DISCLOSURE INSIGHT ACTION
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The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

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

Dear Chair Gensler:

CDP North America, Inc. thanks the Commission for its initiative concerning the financial risks of climate change, and for the opportunity to provide further comment regarding the proposed rule; File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors.

CDP welcomes and notes that the proposed rule has cited CDP's existing practices: our annual disclosure questionnaire aligned since 2018 with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and drawing upon the landmark Greenhouse Gas Protocol (GHG). CDP thanks the Commission for acknowledging CDP's full alignment in the proposed rule itself.

CDP suggests that a final rule further encourages CDP's existing practices, so as to allow issuers and disclosing companies to maximize their relevant experience with disclosure and avoid any inadvertent setback in disclosure uptake.

CDP's previous submissions have been extensive and so we offer this comment as a supplement to prior input, particularly CDP's June 11, 2021 letter, in response to the Commission's March 2021 Request for Public Input.

I. About CDP

CDP is a global non-profit that operates the world's only integrated environmental disclosure system for companies, cities, states and regions, covering climate change, forests and water. CDP North America is based in New York City and oversees CDP's work and engagement across the United States and Canada. CDP has offices spanning 50 countries. CDP pioneered using environmental disclosures in 2003, with its first annual questionnaire submitted to public companies. Today, CDP's annual investor request is signed by over 680 CDP signatory investors representing $130 trillion in assets. CDP has enabled disclosures that have led to a vast, standardized, and comparable global dataset covering over half of the world's market capitalization. In 2021, CDP saw record disclosures, with over 14,000 organizations disclosing data on climate change, water security and deforestation issues. This covers over 13,000 companies representing 64% of global market capitalization (3,900 in the US and 2,400 in Europe), including SMEs supplying some of the world's biggest corporations. CDP is also a founding member of the Science Based Targets initiative and is supporting companies around the world in implementing robust targets to significantly reduce emissions in the near-and long-term.

CDP remains the only globally consistent unique platform where the standards and frameworks can be brought into real-world practice relevant and accessible to all global actors and has demonstrated the feasibility, desirability and need for the disclosure approach proposed by the Commission.

II. The Proposed Rule

CDP applauds the move to formalize what CDP investor signatories have known for decades: that the climate crisis poses an enormous risk to our global financial system.

A 2021 report from the U.S. Financial Stability Oversight Council concluded that "climate change is an emerging threat to the financial stability of the United States." Over just the last two years, the United States experienced more than 40 weather and climate disasters with more than US$1 billion in damages each. In fact, the National Oceanic and Atmospheric Administration estimates that the United States has already experienced over US$500 billion in direct economic costs and damages from extreme weather events since 2015. These figures do not include the full magnitude of risk, because they do not capture indirect impacts or costs.

A CDP study ("World's biggest companies face $1 trillion in climate change risks") of 215 of the biggest global companies report almost US$1 trillion at risk from climate impacts, with many likely to hit within the next five years as a result of climate impacts, including extreme weather patterns, rising global temperatures and increased pricing of greenhouse gas emissions. Around US$500 billion in costs are rated as likely to virtually certain, with higher operating costs linked to legal and policy changes making up a significant risk. Companies reported a potential US$250 billion in losses due to stranded assets – these include fossil fuel assets that may no longer offer economic returns as a result of market shifts associated with the transition to a low-carbon economy, or companies that are significantly exposed to the physical impacts of climate change. Disclosure is necessary because climate risk is investment risk, and market participants have a significant interest in understanding the size and scope of that risk. The same report showed that companies based in the U.S. disclosed roughly half the business opportunities related to addressing climate change, suggesting that an absence of regulatory certainty in this jurisdiction perhaps hampered the long-term investment that a regulatory level playing field would better enable.

Congress, having required "full and fair" disclosure to protect investors, directed the Commission to make ongoing choices of which details of disclosure to require and when, after engaging in a prescriptive process of fact-finding- which the Commission has now done. The disclosures specified by the rule are about financial risks and opportunities, and it refines the mode and detail of already required financial risk disclosures well within the Commission's authority to adopt.

The proposed rule is consistent with the SEC's mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. It is consistent with existing securities concepts of investor decision-making and materiality and is also consistent with what CDP disclosing companies are already doing.

III. Environmental Disclosure Is Valuable for Both Investors and Companies.

Climate disclosure has recently been celebrated by the Intergovernmental Panel on Climate Change (IPCC) as one of the "economic instruments that address market failures." CDP data suggests that this is experienced by both investors and companies.

A. ***CDP's Disclosure Is Evidence of Investor Demand – And That Demand Is Growing.***

The proposed rule follows investor demand for information needed to properly assess risk on behalf of the American people who entrust them.

When CDP launched its first questionnaire in 2002, it was supported by just 35 investors. In 2022, 680 investor signatories with more than US$130 trillion of assets under management joined CDP's investor request. This represents an uptick from last year's 592 signatories with US$110 trillion in assets. It has long been established that information is material if "there is a substantial likelihood that a reasonable shareholder would consider it important" in making an investment or voting decision, or if it would have "significantly altered the total mix of information made available." (*Basic Inc. v. Levinson*, 485 U.S. 224, 231-32 (1988)). For nearly two decades, CDP signatory asset owners, asset managers, banks and insurers have been requesting that companies disclose to inform they find critical to decision making, to reduce risks and identify opportunities.

At CDP we will continue to innovate and drive disclosure at scale globally so that the disclosure process fully serves the objectives of the Paris Agreement, and the Sustainable Development Goals. CDP nonetheless welcomes the SEC's proposed rule as one step in bridging the gap to the companies that have failed to disclose to date.

CDP acknowledges that given the Commission's scope of authority, the proposed rule simply dictates disclosure and does not embody a general policy to address climate change, or engage the range of social and economic issues that climate change raises. In the United States, comprehensive disclosure of climate impacts across all sectors and types will require more than the Commission's authority.

B. Disclosure Across the Value Chain

From the qualitative and quantitative information CDP receives through our annual request, we know that disclosure is a critical tool for illuminating risks and opportunities, for strategic planning and for creating a level playing field and regulatory certainty – all of which benefit companies in today's highly competitive business environment. CDP data suggests that companies are facing up to US$120 billion in costs from environmental risks in their supply chains within the next five years, and as such, supply chain engagement is crucial. Additionally, disclosure through the value chain is key to preventing catastrophic supply chain disruption, as we saw during the COVID-19 pandemic.

In 2021, over 200 CDP Supply Chain members (worldwide major buyers representing almost US$5 trillion in procurement spend) requested 23,487 suppliers to disclose (a 50% increase compared to 2020), resulting in a record 11,400 responses.

As in the proposed rule, CDP's data on emissions draws on the Greenhouse Gas Protocol (GHG). GHG information is quantifiable and comparable across companies and industries. CDP welcomes the inclusion of Scope 3 reporting consistent with the Greenhouse Gas Protocol, as a company's environmental impact goes far beyond the four walls of its headquarters. In fact, CDP data suggests that a company's Scope 3 emissions is more than 11 times higher than their direct operations.

IV. The Global Jurisdictional Ecosystem.

Across the globe, we have reached a watershed moment in environmental disclosure through a sweeping wave of regulation. While these regulations *are critical for informing financial risk, alone, they are not sufficient for the* purpose of achieving the goals of the Paris Agreement, the 2030 Agenda for sustainable development, and the upcoming Convention on Biological Diversity. CDP is therefore committed to going beyond the foundations to drive the market toward the most ambitious, impactful disclosure that incorporates both value creation and impact on people and planet.

In jurisdictions outside the U.S., the ambition for mandatory reporting has taken the TCFD as the baseline and is now evolving that into wider sustainability reporting (for example, EU's Corporate Sustainability Reporting Directive, UK's mandatory TCFD disclosure regulation, New Zealand's mandatory reporting regulation, among many others).

Additionally, beyond climate- related disclosures, there is demand and need to address nature-related issues. In a recent research paper, the Network for Greening the Financial System has recognized the potential financial stability risks connected with biodiversity loss. The risks are not limited to biodiversity though. CDP research shows that the total potential financial impact of reported water risks was up to US$301 billion; while responders reported that the money required to mitigate those risks was only US$55 billion.

Investors need better information on water-related issues: a newly released report by CDP estimates that US$15.5 billion has already been stranded or is at risk due to these issues. On a similar note, companies that did report potential financial risks from deforestation through CDP disclosure saw some US$30.4 billion of potential losses due to its impact, primarily from reputational and market risks. Meanwhile, those that reported business opportunities valued these potential benefits at US$26.8 billion.

CDP will continue to support companies to disclose against the highest quality standards, to maximize the benefits of disclosure to companies, as a tool to illuminate hidden risks and opportunities, illuminate leadership and, in general, integrate climate change and environmental considerations across all operations.

V. Implementation is Key

CDP's unique disclosure mechanism is active and established, and as such, remains the only global system that can implement multi-jurisdictional standards at scale. Building on what CDP sought to enable in our system for TCFD, CDP will now seek to enable the implementation of global standards at scale, to ensure that structured, complete and consistent data will help facilitate standardized access to disclosure and reduce potential reporting burden. CDP respectfully places our unique public purpose platform at the disposal of the Commission and believes our platform can serve as a critical mechanism for issuers, subject to the final rule.

CDP remains at the disposal of the Commission for any additional resources, information or guidance required.

Thank you very much for your consideration.

Sincerely,

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