



## Investment Consultants Sustainability Working Group - US

Ms. Vanessa Countryman  
Secretary  
Securities and Exchange Commission  
100 F. Street N.E.  
Washington, D.C. 20549

Re: File No. S7-10022: The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

The Investment Consultants Sustainability Working Group - United States ("ICSWG-US") 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 ICSWG-US is a collaboration among 17 investment consulting firms, representing more than \$33 trillion in assets under advisement. It was established in 2021 to engage with its collective stakeholders and empower asset owners and their ultimate beneficiaries to advance sustainable investment practices across the investment industry. As trusted advisors, investors, and fiduciaries to our clients, we assist institutional asset owners on a wide range of activities, including asset-liability modeling, asset allocation, investment manager due diligence, selection, and monitoring, among other functions. We support the Commission's Proposed Rule requiring all public companies to file climate-related financial information with the Commission, to have this information appear alongside financial information, and to present narrative and quantitative information in tagged form to make it more useful to investors seeking to understand the risks and opportunities presented by climate change.

We believe the Proposed Rule can help ensure that investors have access to consistent, comparable, and reliable information on financially material risks and opportunities related to climate change. In the absence of standardized disclosures, investors seeking climate-related information have had to collect this data from numerous sources, including companies' voluntary disclosures that are unverified and often difficult to compare, and rely on third party modeled estimates in the absence of reported data. The absence of standardized disclosure on climate-related information has resulted in market inefficiencies and the need for companies to respond to multiple surveys that burdens public companies, particularly smaller ones with fewer resources.

Below we highlight foundational elements of the Proposed Rule that we believe are central to improving market efficiencies, providing decision-useful information to investors, and balancing those needs with issuers' ability to collect and report this information.

**Alignment with TCFD (Task Force on Climate Related Financial Disclosures) and the Greenhouse Gas Protocol.** The Proposed Rule being based on TCFD disclosure recommendations aligns with climate disclosure frameworks globally. The TCFD climate disclosure framework is widely used across the largest capital markets and regulators have begun mandating TCFD-aligned reporting in jurisdictions including the UK, Brazil, the EU, Hong Kong, Japan, New Zealand, Singapore, and Switzerland. More broadly, the IFRS Foundation, which sets accounting standards used in over 140 nations, recently released its own proposal for climate-related disclosures via its International Sustainability Standards Board (ISSB). Similar to the Proposed Rule, the ISSB proposal uses the TCFD recommendations as a baseline and has significant similarities to the Proposed Rule. For investors, globally coherent disclosure requirements will lead to better

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comparability of data. For issuers, coherence with future ISSB standards will reduce the burden of compliance on issuers as many of the largest U.S. issuers are global companies and will likely fall under the disclosure requirements of a jurisdiction following ISSB standards.

Because material climate-related risks can manifest themselves differently in different industries, we suggest the Commission consider including industry-specific materiality metrics that are built on existing standards used in common by investors and companies, such as those of the Sustainability Accounting Standards Board (SASB). Below we use the word materiality in reference to the industry-specific materiality metrics developed by SASB. We encourage the Commission to include a clear definition or test to determine materiality, including for reporting on Scope 3 emissions, and thereby reduce the cost to issuers and improve the comparability across issuers for investors.

**Report on physical climate risks and energy transition risks.** We find increasingly that both physical climate risks and energy transition climate risks can pose material financial risks and opportunities. We support the Proposed Rule requirements for reporting on both types of climate-related risks and opportunities.

**Report on Just Transition.** Where it is material to issuers, we encourage the Commission to require issuers to report on how their energy transition plan will impact workers and communities. The Commission may consider a principles-based approach on just transition given that climate change impacts industries and economic sectors differently. Areas to be covered in just transition disclosure may include among additional items: business plans for workforce retention and redeployment of workers whose jobs will be eliminated; skills training; and fulfillment of pension benefits and health care for workers whose jobs are impacted.

**Report on Scope 1, 2 and 3 greenhouse gas emissions.** Because for many industries and companies, Scope 3 greenhouse gas emissions represent the vast majority of emissions, we support the disclosure rules that include Scope 1 and 2 emissions for all companies and requires Scope 3 greenhouse gas emissions for companies when they are material, or if the issuer has set a GHG emissions reduction target or goal that includes its Scope 3 emissions. We acknowledge the Proposed Rule's limitation on the required disclosure of Scope 3 emissions to those companies for which Scope 3 emissions are material. Within Scope 3 emissions, we support the requirement to disclose the categories of upstream or downstream source of the emissions. Without that disclosure, investors have insufficient comparable data to assess the types of potential climate-related financial risks facing companies. We support the Proposed Rule's requirement that different greenhouse gases be reported separately and in the aggregate. For example, the disclosure of carbon emissions and methane emissions are useful datapoints on their own, and an aggregated CO2 equivalent metric is easier for investors to compare across companies.

**Include material climate disclosures in financial filings.** We support the Proposed Rule's requirement that material climate disclosures, including discussion on risk exposure and business opportunities, impacts on business strategy, and emissions reporting and management, be included in financial filings. Additionally, companies should disclose whether or not, and to what extent, executive compensation is linked to GHG emissions management. Such integration better supports issuers' ability to identify where climate-related issues are financially material and provides investors with improved decision-useful information.

**Phased in and qualified approach to reporting and assurance.** We support the Proposed Rule's approach to: phasing in required reporting and assurance; providing exemptions to reporting, such as those for smaller firms; requiring Scope 3 only for larger firms and if material or if the issuer's GHG emission



target includes Scope 3 emissions; requiring assurance only for Scopes 1 and 2 emissions, and providing a safe harbor for forward-looking statements. We believe that the Proposed Rule's phased in and qualified approach to reporting and assurance provide a sound balance between the needs of investors for comparable, reliable, decision-useful information, and the additional resources required for issuers to comply with the Proposed Rule.

### **Conclusion**

We believe the Proposed Rule for publicly listed companies would augment and supplement disclosures already required in SEC filings at a time when both physical transition risks and energy transition risks are becoming among the most important financial risks globally that investors must assess. Current plans focus on backward-looking data. We suggest the Commission also consider ways in which regulations could incorporate forward-looking risk disclosures that can further aid investors in assessing climate risk.

Subsequent to enacting the Proposed Rule for public companies, we urge the Commission to consider required climate-related disclosures for private market companies. As private market investments grow as a share of institutional investor's asset allocations, the need for comparable, reliable, decision-useful information on climate-related issues for private markets companies becomes more critical for investors.

We thank the Commission for the opportunity to comment on the Proposed Rule and welcome the opportunity to speak with SEC representatives to the extent it would be helpful to your efforts.

**About ICSWG-US ([www.ICSWG-US.org](http://www.ICSWG-US.org); Contact: [info@icswg-us.org](mailto:info@icswg-us.org))**

The Investment Consultants Sustainable Working Group - United States (ICSWG-US) is a collaboration among investment consulting firms to engage with its collective stakeholders and empower asset owners and their ultimate beneficiaries to advance sustainable investment practices across the investment industry. The ICSWG-US aims to support sustainable investment practices across institutional asset owners and asset managers. Through this effort, ICSWG-US members seeks to provide perspectives from the consultant community and be a resource on activities such as standardization of environmental, social and governance ("ESG") integration and climate-related reporting, regulations, and innovations.