

June 16, 2022

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

RE: File No. S7-10-22, RIN 3235-AM87 Proposed Rule on The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

Boston Trust Walden Company is an independent, employee-owned investment management firm with approximately \$14.3 billion in assets under management.¹ Our firm has been integrating environmental, social, and governance (ESG) factors into investment decisions since 1975—one of the longest track records of any institutional investment manager.

At Boston Trust Walden we seek to invest in enterprises with sustainable business models, strong financial underpinnings, prudent management practices, and a governance structure that supports these objectives. Consideration of ESG factors, such as climate risk, is part of our fiduciary duty to ensure client assets are invested in a set of securities well situated to minimize risk and produce sustainable returns.

We write to express our support for the SEC's proposed rule regarding *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, Regulatory Identifier Number (RIN) 3235-AM87.² We commend the SEC for proposing this new rule that appropriately recognizes the financial materiality of climate risk and the investor need for consistent, comparable, reliable, and decision-useful information to manage that risk.

The Commission has historically provided direction on the standardized disclosure investors need to address evolving market risks. This role is critical for ensuring a modern, competitive, and healthy financial marketplace. Climate risk has spurred a massive transition, rapidly introducing new, emerging, and evolving financial risks. As investors, we require new levels of disclosure to understand how issuers are evaluating, preparing for, and managing this transition. The proposed rule *Enhancement and Standardization of Climate-Related Disclosures for Investors* is a logical step to provide that decision-useful disclosure and better address financial risks facing markets today. Below we highlight essential elements of the rule to retain and include specific suggestions for ways in which the rule can be strengthened.

¹ As of March 31, 2022

² 87 FR 29059. The Securities and Exchange Commission. *The Enhancement and Standardization of Climate-Related Disclosures for Investors Securities and Exchange Commission*. National Archives Federal Register, 2022, <https://www.federalregister.gov/d/2022-10194>.

Our support for the Commission’s actions comes at a critical moment when both scientific and economic research paint a stark picture of the current and future impacts of climate risk. The Intergovernmental Panel on Climate Change (IPCC), an intergovernmental body of the United Nations, produces comprehensive science-based reports about the status, impacts, and future risks and opportunities posed by climate change to global ecosystems, populations, and the economy. The IPCC’s 2022 report underscores the environmental, social, and economic crises emerging and calls for a more urgent global transformation, rather than transition, to mitigate severe climate risks.³ This research affirms the findings of a 2021 report from the U.S. Financial Stability Oversight Council, which concludes that “climate change is an emerging threat to the financial stability of the United States,”⁴ and also 2022 analysis from the US Office of Management and Budget citing “climate change could lead to an annual Federal revenue loss at the end of the century of 7.1 percent, which in today’s dollars would equal \$2 trillion per year.”⁵ Furthermore, Deloitte recently reported that climate change left unchecked could cost the global economy \$178 trillion over the next fifty years, whereas if actions are taken to achieve net zero emissions by midcentury, the world economy could increase by \$43 trillion in that same time period.⁶

Despite the growing urgency of the crisis before us, the implications of climate risk for the financial markets can only be partially understood with current voluntary corporate disclosure. The decisions companies make today—and the information provided to investors to inform decision-making—will have long-term impacts on the health of not only the planet and its people, but also the economy.

At Boston Trust Walden, we focus on investing client assets in securities we judge to be high financial quality. As active managers we believe incorporation of financially material ESG factors, including climate risk, in the investment decision-making process is consistent with this focus. To price risks adequately and allocate capital responsibly and efficiently, we require access to rigorous, standardized, and high-quality corporate climate disclosures.

In line with our firm’s investment approach, in 2021 we joined the Net Zero Asset Managers Initiative—a group of more than 270 asset managers collectively representing more than \$61 trillion in assets under management⁷—and committed to support efforts to limit warming to 1.5 degrees Celsius. Under the Initiative, we set our own targets for transitioning our investment portfolios toward net zero emissions. We will achieve this goal primarily through our existing investment approach focused on the integration of ESG considerations across our proprietary investment strategies and via active engagement with the companies in which we invest. The enhanced climate risk disclosures

³ Meredith, Sam. 2022. “‘It’s Now or Never’: World’s Top Climate Scientists Issue Ultimatum on Critical Temperature Limit.” CNBC. April 4, 2022. <https://www.cnbc.com/2022/04/04/ipcc-report-climate-scientists-issue-ultimatum-on-1point5-degrees-goal.html>.

⁴ Gabriel Malek, Michael Panfil, and Stephanie Jones, “Stakeholder Guide to SEC’s Proposed Rule on Climate-Related Disclosures,” ed. Jenny Mandel, April 4, 2022, <https://business.edf.org/files/Stakeholder-Guide-to-the-SECs-Proposed-Rule-on-Climate-Related-Disclosure.pdf>.

⁵ Vahlsing, Candace. “Quantifying Risks to the Federal Budget from Climate Change.” *Office of Management and Budget: Briefing Room* (blog), April 4, 2022. <https://www.whitehouse.gov/omb/briefing-room/2022/04/04/quantifying-risks-to-the-federal-budget-from-climate-change/#:~:text=The%20new%20Budget%20analyses%20found,equal%20%242%20trillion%20per%20year.>

⁶ Philip, Pradeep, Claire Ibrahim, and Cedric Hodges. “The Turning Point a Global Summary.” Deloitte., May 2022. <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/global-turning-point.html>.

⁷ Net Zero Asset Managers Initiative. “Initial Target Disclosure Report,” May 2022. <https://www.netzeroassetmanagers.org/media/2022/05/NZAM-Initial-Target-Disclosure-Report-May-2022-1.pdf>.

provided under the Commission’s proposed rule will be the building blocks for assessing our own financed emissions.

Voluntary climate risk disclosure does not meet investor demand for consistent, comparable, and decision-useful information. While voluntary climate risk disclosure has been on the rise in recent years⁸, the lack of a regulatory mandate has led to inconsistent information provided across multiple reporting regimes. This inconsistency has allowed companies to self-select which metrics and information to disclose and has caused confusion amongst investors about which disclosures to trust and use. Boston Trust Walden is among the growing number of investors coalescing around specific voluntary frameworks, including the Task Force on Climate-related Financial Disclosures (TCFD) recommendations⁹ and the Sustainability Accounting Standards Board (SASB) Standards. While investor support for these frameworks is growing, company application of these voluntary frameworks varies. In response to the SEC’s 2010 climate disclosure guidance, for example, investors observed an increase in issuer reference to climate risk exposure within annual financial disclosures. Unfortunately, these disclosures are often presented in boiler-plate language. This provision of non-specific climate risk language limits investors’ ability to compare issuer risk profiles, a necessary facet of efficient investment decision-making. In short, voluntary climate risk disclosure is not meeting investor demand for decision-useful climate risk information.

Evaluation of climate risk across investment portfolios represents a cost to investors and results in the gathering of data that is often incomplete and not comparable. At Boston Trust Walden, our analysts examine quantitative and qualitative climate-related corporate disclosure to enhance our understanding of the existing and potential financial outcomes associated, ranging from risks (e.g., losing the license to operate) to opportunities (e.g., generating new sources of revenue). In the absence of mandated disclosure requirements, we rely on the data of third-party research providers, which includes a mix of issuer provided data and estimates. Our analysts then seek to fill data gaps through additional research and analysis, outreach via written requests, meetings, and shareholder resolutions seeking the expanded disclosure we require.

These processes for gathering necessary climate-related disclosures are inefficient and resource intensive. In May 2022, the SustainAbility Institute by ERM (ERM) released the results of a survey of corporate issuers and institutional investors regarding the costs of climate-related data measurement and management. The survey found that issuers reported an average annual cost of \$533,000 for climate-related disclosure activities (closely in line with the SEC’s own estimate of \$530,000). The survey also found that investors spend an average of \$1,372,000 annually to collect, analyze, and report climate data to inform their investment decisions.¹⁰

⁸ Governance & Accountability Institute, Inc. “92% of S&P 500® Companies and 70% of Russell 1000® Companies Published Sustainability Reports in 2020, G&A Institute Research Shows.”, GlobeNewswire by notified. <https://www.globenewswire.com/news-release/2021/11/16/2335435/0/en/92-of-S-P-500-Companies-and-70-of-Russell-1000-Companies-Published-Sustainability-Reports-in-2020-G-A-Institute-Research-Shows.html>

⁹ Boston Trust Walden. “Climate Risk and Investment Decision Making,” June 2021. <https://www.bostontrustwalden.com/wp-content/uploads/2021/06/BTW-Task-Force-Climate-related-Financial-Disclosure-June-2021.pdf>.

¹⁰ Lee, Mark, Emily Brock, and Doug MacNair. “Costs and Benefits of Climate-Related Disclosure Activities by Corporate Issuers and Institutional Investors.” The SustainAbility Institute by ERM, 2022. <https://www.sustainability.com/thinking/costs-and-benefits-of-climate-related-disclosure-activities-by-corporate-issuers-and-institutional-investors/>.

Straightforward access to both quantitative and qualitative information in the Reg S-X and Reg S-K disclosures that is consistently reported and comparable will reduce investor costs related to data collection and analysis, improve evaluation of carbon intensity across portfolios, and properly inform engagement priorities with companies.

With the Commission's proposal, investors and other stakeholders can more easily compare issuers' climate risk exposure, reducing the need to employ tactics such as shareholder resolutions to access this data. Boston Trust Walden's engagement with the companies in which we invest will be improved by the ability to rely upon the baseline of information provided by this proposed rule, enabling us to focus more effectively on companies and issues where we believe our engagement will best advance our investment goals.

We applaud the Commission for taking a reasonable and thoughtful approach in its rulemaking. The proposal strikes an appropriate balance that is responsive to investor requests for more consistent, comparable, and decision-useful climate risk disclosure, while also limiting the resource impacts on issuers. Specifically, the proposed rule's alignment with broadly supported climate disclosure frameworks (e.g., TCFD recommendations, GHG Protocol, International Sustainability Standards Board (ISSB) proposed framework) ensures coverage of the essential elements of climate risk (e.g., governance, strategy, risk management, metrics, and targets) and serves to minimize changes to issuers' current data management and disclosure control systems. Additionally, the Commission's application of phase in periods for disclosure and attestation plus its employment of varied requirements dependent upon issuer size are evidence of this measured approach.

In the sections that follow, we explain our support for specific elements of the proposed rule and include suggestions for how the rule may be strengthened.

We support the proposal's requirement for climate risk disclosure within both Regulation S-K and S-X. Given the substantial risks climate change poses to the financial system, it is appropriate that reporting of climate related financial risks should parallel reporting on traditional financial metrics. Investors need credible risk information to make prudent financial decisions. We support the Commission's decision to include both Regulation S-K and S-X requirements for the filing of climate disclosures within annual financial statements (10-K, 20-F) and required disclosure of any material changes to the climate-related disclosures provided (10-Q, 6-K). The application of the same level of assurance and internal controls, including sign off by companies' CEOs and CFOs, enhances the reliability of such information and ensures a level of scrutiny by management appropriate for this increasing and evolving financial risk.

We support the proposal's requirement that climate risks be reflected in the financial statements. As noted by the SEC, existing accounting standards apply to climate risks. Yet as evidenced by the limited disclosures within the financial statements currently provided by issuers on a voluntary basis, more explicit SEC requirements and guidance are needed to ensure adequate disclosure. We support the SEC's creation of a specific section within the annual financial statements (10-K, 20-F), as directed in the rule as a footnote to the financial statements, where required disclosures on the financial impacts of climate risk can be included. We support the requirement for disclosure of how severe weather events and other natural conditions, as well as transition activities, affect estimates and assumptions reflected in the financial statements. To ensure decision-useful information is disclosed per this requirement, we recommend the SEC take additional steps to provide further

guidance and create standards for climate risk disclosure in the financial statements. Specifically, we suggest the Commission:

- Direct the Financial Accounting Standards Board (FASB) to initiate a time bound project to develop standards to reflect climate risk in the financial statements;
- Issue a Staff Accounting Bulletin to provide additional guidance; and
- Update relevant industry guides (e.g., for the oil and gas, mining, and automotive industries) to improve disclosure.

We support the proposal's inclusion of both physical and transition risk related to climate in discussion of material impacts on the business strategy, model, and outlook. The SEC's proposed requirements on physical risk disclosure will help us safeguard our portfolios from the effects of climate risk. According to research from Swiss Re Institute, climate risk could lead to the loss of 10% of total value of the global economy by mid-century if temperature rise remains on its current trajectory, specifically citing factors including severe weather events, shifting coastlines, and changes to agricultural and living conditions.¹¹ The proposed rule's line-item disclosure requirements on expenditures to mitigate severe weather and how projected severe weather events influence financial estimates will help us assess an issuer's exposure to physical risks and evaluate their overall resilience planning. These metrics will also allow for more refined assumptions of forward-looking financial performance, critical to our investment decision-making process.

- **Location Data.** We support the Commission's requirement for issuers to disclose the location of assets experiencing physical risk (either acute or chronic). For example, in our evaluation of climate-related risk for companies in water-intensive sectors, we specifically look for information related to company presence and water reliance in areas of high-water stress. This information, which is often not disclosed by issuers, is critical to our understanding of the company's overall risk exposure in the short, medium, and long-term.
- **Time Horizons.** We support the Commission's application of time horizons for these risks in the short, medium, and long-term, and its requirement that issuers describe how they are defining those time horizons.

We support the proposal's requirements for issuers to describe the resilience of their business strategies in light of future changes to climate related risk and to disclose transition plans for managing that risk. For long-term investors such as Boston Trust Walden, insight into how a company is evaluating and planning for resilience is extremely valuable. This information helps in our evaluation of issuer transition risk management and preparedness to meet shifting consumer and regulatory demands. We believe companies should have clear decarbonization strategies and commitments backed up by credible science-based transition plans to mitigate climate-related risk.

- **Scenario Analysis.** We support the requirement that issuers who implement scenario analyses should describe the scenarios they use as part of the "Strategy, business model, and outlook" disclosures. Disclosure of scenario analyses conducted, and the models and assumptions employed—as the proposed rule requires—will help in our evaluation of transition risk. This information also aids in our understanding and evaluation of GHG emission performance, progress over time, and credibility of commitments. It is critical that issuers evaluate scenarios across varying time horizons and provide regular updates to this analysis to ensure adequate assessment of risk exposure.

¹¹ Swiss Re Institute. "The Economics of Climate Change." www.swissre.com, April 22, 2021. <https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-economics-of-climate-change.html>.

- ***Include net zero scenario analysis.*** The proposed rule asks companies to report on strategies and scenarios used, but it does not require a reporting company to assess its financial statements or strategies against a **rapid** decarbonization scenario. The scenario analysis disclosure requirement could be strengthened by requiring disclosure of a 1.5 degrees Celsius-aligned net zero scenario analysis that standardizes disclosure of the parameters, assumptions, analytical choices, and impacts used in the analysis.

We support the proposal’s “Targets and Goals” provision, which would require disclosure if the issuer has set GHG emissions reduction targets or any other climate-related target or goal. The standardization of disclosure related to GHG emissions reduction targets and other climate-related targets will allow investors to better evaluate the direct risk exposure of an individual issuer and gain critical insight into strategies and systems in place for monitoring and managing both direct and systemic climate risk. We appreciate the proposal’s requirement for the disclosure of the defined baseline time period and baseline emissions against which progress will be tracked, as this will enable investors to evaluate the scope, ambition, and resources deployed to meet these targets.

- ***Extend the baseline requirement.*** We recommend the proposal extend the disclosure requirement of baselines to also include relevant climate-related targets (e.g., energy usage, water usage).
- ***Require disclosure if goals and targets have changed.*** It is not uncommon for companies to adjust climate-related goals and targets over a multi-year period. Transparency on the rationale for those adjustments (e.g., merger and acquisition, business model shift) is necessary so investors can evaluate the potential impact of those changes on overall performance.
- ***Require disclosure for companies that have not set climate-related targets or transition plans to explain why.*** Just as it is valuable for investors to understand the scope and ambition of existing climate-related targets and transition plans, it is important to understand the rationale for their absence. We recommend the Commission include a requirement for issuers without targets or transition plans to explain why they have not yet developed them or indicate if they are in progress.

We support the proposal’s requirement of Scope 1 and 2 GHG emission disclosure for all issuers. We support the SEC’s inclusion of a GHG emissions reporting requirement in its proposal. GHG emissions data is foundational in our evaluation of the quality of an issuer’s earnings in the face of climate change and the energy transition, as well as to our understanding of liquidity and capital resources, especially in the context of increasingly restricted financing of emissions-intensive activities. The standardization of GHG emissions reporting is key to correcting the current state of climate-related data characterized by varying metrics, scopes, timeframes, and baselines, and supporting the delivery of consistent, comparable, and decision-useful data for investors.

- ***Methodology and trend data.*** We support the proposal’s requirement for issuers to describe the methodology, significant inputs, and assumptions used to calculate these emissions, and the provision to include historical GHG emissions data.
- ***Aggregation and Disaggregation.*** We support the proposal’s requirement to separately disclose GHG emissions data presented in the aggregate and then also disaggregated by gas type. The disaggregation of GHG emissions by gases, as the rule directs, will enable investors to better assess the risk exposure of issuers in particularly GHG emissions intensive industries (e.g., methane intensive sectors such as oil & gas and agriculture, which face methane specific regulation given the gas’s near-term warming potency).

- **Location Data.** We recommend the inclusion of a requirement to provide location data for disclosed Scope 1, 2, and 3 emissions. This data would be used to better understand transition risks, evaluate the feasibility of transition plans, and identify the potential for related risks (e.g., license to operate).
- **Offset Disclosure.** We support that the rule, as proposed, would require issuers to exclude offset impacts (purchased or generated) on disclosed emissions and explain how the issuer is using offsets in the overall transition plan.
 - **Strengthen the Offset Disclosure Requirement** The proposal can be strengthened by clarifying and adding definitions of key terms and adding discussion of the risks to investors when companies delay action and rely too heavily on offsetting with carbon credits to reduce emissions.¹² The proposal can also be strengthened by requiring companies to additionally distinguish between carbon offsets that are generated from 1) carbon dioxide removals and 2) emissions reduction activities.
- **Absolute and Intensity Metrics.** We support the use of both absolute and intensity metrics. We believe broad-based, absolute GHG emissions reductions are the only way to mitigate the risks associated with climate change. As such, we believe all companies should set science-based GHG emissions reduction targets. This has guided our company engagement efforts for much of the last decade and is the cornerstone for our own net zero commitments. Absolute metrics are critical for evaluating the overall ambition of issuer targets and goals and for evaluating progress. Additionally, we support the intensity metric aligned to ton/million in revenue as it aligns with commonly applied methods used by investors to measure portfolio carbon intensity.

We support the proposal’s requirement of attestation of Scope 1 and Scope 2 emissions disclosure, beginning with “limited assurance” and advancing to “reasonable assurance” over time. Boston Trust Walden is committed to the annual calculation of our portfolios’ emissions and using that data to report progress against our own net zero commitments. As such, we require high-quality, reliable emissions disclosures and support the proposal’s requirement of attestation for Scopes 1 and 2 emissions. We support the SEC’s approach to begin with the application of “limited assurance” and moving to “reasonable assurance” over time. The inclusion of phase in periods both for disclosure and attestation requirements will provide issuers with ample time to align, develop, and enhance internal systems needed to produce the required climate risk disclosures and prepare for the more comprehensive reasonable assurance process. We do, however, have specific recommendations for strengthening this section of the proposed rule.

- **Define both “limited” and “reasonable” assurance in the context of GHG emissions accounting.** The terms of limited and reasonable assurance in the financial reporting context are well understood. In the review of nonfinancial information, however, there are variations of how “limited assurance” may be interpreted. In the absence of a generally accepted standard for auditing GHG emissions data, the SEC should provide guidance on these definitions in context of this application.
- **Narrow the timeline for transitioning from limited to reasonable assurance.** While we support the use of staggered phase in periods, in current form the proposal would not provide investors with complete and reasonably assured climate-risk data across issuer types until 2028. While we support a phased in approach, as investors we require more timely access to

¹² Ching, Carolyn, Courtney Foster, and Meryl Richards. “Evaluating the Use of Carbon Credits.” Ceres, March 1, 2022. <https://www.ceres.org/resources/reports/evaluating-use-carbon-credits>.

investor-grade GHG emissions data to evaluate investment risk exposure and chart progress on our own net zero commitments. We recommend the SEC amend its timeline, calling for limited assurance of Scopes 1 and 2 GHG emissions data for Large Accelerated filers by 2025 (FY24) and Accelerated by 2026 (FY26) and move its requirement to reasonable assurance for Large Accelerated filers by 2026 (FY25) and Accelerated filers by 2027 (FY26).

- ***Establish oversight for non-regulated firms conducting GHG emissions assurance.*** We support the SEC’s proposal that would allow issuers to utilize non-accounting firms to conduct the attestation of GHG emission data, as this may help to reduce issuer costs. However, accounting firms are strictly regulated by the Public Company Accounting Oversight Board, are required to comply with a comprehensive set of independence standards, are subject to PCAOB inspections, and are required to adhere to quality controls. The same is not true for non-regulated, non-accounting firms. We recommend the SEC strengthen the conditions imposed on non-accounting firms who are conducting GHG emissions assurance for issuers and establish a formal process of oversight, which could include a review of the firm’s organizational structure, resources, expertise, independence from clients, and credibility of internal procedures.

We support the proposal’s requirement of Scope 3 GHG emissions disclosure (upstream and downstream emissions including supply chain and users) but recommend the requirement be aligned to a 40% threshold of all corporate emissions and required of all issuers. Scope 3 emissions disclosure enables the robust evaluation of corporate transition plans, potential business model sensitivity to climate risk, and preparedness for a net zero emissions transition scenario. Companies increasingly recognize the critical importance of measuring these emissions. According to the Science-Based Targets Initiative, 90% of those companies with approved science-based targets include Scope 3 emissions in those goals.¹³ Market leaders across sectors, from General Motors to Procter & Gamble to Levi Strauss & Co., are developing strategies for reducing Scope 3 emissions to reduce climate-related risk, meet mounting regulatory expectations, and address shifting consumer demands.

There exists broad investor demand for the disclosure of Scope 3 emissions and the tools and methodologies needed to provide estimated scope 3 emissions data are available in the market. As one of more than 270 signatories to the Net Zero Asset Managers Initiative, Boston Trust Walden annually measures the GHG emissions intensity of our portfolios. These assessments, however, are limited to the inclusion of Scope 1 and 2 data due to limited availability and inconsistency of Scope 3 emissions data. Investors need consistently reported Scope 3 emissions data, even as estimated, to better understand emissions-related risk exposure and to establish more fulsome portfolio data and emission reduction targets.¹⁴ Specific ways in which the proposed rule’s Scope 3 emissions reporting requirement could be strengthened include:

- ***Require Scope 3 emissions disclosure using a 40% threshold.*** The Science-Based Targets Initiative provides criteria for GHG emissions target setting: “[i]f a company’s relevant scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions, a scope 3 target is

¹³ Labutong, Nicole, and Vincent Hoen. “How Can Companies Address Their Scope 3 Greenhouse Gas Emissions?” *Science Based Targets* (blog), May 25, 2018. <https://sciencebasedtargets.org/blog/how-can-companies-address-their-scope-3-greenhouse-gas-emissions>.

¹⁴ Net Zero Asset Managers Initiative. “Progress Report,” 2021. <https://www.netzeroassetmanagers.org/media/2021/12/NZAM-Progress-Report.pdf>.

required.”¹⁵ We recommend that the Commission align its requirement for Scope 3 emissions disclosure to this 40% threshold.

- **Require additional materiality provision.** In the case that an issuer’s Scope 3 emissions do not exceed the 40% threshold, we recommend application of a materiality provision. Specific elements of the materiality test could include whether the issuer has set a Scope 3 target, whether the issuer has performed an assessment of its Scope 3 emissions, the presence of planned business activity (e.g. M&A, business model transition) that would result in Scope 3 emissions exceeding the 40% threshold in the near term, and consideration of the demands of their investors (asset owners and asset managers) for such information to fulfill portfolio-wide net zero commitments, etc. We do not believe the presence of a Scope 3 target should automatically trigger Scope 3 emissions disclosure but should instead be considered as one of the factors used to determine materiality.
- **Require explanation if Scope 3 emissions are deemed immaterial.** To the extent an issuer does not find Scope 3 emissions to be material, require the company to disclose the basis for that determination.
- **Retain the phase in for Smaller Reporting Companies.** While Scope 3 emissions data from all issuers would increase our ability to properly evaluate portfolio risk, we also recognize the outsized resource demands for Smaller Reporting Companies (SRCs) to meet this requirement. Therefore, just as the proposed rule allows for SRCs to report Scopes 1 and 2 emissions data following larger issuers, we also support the phase in of a Scope 3 emissions disclosure requirement for SRCs.
- **Include phase out of Safe Harbor Provision.** As written, the proposed rule provides issuers with sufficient flexibility—and protection—to refine Scope 3 calculations over time. While data collection systems for Scope 3 emissions mature, we support the application of the Safe Harbor Liability protection. We do, however, recommend the Commission include a phase out of the Safe Harbor over time.

We support inclusion of financed emissions in the proposed rule. To evaluate the climate risks and opportunities facing financial institutions, it is critical we have access to financed emissions data. Financed emissions for banks provide a valuable proxy to investors for understanding the potential transition risk inherent in their financing portfolios. In our evaluation of financial institutions, we examine changes to credit and market risk, including incorporation of climate factors, as this can materially influence our evaluation of future financial performance. As such, we support the SEC’s clarification that the Scope 3 category “Investments” includes financed emissions. We acknowledge and appreciate the work of the Partnership for Climate Accounting Financials (PCAF) to develop standard methodologies across six different asset classes, as well as new methodologies for additional asset classes that are expected to be released in a future version of their Global Standard. Additionally, the proposal is in line with the recently released ISSB exposure drafts that also mandate the disclosure of financed emissions. This alignment will help to create more consistency and comparability across reporting frameworks.

We support the proposal’s requirement to disclose board and management oversight of climate risks. At Boston Trust Walden, we consider governance and oversight of material ESG risks and

¹⁵ Science Based Targets. SBTi Criteria and Recommendations, p. 5. 2021.
<https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>.

opportunities within our ESG research and evaluation of companies in which we seek to invest.¹⁶ The additional disclosure included under the proposal would provide investors with significantly more information than is typically offered in voluntary disclosures. This information will help investors gain a more refined view of a company's preparedness and the seriousness with which it is considering climate-related risks in its business strategy, risk management, and financial oversight in the short, medium, and long-term. It also serves to inform our proxy voting decisions for investors such as Boston Trust Walden.

We recommend the Commission strengthen the proposal with explicit reference to social license to operate in the context of transition risks. Our extensive experience evaluating the climate-related transition risks faced by companies often includes potential loss of social license to operate. For example, in our consideration of a food and beverage company we must evaluate that company's ongoing access to water across its operations and supply chain and consider how climate-related risks in regions of high-water stress could negatively affect license to operate in specific regions in the short, medium, and long-term.

Unintended consequences of transition solutions must also be assessed. For example, the International Energy Agency (IEA) forecasts that the need for minerals will increase in response to demand for clean energy technologies, with the 2040 demand for the rare earth mineral lithium projected to increase 42 times relative to 2020.¹⁷ This demand will drive expansion of mining in critical regions with the potential for negative consequences to communities, and Indigenous Peoples specifically, and likely result in increased license to operate risk exposure for issuers across economic sectors.

We recommend the Commission expand the language within its description of transition risks (pg. 58) to specifically cite the actual and potential negative impacts related to risk to social license to operate.

We recommend the Commission strengthen its proposal to include discussion of climate-related political spending and lobbying activity. As we seek to understand how issuers manage the direct and systemic climate risks they face, we also need assurance that other regulatory and policy measures are being designed and implemented to mitigate climate risk. We seek disclosure regarding the political spending and lobbying activities of issuers to assess alignment between their stated commitments, including science-based GHG emissions targets, and their policy priorities. We believe misalignment of these activities can result in specific risks (e.g., reputational) and affect investment decisions in the long term. As such, we expect companies to ensure their activities are governed and executed in line with emerging standards, including the Global Standard on Responsible Corporate Climate Lobbying.¹⁸

- ***Strengthen the Corporate Strategy Disclosure requirement.*** As investors we seek to understand how issuers align their direct and indirect (e.g., trade association and non-profit

¹⁶ Boston Trust Walden's proprietary investment strategies are managed with ESG considerations. This represents the majority of assets under management. Approximately half of these assets employ additional unique ESG criteria designed to align portfolios with our clients' missions and values.

¹⁷The International Energy Agency. "The Role of Critical Minerals in Clean Energy Transitions," May 2021. <https://www.iea.org/reports/the-role-of-critical-minerals-in-clean-energy-transitions>.

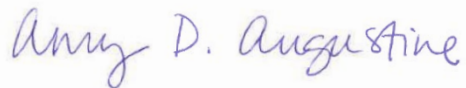
¹⁸ Responsible climate lobbying: The global standard. *Global Standard on Responsible Corporate Climate Lobbying, 2022*. https://climate-lobbying.com/wp-content/uploads/2022/03/2022_global-standard-responsible-climate-lobbying_APPENDIX.pdf.

affiliations) political spending and lobbying activities with their climate risk oversight and management efforts. We recommend the Corporate Strategy Disclosure requirement be strengthened to include language related to climate-related policy advocacy.

- ***Expand the board oversight disclosure requirement.*** We support the addition of a requirement to disclose how the board assesses alignment of its climate lobbying and advocacy positions against its transition plans and other net zero commitments.

The climate crisis requires immediate action to mitigate the growing threats to financial markets and the economy. Therefore, we ask the SEC to retain and, in certain instances, strengthen the elements of the Proposed Rule detailed above to ensure investors and issuers have uniform, comparable information to better manage such risks. We applaud the Commission for its comprehensive efforts on the Proposed Rule, appreciate the opportunity to participate in this rulemaking, and thank you for your consideration of our comments.

Sincerely,

A handwritten signature in blue ink that reads "Amy D. Augustine". The signature is written in a cursive, flowing style.

Amy D. Augustine
Director, ESG Investing