

Rockefeller Asset Management
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Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

June 1, 2022

Re: Proposed Rules on Climate Change Disclosures

Dear Ms. Countryman,

We are writing to express our enthusiastic support for The Enhancement and Standardization of Climate-Related Disclosures for Investors proposed by the US Securities and Exchange Commission (the "Proposed Rule"), due to the improvements of the timeliness, quality, and comparability of information it provides for investors.

Rockefeller Asset Management, a division of Rockefeller Capital Management, serves institutional asset owners and individual investors. With more than 30 years of experience in global investing, we pair our distinctive worldview and long-term horizon with fundamental and quantitative research. As long-term investors, we frequently engage with companies on corporate, environmental, social and governance issues that have a material impact on their risk and return dynamics.

Our fundamental research and company engagements have revealed that climate related risks and opportunities are increasingly relevant to company valuations. Last year we wrote to over one hundred companies across our portfolios to request information similar to what is now being recommended for disclosure by the proposed rule. This rule will benefit investors by enabling us to access consistent, comparable, and reliable data that will enable more accurate valuation modeling. Specifically, we believe the proposed disclosures will help protect investors for the following reasons:

- **Improved quality of information:** Including third-party assured climate-related disclosures in SEC filings will significantly improve the quality of climate data.
- **Improved timeliness of information:** Requiring climate-related disclosures provides more frequent and regular updates. Voluntary disclosures are often misaligned with earnings reporting and delivered at irregular intervals compared to other reporting milestones.
- **Improved comparability of information:** Required disclosures will facilitate comparisons across companies and sectors. Alignment of the SEC's proposed rule with climate disclosure standards such as Task Force for Financially Related Climate Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB) and the International Sustainability Standards Board (ISSB) that are being adopted globally facilitates this comparability.
- **The link to financial statements** provides better insight into how climate-related impacts affect enterprise value.

It will also benefit companies. Those that have thought critically about climate risk and opportunities will be recognized for doing so, while those that have not yet thought critically about the impacts of climate on their business will be incentivized to do so, thereby strengthening their business.

In response to your request for detailed examples of how we use this information and specific feedback on various aspects of the proposed rules, we would like to highlight a few points:

- I. **Examples of how we use climate disclosures to determine the valuation of a business and assess risk:**
 - a) **Scope 1, 2 and 3 emissions disclosures:** We regularly examine Greenhouse Gas (GHG) emissions disclosures of companies in select portfolios, particularly those in heavy emitting industries. We look to understand the trajectory of emissions as an indicator of how well a company is managing its energy needs and preparing itself for a low carbon economy. If the company is growing, energy intensity becomes especially useful as a metric to understand how the company is improving energy management as it grows. This information helps us

understand whether the company is taking steps to transition to a low carbon economy, whether it may be subjected to carbon taxes in certain operating markets, whether it is aligned with climate related commitments or expectations of its customers and how it compares to other companies in the same industry. As our investment clients seek to align their assets with companies that are transitioning to a low carbon economy, we are increasingly being asked to report on the carbon footprint of the companies in our portfolio, and to develop Net Zero strategies, comprised of companies whose carbon emissions trajectory is aligned with the Paris Agreement.

- b) The TCFD aligned disclosures which focus on strategy, scenario planning and risk mitigation, give us insight into the depth of scenario planning a company has undertaken which enables us to evaluate the level of risk embedded in their approach. For example, after reviewing the disclosures of a US-based insurance company, we had questions about why the company didn't include certain parts of the country in its property liability or catastrophe business. We were concerned that other insurers could leverage those markets and put the company we were evaluating at a disadvantage. In a conversation with the company, they explained that due to the climate scenario analysis the firm had conducted as part of its TCFD reporting, the firm determined that the insurance risk (a measure of claims frequency and severity and catastrophes and severe weather) to fulfill property liability policies in that area were too great to be profitable. This decision protected the company from recent severe weather events that substantially affected the profitability of many of its competitors. Additionally, the company's scenario analysis helped the policy team re-evaluate roofing, building code, and water damage reinsurance policy language in other geographies as well. Since re-writing these reinsurance policies, they have posted superior underwriting results against the industry, which demonstrates the effectiveness of their catastrophic risk management. Without TCFD disclosures, it can be difficult to assess the degree to which insurance companies have leveraged scenario planning in their policies, which could leave them more vulnerable to climate risks than they have communicated to investors.
- c) Many companies have made Net Zero by 2050 commitments. Currently, investors don't have reliable data to assess whether a company has a plan to reach these commitments, including whether they have assessed the financial impacts to the business including costs, margins, market share, etc. The disclosures will make clear to investors which companies have a climate transition plan, which have quantified the likely financial costs and benefits to the business and which companies have not. In the logistics space, for example, several European based companies in our portfolio have published detailed climate transition plans that include estimates of incremental operating expenditures and capital expenditures spanning categories such as fuels, fleet and real estate. We believe that the quantification of expectations related to these costs and ability to pass costs through to customers enables us to improve the valuation model. Without these disclosures, investors may make inaccurate assumptions about whether companies are prepared to manage incremental costs or seize opportunities to capture incremental revenues.

II. The importance of audited data and the inclusion of data in regular financial filings

- a) Currently, only a portion of companies publish climate data. When they do, data is usually included in voluntary company statements such as ESG or Sustainability reports, which are published at irregular intervals. The metrics used and reliability of this data can vary tremendously across companies. As a result, we pay third party data providers to furnish us with estimates of companies Scope 1, 2 and 3 emissions. The third party data we purchase can also be unreliable and at times it has led us to make incorrect assumptions. For this reason, it would be helpful to have third party assured climate data that gets published at the same time as regular financial filings.

III. Risks from not having validated company disclosures

- a) The lack of assured GHG emissions data puts institutional asset managers at risk. Because the data is not standardized, it may lead to incorrect or inaccurate assumptions in determining the valuation of a company. It may also lead to inclusion of the company in ESG products where it would not otherwise be eligible for inclusion. For example, as investors seek to align their portfolios with companies that are striving to achieve Paris-aligned carbon reductions, "net zero emission strategies" will become increasingly common. Inaccurate

data could lead an asset manager to include a company that is not working to reduce its emissions in a net zero emission strategy.

IV. Additional disclosures recommended

- a) It would be helpful to understand a company's intended utilization of carbon offsets and the corresponding quantification of carbon credits that may need to be purchased. As an example, many transportation companies have made commitments to increase their use of sustainable fuels. If the market is not able to provide enough sustainable fuel, it would be helpful to know what companies might have to pay for carbon credits.
- b) It would also be helpful for companies to quantify, in their disclosures, the portion of additional costs that may be passed through to customers in pricing.

In conclusion, we welcome the proposed rules that help standardize climate reporting, appreciate your thoughtful work on the topic, and look forward to the new rules coming into effect.

Sincerely,



Casey Clark, President and Chief Investment Officer



Mia Overall, Director of ESG Strategy and Product Specialist