Ceres
Sustainability is the bottom line.

December 2, 2022

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

Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors, Release No. 33-11042, 34-94478; File No. S7-10-22

Dear Ms. Countryman:

This letter supplements our prior submissions with these additional items for your consideration and the public record.

Below we provide quotes from letters in the comment file from large issuers articulating support for disclosure of Scope 1 and Scope 2 greenhouse gas emissions, in particular.

In addition, we provide the following materials:

- Ceres blog: *Analysis shows that investors strongly support the SEC's proposed climate disclosure rule* (Appendix A)
- Slides Ceres presented at two recent meetings with the SEC (with updated statistics):
    - October 13, 2022 Meeting with Investors (Appendix B)
    - October 28, 2022 Meeting with Business Coalitions (Appendix C)
- Joint statement by a global coalition of 86 Chief Financial Officers calling for global alignment on sustainability reporting and for the International Sustainability Standards Board to strengthen their proposed standards. Two notable quotes from the statement include:
    - *"As CFOs from a wide range of sectors, we recognize that sustainability disclosures are most effective when they inform decision making – providing comparable, relevant information to investors and other stakeholders."*
    - *"Based on our experience in providing both financial reporting and sustainability-related disclosures, we believe sustainability reporting standards must . . . Have clear definitions and guidelines that enable preparers to report in a transparent, consistent and comparable manner. This will help to underpin assurability and limit the need for extensive footnotes and supplemental disclosures."*

Ceres analyzed comment letters of 85 large issuers in the comment file. This included all S&P 500 companies who sent letters, as well as other large members of Ceres or WBCSD's company networks. Of the 60 issuers that specifically mention mandatory disclosure of Scope 1 and Scope 2 emissions, 91% support this requirement as is or with adjustments such as including a delay of disclosing GHGs to a date some time subsequent to filing the 10-K (e.g., 90 or 120 days); including the information in an 8-K, a 10-Q or a new form; a longer phase-in period; a change in the organizational boundaries; and/or a stronger liability safe harbor.

The company quotes included below are selected from letters to the SEC comment file from this group of 60 issuers. The first set of quotes relate to the proposed requirement to disclose Scopes 1 and 2 greenhouse gas emissions and are explicit expressions of support for mandatory disclosure of these emissions.

The second set of quotes are examples of large issuers that discussed their Scopes 1 and 2 emissions disclosure, discussed attestation for Scopes 1 and 2 emissions, or provided general support for emissions disclosure in SEC filings:

To understand the companies' positions more fully, we have included links to their letters both here and immediately before the quotes.

1. **Amazon**
2. **Bank of America**
3. **BNP Paribas**
4. **Citi**
5. **Etsy**
6. **Eversource**
7. **HP**
8. **McCormick**
9. **Microsoft**
10. **Moody's**
11. **Occidental Petroleum**
12. **PSEG**
13. **Salesforce**
14. **Unilever**
15. **United Airlines**
16. **United Parcel Service**

Examples of large issuers that support mandatory Scopes 1 and 2 emissions disclosure:

Amazon

- *We support the Commission's proposal to require that companies report Scope 1 and 2 emissions. However, we recommend that the proposal exclude investments that qualify for the equity method of accounting from the requirements to disclose Scope 1 and 2 emissions. This would eliminate double counting of the same Scope 1 and 2 emissions in both the investor and investee disclosures. For example, under the proposed rule, we would have to include 18% of Rivian Automotive, Inc.'s (our investee) Scope 1 and 2 emissions that they would already be required to disclose in their own SEC disclosures, in our own Scope 1 and 2 reported emissions, resulting in the double counting of these same emissions.*

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- *Our recommendation would also eliminate the need for companies who are not subject to these disclosure requirements from having to calculate Scope 1 and 2 emissions solely as result of being an equity method investee.*

Bank of America

- *We support the reporting of Scope 1 and Scope 2 emissions and, where material (i.e., consistent with the traditional notion of materiality set forth by the U.S. Supreme Court and historical guidance of the Commission) or part of a registrant's emissions reduction targets, Scope 3 emissions, with relevant safe harbors as discussed in Section 7 below. Consistent, transparent disclosure of GHG emissions also will facilitate our ability to monitor our entire value chain—clients and vendors—to help drive the transition toward net zero carbon emissions.*
- *Since 2008, we have engaged our largest suppliers to report externally on GHG emissions, as well as climate-related risks and opportunities... We believe, as indicated by the actions we have taken to date, that the scope and range of potential impacts from climate change requires close attention from all companies and begins with measuring and disclosing their GHG emissions.*

BNP Paribas

- *These disclosures are also critical for banks' own reporting of climate-related risks, given the most relevant aspect of ESG disclosure for banks and financial institutions is not just their Scope 1 and 2 emissions, but also their financed emissions, which depend on information disclosed by corporates and on the development of robust and globally harmonized methodologies.*
- *BNP Paribas strongly supports the SEC's proposed mandatory disclosures for Scope 1, 2, and 3 GHG emissions. Climate related disclosures are needed to allow investors to assess the long-term viability and performance of company business models, therefore influencing enterprise value.*
- *For financial institutions, Scope 1, 2, and 3 emissions should only be disclosed on an aggregate basis – BNP Paribas supports the mandatory disclosures of Scope 1, 2, and 3 emissions on a disaggregated basis for each constituent greenhouse gas (e.g., by carbon dioxide, methane, nitrous oxide, etc.) for corporates, but recommends that for financial institutions, GHG emissions should only be disclosed in an aggregate manner.*

Citi

- *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. We believe that the investments that would need to be made to comply with many of the disclosure requirements in the Proposed Rule would also assist registrants in improving the quality and*

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availability of data needed for established net zero emissions targets.

HP

- *Today, our Scopes 1, 2, and 3 emissions are reported in accordance with the Greenhouse Gas Protocol, including limited assurance by a third-party auditor.*
- *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.*

Microsoft

- *We generally support the proposed regime for reporting greenhouse gas ("GHG") emissions. We agree this information is relevant to investors in assessing companies' business performance and risk. We agree universal, consistent, and comparable GHG emissions disclosures are an important piece of the mosaic of information investors need in order to assess the performance, risks, and opportunities of public companies.*
- *We support the regular reporting of Scopes 1, 2, and 3 emissions by Large Accelerated, Accelerated, and Non-Accelerated Filers, as well as the exemption on reporting Scope 3 emissions for Smaller Reporting Companies. We believe this emissions disclosure regime strikes the correct balance to provide investors with relevant information to inform investment decisions while limiting burdens on smaller enterprises for the resource-intensive process of compiling and reporting Scope 3 emissions.*
- *Microsoft has an extensive history of GHG emissions reporting. While our reported data has grown and evolved over time, we have reported Scopes 1 and 2 data reaching back to 2004 and certain Scope 3 data from as early as 2008.*

Salesforce

- *We agree that disclosure of Scope 1, 2 and 3 GHG emissions is necessary to understand the short and long-term risks associated with climate change. As a result, we support the disclosure of GHG emissions, including the disclosure of a company's Scope 1 and 2 emissions and Scope 3 emissions, when material, in CO_2e for the current and prior years. When providing these emissions, we believe clear disclosure of the estimates, boundaries, methodology and critical assumptions should be disclosed, including any changes from prior years. Providing this level of transparency is critical to understanding a company's emissions as discussed in further detail below.*
- *In addition, we agree that Scope 1, 2 and 3 emissions should be disclosed separately, including Scope 1 and Scope 2 (utilizing both location-based and market-based methodologies), and the 15 categories within Scope 3 (to the extent material to total Scope 3 emissions). Emissions should be disclosed gross of carbon credits and, additionally, we*

believe companies should disclose their gross carbon emissions less RECs and avoidance and removal carbon credits to arrive at a net residual emissions value. We also support the requirement to calculate emissions intensity, including the suggested intensity metric of metric tons of CO_2e per unit of total revenue, to help in comparability across industries and companies. Finally, we note that a third party review by a licensed or accredited firm with minimum standards is essential for reliable GHG emissions reporting (including Scope 3, not just Scope 1 and 2) as discussed in further detail below.

Unilever

- *We support the disclosure of a registrants GHG emissions however we do not believe it is necessary to disclose these on a disaggregated basis for each type of GHG.*
- *We believe it is essential that the definition of GHG used in any requirements is fully aligned with the GHG protocol to ensure comparability across businesses. Thus, we support the requirement for registrants to separately report Scopes 1 and 2.*

United Parcel Service

- *We believe that to be effective such requirements must provide investors with comprehensive reporting of the entirety of a company's GHG emissions, regardless of source. Only with disclosure of Scopes 1, 2 and 3 GHG emissions would the Commission consistently encourage transparency as well as allow investors to objectively assess companies' GHG emissions and emission reduction efforts.*
- *In our view, requiring Scope 3 emissions disclosures is essential for investors to be able to obtain a complete understanding of a registrant's GHG emissions and we generally agree with the requirements included in the Proposed Rules, but recommend they go further. We strongly recommend that the Commission adopt a requirement mandating that all registrants disclose Scope 1, 2 and 3 GHG emissions.*
- *Mandating Scope 1 and 2 emissions disclosures, but not similarly requiring Scope 3 emissions disclosure, could also influence future registrant behavior. Companies could design operations in a manner that reduces Scope 1 or 2 emissions, and increases Scope 3 emissions, if they were able to avoid negative disclosure consequences. Alternatively, companies may avoid adopting emissions reduction targets that include Scope 3 emissions. Such structuring efforts - to avoid disclosing emissions- would serve to further widen the comparability gaps between registrants.*
- *We recommend that the Commission revise the Proposed Rules to require all registrants to disclose Scope 3 emissions, without regard to a materiality qualifier as described above. However, UPS understands that the Commission may want to provide a carveout in the Proposed Rules for smaller reporting companies on the basis of a disproportionate cost/benefit analysis. We also recommend that the Commission structure any exclusions from the disclosure obligations so as to minimize the number of registrants eligible to take advantage of any such exclusion from a Scope 3 disclosure obligation, and clearly define the exclusions, such as requiring an annual reevaluation; similar to the annual reevaluation*

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required to maintain "smaller reporting company" status. If the Commission considers it appropriate to offer registrants further flexibility in complying with Scope 3 emissions disclosure, UPS recommends a one-year extension to the existing Scope 3 effective dates.

- *Should the Commission not deem it appropriate to include a complete mandate of disclosure of Scope 3 emissions in any final rules, we strongly urge the Commission to retain the Scope 3 disclosure requirement, as contained in the Proposed Rules, in its final rules.*

Examples of large issuers that discussed their Scopes 1 and 2 emissions disclosure, discussed attestation for Scopes 1 and 2 emissions, or provided general support for emissions disclosure in SEC filings:

Etsy

- *In our reporting, we share metrics related to climate change, including our annual total energy use and renewable energy use, and our Scope 1, 2 and 3 emissions. Etsy has received limited assurance for our reported Scope 1, 2 and 3 emissions since 2016. We also share goals and targets for energy and emissions reductions and provide updates on these publicly shared goals and targets, as well as information about the carbon offsets we purchase.*
- *Etsy is proud of our voluntary reporting, and strongly supports the SEC's efforts to improve the availability of decision-useful, standardized climate risk information for investors. In particular, Etsy is supportive of the elements of the proposed rule that would require... disclosure of an issuer's Scope 3 GHG emissions, if material, or if the issuer has set a GHG emissions reduction target or goal that includes its Scope 3 emissions; and assurance of GHG emissions disclosures, and the phasing in of reasonable assurance, because assurance is needed to ensure investor-grade information is available to the marketplace.*
- *While obtaining assurances certainly requires additional resources, we do not feel it is overly burdensome and believe it has significantly improved our risk management and quality of our reporting.*

Eversource

- *We were first among our investor-owned utility peers to set a goal to be carbon neutral by 2030, focused on our Scope 1 and Scope 2 emissions, and we are actively analyzing our Scope 3 impacts.*
- *We recommend that, for ease of reference, the Scope 3 disclosures be included with Scopes 1 and 2 disclosures and the disclosures proposed to be in the footnotes instead be included with the Scope 1 to 3 information. We believe that the proposed judgmental, analytical information proposed for the footnotes, which involves making and describing estimates and assumptions, is more appropriately included in a location outside of the primary financial statements and together with other emissions disclosures. As explained below, we do not believe the 10-K is the best place for the proposed disclosures, and request that the SEC consider an alternative report best suited to furnishing these disclosures to the SEC.*

McCormick

- *In the case of emissions disclosures requirements, McCormick believes that Scope 1 and Scope 2 emissions disclosures might be considered a reasonable requirement given investor interest and the ability of a company to generate data and impact emissions. This is particularly true where, as is the case with McCormick, the company has specified Scope 1 and Scope 2 greenhouse gas reduction targets.*

Moody's Corporation

- *We commend the Commission for modeling its disclosure proposals on the framework developed by the Task Force on Climate-Related Financial Disclosures (TCFD) framework and the Greenhouse Gas (GHG) Protocol, both of which are widely endorsed standards. We believe the Commission could further advance the goal of providing consistent, comparable, and decision-useful disclosures by adopting rules that encourage companies to conform their disclosures to internationally developed, Commission-recognized standards.*
- *For example, the Commission could provide that companies' disclosure obligations can be satisfied by reporting emissions data in conformity with the GHG Protocol (including the Protocol's organizational boundaries), and that companies that fail to report in compliance with a Commission-recognized standard must provide detailed disclosures about the methodology they apply and their reasons for using an alternative methodology. As another example, the Commission could provide that disclosure by companies in line with the standards issued by the International Sustainability Standards Board (ISSB) satisfies the Commission's disclosure requirements. We also encourage the Commission to adopt final rules that more fully align with the GHG Protocol in respect of the organizational boundary approaches.*

Occidental Petroleum

- *Occidental was the first U.S. oil and gas company to establish net-zero goals for our total carbon inventory of Scope 1, 2 and 3 emissions – including emissions from the transportation, processing and use of our oil and gas products by consumers... In addition to expanding our voluntary GHG emissions disclosure and interim reduction targets, we have presented our detailed pathway to net zero to our investors, which includes our plans to expand our carbon management operations to commercialize direct air capture technology, carbon capture and sequestration hubs, zero-emission power generation and low-carbon products, including net- zero oil and sustainable aviation fuels, in the coming years.*
- *We request that the Commission align the emissions reporting standards in the Rule Proposal with those of the GHG Protocol.*

PSEG

- *The proposed requirement for attestation reports covering Scope 1 and Scope 2 emissions disclosure is appropriate, as such reports should further bolster investor confidence in these important disclosures.*

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United Airlines

- *We applaud and support the Commission for its action on climate-related disclosures and generally support the policy goals of the Proposed Rules, including the disclosure of Scope 3 GHG emissions. Given that rating agencies do not evaluate companies' climate disclosures using uniform criteria, the Proposed Rules could increase the comparability—and therefore the utility— of the GHG emissions data and other climate-related disclosures provided by companies.*
- *We have demonstrated leadership in transparency with our SEC climate change disclosures by providing key climate change qualitative and quantitative data in our Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Annual Report"), including our 2019 and 2020 Scope 1 (direct), Scope 2 (indirect) and Scope 3 (other indirect) GHG emissions data and carbon intensity rates, our climate goals, how we intend to meet our goals and how we are incorporating our approach to climate change into our corporate strategy.*
- *Allow registrants to disclose their previous fiscal year's GHG emissions instead of the recently completed fiscal year's GHG emissions data in their Form 10-K filings (e.g., in a registrant's fiscal year 2021 annual report, the registrant would report fiscal year 2020 GHG emissions data as United did in its 2021 Annual Report), clarify that registrants are not required to disclose internal GHG reduction targets or climate-related targets that do not relate to GHG emissions and include a broad-based safe harbor for all historical GHG emissions data disclosures.*

Thank you very much for your consideration of our comments. We welcome the opportunity to provide additional background and resources if it would be useful. If you would like further information, please contact me at srothstein@ceres.org.

Sincerely,

Steven M. Rothstein

Steven M. Rothstein
Managing Director, Ceres Accelerator for Sustainable Capital Markets
Ceres, Inc.

Appendix A

Analysis shows that investors strongly support the SEC's proposed climate disclosure rule

October 11, 2022 | Steven M. Rothstein

Investors have spoken—they are strongly in favor of the disclosure rule proposed by the U.S. Securities and Exchange Commission to require companies to disclose climate risk information, whether physical or transitional. Their comments to the SEC solidly underscore their support for standardizing climate risk disclosures so that the SEC can fulfill its mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. Ceres analyzed the comment letters of 320 institutional investors, including both asset owners and asset managers, who collectively own or manage more than $50 trillion in assets. We looked at their positions on key provisions in the SEC's proposed rule. Our analysis included direct letters sent to the SEC, as well as investors that signed this statement in support of a strong rule.

Our analysis pinpoints the solid support found in these investors' comments, giving the SEC a clear guidance of what investors want going forward:

Key Provisions	320 Institutional Investors
Require disclosures in form 10-K.	• 270 investors mention • 97% support
Align the required disclosures with the recommendations of the Task Force on Climate- related Financial Disclosures (TCFD).	• 296 investors mention • 100% support
Require disclosure of Scope 1 and 2 GHG emissions.	• 292 investors mention • 99% support
Require disclosure of Scope 3 GHG emissions with safe harbor if it's material or if there is a target.	• 297 investors mention • 97% support
Require governance disclosures related to board and management oversight.	• 262 investors mention • 98% support
Require disclosure of climate-related targets and goals, if they exist.	• 45 investors mention • 95% support
Require attestation of Scopes 1 and 2 GHG emissions.	• 57 investors mention • 80% support

In their comment letters, at least 129 investors describe how they use climate-related data in investment decision-making and how standardized disclosure will improve the comparability, consistency, and reliability of this information.

1. **Asset managers are bound by fiduciary duty to manage risks, including climate risk**. Investors need to understand how climate risk is integrated into risk management frameworks and how risk analysis undertaken feeds into business decision making. Given scientifically based projections that climate change will disrupt social, ecological, and financial systems, this is particularly important to long-term time investment horizons.
2. **Company financial performance is positively and negatively affected by material climate issues, over different time horizons**. Investment decisions are better informed knowing a company's exposure to and transition readiness for impacts from physical and transition risks. Incomplete information can adversely impact companies' costs of capital and is increasingly relevant to top line revenues.
3. **Climate disclosures contribute to informed capital allocation and business decisions by investors, resulting in improved value creation, risk mitigation, and effective portfolio design**. This information is used during due

diligence and securities selection to help compare one company's risk to its peers and, consistent with fiduciary duty, to determine position adjustment.

4. **Investors need to understand the magnitude of company-specific risk exposures to prioritize engagements and inform proxy voting**. The failure of companies to appropriately manage and comprehensively report climate risk may lead investors to withhold support from board members. When they adopt a rule on climate risk disclosure, the SEC will join a growing number of jurisdictions throughout the world requiring TCFD disclosures, contributing to a global baseline that will benefit investors and companies. The SEC's efforts will complement the work of the International Sustainability Standards Board, established last year by the IFRS Foundation. ISSB recently proposed a climate disclosure standard and is reviewing comments. 140 jurisdictions around the world currently follow the IFRS' global accounting standards.

Given the clear need highlighted by investors in their comments for comparable, complete, decision-useful information, demand for climate disclosures and international momentum is only going to keep growing. Last month, 532 institutional investors representing $39 trillion in assets issued the most ambitious investor call for government action on the crisis, including a call for mandatory climate disclosure globally.

Investors are speaking loudly and clearly. It is time to mandate standardized climate disclosure.

[Disclaimer: The comments from investors and others reflect significant nuance that cannot be properly captured in a short analysis. For additional information about the comments the SEC received please review the comments or see analyses by the Climate Risk Disclosure Lab, KPMG, and the Commonwealth Climate and Law Initiative. In addition, thousands of individual investors also commented, mostly using standardized letters.]

Meet The Experts

Appendix B

Meeting with SEC Chair Gary Gensler on Proposed Climate Disclosure Rule

October 13, 2022

Ceres

Ceres Accelerator
for Sustainable Capital Markets

- Boston Trust Walden
- California Controller
- CalPERS
- CalSTRS
- Capricorn Investment Group
- Franklin Templeton
- Hannon Armstrong
- Inherent Group
- Kepos Capital
- Mirova
- Nephila Climate
- New York City Comptroller
- Nike
- Sky Harbor Capital Management
- Stanford Sustainable Finance Initiative
- Trillium Asset Management
- World Resources Institute

Institutional Investors with $50+ Trillion in AUM Sent SEC 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
Fiduciary Trust International
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 Asset Management
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

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.

AllianceBernstein
BNP Paribas Asset Management
Boston Common Asset Management
CalPERS
CalSTRS
Calvert
CBIS Christian Brothers Investment Services
Fidelity International
Manulife Investment Management
MFS Investment Management
Miller/Howard Investments
Neuberger Berman
NextEra Energy Capital Holdings
PIMCO
Seventh Generation Interfaith Coalition for Responsible Investment
State of New York Comptroller
State Street Global Advisors
Washington State Investment Board
Wespath Benefits | Investments

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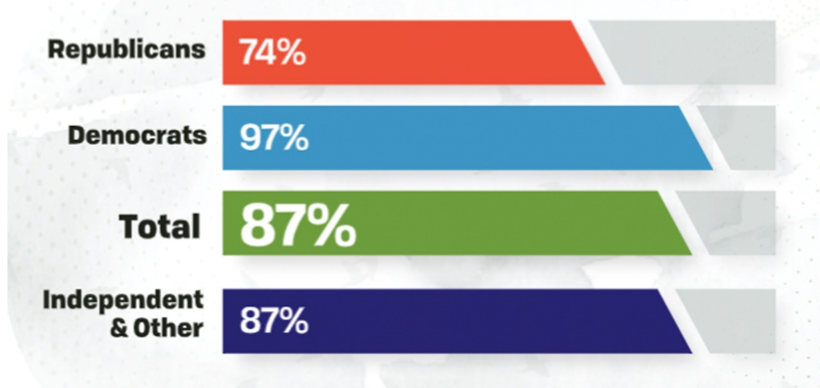
Investor Demand Is Strong and Growing

[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.

Overwhelming Support from Americans

87% of Americans – including nearly three-quarters of Republicans– **agree the federal government should require large companies to publicly disclose climate risks.**

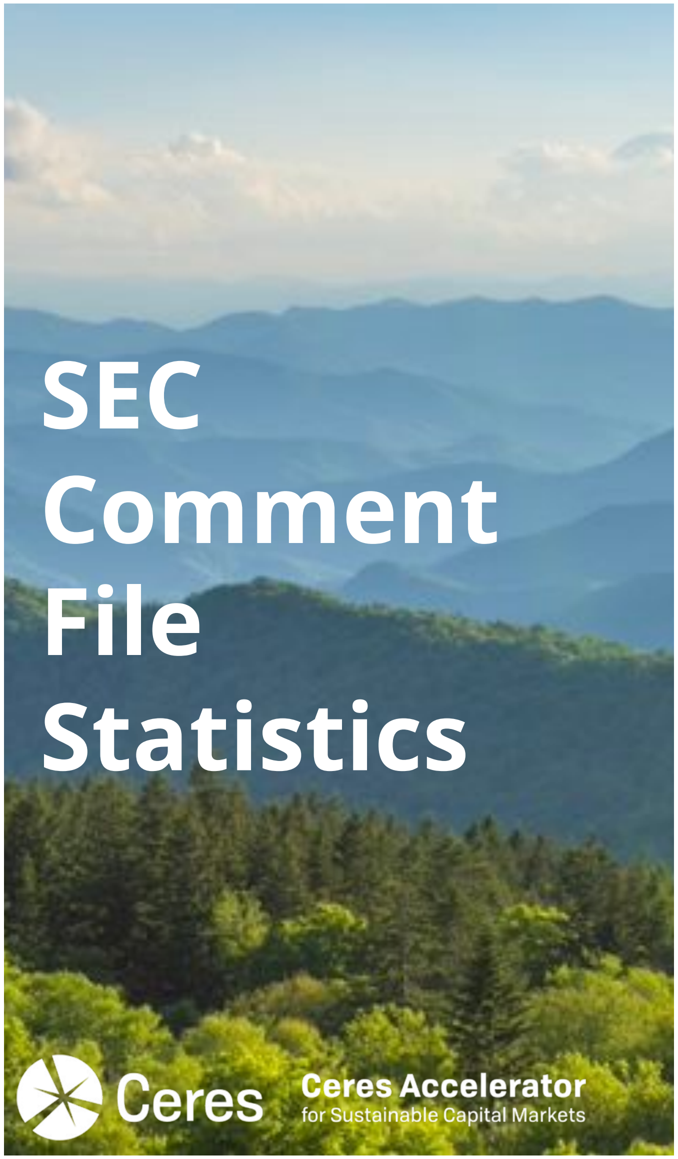


Nearly 800 Companies Call on G20 Leaders for Mandatory Disclosure

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

Ceres | Ceres Accelerator for Sustainable Capital Markets

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.



# Letters	Commenter Type
14,000+	Total individual letters
274	Trade Associations
316	**Investors ($50+ Trillion in AUM)**
242	**Companies (89 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

Criteria	Investors (316)
Require in the 10-K	• 258 investors mention • 98% support
Align with TCFD	• 286 investors mention • 100% support
Require Scope 1 and 2	• 282 investors mention • 99% support
Require Scope 3	• 287 investors mention • 97% support
Require Governance Disclosure	• 251 investors mention • 98% support (includes proposed amendments)
Require Targets and Goals	• 55 investors mention • 95% support
Require Attestation (Scopes 1 & 2)	• 63 investors mention • 87% support

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.

Federated Hermes

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."

Appendix

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

1. **Asset managers are bound by fiduciary duty to manage risks, including climate risk.** Investors need to understand how climate risk is integrated into risk management frameworks and how risk analysis undertaken feeds into business decision making. Given scientifically based projections that climate change will disrupt social, ecological, and financial systems, this is particularly important to long-term time investment horizons.

2. **Company financial performance is positively and negatively affected by material climate issues, over different time horizons.** Investment decisions are better informed knowing a company's exposure to and transition readiness for impacts from physical and transition risks. Incomplete information can adversely impact companies' costs of capital and is increasingly relevant to top line revenues.

3. **Climate disclosures contribute to informed capital allocation and business decisions by investors, resulting in improved value creation, risk mitigation, and effective portfolio design.** This information is used during due diligence and securities selection to help compare one company's risk to its peers and, consistent with fiduciary duty, to determine position adjustment.

4. **Investors need to understand the magnitude of company-specific risk exposures to prioritize engagements and inform proxy voting**. The failure of companies to appropriately manage and comprehensively report climate risk may lead investors to withhold support from board members.

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.

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)

"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."

FRANKLIN TEMPLETON INVESTMENTS

Appendix C


US Securities and Exchange Commission
Proposed Rule to Enhance and Standardize Climate Risk Disclosures for Investors
Meeting with Business Coalitions
October 28, 2022

Agenda and Attendees

Ceres Welcome – 5 min

- **Steven Rothstein, Managing Director, Ceres Accelerator**
- Randi Mail, Director of Campaigns
- Tom Riesenberg, Senior Regulatory Advisor
- Jim Coburn, Senior Manager, Disclosure
- Dan Saccardi, Company Network

Business Coalition Groups – Presentations & Discussion

Business for Social Responsibility

- **Aron Cramer, President and CEO**
- David Wei, Managing Director and Maria Troya, Manager

C2ES's Business Leadership Environmental Council

- **Verena Radulovic, Vice President for Business Engagement**
- Jason Ye, Director for U.S. Policy & Outreach

World Business Council for Sustainable Development North America

- **Amy Senter, Director**
- Juliet Taylor, Manager

We Mean Business Coalition

- **Jane Thostrup, Deputy Director, Net Zero Finance**
- Jenny Ahlen, Director of Net Zero

Ceres

The Ceres Accelerator for Sustainable Capital Markets is a center of excellence within Ceres that aims to transform the practices and policies that govern capital markets to reduce the worst financial impacts of the climate crisis.

It spurs action on climate change as a systemic financial risk – driving the large-scale behavior and systems change needed to achieve a net zero emissions economy by key financial actors including investors, banks, and insurers.

The Ceres Accelerator also works with corporate boards of directors on improving governance of climate change and other sustainability issues.

Investor Network

More than 220 Institutional Investors managing more than $60 trillion in assets. <MORE

Policy Network (BICEP)

75+ leading companies, with dozens of consumer brands and Fortune 500s. BICEP companies have 3 million employees worldwide with $958 billion in revenue. <MORE

Company Network

55+ companies, 70% in the Fortune 500, committed to driving sustainable business leadership. These companies have nearly 2.3 million employees and $2.6 trillion in revenue. <MORE

Nearly 800 Companies Call on G20 Leaders for Mandatory Disclosure

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

Ceres
Ceres Accelerator
for Sustainable Capital Markets

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.

Climate Risks are CEO and Board-Level Issues

Ceres | Ceres Accelerator for Sustainable Capital Markets

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

*"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...*

...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."

Letter to the SEC from Amy Weaver, President/CFO

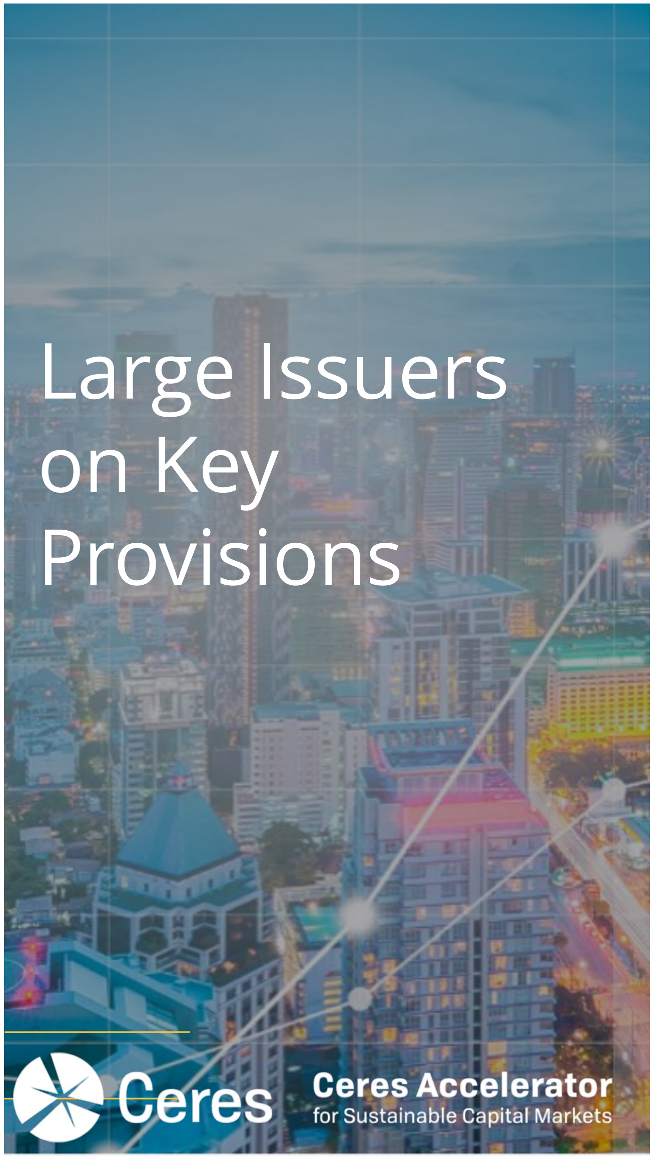
Ceres Member Companies Who Submitted Letters to the SEC

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

Ceres
Ceres Accelerator
for Sustainable Capital Markets

Criteria	Investors (316)
Require in the 10-K	• 258 investors mention • 98% support
Align with TCFD	• 286 investors mention • 100% support
Require Scope 1 and 2	• 282 investors mention • 99% support
Require Scope 3	• 287 investors mention • 97% support
Require Governance Disclosure	• 251 investors mention • 98% support (includes proposed amendments)
Require Targets and Goals	• 55 investors mention • 95% support
Require Attestation (Scopes 1 & 2)	• 63 investors mention • 87% support

Large Issuers on Key Provisions



Key Provision	Large Issuers (85) S&P 500, Ceres companies, WBCSD, etc.
Require in the 10-K	• 52 letters mention • 17% (9) support in the 10-K • 50% (26) support in 8-K, or a new SEC Form • 33% (17) want outside SEC filings
Align with TCFD	• 35 letters mention • 100% support
Require Scope 1 and 2	• 60 mentions • 28% (17) yes as is • 63% (38) yes with adjustments • 4% (2) no, unacceptable adjustments • 5% (3) no
Require Scope 3	• 72 mentions • 10% (7) yes as is • 52% (38) yes with adjustments • 7% (5) no, unacceptable adjustments • 30% (22) no
Require Attestation of Scopes 1 & 2	• 39 letters mention • 64% (25) support (some variations on phase-in schedule)

- BSR provides its 330 member companies with insight, advice, and collaborative initiatives to help them see a changing world more clearly, create long-term value, and scale impact.

- BSR has extensive experience with these industries: Energy and Extractives; Financial Services; Food, Beverage, and Agriculture; Healthcare; Industrials, Information and Communications Technology; Media and Entertainment; Transport and Logistics; Travel and Tourism.

- The Future of Reporting collaborative initiative is a group of 70+ companies across industries sharing reporting best practices and using these to support better performance and more decision-useful reporting, and to inform the work of various reporting organizations.

C2ES

CENTER FOR CLIMATE AND ENERGY SOLUTIONS

- C2ES's Business Environmental Leadership Council (BELC) was created in 1998 with the belief that business engagement is critical for developing efficient, effective solutions to the climate problem, and that companies taking early action on climate strategies and policy will gain sustained competitive advantage over their peers.

- The BELC comprises 41 leading, mostly Fortune 500 companies across diverse sectors reflecting the real economy, with combined revenues of nearly $3 trillion and nearly 4 million employees. Together their Scope 1 emissions represent at least 7 percent of total US greenhouse gas emissions, and most have climate targets including Scope 3 emissions.

- While individual companies hold their own views on policy specifics, they are united with C2ES in the belief that voluntary action alone will not be enough to address the climate challenge.

C2ES

CENTER FOR CLIMATE AND ENERGY SOLUTIONS

C2ES submitted comments on behalf of itself:

- It does not speak for its business council members
- Comments were informed by detailed input by a dozen companies across sectors
- **Generally, companies supported and/or accepted the need for required climate risk disclosure. Their input is reflected in C2ES's comments for how modifications to the proposed rule could help implement the rule more effectively.**

C2ES support for key provisions in March 2022 draft rule:

- Comprehensive: includes scopes of emissions, targets, transition plans
- References existing standards: TCFD, GHG Protocol
- Scope 3 emissions: recognizes complexity gathering and assessing data
- Safe harbor: recognizes need for safe harbor for scope 3

C2ES recommendations for final rule:

- Allow timing of reporting GHGs for calendar year reporting
- Timing of compliance date could be extended one year
- Safe harbors should apply to forward looking statements (i.e., climate goals, transition plans)
- Reduce required level of specificity for certain internal risk assessment tools (i.e., disclosure of carbon price)
- View definition of materiality consistently with definition in securities law
- Establish auditing and financial metrics

- Premier global, CEO-led community of over 200 of the world's leading sustainable businesses working collectively to accelerate the system transformations needed for a net zero, nature positive, and more equitable future.

- Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD $8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe.

200
member
companies

USD $8.5
trillion
in combined
revenues

19 million
employees

70
Global network
partners

WE MEAN BUSINESS COALITION

- Global nonprofit coalition working with the world's most influential businesses to act on climate change. Leading companies are taking action through the coalition partner' initiatives.

9,307	7,591	$35.6
COMMITMENTS TO BOLD CLIMATE ACTION	COMPANIES LEADING THE WAY	TRILLION MARKET CAP

- Coalition partners include:

BSR · CDP · Ceres · CLG Europe · CLIMATE GROUP · THE B TEAM · wbcsd

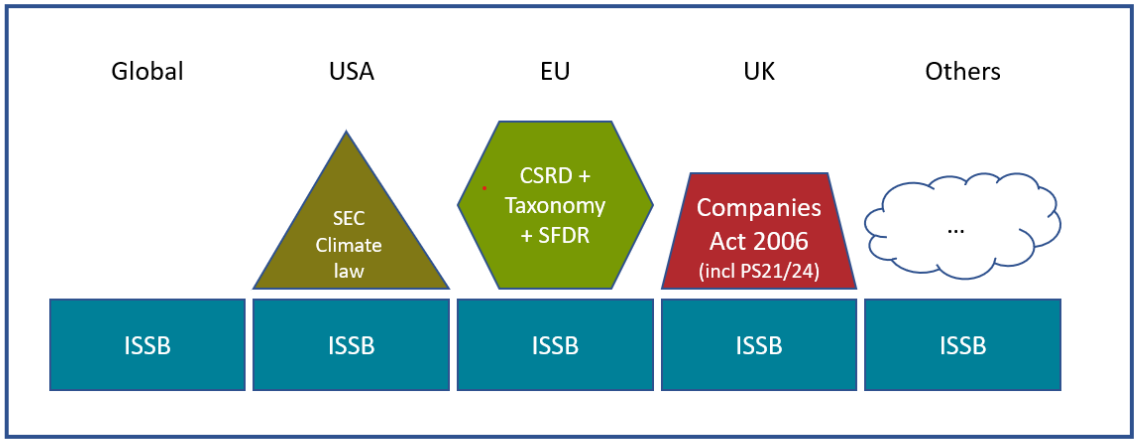
- The views of WMB reflect the consensus of its coalition partners, while each partner may have more specific positions on various provisions of the SEC's climate disclosure rulemaking.

“

How do ISSB and US SEC climate law fit?

They fit fairly well - for now

- Two things must change to future prove that fit
- One clarification is needed to secure cost-efficiency and usability



WE MEAN BUSINESS COALITION

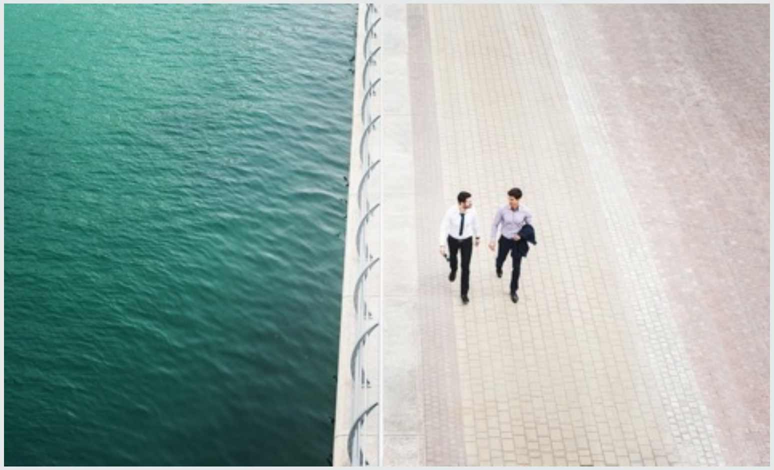
So,

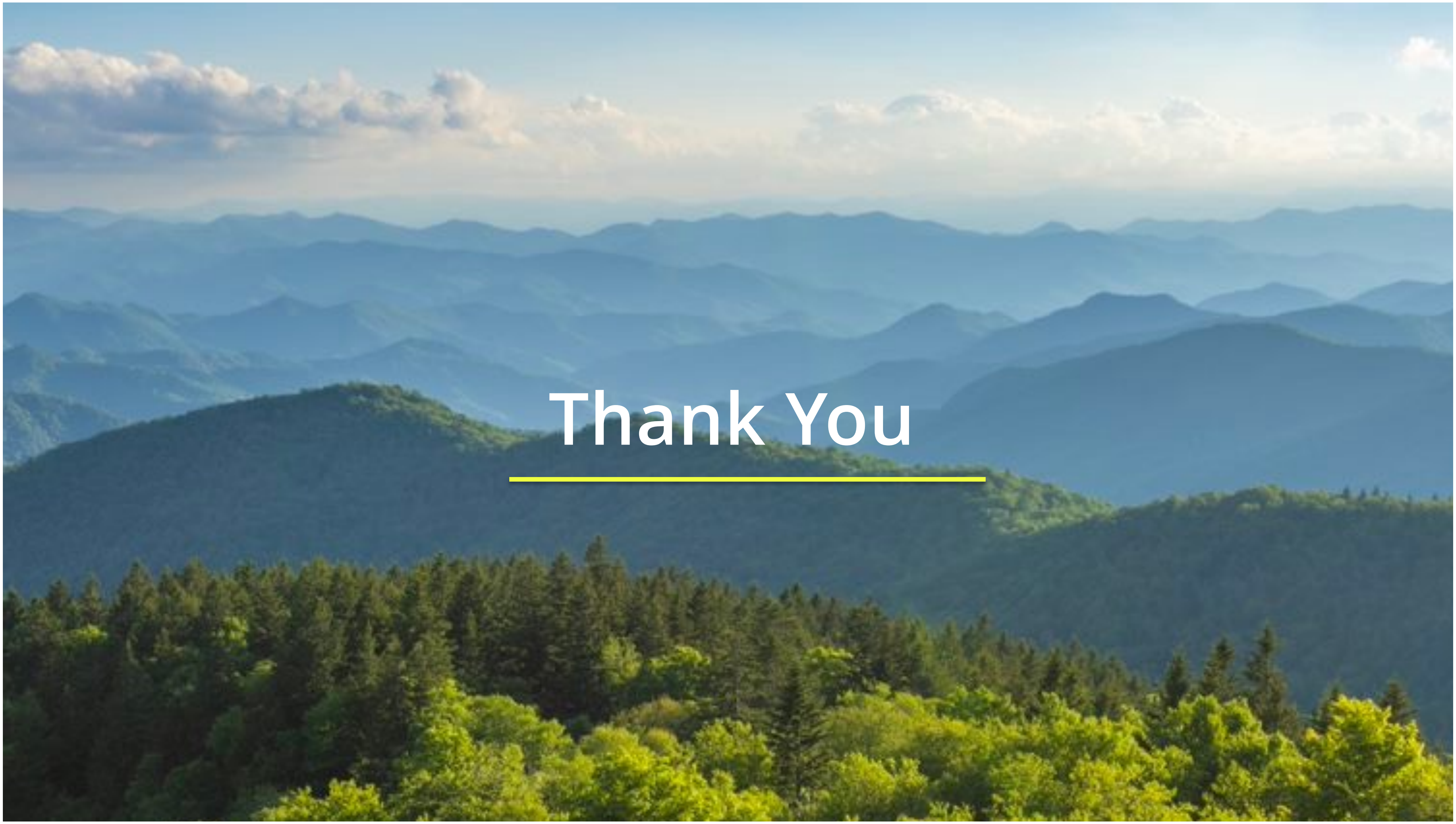
IT IS CLOSE

- Good legislation draft

- To future proof the international alignment:
  - Refer to ISSB
  - Safe harbor for forward looking statements on climate

- To make it cost efficient and investor useful:
  - Use financial boundaries




Thank You