**MEMORANDUM**

**To:** Comment File (S7-10-22) – The Enhancement and Standardization of Climate-Related Disclosures for Investors

**From:** The Office of the Chair, U.S. Securities and Exchange Commission

**Date:** September 14, 2022

**Re**: Meeting with Ceres

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On September 14, Chair Gensler and staff from the Office of the Chair met with representatives of Ceres about the SEC's proposal for the enhancement and standardization of climate-related disclosures for investors. During the meeting, participants discussed Ceres' comment letter. The Ceres participants also shared slides about their analysis of the comment file (attached).

**Ceres Attendees:**

- Mindy Lubber, CEO and President, Ceres
- Steven Rothstein, Managing Director, Ceres Accelerator for Sustainable Capital Markets

**SEC Attendees:**

- Chair Gensler
- Heather Slavkin Corzo, Policy Director, Chair's Office
- Mika Morse, Policy Counsel, Chair's Office

# US Securities and Exchange Commission

# Proposed Rule to Enhance and Standardize Climate Risk Disclosures for Investors

# Comment Analysis Findings

## September 14, 2022

Ceres

**Ceres Accelerator**
for Sustainable Capital Markets

# Investors Calling for Mandatory Climate Risk Disclosure

**587 investors** representing over **$46 trillion in assets** signed this Global Investor Statement to Governments calling out needed actions including mandatory climate risk disclosure.

# Investor Demand Is Strong and Growing

# Overwhelming Support from Americans

## Global Investor Statement

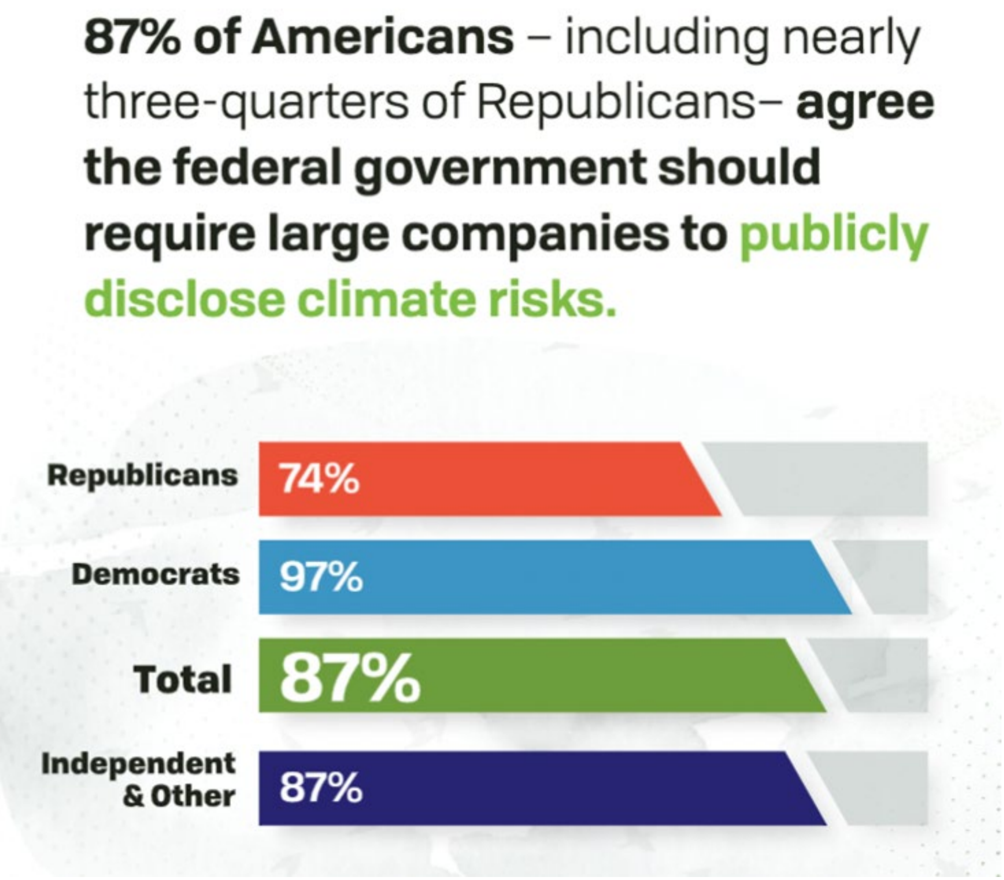
**587 investors/$46 trillion AUM.** Asks all governments for mandatory climate risk disclosure aligned with TCFD.

## Climate Action 100+ - Benchmark

**600+ investors, $55T AUM.** Improve climate change governance; Paris-aligned strategies; Reduce GHG emissions across value chain; Report consistent with TCFD. Letter to the SEC.

## Statement of Essential Principles for SEC Rulemaking

**195 investors / ~$3 trillion AUM (and 178 companies).** TCFD, Scopes 1-3 emissions, industry specific metrics, disclosures in financial filings, etc.



# Institutional Investors with $50+ Trillion in AUM Sent Comments

Acadian Asset Management
Addenda Capital
AFL-CIO
AllianceBernstein
Allianz Group
Amberwave Partners
Arjuna Capital
Bailard
Beach Point Capital Management
BlackRock
BMO Global Asset Management
Boston Common Asset Management
Boston Trust Walden
Breckinridge Capital Advisors
British Columbia Investment Management
Brown Advisory
CalPERS & CalSTRS
Calvert Research and Management
Canada Post Corporation Pension Plan
Canadian Pensions: AIMCo, BCI, CDPQ, HOOP, IMCO, OMERS, OTPP, PSP and UPP
Cedar Street Asset Management
Change Finance
Christian Brothers Investment Services
Church Investment Group
Colorado Public Employees’ Retirement Association
Connecticut Retirement Plans & Trust Funds
CPP Investments
Dana Investment Advisors
Decatur Capital Management
Dimensional Fund Advisors
Domini Impact Investments
DSC Meridian Capital
East Bay Municipal Utility District Employee Retirement System
Ecofin
Egerton Capital
Engine No. 1
Essex Investment Management
Ethical Partners Fund Management
Federated Hermes
Fidelity Investments
First Affirmative Financial Network
First Eagle Investments
For the Long Term
Franklin Templeton Investments
Friends Fiduciary Corporation
Generation Investment Management
Monarch Private Capital
Green Century Capital Management
Hannon Armstrong
Harvard Management Company
Hymans Robertson
Illinois State Treasurer
Impax Asset Management
Inclusive Capital Partners
Inherent Group
Interfaith Center on Corporate Responsibility
Los Angeles County Employees Retirement Association
Legal & General Investment Management
Liontrust
Longfellow Investment Management
LongView Asset Management
Mackenzie Investments
Manulife Investment Manager
Maple-Brown Abott Global Listed Infrastructure
McKnight Foundation
Mercy Investment Services
Metropolis Capital Limited
Miller/Howard Investments
Minnesota State Board of Investment
Mirova US
Nathan Cummings Foundation
NEI Investments
Neuberger Berman
New Forests
New York City Comptroller
New York State Comptroller
Nia Impact Capital
Nordea Asset Management
Norges Bank Investment Management
Northern Trust Asset Management
Nucleation Capital
Ontario Municipal Employees' Retirement System
Pacific Investment Management Company
Paradice Investment Management
Parnassus Investments
PGIM
Nipun Capital
Praxis Mutual Funds and Everence Financial
Prentiss Smith and Company
Progressive Investment Management
Riverwater Partners
Robeco
Kepos Capital
Rockefeller Asset Management
Rockefeller Brothers Fund
San Francisco Employees' Retirement System
Sands Capital Management
Sarasin and Partners
Seattle City Employees' Retirement System
Sumitomo Mitsui Trust Asset Management
Seventh Generation Interfaith
SIFMA Asset Management Group
SKY Harbor Capital Management
Soros Fund Management
Stanford Management Company
State Street Corporation
Sustainability Group, part of Loring, Wolcott & Coolidge
Synovia Capital
T. Rowe Price
Terra Alpha Investments
The Capital Group
The Kresge Foundation
The Vanguard Group
TIAA/Nuveen
Treehouse Investments
UAW Retiree Medical Benefits Trust
Unitarian Universalist Association
United Church Funds
Veris Wealth Partners
Vermont Pension Investment Committee
Vert Asset Management
Washington State Investment Board
Wellington Management Company
Wespath Benefits and Investments

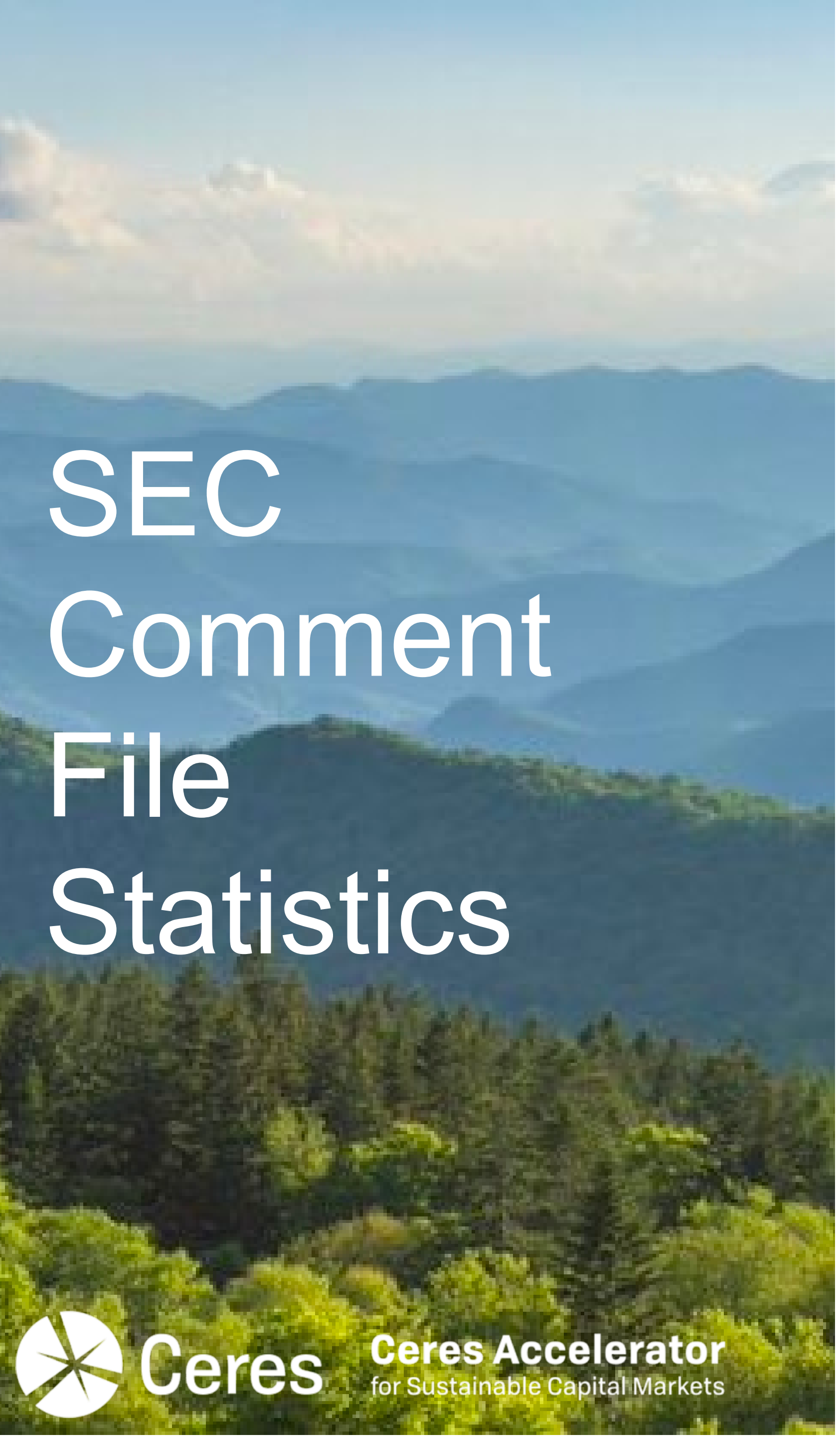
# Nearly 800 Companies Call on G20 Leaders for Mandatory Disclosure

(Letter urged leaders to take climate action to reach 1.5 goal)

With $2.7 tr in annual revenue and employing 10 million people, nearly 800 companies signed this letter calling on G20 leaders to "*make climate-related financial disclosure of risks, opportunities and impacts mandatory for corporations, to increase transparency and support better informed pricing and capital allocation to encourage investment flows towards more sustainable activities*". Apple, Etsy, HP, Salesforce, and Uber were among the first corporate leaders to call for mandatory climate risk disclosure when the SEC issued its Request for Information in June 2021.

# Ceres Member Companies Who Submitted Letters to the SEC

amazon
AUTODESK
B Lab
BANK OF AMERICA
Bloomberg
citi
DANONE ONE PLANET. ONE HEALTH
Deloitte.
DELL
DSC MERIDIAN CAPITAL
ebay
Etsy
GAP
gm
HANNON ARMSTRONG
hp
IMPOSSIBLE
JLL
Microsoft
Moody's
nationalgrid
PayPal
PG&E
PSEG
salesforce
STATE STREET GLOBAL ADVISORS
SUNCOR ENERGY
Unilever
WELLS FARGO
workday

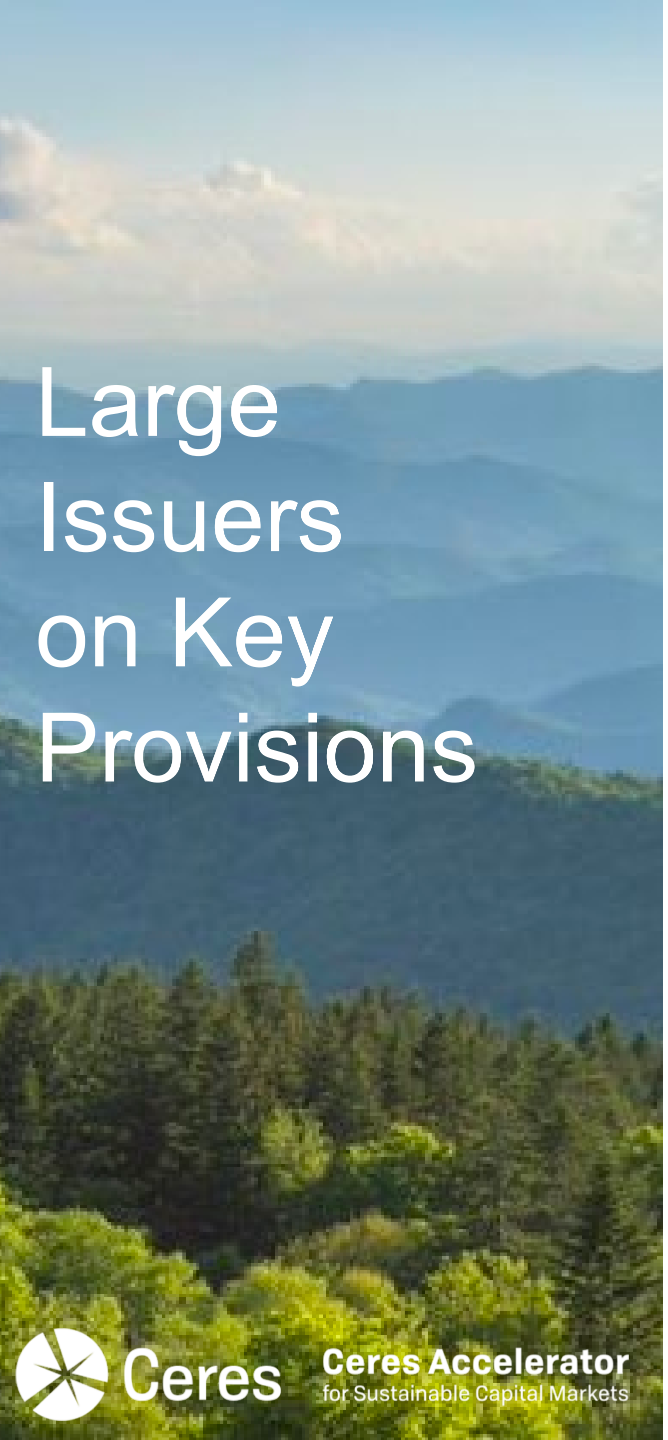



| # Letters | Commenter Type |
|---|---|
| 10,000+ | Total individual letters |
| 274 | Trade Associations |
| **320** | **Investors ($50+ Tn in AUM)** |
| **242** | **Companies (91 large issuers)** |
| 144 | NGOs |
| 84 | Academics |
| 61 | Banks, Financial, Insurance & their Trades |
| 35 | Congressional & Government |
| 33 | Think Tanks |
| 26 | Consultants |
| 23 | Law Firms |
| 10 | Standard Setters |

# Institutional Investors on Key Provisions


| Criteria | Investors (320) |
|---|---|
| Require in the 10-K | • 270 letters mention<br>• 97% (262) support |
| Align with TCFD | • 296 letters mention<br>• 100% (296) support |
| Require Scope 1 and 2 | • 292 letters mention<br>• 99% (290) support |
| Require Scope 3 | • 297 letters mention<br>• 97% (288) support |
| Require Governance Disclosure | • 262 letters mention<br>• 98% (256) support |
| Require Targets and Goals | • 45 letters mention<br>• 95% (43) support |
| Require Attestation (Scopes 1 & 2) | • 57 letters mention<br>• 80% (46) support |

# Large Issuers on Key Provisions




| Criteria | Large Issuers (91) |
|---|---|
| Require in the 10-K | • 43 letters mention<br>• 39% support |
| Align with TCFD | • 30 letters mention<br>• 100% support |
| Require Scope 1 and 2 | • 37 letters mention<br>• 100% support (62% filed, 38% furnished) |
| Require Scope 3 | • 29 letters mention<br>• 100% support (66% filed, 31% furnished) |
| Require Attestation (Scopes 1 & 2) | • 25 letters mention<br>• 56% support (some variations on phase-in schedule) |
| Financial Statement Metrics | • 52 letters mention<br>• 13% (7) support |
| Governance | • 262 letters mention<br>• 98% (20) support |
| Targets and Goals | • 31 letters mention<br>• 81% (25) support |

# Investors and Issuers on Key Provisions


| Key Provision | Investors (320) | Large Issuers (91)<br>S&P 500, Ceres companies,@ WBCSD, etc. |
|---|---|---|
| Require in the 10-K | • 270 letters mention<br>• 97% (262) support | • 53 letters mention<br>• 30% (16) support in the 10-K<br>• 4% (2) support in MD&A<br>• 2% (1) support in 8-K<br>• 64% (34) want furnished elsewhere |
| Align with TCFD | • 296 letters mention<br>• 100% (296) support | • 42 letters mention<br>• 100% support |
| Require Scope 1 and 2 | • 292 letters mention<br>• 99% (290) support | • 66 letters mention<br>• 95% (63) support (62% filed, 38% furnished) |
| Require Scope 3 | • 297 letters mention<br>• 97% (288) support | • 74 letters mention<br>• 77% (57) support (66% filed, 31% furnished) |
| Require Attestation (Scopes 1 & 2) | • 57 letters mention<br>• 80% (46) support | • 40 letters mention<br>• 63% support (some variations on phase-in schedule) |
| Financial Statement Metrics | • 35 letters mention<br>• 54% (19) support | • 52 letters mention<br>• 13% (7) support |
| Governance Disclosure | • 262 letters mention<br>• 98% (256) support | • 32 letters mention<br>• 63% (20) support |
| Targets and Goals Disclosure | • 45 letters mention<br>• 95% (43) support | • 31 letters mention<br>• 81% (25) support |

# Climate Risks are CEO and Board-Level Issues

Salesforce's Joe Allanson, EVP for Finance ESG recently said:

salesforce

*"The SEC is doing this because climate risks are now CEO and board-level issues, and investors need to know how they affect a company's future performance...*

*Salesforce has been a leader in describing our Environmental, Social and Governance (ESG) activities in our Form 10-K. I vividly recall the internal deliberations five years ago about how much we should report on climate in our SEC financial filings, what to say about our risks, and what legal exposure we might take on by doing so voluntarily. It was personal to me as one of the co-signers on Form 10-K. A rule like the new SEC proposal to enhance and standardize these disclosures would have allayed most of my concerns...*

*With clear, measurable, and periodic disclosures, companies can communicate with investors about risks and opportunities that climate change presents to our businesses. We can level set and be judged objectively. That in turn will help create more value for companies that adapt and innovate and thus attract more investors."*

Salesforce Letter to the SEC:
*"We applaud the Securities and Exchange Commission for its ongoing efforts to evaluate and enhance its rules, with a goal of reporting consistent, comparable, and reliable information on climate change... As part of our commitment to climate disclosure and ESG more broadly, we began reporting ESG information in our Form 10-K five years ago...We have been publicly reporting our environmental targets and goals and progress towards those commitments for the last nine years."*


## Citigroup Letter to the SEC

*"Citi believes that standardized, uniform, comparable and reliable disclosures focused on climate-related risks and opportunities would help various stakeholders, including investors and asset managers, to make decisions on where they wish to deploy and allocate capital.*

*We strongly support the approach of leveraging existing voluntary disclosure frameworks, particularly the framework developed by the TCFD.*

*We also agree with including greenhouse gas ("GHG") emissions reporting requirements for Scopes 1 and 2, and where material or part of a registrant's specific emission reduction targets, Scope 3 disclosures, with appropriate safe harbor provisions."*

# Company Quotes in Support of the SEC Rulemaking

## Unilever Letter to the SEC

*"We are very supportive of standardizing and enhancing climate related disclosures to ensure there is a clear understanding of the material risks that businesses potentially face as a result of climate change.*

*We believe it is critical that any climate disclosures are proportionate to the level of climate risk that a business faces and that any requirements promote meaningful disclosures rather than boilerplate statements.*

*It is also important that the framework of climate disclosures that is adopted ensures that investors understand the significant uncertainty that is inherent in climate related physical and transition risks and, that as climate related science evolves and our collective knowledge increases, how businesses understand and assess the risks they face is likely to evolve and change quite considerably over time."*

Unilever

Ceres

Ceres Accelerator
for Sustainable Capital Markets

# Company Quotes in Support of the SEC Rulemaking

Ceres

Ceres Accelerator
for Sustainable Capital Markets

## HP Letter to the SEC

*"HP supports transparency in the appropriate disclosure of the governance, oversight, and management of climate-related risks and metrics and believes that providing information that is material to a reasonable investor is an essential element in addressing the challenges posed by climate change and maintaining investor confidence that companies are addressing such material items responsibly.*

*HP strongly supports the Commission’s goal to provide investors with consistent, comparable, and reliable climate-related disclosures.*

*We support the disclosures of Scopes 1, 2, and 3 emissions, climate-related risks and governance, and the methodology and assumptions pertaining to climate targets and goals, and we fully believe in the value of providing investors with comparable and standardized climate disclosures."*

# Investor Use Case for Climate Disclosure Data

At least 43 investors describe why they need climate disclosure data and how they use it in their decision-making.

EOS Federated Hermes ($1.6 Trillion AUM)

*"We are confident that mandated reporting across material categories of scopes 1, 2, and 3 emissions, will contribute to informed capital allocation and business decisions, resulting in improved value creation and risk mitigation for investors...*

*Scope 1, 2 and material Scope 3 disclosures will help investors understand both the magnitude of company-specific exposures and help investors compare performance across companies...*

*Disclosure of the material impacts of climate risk to the business, over the short-, medium-, and long-term horizons, empowers investors to make better-informed decisions using a more complete perspective. Material climate issues do affect company financial performance both positively and negatively over different time horizons."*

Federated Hermes

# Appendix

# Investor Use Case for Climate Disclosure Data

At least 43 investors describe why they need climate disclosure data and how they use it in their decision-making.

CalPERS

California Public Employees Retirement System ($450 Billion AUM)

*"Climate change is a substantial risk that is material to investors. Making such a risk part of financial disclosures will improve data quality and allow investors to address such risk through asset allocation, voting, or engagement....Assessing the climate-related risks of our portfolio companies includes an assessment of both physical risks and transition risks. The utilization of the proposed disclosures would largely be consistent across varying public market strategies, but certain aspects may be more pronounced in specific strategies. Types of strategies would include but are not limited to active, passive, fundamental, quantitative, and factor-based strategies. Within each of these strategies is consideration of climate risk at the individual security level and the aggregated portfolio level....Having the necessary climate disclosures and consistent information across companies are vital to properly assessing how these risks affect companies' financial drivers and ways in which they could impair companies' valuations. Information that comes out of the requirement from the final climate disclosure rule will be used during due diligence and security selection as it will help ensure our ability to compare one company's climate-risk to its peers.*

*In cases where a registrant determines that the flooding of its buildings, plants or properties is a material risk, it would be beneficial for investors to know the percentage of those assets that are in flood hazard areas. It would also be beneficial to know the locations of its buildings, plants or properties that have extreme risk of flooding. Similar to floods, the Commission should also require information on areas subject to droughts, heatwaves, and wildfires."*

# Investor Use Case for Climate Disclosure Data

At least 43 investors describe why they need climate disclosure data and how they use it in their decision-making.

Minnesota State Board of Investment ($131.4 Billion AUM)

*"Market returns depend on the long-term health of the economy, which in turn depends on the productivity of social and environmental systems. Given the scientifically-based projections that climate change will disrupt these systems, the MSBI is bound by fiduciary duty to attempt to manage this risk. As such, the enhancement and standardization of climate-related disclosures as proposed by the SEC would help address the following questions: What is the portfolio's risk to climate-related physical events? How diversified is our exposure to physical risk across the different regions and investments in our portfolio? Is it possible for the MSBI to construct a portfolio that has limited net negative exposure to physical risk? Current disclosures by many companies and promoted by various organizations, though well- intentioned, vary significantly and do not sufficiently address this question.*

*For both current reporting period and future projections, presenting physical risk-specific and transition risk-specific impacts separately is key for investors like the MSBI to evaluate investments. Physical risk and transition risk have starkly dissimilar characteristics. For most businesses, transition risk is highly uncertain in the short-term, but transitory, relatively predictable in its costs, which can be spread over several years, and manageable in the sense that strong corporate leadership should be able to mitigate harm via proactive strategies. Physical risk, on the other hand, is a durable, long-term threat generating both increased risk of random catastrophic events and increased likelihood of prolonged adverse environmental conditions that no management team can fully plan or prepare for. Investors must have detailed information on both risk types to make informed decisions, especially if that investor has a long-term time horizon."*

# Investor Use Case for Climate Disclosure Data

At least 43 investors describe why they need climate disclosure data and how they use it in their decision-making.

## New York State Common Retirement Fund ($280 Billion AUM)

*...The Fund also uses climate data for its proxy voting analyses. This includes many of the data points that would be disclosed under the proposed rule, such as information about the impacts of climate risks on registrants' business strategy and consolidated financial statements, as well as registrants' risk management, governance, and TCFD reporting. Required disclosure of this data would provide more comprehensive, comparable and reliable data than that which is currently available, much of which is self-reported, but unverified or estimated by third party data providers. The Fund's Proxy Voting Guidelines include an evaluation of if and how portfolio companies are prepared for the transition to a net-zero economy; failure of companies to appropriately manage and comprehensively report climate risk may lead the Fund to withhold support from audit committee members, directors responsible for oversight, or the entire board.[1] In 2021, the Fund withheld support from or voted against over 400 individual directors at over 80 portfolio companies that lacked robust climate risk management.*

*...Industry-specific transition assessments and minimum standards to assess investment risks in high-impact sectors as identified by TCFD also utilize some of the key data points that would be more completely, uniformly, and dependably disclosed under the proposed rule. The Fund's assessment frameworks focus on the following criteria: Business strategies for transitioning to the net-zero economy; Capital expenditure trends consistent with the Paris Agreement's goals. There is significant risk posed by capital expenditures spent on exploring and developing new high-risk businesses and resources, such as thermal coal reserves because they may not yield expected returns; Company-wide, time bound, GHG emissions reduction targets in line with the Paris Agreement's goals, including scope 1, 2, and 3, and net-zero targets. The Fund believes a company's time-bound and quantitative targets to reduce GHG emissions are valuable metrics in the evaluation of the company's pace and scale of transition; Revenues from low-carbon or green technologies. A company's low carbon/green business revenues trends are examined to determine if the company is actively executing on transition opportunities; and Climate reporting in line with the TCFD recommendations since comprehensive and consistent climate reporting is crucial to help the market better price climate risks and opportunities. These assessment criteria are commonly used by investors and are also essential components of the Climate Action 100+ net-zero benchmarking assessment.*

*The Fund uses these metrics to inform and prioritize engagements, and if, after engagement and full assessment, companies fail to demonstrate minimal transition readiness, the Fund considers taking investment actions with respect to those companies, such as underweighting, restricting new investments, or divestment, consistent with fiduciary duty.*

# Investor Use Case for Climate Disclosure Data

At least 43 investors describe why they need climate disclosure data and how they use it in their decision-making.

Franklin Templeton ($1.45 Trillion AUM)

FRANKLIN TEMPLETON INVESTMENTS

*"Bringing consistency to these reports is essential, so that investors have the information needed for well-informed capital allocation and effective stewardship.*

*Currently, both investors and companies face costs and uncertainties where information provided is not consistent, assured and integrated into the financials.*

*We see analysis and evidence that incomplete information adversely impacts companies' cost of capital, and increasingly is relevant to top line revenues. However, we also appreciate that there are complexities and challenges, hence we welcome the proposals offering a phased in approach, with safe harbor provisions which offer protection from liability where appropriate. This strikes an important balance in making progress towards meeting investor needs, whilst ensuring capital formation is robustly protected."*

# Investor Use Case for Climate Disclosure Data

At least 43 investors describe why they need climate disclosure data and how they use it in their decision-making.

## Manulife Investment Management ($111.3 Billion AUM)

Manulife Investment Management

*"Using emissions data as a due diligence factor: We have used emissions data to evaluate potential investments with their issuer peers, and to subsequently adjust our position...*

*We use prospective risk metrics in our daily risk reports that measure potential valuation changes due to physical and transition risks, as well as technology opportunities presented by climate change. We can use these metrics in our analysis of an individual issuer or in aggregate across a portfolio. In estimating physical risk, these metrics use estimates regarding 1) potential incurred cost and lost revenue due to extreme weather events and 2) the associated transition risk. The transition risk methodology uses scope 1, 2, and 3 emissions estimates.*

*… We offer a climate strategy that targets a greenhouse gas (GHG) emissions profile significantly lower than that of the benchmark on both a scope 1 and 2, and upstream scope 3 basis. The strategy targets a GHG emission profile that aligns with achieving net zero emissions by 2050 and tracks historical and projected carbon emissions of each company to determine alignment with these objectives. Analysis of the quality of GHG reduction strategies implemented by companies is undertaken, while factors such as carbon offsets are scrutinized for their quality and eligibility in the portfolio.*

*Assigning a carbon cost in financial models: For some investments in oil and gas issuers, we may track consolidated scope 1 and 2 carbon emissions when disclosed in annual sustainability reports. Future carbon emissions are forecasted using assumptions on carbon intensity per barrel of oil equivalent produced, while we also assign a carbon cost per ton of carbon emitted, which scales higher over time as the cost increases. In these instances, the carbon cost burden for producers into the future is forecasted and the magnitude of that cost is quantified. This modeling reflects an increasingly onerous carbon cost outlook. Where applied, these assumptions impact our view of free cash flow and, ultimately, firm valuation.*

*Re-weighting portfolios based on emissions: We have used climate-related data to moderate our position sizing given a specific portfolio goal of low emissions. For example, a review of the consolidated carbon emissions of a waste management firm held in one of our thematic portfolios may lead to the investment team determining that the overall carbon intensity of the business, while improving, remains high. Our position may then be moderated but kept within the portfolio because our analysis anticipates lower carbon intensity moving forward, given the issuer's strategy of 1) introducing more fuel-efficient trucks in its fleet, 2) its initiatives around landfill gas capture and recycling, and 3) generation of carbon credits from the company's landfill gas capture facilities that should* add value over time."


["From Promise to Action on Net Zero: An Interview with Ford"](#) from the SustainAbility Institute by ERM, Mary Wroten, Global Sustainability and ESG

*"We address Scope 3 by tackling our biggest emissions categories first. Those categories are the use of our vehicles (75% of our Scope 3 emissions) and our suppliers' emissions (17%).*

*To address our vehicle emissions, we are electrifying our most iconic vehicles, we are shifting our entire product portfolio to clean energy, and we are considering carbon capture and sequestration. There is not a one-size-fits all solution for suppliers, but we do require suppliers to report their emissions and set science-based targets through our Supplier Code of Conduct and terms and conditions.*

*First, we need to make sure our vehicles are zero emissions. Then we need to make sure the grid is zero emissions because our net zero commitment is a well-to-wheel commitment, and we need to ensure we reduce both the emissions of our products and the energy used to propel our products."*