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June 17, 2022

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1030
rule-comments@sec.gov

Re: File Number S7-10-22 Enhancement and Standardization of Climate-Risk Disclosures for Investors

Dear Secretary Countryman,

On behalf of ASTM International's Committee E06 on Performance of Buildings, the Executive Committee has approved the attached letter in response to the Securities and Exchange Commission's March 21, 2022, Notice and Request for Comment on the Proposed Rule for Enhancement and Standardization of Climate-Risk Disclosures for Investors.

The attached letter was written by members of Committee E06, and the contents were approved the Executive Committee.

Committee E06 is one of 147 ASTM technical committees composed of experts who represent producer, user, government, and academic stakeholder interests in the development of voluntary consensus standards for materials, products, systems, and services. Committee E06 adheres to well-regarded, industry-recognized, and time-tested principles for the development of consensus standards that reflect current technology and industry practice.

Thank you for the opportunity to submit these comments. Please feel free to contact Matthew Pezzella in the ASTM Washington Office at [REDACTED] or [REDACTED] to discuss these comments or any issues related to this letter.

Sincerely,

A handwritten signature in cursive script that reads 'Katharine E. Morgan'.

Katharine E. Morgan
President

cc: Stephen Mawn, ASTM Staff Manager

June 17, 2022

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F St. NE
Washington, DC 20549

Submitted electronically to rule-comments@sec.gov

Re: ASTM International Comment on SEC File Number S7-10-22, The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

Thank you for the opportunity to provide the following comments in response to the U.S. Securities and Exchange Commission's (SEC) proposed rule on The Enhancement and Standardization of Climate-Related Disclosures for Investors.

This comment is designed to enhance the SEC's awareness of an ASTM International (ASTM) standard guide for the assessment of physical climate risks for real property assets, which is anticipated to be approved and published by the end of calendar year 2022. These physical risk assessments, known as Property Resilience Assessments (PRAs), are already occurring throughout the property investment marketplace, and this standard is being designed by current users and practitioners to bring clarity and consistency to all parties.

The use of ASTM-standard assessments is commonplace in property transactions. In fact, the U.S. Environmental Protection Agency (EPA) has approved the use of ASTM E1527, *Standard Practice for Phase I Environmental Site Assessment*, for potential liability protections under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA).

We are committed to aligning our efforts with the SEC to reduce complexity for Registrants. The ASTM PRA will likely be helpful to all Registrants with leased or owned real property assets and those who finance those assets.

Part I – Introduction & Background on ASTM International

ASTM International is a leading, globally recognized, non-profit organization in the development and delivery of voluntary consensus standards. For more than 120 years, ASTM has served society by providing a global forum for the development and publication of voluntary consensus standards for materials, products, systems, and services. Today, over 12,800 ASTM standards are used by ninety industrial sectors in the United States and around the world to improve product quality, protect the environment, enhance health and safety, and strengthen market access and trade. Over 30,000 individuals from 149 countries, including manufacturers, retailers, consumers, regulators, academics, and researchers serve on ASTM's 147 technical committees.

ASTM has a long history of assisting federal agencies to meet evolving regulatory needs. According to the National Institute of Standards and Technology (NIST) Standards Incorporated by Reference Database, there are over 2,500 standards from ASTM International incorporated by reference in the U.S. Code of Federal Regulations. A strong and effective reliance on the non-governmental sector for development and maintenance of the standards in use across all sectors of our economy is supported by OMB Circular A-119 and codified by Congress through P.L. 104-113 – The National Technology Transfer and Advancement Act (NTTAA) of 1995.

ASTM Committee E06 on Performance of Buildings (E06) was formed in 1946. E06 meets formally twice a year with approximately 240 members attending three to four days of technical meetings. E06 has a current membership of 1,300 and jurisdiction of over 260 standards. These standards have and continue to play a preeminent role in the building industry and address issues relating to the performance of buildings, their elements, components, and the description, measurement, prediction, improvement and management of the overall performance of buildings and building-related facilities.

The lending, investment, and consulting community collectively identified the urgent need for an ASTM resilience standard that aligns with other ASTM standards that typically accompany property decision-making, such as E1527, *Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process*; E2018, *Standard Guide for Property Condition Assessment: Baseline Property Condition Assessment Process*; and E2026, *Standard Guide for Seismic Risk Assessment of Buildings*. These assessments, as well as the one we are developing, generally apply to commercial buildings, which are inclusive of multi-family and institutional buildings. Although the concepts are not commonly applied in single-family residential space, they are transferable.

Property owners, investors, operators, developers, lenders, and other stakeholders are increasingly interested in measuring and discerning climate risks of individual properties and property portfolios. A consistent, efficient, and transparent approach is critical. To meet this need, ASTM International's E06.25 Subcommittee for Whole Buildings & Facilities is developing a standard guide that will provide a framework and best practices for this climate-risk assessment process: the Standard Guide for Property Resilience Assessments of Buildings (WK62996). If we can stay on schedule, the new standard could be approved by the end of 2022.

The ASTM Standard Guide for PRA could serve as a means of evaluating physical climate change risk. It would enhance clarity and consistency for Registrants who are already performing these assessments, as well as for those who will be incorporating this assessment into their standard due diligence and risk management programs.

Part II – The ASTM Standard for Property Resilience Assessment – Participants & Scope

Financial institutions, real estate investors, asset managers, and developers, as well as the providers of building assessments, including consulting, engineering, hazard screening, and modeling companies, and climate-related disclosure frameworks (such as BREEAM) are involved with this ASTM PRA effort. In addition, representatives of the American Society of Civil Engineers (ASCE), which is influential with respect to building codes, the American

College of Real Estate Lawyers (ACREL), American Real Estate Society (ARES), Institute for Sustainable Communities, U.S. Resiliency Council (USRC), Urban Land Institute (ULI), Commercial Real Estate Finance Council (CREFC), and National Center for Atmospheric Research (NCAR), are participating. Representatives of the rating agencies (NRSROs), CPACE lending community, academic institutions, Fannie Mae, and Freddie Mac also are involved.

Property owners, investors, operators, developers, lenders, and those who support these various interests are experiencing greater pressure to evaluate and understand climate risk at the property level, sometimes in coordination with existing due diligence. Motivations for obtaining this information may include risk management, alignment with sustainability frameworks, due diligence requirements from capital sources and lenders, concerns about rising insurance costs, evolving regulatory and disclosure requirements, changing property values, and future exit strategies. These climate risk assessments are already occurring, so a standardized approach is essential.

Resilience in the context of our new standard guide is the ability of a building to withstand natural hazard impacts. A more resilient building can better withstand hazards, resulting in better outcomes for occupants, investors, developers, and lenders. A PRA will create a standardized way of communicating the hazards and vulnerabilities that may affect a building and help identify resilience measures to improve its performance.

The PRA scope does not include broader environmental, social, and governance (ESG) reporting or physical or transitional climate risk across a business or supply chain. The PRA focuses solely on physical risks to a building from natural hazards, including those caused by or made more extreme by climate change. Aspects of the standard could also be applied to building portfolios.

The ASTM PRA will include an evaluation of physical hazards that may apply to a property, including flood, wildfire, wind, and other perils. The PRA Guide will describe the minimum acceptable qualifications of assessors and minimum transparency regarding the hazard maps and models used. As such, the Guide enhances transparency and comparability. The ASTM PRA process involves not only historical risk information but also forward-looking resources relative to the projected risks associated with climate change.

We are currently drafting the standard guide for ASTM sub-committee review and voting.

Part III –Suggested Additions to the Proposed Rule

Listed below are benefits of the Proposed Rule referencing the ASTM PRA standard (following approval) on how to assess climate risk:

1. Climate modelling resources are many and varied. Having been developed from many sources, there is little consistency between climate models, and no industry-accepted minimum qualifications for these models. The PRA standard will require transparency which will benefit the users of this information to make informed decisions.

2. Without established guidelines, climate risk disclosure frameworks may vary significantly between Registrants for the same hazard.
3. Registrants need to understand the SEC's expectations for climate risk assessments. Towards that end, the SEC could consider referencing industry standards for climate risk assessments, such as ASTM PRA. Registrants will find it challenging to comply with general requirements for which no standard is referenced.
4. There is a precedent for a government agency relying on an ASTM standard for real estate risk assessment: the EPA's reliance on the ASTM environmental site assessment (E1527 Phase 1 ESA) standard as the minimum threshold for All Appropriate Inquiry under CERCLA. The Property Resiliency Assessment standard could play a similar role for the SEC by establishing the appropriate inquiry level for property climate risk assessment.
5. The ASTM PRA should be helpful to all Registrants with leased or owned real property assets and those who finance those assets.
6. The Proposed Rule heavily references TCFD and the Greenhouse Gas Protocol, but these are reporting frameworks, and do not address climate risk assessment protocols. ASTM PRA is being developed as an identification and risk mitigation standard.

Part IV – Responses to Questions Posed within the Proposed Rule

1. Acute vs Chronic Risks (pp 61 – 62): The ASTM PRA will align with the TCFD definitions of acute and chronic hazards and will include an evaluation of both acute and chronic risks. The ASTM PRA will consider the interrelationships between acute and chronic hazards, and identify potential compounding and cascading effects. It is important to note that acute hazards are more difficult to predict than chronic hazards as acute hazards tend to be low frequency high impact events. As such, the ASTM PRA will consider, when appropriate, the uncertainty associated with predicting acute hazards.

2. Define Short, Medium and Long Term (pp 71-75): The ASTM PRA will consider short-, medium-, and long-term risk. We recommend these terms be defined in the context of an ASTM PRA as follows: Short Term 1-10 years; Medium Term 10-30 years; and Long Term 30+ Years. Not defining these terms could produce inconsistency in the risk evaluation and disclosures across Registrants.

3. Magnitude (pp 71-75): With respect to climate risk materiality, the Proposed Rule states that "...materiality determination with regard to potential future events requires an assessment of both the probability of the event occurring and its potential magnitude, or significance to the registrant." (pp 68). The concept of "magnitude" can be interpreted in two ways, based on this statement. Does the Commission intend magnitude to mean the intensity of a risk (for example, the windspeed of a hurricane or the height of a flood water)? Or is the intention to describe the value or significance to the registrant (for example, the significance of heat stress impact at a nursing home versus a self-storage facility)? The ASTM PRA will allow the Registrant to quantify the potential financial loss by providing a potential damage estimate and facilitating the estimation of magnitude of loss per property and also on a portfolio basis. In addition, the ASTM PRA will consider the significance of the physical risk to the Registrant pursuant to its Stage 2

vulnerability assessment. In this way, the PRA supports the SEC’s goals of Registrants evaluating the magnitude and significance of climate risk.

4. Flood (pp 71-75): For flood risk, the registrant must disclose “the percentage of buildings, plants, or properties (square meters or acres) that are located in flood hazard areas in addition to their location.” (pp 63). The PRA would also provide a mechanism to describe flood risk mitigants that may be in place. ASTM supports defining “flood hazard area” using the definition established by the Federal Emergency Management Agency.

Part V - Conclusion

Clarity and consistency are required for the proposed SEC process of climate risk disclosure to function. To achieve clarity and consistency, Registrants will benefit from a standard that is familiar, trusted, and easily adopted. The ASTM-standard PRA is open, transparent, and consensus-based which is needed because the science required for effective climate risk assessment is forward-looking, complex and fast-moving.

The ASTM-standard PRA will serve as an accepted industry standard by drawing on the skills and knowledge of hundreds of professionals, including a diverse set of stakeholders and building industry experts. The ASTM-standard PRA is expected to be adopted throughout the real property investment marketplace because these types of assessments are already being performed. An ASTM Standard brings this necessary clarity and consistency to all concerned parties, and like an ASTM Standard Phase I Environmental Site Assessment (ESA), the ASTM PRA can be transmitted across users.

The ability of the ASTM-standard PRA to quantify the cost in dollars of material loss due to climate risk makes the disclosure meaningful and useful for risk management. The ASTM-standard PRA and the objectives of the proposed rule are aligned, and the timing for completion of the proposed rule and the ASTM-standard PRA are well-matched.

The ASTM-standard PRA is needed by investors, lenders, communities, engineers, architects, property consultants, attorneys, regulators and related parties. The data provided by the ASTM-standard PRA will ensure that the SEC disclosure process works and is transparent.

Thank you for your consideration and the opportunity to submit these comments. ASTM would welcome an opportunity to discuss its PRA with the SEC and how to best adopt rules to promote and achieve meaningful disclosure. If you have any questions or would like additional information, please feel free to reach us at [REDACTED] or [REDACTED]

Respectfully,

Julia C. Schimmelpenninck

Julia C. Schimmelpenninck
Chair of ASTM Committee on Performance of Buildings (E06)

A handwritten signature in black ink, appearing to read "Holly Neber". The signature is written in a cursive, slightly slanted style.

Holly Neber
Chair of ASTM Task Group for Property Resilience Assessment (WK62996)

CC: Steve Mawn, E06 Staff Manager