June 16, 2022

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

Ms. Countryman:

Mercy Investment Services, Inc. ("Mercy Investments") submits this comment in support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (the "Proposed Rule"). We express deep gratitude for the Commission and SEC Staff's substantive work leading to this groundbreaking Proposed Rule that will drive standardized disclosures and provide investors with decision-useful climate-related financial information.

Mercy Investments is the asset management program for the collective investment and professional management of endowment, operating and other funds of the Sisters of Mercy of the Americas (the "Sisters of Mercy") and participating ministries. The mission of Mercy Investments is to enhance their investments through responsible financial stewardship which includes actively engaging companies in our portfolios on environmental, social and governance ("ESG") issues. We take this approach to responsible investing both because we believe that these issues can significantly impact the long-term value of our investment portfolio, and because we are called to promote the common good as reflected in the values and principles of the Sisters of Mercy. These include care for the earth with a particular concern for the causes and impacts of climate change.

As a long-term and diversified investor, Mercy Investments believes climate-related disclosures are critical for effective investment analysis and decision-making. We engage our portfolio companies on a regular basis to encourage more comprehensive disclosure of climate risks and mitigation measures out of our concern for the risk posed not only to individual companies by climate change but also to the overall risk to global markets.

A well-drafted climate disclosure rule will support our efforts and ensure that we are receiving baseline information that is accurate and comparable. The scope and materiality of the

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categories covered by the Proposed Rule, including the disclosures in financial statements, is a clear reflection of the Commission's recognition of the urgency of climate-related risks. Mercy Investments supports the SEC's proposal because it would result in decision-useful, comparable climate risk information that is vastly improved compared to disclosures that are currently available.

We support this rule in part because we currently spend significant staff resources engaging companies over months and years to encourage greater transparency of climate risks and responses. Mercy Investments employs 2.5 full time employees to engage our portfolio companies and participates in organizations, such as PRI, Ceres and the Interfaith Center on Corporate Responsibility, and initiatives, such as the Climate Action 100+, around climate issues as a means to encourage greater transparency of climate risk. Due to a lack of standard, baseline reporting of climate risk from companies, we also spend considerable funds to obtain estimates of the overall carbon footprint of our portfolio and the climate-related impacts of the companies we own to reduce our risk. We estimate our annual costs, exclusive of staff, at nearly $160,000—not a small investment for an investor of our size. By standardizing and mandating climate risk disclosures, this rule would reduce our costs considerably.

We believe that disclosure of material and systemic risks of climate change will help companies and investors to understand, price, and manage climate risks and opportunities. These activities are not only at the core of efficient securities markets but also are essential to ensuring a just and thriving economy that works for all people and communities. 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 investors. Additionally, this data will enable asset managers to create more investment product that fits our values and holistic views of risk.

Voluntary disclosures have been insufficient to meet investors' needs for comparable, consistent, and reliable information from issuers. The lack of a regulatory mandate has led to inconsistent information across multiple reporting regimes, causing cherry-picking among companies regarding which metrics and information to disclose, as well as confusion among investors about which disclosures to trust and use. With the proposed rules, Mercy Investments and other investors will be able to accurately make comparative analyses during our investment decisions to lower our carbon footprint and during engagements to understand which companies are developing the best leading practices and to push others to adopt those same strategies for positive impacts.

We appreciate the SEC's integration of nearly all the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into the proposal, because the TCFD recommendations cover many of the essential elements of climate risk disclosure that Mercy

Investments uses for decision making and are broadly supported and used by companies, investors and securities regulators worldwide.

We also support the SEC's inclusion of a GHG emissions reporting requirement in the proposal because this information is critical to our understanding of the quality of a company's earnings in the face of climate change and the energy transition. In the absence of such a reporting requirement, Mercy Investments and other investors have been forced to engage companies one by one to encourage full emissions reporting.

For example, Mercy Investments has worked with other investors to engage the U.S. oil and gas refining sector for many years, requesting disclosure of emissions data, short- and long-term emissions targets, and climate risk reporting aligned with TCFD. We have used all the tools at our disposal, from ongoing dialogue to filing shareholder proposals, and we are still receiving inconsistent information from companies in the sector, particularly with respect to their disclosure of scope 3 emissions. This sector faces significant transition risk, as demand for their fossil fuel-based transportation fuels declines over time, but also has significant opportunity if they transition to lower emissions products such as transportation biofuels. Understanding a company's current scope 3 emissions and how it plans to reduce them is critical for making informed investment decisions in the refining sector.

We urge the Commission to revise the proposed rule to make scope 3 emissions disclosures mandatory for all filers, not just the largest companies, and regardless of the company's own assessment of their materiality. Many companies fail to fully understand or assess the full impact of their scope 3 emissions; leaving the determination of materiality up to companies is likely to lead to underreporting of these risks.

For example, Mercy Investments engaged a company in the food and beverage sector with an extensive agricultural supply chain: when we first met with the company they failed to understand the substantial climate risk associated with their supply chain, and had plans to set goals only for their scopes 1 and 2 emissions. We urged them to conduct a full assessment of their scope 3 emissions. When they did so, the company found that not only did their scope 3 emissions make up the majority of their overall emissions (more than 90 percent), but also that their supply chain risk from climate-related events was substantial and that engagement with their suppliers to reduce emissions was essential to reduce that risk.

The Science-based Targets Initiative (SBTi) requires that companies asking for their certification include scope 3 targets if they make up more than 40 percent of overall emissions. As of 2020, 94 percent of companies with approved Science-based Targets included value chain (scope 3) emissions,[1] a strong indication that these emissions are material for most companies, and that their disclosure should be mandatory.

[1] SBTI 2020 Progress Report (https://sciencebasedtargets.org/resources/files/SBTiProgressReport2020.pdf)

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While the shareholder engagement process has been important in developing models and best practices for climate disclosure, consistent and mandatory disclosure across the market that allows efficient and informed investor decision-making, necessitates the proposed disclosures. Additionally, the proposed rule should be amended to address the social impacts of companies' transition plans and any material risks of those plans to a company and its reputation and license to operate. Impacts on workers and communities as a company closes plants, transitions to new areas of business and other transition-related financial decisions has a direct impact on a company's ability to sustain relationships with employees, manage its reputation and operate in local communities. The rule should be revised to ask companies to include disclosures on the impacts of their transition activities on key stakeholder groups such as their workforce, Indigenous Peoples, and fence-line communities.

The climate crisis requires immediate action to mitigate the growing threats to financial markets and the economy, and, more importantly, to people. Therefore, we ask the Commission to strengthen the elements of the Proposed Rule to ensure investors and companies have uniform, comparable information to best manage such risks. We again 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. For further discussion or questions, please contact Mary Minette, at [redacted].

Sincerely,

Mary Minette

Mary Minette
Director of Shareholder Advocacy
[redacted]

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