NewForests

The Honorable Gary Gensler
Chair
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Dear Chair Gensler,

New Forests[1] is a global sustainable forestry investment management firm. We have approximately USD 5.5 billion in assets under management across nearly 3 million acres of sustainable timber plantations, nature conservation areas, carbon projects, agriculture, and timber processing in the United States, Australia, New Zealand, and Southeast Asia. Our institutional investment clients, primarily public funds, are from the United States, Canada, Europe and elsewhere globally. New Forests' vision is to see investment in forestry, agriculture, and other land use as central to the transition to a sustainable future.

New Forests supports the proposed rule "The Enhancement and Standardization of Climate-related Disclosures for Investors" by the Securities and Exchange Commission (SEC). We believe it is a crucial step in scaling climate change disclosures in the United States, aligns with international best practice frameworks, and is a leadership opportunity for the United States on addressing climate change. While many companies are already voluntarily disclosing climate change-related risks and opportunities and greenhouse gas (GHG) emissions, the coverage is incomplete and does not accurately represent the risks presented by climate change. The proposed rule would lessen the current gaps and give a most holistic picture of climate change-related risks.

It is the fiduciary duty of companies to disclose information material to their investors; climate change is certainly worthy of that categorization. The Intergovernmental Panel on Climate Change's *Sixth Assessment Report*[2] found that GHG emissions continue to rise, despite efforts to scale emissions reductions and energy intensity improvements. We are rapidly running out of time to avoid catastrophic climate change and action must be taken within this decade to avoid the worst impacts.

Requiring companies to disclose information on their climate-related oversight and governance processes[3] (including board oversight and climate expertise present on the board[4]), the financial impacts of climate change on their business, transition policies, scenario analysis, carbon pricing, GHG emissions, and climate targets will increase transparency and accountability and encourage companies to take much needed action on reducing GHG emissions, protecting irrecoverable terrestrial carbon stocks, and scaling carbon removals. Specifically, New Forests supports the requirement that companies describe the actual and potential climate-related risks on strategy, business model, and outlook, as well as any impacts from climate-related risks on business operations.[5]

Similarly, New Forests supports the requirement that companies disclose their GHG emissions reduction targets and transition plans[6] to ensure credibility and robustness of such plans. This should include relevant metrics and

[1] https://newforests.com.au/
[2] https://www.ipcc.ch/report/ar6/wg3/
[3] I.e., by filing disclosure items in annual reports.
[4] See the SEC Proposed Rule, pages 93-100, 103, 462-463.
[5] See SEC Proposed Rule, page 93.
[6] See SEC Proposed Rule, page 114.

targets, aligned with the Task Force for Climate-related Financial Disclosures (TCFD) guidance. Disclosure should also include the scenario analysis tools and frameworks used, aligned with the TCFD.[7]

Registrants should be required to disclose scope 3 emissions if the scope 3 emissions are 40% or more of the total scope 1, 2, and 3 emissions for the registrant. This threshold aligns with the Science-based Targets Initiative (SBTi) Criteria and Recommendations.[8] If a registrant has made an emissions reduction commitment that includes scope 3 emissions sources, those scope 3 emissions should be disclosed by category (inclusive of all scope 3 categories, as defined by the GHG Protocol).[9]

If a registrant is using carbon offsets, the registrant should disclose how the offsets are used in their emissions reduction and net zero strategies, aligned with best practice guidance from the GHG Protocol and the SBTi.[10] The definition of offsets should align with best practice frameworks, including the emerging guidance of the Voluntary Carbon Market Integrity Initiative.[11] Similarly, the methodology used to calculate the internal carbon price should be disclosed, should the registrant use an internal price.[12]

As a sustainable forestry and land use asset manager, New Forests is well positioned to understand and address the material risks, both physical and transitional, presented by climate change. Since 2016, we have invested over USD 500 million into sustainable forestry assets and carbon projects across the United States that protect irrecoverable carbon stocks and incentivize increased atmospheric carbon removal.

In the past 12 months, we have also seen increased interest from institutional investors on climate-related risks and opportunities. Reaching net zero emissions by 2050 will require a sustainable land use transition that protects forests, improves management of timberlands and agricultural lands, and restores and reforests large areas in the United States and globally. Climate change is a material consideration for institutional investors seeking to place capital in assets and companies, in both private and public markets, that will be successful in the climate transition. The proposed rule by the SEC will support enhanced investment in the United States by climate-focused investors. New Forests expects that investors would use the disclosures to inform their net zero portfolio allocation; the disclosures could incentivize greater investment into a low carbon economy as investors seek to decrease their portfolio emissions.[13]

In closing, we welcome the proposed rule and applaud the SEC for its efforts in this space.

Best Regards,

Brian Shillinglaw

Brian Shillinglaw
Managing Director, New Forests Inc.

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[7] See SEC Proposed Rule, page 96.
[8] https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf; see SEC Proposed Rule, page 184.
[9] See SEC Proposed Rule, pages 184-185.
[10] See SEC Proposed Rule, page 94.
[11] Definition provided in Net Zero and Voluntary Carbon Markets report https://vcmintegrity.org/wp-content/uploads/2021/07/Net-Zero-and-Voluntary-Carbon-Markets.pdf
[12] See SEC Proposed Rule, pages 95-96.
[13] See SEC Proposed Rule, page 57.

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