BSR

220 Montgomery Street, 17th Floor
San Francisco, CA 94104 USA
T +1 415 984 3200
F +1 415 984 3201

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Dear Chair Gensler,

BSR is a network of more than 300 leading companies working with business to create a just and sustainable world. From our 11 locations in the US (where we are headquartered), Europe and Asia, we provide insight, advice, and collaboration to enable business to create long-term value for all. We welcome the SEC's proposed rule on the Enhancement and Standardization of Climate-Related Disclosures for Investors as an essential step toward the disclosure of comparable, consistent, and reliable climate-related information.

The SEC's proposed rule is part of a global movement to improve and harmonize climate-related financial disclosures in ways that support informed investment decisions and incent ambitious action. The EU and other jurisdictions outside the US are mandating climate disclosure[1], 2600+ companies have already committed to similar disclosures[2], and the world's largest asset managers are demanding them[3]. By codifying a climate-related disclosure rule, the SEC joins a broad network of institutions formalizing the production and publication of the information investors need to make informed decisions. This leadership from the world's largest economy is significant and will help prevent a fractured disclosure landscape for US companies, since many will be required to comply with climate reporting mandates in other jurisdictions.

BSR welcomes the proposed rule as a necessary (but not sufficient) feature of regulatory efforts to ensure urgent action by companies and investors to address the climate crisis.

In support of the SEC's current efforts to respond to market demand for comprehensive climate-related financial disclosures, BSR encourages the SEC to retain most of the provisions of the draft rule and strengthen it with a few minor refinements. BSR's comments draw upon over 30 years of experience working with BSR member companies, investors, and other organizations to advance business action on climate change and other issues crucial to resilient business success and economic and social progress.

[1] EFRAG, EFRAG Invited to Contribute Immediately to the Elaboration of Draft EU Sustainability Reporting Standards, available at https://www.efrag.org/News/Project-515/EFRAG-invited-to-contribute-immediately-to-the-elaboration-of-draft-EU-sustainability-reporting-standards-ESRS
[2] TCFD, 2021 Status Report, available at https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Status_Report.pdf
[3] BlackRock, The Power of Capitalism, available at https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter

BSR envisions a final SEC rule that:

1. **Includes disclosure requirements that are fundamental for effective climate-related decision making, and should therefore be reported without exception**. BSR recognizes that the proposed rule balances the investors' needs for greater information on climate-related financial risks with registrants' calls for a flexible rule that aligns with globally endorsed frameworks and standards, and we commend the SEC for achieving this balance.

   We urge the SEC to publish a final rule that is just as comprehensive as the proposed rule by requiring:
    a. The disclosure of scope 1, 2, and 3 emissions as it indicates progress against goals and targets, and exposure to transition risks (with "safe harbor" for scope 3 emissions);
    b. Assurance of scope 1 and 2 emissions disclosures to ensure robustness of data and management processes;
    c. Governance metrics, including those that show board-level involvement, to understand governance structures that are in place and to inform if climate change has risen to the agenda of senior leadership; and
    d. Climate-related disclosures located in financial filings, as climate risk represents financial risk.

2. **Balances prescriptiveness and flexibility, and provides clear guidance to report preparers.** BSR encourages the SEC to achieve such a balance by providing greater clarity on elements of the proposed rule that are open to interpretation, such as:
    a. A clear methodology for measuring and disclosing scope 3 emissions, including clarity on acceptable estimates, that would ease registrants' concerns of scope 3 emissions reporting and lead to greater comparability in data;
    b. Guidance and resources to perform climate scenario analysis that would help registrants apply a Taskforce on Climate-Related Financial Disclosures (TCFD)-consistent approach to identify and assess climate-related risk and business resilience;
    c. Where applicable, a clear definition of materiality, particularly in aspects of the rule where materiality triggers disclosure, to ensure consistency in its assessment; and
    d. Encourage the use of guidance on industry-specific disclosure available from the Sustainability Advisory Standards Board (SASB) and the International Sustainability Standards Board's (ISSB) [draft] Climate-related Disclosure Draft.

3. **Provides additional accommodations for preparers.** BSR supports accommodations for preparers contained in the proposed rule, such as phase-in periods for scope 3 emissions disclosure and levels of assurance. We encourage the Commission to consider additional methods of providing flexibility, such as:

a. Decoupling scope 3 emissions disclosures from fiscal year-bound reporting period by allowing an extended period of acceptable estimates to validate data, if needed by a registrant (e.g., in 2025 a company would be required to report actual, determined data for FY2023 and reasonable estimates for FY2024); providing a definition of acceptable estimates for scope 3 emissions; and
b. Clarifying expectations related to, *inter alia*, re-baselining of goals and targets in line with globally-accepted methodologies, such as the GHG Protocol. Referencing a common methodology will assuage companies' concerns around potential changes to baseline target years and/or target boundaries (or organization reporting boundaries overall), thereby mitigating the risk that companies shy away from new target-setting efforts and overall may ease concerns related to communicating action plans for ambitious climate action.

Providing such flexibility, while retaining a comprehensive and standardized climate-related disclosure rule, will allow for registrants to meet requirements within the constraints placed on them by data collection and management systems that may still be underdeveloped.

4. **Supports the growing trend in the business community of ambitious voluntary commitments by taking a "comply or explain" approach for conditional disclosures**. BSR supports the SEC's objective of requiring the disclosure of decision-useful information to investors, but believe it is important for these requirements to encourage (rather than dissuade) reporters to take ambitious voluntary climate action.

   BSR is concerned that some provisions of the proposed rule will disincentivize new climate action and target-setting by requiring disclosure only if the company has a plan or target in place—we are concerned this creates a disincentive for companies that have not yet set targets. Accordingly, we propose that the SEC adopt a "comply or explain" approach for conditional disclosures (e.g., scope 3 emissions, climate-related goals, targets and transition plans, and the use of climate scenario analysis) where companies would either disclose their approach or explain why they do not have one. While the SEC may not be able to mandate target-setting or scenario analysis, the SEC can require that a company deeming a particular aspect immaterial—or otherwise does not report on a particular provision—state the basis for this conclusion. The SEC can provide guidance on reasonable explanations, such as commercial confidentiality, legal prohibitions, the unavailability of information, and steps being taken towards greater disclosure in the future. BSR recommends the "comply or explain" approach as one more likely to increase the volume and usefulness of disclosures over time, and as in line with current investor-facing standards, such as SASB.

   We also emphasize the importance of providing companies with a strong liability shield or "safe harbor" for certain disclosures (e.g., climate scenarios analysis) where uncertainty is inherent in the information being reported and where the absence of these protections will have a chilling effect on disclosure by companies.

5. **Is harmonized with relevant global reporting standards and requirements from other jurisdictions.** The SEC has taken an important step by building its proposed climate-related disclosure rule upon the broadly accepted TCFD and GHG Protocol frameworks. Furthermore, the SEC's joining the Sustainability Standards Advisory Forum will be crucial to achieving interoperability and comparability with the ISSB's Climate-related Disclosure Standard and ESG reporting requirements from other jurisdictions. BSR supports these efforts and any future actions that will lead to greater interoperability in mandated reporting. We believe it is essential for the SEC and other relevant actors to make maximum effort to achieve clear and consistent guidance for companies operating globally

   Accordingly, BSR believes that the SEC should allow the use of alternative reporting provisions (Question 183) that are harmonized with criteria developed by the International Sustainability Standards Board (ISSB) (Question 189). The option of disclosing climate-related information against such alternative reporting provisions should be extended to all registrants, given that many large US-headquartered companies will also be required to report against these provisions in other jurisdictions whose requirements can be more expansive than those proposed by the SEC (Question 189). BSR's understanding is that current financial reporting has an alternative compliance mechanism that enables IFRS Accounting Standards users to report to the SEC.

BSR strongly supports the SEC's decision to require climate-related financial disclosure, acknowledges the merit behind the Commission's efforts to create a comprehensive yet accommodating proposed rule, and encourages the SEC to issue a final rule that continues to drive alignment in the reporting landscape, leads to improved climate-related risk management and governance, and incentivizes credible climate action.

Sincerely,

Aron Cramer

President and CEO
BSR