

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,

On behalf of EOS at Federated Hermes (EOS)¹, we welcome the SEC's efforts to enhance reporting requirements for issuers to include material environmental, social, and governance (ESG) factors and evaluate disclosure rules on climate change. We appreciate the opportunity to support advancements that drive reliable disclosure on climate change and ESG factors.

EOS is a leading stewardship services provider. Our engagement activities enable long-term institutional investors to be more active owners of their assets, through dialogue with companies on environmental, social and governance issues. EOS represents \$1.6tn of assets under advice as of March 31st 2022. EOS is a stewardship services provider and does not carry out registered activity.

We consider the requirement to disclose scopes 1 and 2 emissions, and material upstream and downstream scope 3 emissions, to be the foundational component of the suggested rule that creates significant positive impacts. EOS at Federated Hermes is supportive of the rule, given it leads to more timely, accurate, comprehensive, comparable, and standardized information disclosed by public and private companies. We also suggest the SEC provide guidance on what information is material per sector, and mandate reporting across material categories of scopes 1, 2, and 3 emissions. We are confident this disclosure will contribute to informed capital allocation and business decisions, resulting in improved value creation and risk mitigation for investors.

In addition, EOS believes that Scope 1, 2 and material Scope 3 disclosures should be disclosed on both absolute and intensity basis. These will help investors understand both

¹ EOS is a subsidiary of Federated Hermes Limited, owned by Federated Hermes, Inc. EOS' views and positions are those of EOS and/or its clients, and do not necessarily represent the views or positions of Federated Hermes, Inc., its investment advisory subsidiaries or their clients, due to differences in goals, objectives, time horizons, obligations or other factors among these organizations or their clients. Federated Hermes, Inc is submitting a separate comment letter on the rule proposal.

the magnitude of company-specific exposures and help investors compare performance across companies

We encourage the SEC to reference existing effective ESG frameworks such as the ISSB exposure draft which builds on SASB and TCFD within disclosure requirements/guidelines. Furthermore, we encourage the SEC to ensure climate and GHG emissions disclosures are subject to the same standards as financial information, requiring audit that should be conducted by an independent and qualified third-party.

We endorse the TCFD standard, but highlight the absence of the just transition and other relevant social issues in the framework. For example, the rights of Indigenous Peoples are relevant to climate change as Indigenous Peoples often reside in areas that are central to energy production and transmission. Potential risk for investors arises from the failure to obtain free, prior, and informed consent. For this reason, we recommend the Commission to require disclosure on climate change impacts to communities and workers, and the just transition.

EOS supports mandatory disclosure of climate risk governance and management processes considering the importance of oversight and accountability structures in ensuring performance improvements in any business area, including climate strategy. Similarly, we support disclosure of how climate-related risks have affected or are likely to affect the issuer's strategy, business model, and outlook.

Disclosure of the material impacts of climate risk to the business, over the short-, medium-, and long-term horizons, empowers investors to make better-informed decisions using a more complete perspective. Material climate issues do affect company financial performance both positively and negatively over different time horizons.

Disclosure of the impact of climate-related events and transition activities on the line items within consolidated financial statements, as well as on the financial estimates and assumptions, is helpful and decision-useful information for investors. This requirement would help codify consideration of climate as a financial issue and promote greater integration in financial statements that enables investors to understand and explore the impact of climate risk at the issuer level.

EOS believes that climate-related financial information disclosed in SEC filings and GHG emissions information and data should be treated as any other financially relevant information. Such information should be incorporated into similar assurance processes and treated similarly by issuers. Accordingly, we support the attestation of GHG emissions being signed by a PCAOB-registered audit firm, independent in both fact and appearance and subject to liability under the federal securities laws for the attestation conclusion. We advocate for the strictest of independence requirements proposed under the rule and ask the SEC to also consider mandatory limits on auditor tenure. In relation to the level of assurance,

we believe the audit firm should have policies and procedures designed to provide it with reasonable assurance over climate and emissions data and information disclosed by the issuer.

We agree with the proposed rule that it is important to disaggregate GHG emissions by constituent gases rather than just reporting in aggregate CO₂e, specifically and particularly including methane due to its near-term warming potency compared to CO₂. Disaggregation by gas will help investors better assess risk of companies in methane-intensive sectors such as oil and gas and agriculture, as well as in their value chains.



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