Global Investor Support for the SEC Proposed Rule on Mandatory Disclosure

Institutional investors have been pressing for mandatory disclosure for more than a decade. During this time, investor support has been building, with investors — large and small — noting the difficulty of assessing firms' climate risk without standard, comparable, and mandatory disclosure.

The U.S. Securities and Exchange Commission (SEC) cites an example of this momentum in its new proposed rule mandating climate risk disclosure when it references: the Investor Agenda's 2021 Global Investor Statement to Governments on the Climate Crisis. In that Statement, 733 investors responsible for $52 trillion in assets under management call for mandatory, Task Force on Climate-related Financial Disclosure (TCFD)-aligned climate risk disclosures, among other key climate policy asks.

SEC proposed rule on mandatory disclosure

The SEC's proposed rule seeks to help companies and investors understand, price and manage climate risks and opportunities. It has been carefully crafted by the SEC which, in turn, welcomes supporting comment letters as well as critiques and suggestions for changes in the rule.

This proposed rule will help U.S. financial markets become more modern, competitive, and healthy. Major markets around the globe have instituted mandatory disclosure and the International Sustainability Standards Board has proposed a global framework that is aligned with this proposed rule. U.S. regulators now must do the same since investors operate in global markets.

Global investor comments

Appetite for increased policy action on climate disclosure is clear, and regulators have already responded. Eight countries have operational climate disclosure rules, including Belgium, Canada, Chile, France, Japan, New Zealand, Sweden, and the United Kingdom.

We spoke with investors from around the world from regions both with and without climate disclosure policies. You can read comments from investors in Australia, Canada, Europe, Japan, New Zealand, the U.K. and the U.S. below:

Canada

Mackenzie Investments

> "Mackenzie investments is pleased to see the SEC's proposal for the enhancement and standardisation of Climate related disclosures. As investors, we know that the physical and transitional risks of climate change have the potential to present negative consequences to the value we deliver to our clients and to have a broader impact on other stakeholders. At the same time, we believe that the climate crisis presents opportunities for companies or issuers that are able to adapt their business models and create innovative solutions as they transition to a low carbon economy.
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> "Mackenzie Investments sees comparable, reliable and detailed climate disclosures as foundational to assessing, integrating, and monitoring climate risks and opportunities. This is why we're supportive of the SEC's move to include climate related disclosures into company reporting."
>
> - *Natasha Stromberg, Director of Sustainable Advocacy and Stewardship*

Europe

Allianz SE

"On behalf of Allianz and the UN-convened Net-Zero Asset Owner Alliance I strongly support the US SEC's proposed rule amendments on climate-related disclosures. A step-change in the quantity and quality of corporate disclosure of climate financial risks and opportunities are vital to reducing the direct costs, stewardship decision and investment opportunity costs that asset owners face in analysing companies position with respect to climate-related risks and opportunities."

"I applaud the SEC's leadership in proposing these changes and encourage them to go further, require the forward-looking decarbonisation pathways and degree of company business model alignment with a Paris-compliant 1.5c scenario."

- *Dr Günther Thallinger, Member of the Board of Management of Allianz SE & Chair of the UN-convened Net-Zero Asset Owner Alliance*

Nordea Asset Management

"We commend the SEC's proposal to align with the Task Force on Climate-related Financial Disclosures (TCFD) and to have an approach that is consistent with international sustainability disclosure standards, including those currently under consultation from the International Sustainability Standards Board (ISSB). It is our view that the asset management industry, corporates and other market participants are ready to embrace globally-aligned disclosure regulation and standards that will facilitate greater consistency, transparency and comparability to enable investors to better integrate climate risks and opportunities into investment decisions."

- *Nils Bolmstrand, CEO*

<u>*Japan*</u>

Asset Management One

"As signatories to the Net Zero Asset Managers initiative, we are moving forward to net-zero. We believe that enhanced climate change-related disclosure is critical as a major prerequisite for assessing investee companies' alignment with a net zero pathway.

"In Japan, the number of TCFD-supporting organizations is 758 (as of March 25, 2022), the largest number in the world. Japan's Corporate Governance Code was revised in June 2021 and stipulates that Prime Market-listed companies should collect and analyze necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits. It also calls for enhancing the quality and quantity of disclosure based on the TCFD recommendations, or an equivalent framework."

- *Takeo Omori, Head of Responsible Investment Group*

Mitsubishi UFJ Trust and Banking Corporation

"Mitsubishi UFJ Trust and Banking Corporation, one of the largest asset management companies in Japan, publicly endorse Task Force on Climate-related Financial Disclosure (TCFD) and have conducted information disclosures in accordance with the recommendations from TCFD. We welcome the SEC's Enhancement and Standardization of Climate-Related Disclosures Proposal for TCFD aligned disclosure rules. Once implemented, we believe comparison analysis based on information disclosure would become considerably simple and realize a significant step toward achieving global baseline. As climate change affects all business sectors across the industries, we support immediate introduction of integrated standard information disclosure rules."

- *Masahiro Kato, Head of Responsible Investment*

Sumitomo Mitsui Trust Asset Management

"To meet our investment objectives, a strong financial framework is needed that enables investment service providers like ourselves to well manage investment based on information provided by investee firms. We welcome the newly proposed US SEC rule on mandatory climate disclosure, which will provide companies with guidance on climate disclosure and encourages them to participate in the practice.

"We believe that disclosing the material and systemic risks of climate change will help both investees and investors to understand the financial impact of climate change as well as how climate change becomes systemic risk to the whole economy and the fabric of society."

- *Seiji Kawazoe, Senior Stewardship Officer*

<u>*UK*</u>

Insight Investment

"We welcome the SEC's efforts to encourage the disclosure of more useful and comparable information on climate risks. Regulators should create a standard baseline for climate-related disclosures that is principles-based, flexible, decision-useful, and leverages the progress made to date by TCFD and other standard setters. Both the physical risks arising from climate change and the risks and opportunities arising from the transition to a low-carbon world are significant and relevant for people, companies and countries worldwide. These risks and opportunities will vary by industry, region and for specific issuers, and greater transparency can help analysts and portfolio managers understand how to consider them within their investment decisions."

- *Robert Sawbridge, Head of Responsible Investment*

<u>*United States*</u>

Franklin Templeton Investments (U.S)

"The SEC is rightly responding to investor demand for mandatory climate risk reporting. Information is the lifeblood of the financial markets. Investors' need for reliable, comparable, timely and material information to price risk and opportunity of the just transition to a low carbon economy in their capital allocation and stewardship decisions on behalf of the millions of hardworking people who entrust their savings to fund managers. The SEC has drafted with care, providing a phased approach with safe harbor provisions and a clear focus on what is needed by fiduciaries for prudent investment decisions."

- *Anne Simpson, Global Head of Sustainability*

Wellington Management Company (U.S.)

"We believe climate change will profoundly affect society, economies, and capital markets. As such, and as a fiduciary for our clients and millions of their beneficiaries, we believe that capital market participants will benefit from an enhanced climate-focused disclosure framework whereby corporate issuers are increasingly transparent in identifying the climate-related risks they face and the steps they are taking to mitigate those risks."

- *Wendy Cromwell, Vice Chair and Head of Sustainable Investment*

Investors are increasingly aware of the risks posed by the climate crisis to our economy, markets and portfolios. But many are clear that robust public policy is needed for them to be able to meet their climate goals.