



Ms. Vanessa Countryman

Secretary

Securities and Exchange Commission

100 F Street N.E.

Washington, D.C. 20549

Re: File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

UNCA Divest welcomes the opportunity to respond on File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (“Proposed Rule”). We commend the Commission for its Proposed Rule aimed at providing investors with climate-related financial information from issuers of public securities. The Commission’s Proposed Rule marks a change in the quality and comparability of climate disclosures that is essential to an efficient market response to climate change and ESG-related risks. The proposed climate-related disclosures are in step with the Commission’s mandate to protect investors, maintain fair and efficient markets and facilitate capital formation. The proposal is also responsive to investor and public demands and lays the groundwork for alignment with global regulatory peers who have made strides toward mandated, standardized climate-related financial disclosures.

We are a member of the Intentional Endowment Network (IEN) which connects 200+ endowments, asset managers, investment consultants, nonprofit partners, and individuals to drive best practices and partnerships toward mission-aligned, sustainable-investing. As such, we are affiliated with nonprofit funds required by the fiduciary duty of obedience to align investment strategies with the mission goals of the institution which they serve.

UNCA Divest is a collection of students committed to working with University of North Carolina Asheville to fully divest the \$55.2 million endowment from fossil fuel and other socially unjust and environmentally harmful investments. While focusing on holding our university to a higher standard of ethicality and accountability, we also work to engage our peers in conversation and community around environmental justice. We formed in 2015 as a way of addressing the looming climate crisis. After years



of research, meetings, presentations, support from divested universities, and many committed students, UNC Asheville divested 10% of their endowment in 2019. The University started working with Walden, a bank that specializes in Socially Responsible Investing (SRI), to be accountable in their investments. To date, UNCA Divest has made a demand for full divestment and our organization continues to work with administration to achieve full divestment. We understand the climate catastrophe to be urgent and have put pressure on our University's administration to fully divest within the year. We seek to create easy avenues for students and institutions to take a stand for sustainability.

As investors, we are exposed broadly to market risk which includes climate risks. Climate change poses significant and systemic risks to financial stability and the capital markets. If we are to<sup>1</sup> minimize the systemic risk posed by climate change, we must align investment strategies with the need to reduce greenhouse gas emissions by roughly 43 percent by 2030 to hold warming to just 1.5 degrees Celsius.<sup>1</sup> By following science-based targets, we also minimize the disproportionately negative impact experienced by low income, racially and economically segregated communities.<sup>2</sup> To minimize these compounding economic and market risks, we require access to clear, timely and comparable climate data, and businesses are increasingly recognizing the importance of measuring and disclosing their impacts on a broad set of stakeholders. The Proposed Rule would protect us as elements of this rule will be critical in obtaining information from companies that inform investment decisions in line with the latest climate science to avoid the worst costs from climate change. In turn, this empowers us to (1) evaluate an issuer's climate risk-related exposure and (2) better assess physical risks associated with climate-related events and/or transition risks associated with the shift to a low-carbon economy.

We are therefore supportive of the proposal's inclusion of disclosures on companies' Scope 1, 2 and 3 greenhouse gas emissions, all of which are necessary for investors to understand the full extent of a company's exposure to climate risks. The inclusion of climate-related disclosures in the financial statements (Reg S-X) and in accompanying Reg S-K disclosures regarding company strategies, financial impacts, risk management, GHG emissions data, offsets, etc. will offer greater accessibility and assurance of this information to our investment offices.

As an institutional investor, we estimate our annual costs for collecting, analyzing and reporting data to be \$X [if you don't have that estimate, you can instead use the following sentence: As an

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<sup>1</sup> Climate Change and Social Inequality, Department of Economic & Social Affairs, 2017, [https://www.un.org/esa/desa/papers/2017/wp152\\_2017.pdf](https://www.un.org/esa/desa/papers/2017/wp152_2017.pdf)

<sup>2</sup> Report on Climate-Related Financial Risk, Financial Stability Oversight Council, 2021, <https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf>

<sup>3</sup> Costs and Benefits of Climate-Related Disclosure Activities by Corporate Issuers and Institutional Investors, ERM Report, 2022, <https://www.sustainability.com/thinking/costs-and-benefits-of-climate-related-disclosure-activities-by-corporate-issuers-and-institutional-investors/>



institutional investor, we estimate our annual costs for collecting, analyzing and reporting data to be generally in line with ERM's recent report of \$1.372 million.<sup>3]</sup> For that reason, mandatory reporting ensures consistency, comparability and veracity of information that cannot be addressed by the voluntary reporting market.

We believe the Commission's Proposed Rule does attempt to provide clear, consistent and comparable reporting from companies to produce useful investment insights and ensure financial markets can properly price and act on the physical and transitional risks. To that end, we ask the SEC to consider the following changes to the Proposed Rule:

**Recommendations:**

- We recommend universal disclosure for Scope 3 GHG reporting within 3-5 years of the final rule, regardless of whether companies have stated commitments or internal carbon prices at the time of the Rule. This will ensure fair, orderly, and efficient information sharing for investors to understand and manage risk. The Rule should seek to avoid punishing companies that have been proactive in setting targets and tracking Scope 3 emissions by requiring them to report while not requiring those companies that have been slower to act in this regard to do so. Instead, the Rule should seek to set a level playing field where all companies are required to report on Scope 3 after a set time period (3-5 years) that is long enough for companies to prepare, but short enough to be useful given the urgency of the climate crisis.
- We recommend that companies' reporting align with the goals of the Paris Agreement and with the Science Based Targets initiative. We recommend companies set and report on interim targets including 2030 to ensure transparency of physical and transitional risks. Reporting should include business plans to achieve the targets.
- We recommend that the Commission enhance the proposed rule by explicitly referencing racial equity as central to climate justice; and to reference the UN Declaration on the Rights of Indigenous Peoples as has been done in the SASB and GRI reporting frameworks; and specifically reference the need to assess impacts to Indigenous Peoples and local communities within disclosures of sources of Scope 1, 2, and 3 emissions.
- We recommend allowing small-cap companies to use an abbreviated reporting format and an additional year to prepare before their reporting requirement starts.

Thank you for the opportunity to provide comment on the Proposed Rule, and thank you to the Commission for taking this critical step to address the systemic risks associated with climate change. For further discussion or questions, please contact: [REDACTED]

Sincerely,  
UNCA Divest