

CHANGE FINANCE, P.B.C

INVESTING IN SERVICE TO LIFE



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,

Change Finance, PBC welcomes the opportunity to respond to 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 ask that the Commission require Scope 1, 2, and 3 disclosures rather than allowing companies to determine for themselves what is material..

Change Finance, P.B.C was founded to leverage the power of capital markets to promote a more just and sustainable world while helping investors meet their financial goals. Traditionally the Wall Street asset management industry has ignored their investors’ moral and ethical demands by failing to generate meaningful and measurable positive impact through available investment options. Our mission is to rapidly shift investment practices toward sustainability, focusing on long-term investment and the generation of positive social and environmental impacts across all asset classes. We currently have over \$100 million in AUM in our certified carbon neutral ETF, the first of its kind. We believe environmental solutions to corporate issues and the effects of companies underlying activities on the environment can only be addressed through transparency. Investors deserve to have the information standardized to assist them in their decision-making.

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.¹ If we are to 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.² By following science-based targets, we also minimize the disproportionately negative impact experienced by low income, racially and economically segregated communities. However, Indigenous Peoples are not included or referenced in the proposed rule either. Indigenous Peoples reside around the globe, including

¹ Report on Climate-Related Financial Risk, Financial Stability Oversight Council, 2021, <https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf>

² Climate Change and Social Inequality, Department of Economic & Social Affairs, 2017, https://www.un.org/esa/desa/papers/2017/wp152_2017.pdf



risks related to strategy, governance, risk management, metrics, and targets. The relationship with Indigenous Peoples in these areas is relevant to each registrant's climate strategy and ability to realize its climate-related objectives. 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
- (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, our annual costs for collecting, analyzing and reporting data are substantial. For that reason, mandatory reporting ensures consistency, comparability and veracity of the 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:

- 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.
- We recommend that the Commission enhance the proposed rules by explicitly referencing Indigenous Peoples, and by explicitly referencing the United Nations Declaration on the Rights of Indigenous Peoples.
- We recommend the Commission should also specifically require a registrant to disclose how it considers Indigenous land tenure and resource management in assessing potential transition risks.

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. Our letter references several points that will also be addressed in the comments of the Investors Indigenous Peoples Working Group letter. For further discussion or questions, please contact Dorrit Lowsen, President & COO, [REDACTED]

Best,

Dorrit Lowsen
President & COO
Change Finance