Via Electronic Mail to rule-comments@sec.gov August 16, 2022

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

Re: SEC Notice of Proposed Rulemaking titled "Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices," File No. S7-17-22

Dear Secretary Countryman,

On behalf of Persefoni AI Inc. ("Persefoni"), I am pleased to respond to the request for public comment on the proposed rules for Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices ("the Proposed Rule"). Persefoni supports the Proposed Rule and its efforts to bring "consistent, comparable, and reliable information" to investors concerning funds' and advisers' incorporation of environmental, social and governance 'ESG' factors. We offer our perspective on the role of technology in gathering and reporting on portfolio level greenhouse gas emissions data in a cost effective manner, while enhancing the usefulness of that climate-related information.

The Need for Consistent, Comparable, Reliable Climate Data

Investors have taken ESG investing to the mainstream in recent years[1], and in the absence of specific disclosure guidance, funds and advisers have employed differing ESG practices without guidance or a cohesive framework. This has left investors without reliable or accurate ESG information to inform their decision making[2]. The Recommendation from the Investor-as-Owner Subcommittee of the Investor Advisory Committee Relating to ESG Disclosure (May 14, 2020) ("IAC Recommendation'') highlighted this demand. The IAC Recommendation emphasized investors' growing demand for consistent, comparable, and reliable ESG information. The IAC Recommendation also cites a 2019 State Street Global Advisors report[3] "The ESG Data Challenge," which emphasized that "quality data is the lifeblood of investment analysis." The GHG emissions requirements and the disclosure

---

[1] Goldman Sachs 2016 ESG Report states "ESG investing, once a sideline practice, has gone decisively mainstream."
[2] Commissioner Caroline A. Crenshaw's Statement on Proposed Rule Requiring Enhanced Disclosure by Certain Investment Advisers and Investment Companies on ESG Investment Practices.
[3] Co-authored by Persefoni Sustainability Advisory Board member Rakhi Kumar.

requirements for investment advisors will aid in providing investors the consistent, comparable and reliable data they seek. Equally important is that this information is included in funds' annual reports and Form ADV brochures, an aspect of the Proposed Rule we wholly support, as this will increase the accountability and transparency of such data, enable investors to better differentiate and make choices about funds' ESG characteristics, and reduce the risk of "greenwashing."

Gathering Portfolio Level Greenhouse Gas Data

We wholly support the Proposed Rule in requiring funds labeled as having an environmental focus to disclose their carbon footprint using Greenhouse Gas (GHG) Protocol and Partnership for Carbon Accounting Financials (PCAF) methodologies and their portfolio's weighted average carbon intensity. According to CDP, portfolio emission of global financial institutions are on average over 700x greater than their direct emissions[4]. For investors to have full insight into a funds' climate risks and opportunities, it is important that they disclose their portfolio emissions. Typically, the tools available to measure portfolio level emissions data have been complex and spreadsheet driven, making the process both labor and finance intensive, often leading to inaccuracies. Technology solutions can make it feasible to calculate and manage emissions data in a manner that is more transparent and auditable and that reduces expense for funds.

The Role of Technology in Reducing the Cost of Compliance and Enhancing the Benefits of the Climate Disclosure

Cost Reduction. Current costs that organizations incur in generating GHG emissions data reflect significant manual effort by employees and external consultants. The GHG Protocol's calculation tools reinforce that current practices are highly manual. See also the EPA's Electronic GHG Reporting Tool for point source emissions disclosures under its jurisdiction. These costs include costs associated with attempting to manually complete complex processes that are poorly suited to spreadsheets.

According to a recent report by Forrester, "Sustainability Management Software Empowers Sustainability Transformation," technology tools have begun to play an important role in helping organizations to measure their GHG emissions and make use of that data to manage their climate-related risks and opportunities and communicate with investors. Moreover, according to the report, competition in the software market should drive cost reductions and innovation that will further benefit companies and investors. The report notes, "consolidation

[4] CDP April 2021, "Finance sector's funded emissions over 700 times greater than its own."

in the market is in full swing . . . this evolving market will continue to fuel corporate sustainability action."

As an example, Persefoni's software facilitates organizations' GHG reporting through three main functions. First, it simplifies GHG reporting by taking otherwise complex information and breaking it down into information familiar to business managers. For example, the tool asks questions about an organization's people, operations and facilities that match up to the way companies keep data. That information is then mapped to the GHG Protocol's Scopes 1, 2, and 3 emissions.

Second, Persefoni's software facilitates the ingestion of data into the platform, making the data more useful and reducing the cost of data acquisition. Data can be entered through application programming interface ("API"), bulk uploads, or manual entry in response to questions in the tool. The most efficient means of data acquisition is by API, which allows data to flow directly from its source (for example, the company's financial system or a utility provider) into the platform in real time. This process reduces the time and effort that many companies currently devote to entering data into spreadsheets or responding to questionnaires.

Third, the platform applies appropriate emission factors to the data and conducts calculations in accordance with the GHG Protocol and for financed emissions, in accordance with PCAF, to derive portfolio companies' GHG emissions and fund level GHG emissions.[5] Persefoni's software encodes PCAF's financed emissions standards into the platform, providing funds and advisers the ability to understand the carbon emissions associated with their portfolios. Persefoni's SaaS (software as a service) platform encodes the PCAF standard. This facilitates and streamlines a process that currently can be expensive and time consuming, relying on spreadsheets to calculate emissions footprints. It also reduces the opportunity for error and creates transparency as to the calculations conducted.

Enhanced Consistency, Comparability, and Reliability of Reported Information. Technology standardizes reporting, making data more comparable from period to period for a given organization, and making comparison across organizations clearer. Technology tools are less subject to the human error that can occur when data is entered in spreadsheets and as different assumptions are applied over time. Software tools provide a record of reporting that facilitates consistency and auditability of the reported information. This precise record is important for investors and can also reduce reporting companies' risk of disclosing false or

[5] The Persefoni platform contains 107,000 emission factors that are applied to provide accurate emissions data in accordance with the GHG Protocol and calculating emissions from activity data with significant precision.

misleading information.[6] Persefoni's Portfolio Analytics Suite, for example, provides banks, private market investors, insurance companies and asset managers with calculated metrics for investor regulations and industry specific reporting. Such metrics include emissions intensity, weighted average carbon intensity (WACI), and weighted average data quality.

Enhanced Utility of GHG Data for Reporting Companies and Investors. The Proposed Rule will have significant benefits not only to investors but also to funds and advisers. In promoting consistent disclosure of climate-related financial risks, the Proposed Rule will help fund managers and advisors to apply more consistent processes to their analysis of climate-related financial risks (and potentially opportunities) within their fund portfolios. Software tools can help to put more useful data in the hands of fund managers and advisors. Specifically, such tools can provide fund managers and advisors with greater visibility into the concentration of climate-related risks within their portfolios and the impact of changing portfolio holdings on a fund's emissions profile. This is critical not only to enabling fund managers to properly assess the portfolio's climate-related risks, but also to ensuring that fund marketing and disclosures are accurate and not misleading

Conclusion

We welcome the Proposed Rule and applaud the Commission's efforts to drive consistent, comparable and reliable ESG-related disclosure at the fund and adviser level. This will help to reduce costs and complexity and provide investors with the information they need to properly factor climate-related financial risks into their investment decisions. As described above, we believe technology will play an important role in promoting enhanced decision making and reporting, and reducing the burdens that reporting organizations and investors currently face.

Sincerely Yours,

Timothy J. Mohin

Timothy J. Mohin
Chief Sustainability Officer
Persefoni

[6] The cost of non-compliance with regulatory requirements can well exceed the costs of compliance. In 2021, for example, Toyota was fined $180 million for inaccurately reporting the emissions of the vehicles it sells. That same year, Amazon was fined 746 million Euros and WhatsApp was fined 225 million Euros for violating the General Data Privacy Regulation (GDPR).