations for (i) the sum of Scope 1 and Scope 2 emissions and, if applicable (ii) its Scope 3 emissions (separately from Scopes 1 and 2), as proposed? Should we define GHG intensity, as proposed? Is there a different definition we should use for this purpose?*

ISS generally agrees that disclosing the intensity of GHG emissions, as proposed, would yield information relevant to investors. We note that expressing GHG intensity in metric tons of CO_2e per unit of economic value (e.g., total revenue, total production) is an internationally accepted metric and one that helps with comparability across sectors. We also agree with the Commission's suggestion to permit registrants to disclose other measures of GHG intensity, in addition to the required measures, "as long as the registrant explains why it uses the particular measure of GHG intensity and discloses the corresponding calculation methodology used."

Question 115. *Should we require a registrant to disclose the methodology, significant inputs, and significant assumptions used to calculate its GHG emissions metrics, as proposed? Should we require a registrant to use a particular methodology for determining its GHG emission metrics? If so, should the required methodology be pursuant to the GHG Protocol's Corporate Accounting and Reporting Standard and related standards and guidance? Is there another methodology that we should require a registrant to follow when determining its GHG emissions? Should we base our climate disclosure rules on certain concepts developed by the GHG Protocol without requiring a registrant to follow the GHG Protocol in all respects, as proposed? Would this provide flexibility for registrants to choose certain methods and approaches in connection with GHG emissions determination that meet the particular circumstances of their industry or business or that emerge along with developments in GHG emissions methodology as long as they are transparent about the methods and underlying assumptions used? Are there adjustments that should be made to the proposed methodology disclosure requirements that would provide flexibility for registrants while providing sufficient comparability for investors?*

ISS supports the proposed disclosure of methodology, significant inputs, and assumptions used in calculating GHG emissions and we would suggest that for universal and sectoral comparability, as explained earlier, that the methodology follow that of the GHG Protocol. That said, we recognize the Protocol may not cover all emissions, and in such cases the

Commission should allow for alternatives. For example, in the case of financed emissions, a better alternative would be the Partnership for Carbon Accounting Financials (PCAF).

Questions 116, 119. *Should we require a registrant to disclose the organizational boundaries used to calculate its GHG emissions, as proposed? Should we require a registrant to determine its organizational boundaries using the same scope of entities, operations, assets, and other holdings within its business organization as that used in its consolidated financial statements, as proposed? Would prescribing this method of determining organizational boundaries avoid potential investor confusion about the reporting scope used in determining a registrant's GHG emissions and the reporting scope used for the financial statement metrics, which are included in the financial statements? Would prescribing this method of determining organizational boundaries result in more robust guidance for registrants and enhanced comparability for investors? If, as proposed, the organizational boundaries must be consistent with the scope of the registrant's consolidated financial statements, would requiring separate disclosure of the organizational boundaries be redundant or otherwise unnecessary?* ***119.*** *Alternatively, should we require registrants to use the organizational boundary approaches recommended by the GHG Protocol (e.g., financial control, operational control, or equity share)? Do those approaches provide a clear enough framework for complying with the proposed rules? Would such an approach cause confusion when analyzing information in the context of the consolidated financial statements or diminish comparability? If we permit a registrant to choose one of the three organizational boundary approaches recommended by the GHG Protocol, should we require a reconciliation with the scope of the rest of the registrant's financial reporting to make the disclosure more comparable?*

We agree that a registrant should disclose the organizational boundaries used to calculate GHG emissions, as it does with consolidated financial statements. Alignment with the GHG Protocol would be helpful, especially as it relates to the carbon intensity calculation. In general, we believe that transparency around organizational boundaries is part of providing transparency into assumptions for GHG emissions reporting. Consistency of organizational boundaries across financial and GHG emissions disclosures is crucial.

Question 125. Also Questions 126, 127, 128 regarding third-party data and methodology changes. *Should we permit a registrant to use reasonable estimates when disclosing its GHG emissions as long as it also describes the assumptions underlying, and its reasons for using, the estimates, as proposed? Should we permit the use of estimates for only certain GHG emissions, such as Scope 3 emissions? Should we permit a registrant to use a reasonable estimate of its GHG emissions for its fourth fiscal quarter if no actual reported data is reasonably available, together with actual, determined GHG emissions data for its first three fiscal quarters when disclosing its GHG emissions for its most recently completed fiscal year, as long as the registrant promptly discloses in a subsequent filing any material difference between the estimate used and the actual, determined GHG emissions data for the fourth fiscal quarter, as proposed? If so, should we require a registrant to report any such material difference in its next Form 10-Q if domestic, or in a Form 6-K, if a foreign private issuer? Should we permit a domestic registrant to report any such material difference in a Form 8-K if such form is filed (rather than furnished) with the Commission? Should any such reasonable estimate be subject to conditions to help ensure accuracy and comparability? If so, what conditions should apply?*

ISS supports the use of estimates, given the current state of GHG emissions measuring. Disclosure of third-party data, any data gaps and how they are addressed in calculating GHG emissions is therefore critical, as is transparency into any material changes to the methodology or assumptions underlying GHG emissions disclosure year over year.

Question 135. *Should we require accelerated filers and large accelerated filers to obtain an attestation report covering their Scope 1 and Scope 2 emissions disclosure, as proposed? Should we require accelerated filers and large accelerated filers to obtain an attestation report covering other* *aspects of their climate-related disclosures beyond Scope 1 and 2 emissions? For example, should we also require the attestation of GHG intensity metrics, or of Scope 3 emissions, if disclosed? Conversely, should we require accelerated filers and large accelerated filers to obtain assurance covering only Scope 1 emissions disclosure? Should any voluntary assurance obtained by these filers after limited assurance is required be required to follow the same attestation requirements of Item 1505(b)–(d), as proposed?*

To increase the credibility and acceptance of GHG-related data, we believe it would be beneficial to subject it to external assurance. Third-party assurance of GHG data could be part of general auditing.

Questions 168-171. *Should we require a registrant to disclose whether it has set any targets related to the reduction of GHG emissions, as proposed? Should we also require a registrant to disclose whether it has set any other climate-related target or goal, e.g., regarding energy usage, water usage, conservation or ecosystem restoration, or revenues from low-carbon products, in line with anticipated regulatory requirements, market constraints, or other goals, as proposed? If additional targets are set, we would welcome disclosure in a similarly structured fashion. Are there any other climate-related targets or goals that we should specify and, if so, which targets or goals? Is it clear when disclosure under this proposed item would be triggered, or do we need to provide additional guidance? Would our proposal discourage registrants from setting such targets or goals?* ***169****. Should we require a registrant, when disclosing its targets or goals, to disclose:*

- *The scope of activities and emissions included in the target;*
- *The unit of measurement, including whether the target is absolute or intensity based;*
- *The defined time horizon by which the target is intended to be achieved, and whether the time horizon is consistent with one or more goals established by a climate-related treaty, law, regulation, or organization;*
- *The defined baseline time period and baseline emissions against which progress will be tracked with a consistent base year set for multiple targets;*
- *Any intervening targets set by the registrant; and*
- *How it intends to meet its targets or goals, each as proposed?*

*Are there any other items of information about a registrant's climate-related targets or goals that we should require to be disclosed, in addition to or instead of these proposed items? Are there any proposed items regarding such targets or goals that we should exclude from the required disclosure?****170****. Should we require a registrant to discuss how it intends to meet its climate-related targets or goals, as proposed?* ***171****. Should we require a registrant, when disclosing its targets or goals, to disclose any data that indicates whether the registrant is making progress towards meeting the target and how such progress has been achieved, as proposed?*

ISS generally agrees that registrants should disclose whether they have set any GHG-related reduction targets, or other climate-related targets or goals, whether in line with existing or anticipated regulatory requirements, market expectations or as part of voluntary codes. This disclosure would be consistent with many investor expectations, as suggested by the results of our 2021 Global Voting Policy Survey on Climate.

Carbon Offsets.

Request for Comment 24*. If a registrant has used carbon offsets or RECs, should we require the registrant to disclose the role that the offsets or RECs play in its overall strategy to reduce its net carbon emissions, as proposed? Should the proposed definitions of carbon offsets and RECs be clarified or expanded in any way? Are there specific considerations about the use of carbon offsets or RECs that we should require to be disclosed in a registrant's discussion regarding how climate-related factors have impacted its strategy, business model, and outlook?*

Question 173*. If a registrant has used carbon offsets or RECs, should we require the registrant to disclose the amount of carbon reduction represented by the offsets or the amount of generated renewable energy represented by the RECS, the source of the offsets or RECs, the nature and location of the underlying projects, any registries or other authentication of the offsets or RECs, and the cost of the offsets or RECs, as proposed? Are there other items of information about carbon offsets or RECs that we should specifically require to be disclosed when a registrant describes its targets or goals and the related use of offsets or RECs? Are there proposed items of information that we should exclude from the required disclosure about offsets and RECs?*

ISS generally supports the disclosure by a registrant of the role of offsets and RECs in reducing its net carbon emissions because it can help investors gain useful information about the registrant's strategy, including the potential risks and financial impacts. As the Commission states, "A registrant that relies on carbon offsets or RECs to meet its goals might incur lower expenses in the short term but could expect to continue to incur the expense of purchasing offsets or RECs over the long term."

In particular, we believe the quantitative disclosure should be complemented by qualitative disclosure that explains what projects the offsets are connected to, the related timeline and whether they are leading to emissions avoided or emissions reduced. In general, ISS welcomes and is encouraged by the work of the SEC and the Commodity Futures Trading Commission (CFTC) to increase confidence in the carbon offsets market.

For largely the same reasons, ISS also supports the proposed requirement that registrants disclose information about an internal carbon price, if one is used, including the related methodology (*Question 26*). Again, this is consistent with the 2021 TCFD guidance.[7]

[7] TCFD Guidance on Metrics, Targets, and Transition Plans (October 2021), https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf

Safe Harbors, Liability Protections, and Compliance Dates.

SEC Request for Comment 28. *To the extent that disclosure that incorporates or is based on an internal carbon price constitutes forward-looking information, the PSLRA safe harbors would apply. Should we adopt a separate safe harbor for internal carbon price disclosure? If so, what disclosures should such a safe harbor cover and what should the conditions be for such a safe harbor?*

ISS supports the Commission's clarification that the PSLRA safe harbors would extend to any forward-looking information included in a registrant's climate risk disclosures. We believe this step is appropriate because it recognizes the challenges of climate-related risk reporting and will encourage good faith efforts and more complete disclosures by companies.

Questions 133, 134. *Should we provide a safe harbor for Scope 3 emissions disclosure, as proposed? Is the scope of the proposed safe harbor clear and appropriate? For example, should the safe harbor apply to any registrant that provides Scope 3 disclosure pursuant to the proposed rules, as proposed? Should we define a ''fraudulent statement,'' as proposed? Is the level of diligence required for the proposed safe harbor (i.e., that the statement was made or reaffirmed with a reasonable basis and disclosed in good faith) the appropriate standard? Should the safe harbor apply to other climate-related disclosures, such as Scopes 1 and 2 emissions disclosures, any targets and goals disclosures in response to proposed Item 1505 (discussed below), or the financial statement metrics disclosures required pursuant to Proposed Article 14 of Regulation S–X? Should the safe harbor apply indefinitely, or should we include a sunset provision that would eliminate the safe harbor some number of years, (e.g., five years) after the effective date or applicable compliance date of the rules? Should the safe harbor sunset after certain conditions are satisfied? If so, what types of conditions should we consider? What other approaches should we consider? Should we clarify the scope of persons covered by the language ''by or on behalf of a registrant'' by including language about outside reviewers retained by the registrant or others?* ***134.*** *Should we provide an exemption from Scope 3 emissions disclosure for SRCs, as proposed? Should the exemption not apply to a SRC that has set a target or goal or otherwise made a commitment to reduce its Scope 3 emissions?*

ISS generally supports the proposed safe harbor for Scope 3 emissions disclosure. As noted in our response to *Question 28*, we believe that by providing these protections, the Commission would be responsive to issuers' concerns around legal liability and would encourage more fulsome reporting that keeps pace with market developments. Similarly, we generally support the proposed exemption for SRCs.

In general, we agree that it would be beneficial for the Commission to clarify language about the use of outside reviewers in the context of the safe harbor.

Some have suggested that the Commission consider introducing a non-enforcement policy for the first few years of Scope 3 reporting. ISS recognizes the potential benefits of creating this on-ramp for incentivizing companies to provide greater disclosure, especially given that data and methodologies are still evolving. We also note that a Commission study timed to test the appropriateness of this policy would be another helpful step. The Commission could decide to remove the safe harbor when it determines the accompanying accounting practices are well-established and tested.

Questions 197 and 198. *Should we provide different compliance dates for large accelerated filers, accelerated filers, non-accelerated filers, or SRCs, as proposed? Should any of the proposed compliance dates in the table above be earlier or later? Should any of the compliance dates be earlier so that, for example, a registrant would be required to comply with the Commission's climate-related disclosure rules for the fiscal year in which the rules become effective?* **198.** *Should we provide a* *compliance date for the proposed Scope 3 emissions disclosure requirements that is one year later than for the other disclosure requirements, as proposed? Should the compliance dates for the Scope 3 emissions disclosure requirements be earlier or later? Should the compliance date for the Scope 3 emissions disclosure requirements depend upon whether the registrant is a large accelerated filer, accelerated filer, or non-accelerated filer?*

ISS supports the proposed requirement to provide different compliance dates for different filers and, if the Commission proceeds as proposed, a one-year transition period for Scope 3 emissions disclosure relative to Scopes 1 and 2 disclosures. The phase-in period is an appropriate and thoughtful approach in both cases given the significance of proposed reporting requirements. The extended and staggered compliance dates set the expectation of Scope 3 reporting at a future date while providing registrants additional time to develop, test, and implement relevant policies and procedures.

ISSB and Alternative Reporting Models.

SEC Request for Comment 189. *An International Sustainability Standards Board (ISSB) has recently been created, which is expected to issue global sustainability standards, including climate-related disclosure standards. If we adopt an alternative reporting provision, should that provision be structured to encompass reports made pursuant to criteria developed by a global sustainability standards body, such as the ISSB? If so, should such alternative reporting be limited to foreign private issuers, or should we extend this option to all registrants? What conditions, if any, should we place on a registrant's use of alternative reporting provisions based on the ISSB or a similar body?*

Given most of our clients are global investors, timely, comprehensive, and comparable disclosure is of material importance to them and, by extension, to ISS. Global corporate reporting on ESG risk has improved over the last several years, but there remain significant regional differences and disclosure gaps. The parallel development of reporting requirements in different markets only increases the potential for fragmentation of corporate reporting. We therefore welcome regulatory initiatives that seek to improve company ESG reporting and to harmonize reporting globally.

For these reasons, ISS generally supports the Commission adopting an alternative reporting program for foreign private issuers so long as the reporting regime is consistent with and aligns with the rigorous standards of the Commission.

In general, ISS would support the adoption by the Commission of an alternative reporting provision developed by a standards body such as the ISSB to foreign private issuers, as it has the potential to reduce the reporting burden for companies and facilitate global reporting comparability. That said, we recognize financial market participants are commenting on the Proposed Rule concurrently with commenting on the ISSB exposure drafts and EFRAG exposure drafts on Draft European Sustainability Reporting Standards (ESRS). It is early in the process and commenters have raised important questions about the governance of the ISSB and regional enforcement mechanisms.

Therefore, we would encourage the Commission to continue engaging with the ISSB and the International Organization of Securities Commissioners (IOSCO) to encourage interoperability of sustainability standards and ensure that the Commission is comfortable with the ISSB work on sustainability reporting standards.

Inline XBRL and Digital Tagging of Climate-related Disclosures.

SEC Request for Comment 190*. Should we require registrants to tag the climate-related disclosures, including block text tagging and detail tagging of narrative and quantitative disclosures required by Subpart 1500 of Regulation S-K and Article 14 of Regulation S-X in Inline XBRL, as proposed? Should we permit custom tags for the climate-related disclosures?*

ISS supports requiring registrants to tag climate-related disclosure, as proposed. As mentioned earlier, ISS would also support the development of guidance to help define a list of tags. This will help foster transparency, efficiency, and comparability.

Question 191*. Should we modify the scope of the proposed climate-related disclosures required to be tagged? For example, should we only require tagging of the quantitative climate-related metrics?*

ISS welcomes the Commission's proposed scope of tagging all climate-related disclosure. Tagging of all disclosure, as opposed to only quantitative metrics, expedites aggregation, filtering, and synthesis of corporate reporting in addition to making the reporting more accessible and usable in the first place.

Question 193*. Should we require issuers to use a different structured data language to tag climate-related disclosures? If so, what structured data language should we require? Should we leave the structured data language undefined?*

ISS would respectfully request the Commission require use of Inline XBRL, which is familiar and welcome for most consumers of financial reporting.