REDINGTON

# Introduction

Redington is the UK's largest independent investment consultancy, with offices in London, Bristol and Beijing. As investment consulting is all we do, our advice is completely unconflicted and we provide a full range of outcome-oriented advice, research and technology to the largest institutional investors and wealth managers in the UK, Europe and China.

We are a purpose-driven firm. We're committed to achieving the best possible outcomes for our clients and their end beneficiaries. To do this, we use our influence as an adviser to over £600bn of client assets, allocated across 150+ asset managers, to create positive change within the savings and investment industry and building a sustainable future for all. Our mission is to help make 100 million people financially secure – for the benefit of people and planet.

Redington welcomes the opportunity to respond to the SEC's proposed rulemaking on climate-related disclosures.

# Summary of Redington's position

Redington supports the Securities and Exchange Commission in taking this vital action in line with its mission to protect investors and ensure fair, orderly, and efficient markets.

We consistently hear from investors that lack of consistent, and reliable climate-related and other ESG information is one of the leading barriers to considering fully potential risks and opportunities in line with their fiduciary duties. Investors need comparable and decision-useful data about current and forward-looking climate-related risks, implemented with an appropriate long-term governance structure with third-party verification.

The current voluntary approach to climate-related disclosure continues to produce some needed information. However, a lack of consistency between company reports year-over-year, and comparability amongst related companies, prevents investors from gaining the insights necessary to understand fully the related risks and opportunities.

The SEC's requirements for issuer disclosure should reflect the information needs of the typical global investor, who is broadly invested in the economy and considers climate and ESG information as part of their decision-making on strategic asset allocation, portfolio composition and individual investment decisions.

Therefore, Redington supports the following aspects of the Proposal:

- Disclosures aligned with the recommendations of the TCFD, including oversight and governance, risk management, and incorporation into business strategy. We support the disclosure of detailed information if a company has set a climate-related target/goal, uses scenario analysis, or applies an internal cost of carbon.
- Disclosure of transition and physical risks, including ZIP code disclosure of physical assets.
- A disclosure phase-in based on size (public float) of company up to 2028, allowing for gradual learning and competence-building over time.

- Disclosure and assurance, phased in from limited to reasonable, of Scope 1 & Scope 2 greenhouse gas emissions, disaggregated, as defined by the Kyoto Protocol.
- Disclosure of Scope 3 emissions if included in targets or goals, or if material to the issuer. We agree with the Principles for Responsible Investment (PRI) in the belief that materiality assessment required in Section 1502 will help ensure that issuers report Scope 3 in line with their publicly disclosed materiality assessments.

## Recommendations to improve the investor use case

We think this proposal could be made more useful for asset owners to garner decision-useful disclosure more efficiently by doing the following:

- Requiring more targeted transition plan disclosures, ideally in line with the Glasgow Financial Alliance on Net Zero (GFANZ)'s upcoming guidance. A climate transition plan is a time-bound action to achieve a particular climate target. Investors require specific types of disclosures to make these transition plans comparable and decision-useful.
- The SEC should remove the 1% threshold for impacts on financial statements and instead require disaggregated disclosure of any material impact of climate-related risks on a particular line item of a registrant's consolidated financial statements. Given the nascency of the climate accounting models, this requirement could lead to spurious accuracy in deriving impacts on asset and liability valuations. Furthermore, given the lack of guidance on calculating such metrics within existing voluntary reporting standards such as TCFD Guidance, most registrants will have limited experience producing them. Therefore, we encourage the Commission to consider phasing in this requirement in a similar way to other phase-ins within the proposal.

We remain available to discuss any of the above points further and thank the Commission for the opportunity to respond to the proposals.

Best wishes

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