

June 17, 2022

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

VIA E-MAIL TO RULE-COMMENTS@SEC.GOV

Re: **The Enhancement and Standardization of Climate-Related Disclosures for Investors**
[File Number S7-10-22]

Dear Ms. Countryman:

Federated Hermes, Inc. (“**Federated Hermes**”) welcomes the opportunity to comment on the Securities and Exchange Commission (the “**Commission**” or the “**SEC**”) proposed amendments under the Securities Act of 1933 and Securities Exchange Act of 1934 that would require registrants to provide certain climate-related information in their registration statements and annual reports¹ (the “**Proposed Rule**”).

Federated Hermes is a leading global asset manager² focused on meeting the diverse and evolving needs of today's investors through active, responsible investment management. We are guided by our conviction that responsible investing is the best way to create wealth over the long term. As a leader in ESG investment integration, Federated Hermes uses material ESG factors as an integrated part of a full range of analytical factors in evaluating investments. Our goal is to use relevant, financially material metrics, alongside other financial inputs, to reduce risk and improve returns.

We acknowledge that there may be investment strategies designed to align with the values of certain investors who prefer to exclude some high GHG emitting issuers, and for those circumstances broader and more granular GHG emissions data would be desired. Although certain requirements within the proposed rule may be useful for those purposes, our comments are provided through the lens of risk/return assessments and the time horizons of actively managed, financially focused strategies.

¹ The Enhancement and Standardization of Climate-Related Disclosures for Investors (March 21, 2022), available at <https://www.sec.gov/rules/proposed/2022/33-11042.pdf>.

² Federated Hermes, Inc. (NYSE: FHI) is a global leader in active, responsible investment management, with \$631.1 billion in assets under management as of March 31, 2022. We deliver investment solutions that help investors target a broad range of outcomes and provide equity, fixed-income, alternative/private markets, multi-asset and liquidity management strategies to more than 11,000 institutions and intermediaries worldwide. Our clients include corporations, government entities, insurance companies, foundations and endowments, banks and broker-dealers.

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Consistent with our response to the SEC’s earlier request for public input regarding climate change disclosures³, we support the SEC’s efforts in the Proposed Rule that would require companies to provide enhanced, consistent disclosure of *material*, climate-related information. We believe important modifications to the Proposed Rule are required in order to clearly establish the materiality threshold for disclosure.

As such, Federated Hermes fully endorses and supports the comments, positions and recommended changes of the Investment Company Institute (“**ICI**”) as set forth in its letter dated June 17, 2022. In particular, and without limiting the foregoing, Federated Hermes strongly agrees with:

- (i) the Materiality-Related Considerations as set forth in the Appendix to the ICI’s letter, and in particular the objection to use of the term “decision useful” in any final rulemaking;
- (ii) the position that the final rule should require companies to provide only *material* climate-risk related information in a company’s Form 10K, and that any non-material information required by final amendment to Regulation S-K be provided in a new climate report;
- (iii) the recommendation that the SEC not adopt the proposed amendments to Regulation S-X that would require a company to provide financial metrics in footnotes to its financial statements as they are potentially misleading to investors and overly burdensome to issuers and instead support the proposed robust narrative discussion of whether and how any identified climate-related risks have affected or are reasonably likely to affect the issuer’s financial statement metrics.
- (iv) the position that it is premature to require Scope 3 emissions data given the myriad of challenges in gathering, calculating and ultimately interpreting the data;
- (v) that should the SEC nonetheless determine to require certain companies to disclose Scope 3 emissions: (a) in no event would an asset manager’s Scope 3 emissions disclosure include emissions attributable to its managed assets as such disclosures would be challenging to obtain, confusing to investors, and possibly misleading; (b) the proposed safe harbor must be strengthened to more-closely align with the safe harbor for forward-looking statements; and (c) there should not be any quantitative threshold required to be used when assessing the materiality of Scope 3 emissions; and

³ Acting Chair Allison Herren Lee, *Public Input Welcomed on Climate Change Disclosures* (March 15, 2021) (RFI). Federated Hermes responded to the RFI. See Letter from Peter J. Germain, Chief Legal Officer to Vanessa A. Countryman, Secretary, Securities and Exchange Commission (June 14, 2021) available at <https://www.sec.gov/comments/climate-disclosure/c1112-8916203-245005.pdf>.

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- (vi) the recommendation that any final rule not require companies to disclose individual board member or management expertise on climate-related risks, focusing instead on oversight process.

Please let us know if you have any questions on these comments.

Sincerely,



Peter J. Germain
Chief Legal Officer

cc: Chair Gary Gensler
Commissioner Hester M. Pierce
Commissioner Allison Herren Lee
Commissioner Carline Crenshaw
Rene Jones, Director
Division of Corporate Finance
William Birdthistle, Director
Sarah ten Siethoff, Associate Director
Division of Investment Management