



June 17, 2022

Vanessa A. Countryman
Secretary
Securities and Exchange Committee 100 F. Street NE
Washington, DC 20549-1090
Via Email: rule-comments@sec.gov

Re: File No. S7-10-22 – The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

Chief Executives for Corporate Purpose® (CECP) is a trusted advisor to companies on their corporate purpose journeys to build long-term sustainable value and tell their impact stories. Working with CEOs and leaders in corporate responsibility, sustainability, foundations, investor relations, finance, legal, and communications, CECP shares actionable insights with its CEO-led coalition to address stakeholder needs. Founded in 1999 by actor and philanthropist Paul Newman and other business leaders, CECP is a movement of more than 200 of the world's largest companies that represent \$11.2 trillion in revenues, \$23 billion in total community investment, 14 million employees, 30 million hours of employee engagement, and \$21 trillion in assets under management. CECP helps companies transform their strategy by providing benchmarking and analysis, convenings, and strategy and communications in the areas of societal/community investment, employee engagement, environmental social governance/sustainable business, diversity equity inclusion, and telling the story.

Our Board of Directors consists of top business leaders, and we routinely work with leading U.S. CEOs and investors¹. Therefore, we have shared interest in helping the Securities and Exchange Commission (the "Commission" or the "SEC") in making Environmental, Social, and Governance (ESG) disclosures more uniform and comprehensive to inform American investors for better decision making. However, we posit some specifics in the rules that are tedious and counterproductive. For example, the proposal contains unexpected provisions, particularly regarding financial statement inclusions and low thresholds for quantitative disclosures.

To understand our companies' needs and feedback on the SEC proposal, CECP carried out a CEO Roundtable, Pulse Survey, expert interviews, conversations with legal advisors, and discussions with many companies and other organizations. We have summarized findings from these events and research for the SEC's use in streamlining ESG disclosures:

- In April 2022, 59 respondents participated in a CECP Pulse Survey² asking about the reactions they were most strongly considering in response to the recent SEC proposal on climate-related disclosures. The most common reply was that companies are streamlining processes and controls between their teams. And around a quarter of respondents reported feeling adequately organized or not currently planning to make significant changes due to the proposal.
- During a CECP CEO Roundtable with **Kelly Grier U.S. Chair and Managing Partner and Americas Managing Partner, EY**, also discussed how the rulemaking process is fraught with complexity. The mandated disclosures would require publicly traded companies to release information to investors about their emissions and how they are managing risks related to climate change and future climate regulations. For example, the disclosure requirement around Scope 3 emissions—such as transportation and distribution—has the highest level of liability.
- In a recent CECP discussion, Leo E. Strine, Jr., Of Counsel in the Corporate Department at Wachtell, Lipton, Rosen & Katz and Carmen X. W. Lu, Counsel in Wachtell Lipton's Corporate Department, explained five pieces of feedback on the SEC's proposal:
 1. **Scope, Location and Timing.** The level of detail and granularity is well beyond TCFD or the proposed ISSB framework. For example, issuers will need to disclose physical risks by zip code, up and down the value chain, and over the short-, medium- and long-term. Question whether these disclosures could swamp 10-Ks and registration statements and would be better housed separately and subject to a longer disclosure window.

¹ We speak solely in our individual capacities, nothing we say should be interpreted as the position of any organization of any kind with which we have a present, past or future affiliation. We speak only for ourselves.

² Chief Executives for Corporate Purpose, Pulse Survey, March 2022. Topic: SEC Climate Disclosure Proposal, field dates: Apr 5, 2022 –Apr 12, 2022.

2. **Poorly Drafted Scenario Analysis and Transition Planning Disclosure Requirements.** Requiring disclosure of scenario analyses, transition planning, and carbon pricing, *if already used by the issuer*, is an odd and possibly confusing addition. This is because the overall scope of the proposed rules substantively covers such disclosures by requiring management to disclose forward-looking risks and mitigation strategies.
3. **Competitive Information.** The proposed rules require extensive disclosure of business strategy, which could include sensitive competitive information—particularly among oil and gas companies facing existential transition risks. Question whether companies should be given the option to opt out of sensitive disclosures; otherwise, it is possible issuers will deal with this problem by making similar generic disclosures.
4. **Audited Climate Disclosures.** The line-item financial statement disclosures of climate-related costs will be challenging, even for large issuers. Wondering if this is better suited for insurers—particularly for physical risks—and if transition-related expenditures should be disclosed in audited financial statements, or elsewhere.
5. **Safe harbors.** Given the scope of the disclosures, should private right of action be permitted. And if we remove private right of action, do we also need additional assurances that the extensive forward-looking disclosures required by the proposed rules are properly vetted by the issuer?

We are grateful for the opportunity the Commission has provided to comment on an important milestone in measuring ESG initiatives to give American investors crucially important data about the companies in which they may invest. Our proposed changes include:

- Maintain that the SEC has the appropriate authority (vs. arguments made on a role for the EPA in this)
- Focus on Scope 1 and 2 to gain learnings, can add Scope 3 later as more companies need to be included
- Vastly simplify the narrative disclosure—focus on the material, instead of focusing on everything that may not be currently known
- Incorporate industry-specific materiality
- Include private companies of a certain size
- Integrate closely with the ISSB as move toward generally accepted material metrics
- Build on what is learned from this in a more limited but very practical approach before considering more detailed and complex disclosures

We appreciate this opportunity to submit, and the Commission's consideration of, our comments on the Proposed Rule Release. We ask the Staff to contact me by emailing [REDACTED] should it have any questions regarding this submission or related matters.

Very yours truly,
Daryl Brewster, CEO, CECP