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Winter Haven, FL 33880

June 17, 2022

The Honorable Gary Gensler
Chairman
Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 2059-1090

RE: The Enhancement and Standardization of Climate-Related Disclosures for Investors Release Nos. 33-11042; 34-94478, File No. S7-10-22

Dear Chairman Gensler:

SouthState Corporation ("SouthState") appreciates this opportunity to respond to the Proposed Rule: *The Enhancement and Standardization of Climate-Related Disclosures for Investors* (the "Proposal"), which would be applicable to all public companies. For the reasons stated below, SouthState respectfully requests the Commission substantially modify the existing Proposal for climate-related disclosures and accounting so that it is more feasible to implement in a reasonable manner and conforms to the long-held definition of materiality.

SouthState is a financial holding company headquartered in Winter Haven, Florida, and incorporated under the laws of South Carolina in 1985. We provide a wide range of banking services and products to our customers through our wholly-owned bank subsidiary, SouthState Bank, National Association (the "Bank"), a national banking association regulated by the Office of the Comptroller of the Currency, from our headquarters in Winter Haven, Florida and, as of March 31, 2022, a 283-branch network located throughout Florida, South Carolina, Alabama, Georgia, North Carolina, and Virginia.

Through the Bank, we also operate a correspondent banking and capital markets service division for over 1,170 small and medium sized community financial institutions throughout the United States. The Bank also operates: (1) SouthState Advisory, Inc., a wholly owned registered investment advisor, which offers support to the Bank's Wealth line of business; and (2) Duncan-Williams, Inc., a full-service broker dealer that is being integrated into our correspondent division due to the complementary nature of its capital markets business; and (3) Corporate Billing, LLC ("Corporate Billing"), a transaction-based finance company headquartered in Decatur, Alabama that provides factoring, invoicing, collection and accounts receivable management services to companies nationwide.

SouthState is listed on the NASDAQ stock exchange. As of March 31, 2022, we had approximately $46 billion in assets, $27 billion in loans, and $39 billion in deposits, and as of April 27, 2022, SouthState's market capitalization was approximately $5.9 billion.

SouthState has grown rapidly and considers itself a midsize regional bank that focuses on the communities we serve. To that end, we focus on efforts on small and mid-market commercial customers and consumers in our markets, offering a variety of lending, treasury management and deposit products to them. Our mortgage division focuses on purchase money mortgages, and we have a proactive outreach to first time homebuyers. During the pandemic, we originated over $3.5 billion PPP loans through December 31, 2021 to customers throughout our footprint, including an affirmative outreach to minority businesses.

Being located in the Southeast, including most of Florida, we are used to weathering climate events and have built resiliency in our operations to make sure we can continue to serve our customers. Like other companies in the financial services industry, we believe that climate risk is a legitimate area of investor interest and support the Commission's efforts to provide decision-useful, timely, and relevant climate-based risk information to a company's stakeholders. However, the Proposal recommends significant and extensive changes to how companies disclose current and future climate risks, how companies manage climate risk, and where companies will report such climate risks in a manner that will be enormously costly in time and resources to implement and, especially as this will impact our customers, make it very difficult or almost impossible to achieve within the time periods set out in the Proposal. The Proposal also does not appear consistent with the principles-based materiality disclosure construct to which the Commission has historically held reporting companies. SouthState's primary concerns around the Proposal given the nature of our business, our customers, our products and services, and our strategy, are summarized below.

The Proposal does not allow disclosures to be based on Size, Complexity and Materiality

First, we believe the Proposal should be more principles-based and scalable, based on a variety of factors, including the type of entity, its size, where it does business, the industry it is in, how its products or services may or may not materially impact the climate risks it faces. Scalable, principles-based reporting is a hallmark of the Commission's disclosure requirements, and it appears the Commission sets aside this longstanding principle in the current Proposal with a very prescriptive rule that takes a one-size fits all approach. We ask that any revised rule should revert to a principles-based approach, explicitly reaffirming the current concepts of materiality, scalability, reliability, confidentiality, and adherence to current disclosure protocols.

SouthState, like most companies, is in the initial stages of implementing a climate risk program and has focused initially on resiliency of its offices as well as concentration risks in its loan book. As our program matures, we, like many others, will be able to communicate with stakeholders more effectively about current and evolving climate-based risks we face and how to manage them through a principles-based, materiality approach. Moving to this approach gives us the time to mature our processes in a rational manner that also educates our stakeholders on the climate risks we face and the mitigations we will be implementing.

We also believe that the final rule should limit climate-related disclosure requirements to companies where there is a substantial likelihood that a reasonable investor would consider climate-related factors important when determining whether to buy or sell the company's securities, or how to vote on company proposals. This long-held understanding of materiality rests at the core of the public company framework for financial reporting and risk management: the public company discloses information only if management considers it material, as information that not material may obscure actual results and confuse investors.

The Proposal is too Prescriptive, which could Lead to Misallocation of Resources Away from Strategic Objectives

The Proposal as written will require that SouthState disclose in a note to its audited financial statements certain disaggregated climate-related financial statement metrics. These extensive disclosures would require disclosure of financial impact and expenditure metrics, with disclosure based on a "bright-line" threshold, and they will be subject to both (i) management's internal control over financial reporting and (ii) audit by our auditors. Complying with these disclosures will require us to identify severe weather events, transition activities, and climate-related risk and determine their respective impacts on individual financial statement lines items at a threshold of 1% of the impacted line item.

This requirement is prescriptive and inconsistent with the principles-based approach to disclosures in the securities laws, where "a matter is material if there is a substantial likelihood that a reasonable investor would consider it important when determining whether to buy or sell securities or how to vote." Furthermore, the 1% threshold is extremely low, requiring all companies to spend resources and time to enhance existing reporting systems to accurately capture the information that the final rule will require, at what we would assert is not of material benefit to investors.

The Commission applies this prescriptive approach in the governance requirements as well. which may result in processes which are overly cumbersome and present compliance challenges for our personnel, which can lead to misallocating director and management resources to this over the overall strategic and financial objectives of our company.

In addition, the Proposal prescriptively requires a covered entity to disclose separately its Scope 3 emissions for the fiscal year if (i) those emissions are material or (ii) it has set a GHG emissions reduction target or goal that includes Scope 3 emissions. As with any information historically disclosed to investors, a covered entity would normally disclose Scope 3 financed emissions only if considered material in the qualitative sense defined by the Supreme Court (as discussed above). The Commission's redefinition of the "materiality" concept now confuses the proposal to report Scope 3 emissions "if material".

With this in mind, SouthState supports the recommendation that the Commission revise the final rule to (i) eliminate the reference to "material" Scope 3 emissions and (ii) limit required disclosure of Scope 3 emissions to publicly announced climate-related targets and exclude emissions (including any financed emissions) not included in a target. Regarding transition risk, in accordance with banking agency guidance related to concentrations of credit risk within the "Comptroller's Handbook: Concentrations of Credit," publicly held banks manage and disclose credit concentrations in their lending portfolios, disaggregated by relevant industry and geography. We believe this information is currently sufficient to facilitate an effective transition risk assessment of a covered company.

To the extent the Commission is not willing to modify the Proposal to recognize the historic principles of materiality reporting, SouthState respectfully requests that the Commission moderate the Scope 3 disclosure requirements to recognize the difficulties of calculating and presenting Scope 3 emissions. While disclosure standards, definitions and techniques continue to evolve and the prevalence and quality of Scope 3 disclosures continue to improve, we still lack a standard, universally accepted methodology to evaluate same. Absent such a methodology, there is doubt that the required disclosure will further the Commission's goals of providing transparent, comparable climate-related risk information to investors.

The Assurance Requirements are Premature and Will Lead to High Implementation Costs

Under the Proposal as currently written, SouthState, like other large accelerated filers, will have to engage a third party to attest to its Scope 1 and 2 GHG emissions. While this attestation requirement will be phased in over a multi-year period, it requires assurance over disclosures outside the financial statements. This requirement deviates from the Commission's historical practice of linking quantitative disclosures to the same books and records that support the audited financial statements.

We believe this element of the proposal is premature. Our financial regulators have acknowledged significant gaps in climate risk-related data, raising questions about the maturity and reliability of modeling, scenario analysis, and other climate risk forecasting tools and methodologies. Further, the number of experienced personnel to oversee, execute, or otherwise be considered an "expert" in climate-related financial risk management is currently (and likely for the foreseeable future) very low. Current audit providers may no longer be qualified to perform the work, and it may be several years before a suitable and sufficient number of audit professionals are qualified to perform the required assessments of greenhouse gas metrics and related internal control processes. In addition, the supply, cost, and quality of climate disclosure attestations remain doubtful given the lack of fully formed professional standards related to it. Finally, we are concerned that the attestation and the uncertainty surrounding standards for same will negatively impact our ability to have disclosures ready by the applicable annual report filing deadline under SEC rules.

These numerous concerns should cause the Commission to pause any such attestation requirements until professional standards, expertise, and mature, valid modeling tools and methodologies are developed, tested and readily available. At a minimum, the Commission modify the Proposal to eliminate the last step—the transition from "limited assurance" to "reasonable assurance." This requirement would alleviate some of the concerns while still providing some level of assurance to investors.

Requiring Climate information for Prior Periods Will be Challenging

The Proposal would require SouthState to present quantitative climate-related information for three years—the most recently completed fiscal year and the earlier years included in the consolidated financial statements. SouthState, like most other companies, will be developing these disclosures for the first time and will be at a disadvantage to report for the full lookback period. We suggest it would be clearer and more equitable to require quantitative climate-related information beginning with the first fiscal year for which the rules are effective.

The Compliance Timeline is Too Short

For large accelerated filers like SouthState, the Proposal requires that we comply with all requirements other than Scope 3 GHG emissions for fiscal year 2023 reporting, with Scope 3 GHG emission data to be included for 2024 fiscal year reporting. Given the scope of the Proposal, the nature of the requirements and the significant undertaking and costs involved to set up a process and a risk management system to collect and validate the required data, we believe that these compliance deadlines are too short.

Like SouthState, many covered entities will be developing and implementing, for the first time, their climate-related infrastructures and climate risk management systems, putting into place enhanced governance policies and practices, and working with their auditors to properly apply auditing standards to climate-related impacts. With (i) the large gaps in climate risk-related data and how such data translates into climate-related financial risk for companies like SouthState, (ii) the evolving nature of climate-related financial risk management, and (iii) the very short runway the Proposal provides for compliance, SouthState, along with other larger and smaller companies across the financial services industry, will struggle with timely implementation of effective and stringent internal control processes. We respectfully suggest that the final rule include a realistic compliance timeline that recognizes the significant undertaking required, similar to what was required when Sarbanes Oxley controls were implemented.

The Commission Should Establish Realistic Safe Harbors

Because complexities of compliance are steep, the compliance runway is short, and the modifications this Proposal will require SouthState and other similarly situated companies to make to current monitoring, control and reporting functions are numerous, SouthState is concerned about significant liability exposure.

While the proposal does contain a safe harbor for Scope 3 disclosure, SouthState suggests that a safe harbor be established over virtually all climate-risk related statements, including disclosures where either (i) the disclosure is necessarily forward-looking, (ii) the registrant will be dependent on third-party information, or (iii) methods and standards are subject to change.[1] Further, if the Commission requires its registrants to provide a substantive discussion of climate risk, SouthState supports the recommendations made by others that such circumstances warrant an expanded safe harbor. The expanded safe harbor should both (i) cover all climate disclosures made by a registrant and (ii) acknowledge that the stringent internal control environments that normally accompany SEC-based reporting may not apply. The final rule might limit such expanded safe harbor to a specific period or only to those disclosures for which the reporting company is not aware that underlying data or modeling assumptions are false. Finally, we support the inclusion of an additional safe harbor for those persons identified as having climate expertise (i.e., safe harbor for the "Financial Expert" within audit committees).

Sincerely,

Beth S. DeSimone
Executive Vice President

cc: Vanessa A. Countryman, Secretary

[1] The extension of the safe harbor under these requirements would include: the impacts of climate-related risks under proposed Rule 1502(b); disclosures about future financial statement impacts under proposed Rule 1502(d); disclosures about scenario analysis under proposed Rule 1502(f); transition plan disclosures under proposed Rule 1503(c); all GHG emissions disclosures under proposed Rule 1504; and "targets and goals" disclosures under proposed Rule 1506.