



June 17, 2022

VIA EMAIL (rule-comments@sec.gov)

Chairman Gary Gensler
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

**Re: The Enhancement and Standardization of Climate-Related Disclosure for Investors,
File Number S7-10-22**

Dear Chairman Gensler:

The American Hotel and Lodging Association (AHLA) appreciates the opportunity to comment on the U.S. Securities and Exchange Commission's (SEC) proposed rule on The Enhancement and Standardization of Climate-Related Disclosure for Investors (the Rule).¹

Serving the hospitality industry for more than a century, AHLA is the sole national association representing all segments of the U.S. lodging industry, including hotel brands, owners, real estate investment trusts (REITs), franchisees, management companies, independent properties, bed & breakfasts, state hotel associations and industry suppliers. Headquartered in Washington, D.C., AHLA focuses on strategic advocacy, communications support, and workforce development programs for an industry that advances long-term career opportunities for employees, invests in local communities across the country and hosts more than one billion guests' stays in American hotels every year. AHLA proudly represents a dynamic hotel industry of nearly 61,000 properties that supports \$1.1 trillion in U.S. sales and generates nearly \$170 billion in taxes to local, state and federal governments.

AHLA supports the SEC's commitment to addressing the global threat of climate change and welcomes the growing interest from the investor community to better understand how U.S. businesses are impacted by climate change and the steps they are taking to reduce their greenhouse gas (GHG) emissions to mitigate climate-related risks. We agree that consistent, comparable, and reliable data is needed to produce the most helpful and relevant information for investors. Indeed, many of our members have been leading on this issue for years. A number of our members have, for example, set Science Based Targets pursuant to the Science Based Targets Initiative (SBTi) and are reporting various relevant climate figures pursuant to other globally recognized frameworks such as the Carbon Disclosure Project (CDP), the Task Force on Climate-Related Financial Disclosures (TCFD), the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and the Global ESG Benchmark for Real

¹ The Enhancement and Standardization of Climate-Related Disclosure for Investors, 87 Fed. Reg. 21334 (April 11, 2022) (hereinafter the "Rule").

Assets (GRESB). Our industry has also been proactive in finding alignment of methodologies. Over a decade ago, a number of AHLA's larger members contributed to the development of the Hotel Carbon Measurement Initiative (HCMI), which provides industry-specific guidance for preparing "per room night" and "per meeting" carbon footprint metrics for corporate and leisure customers. And most recently, the industry put together a long-term path with recommendations to achieve zero emissions. Participating in these various initiatives has led our members to invest heavily in data collection programs, to set bold emissions and waste reduction targets, and to publish their Scope 1 and Scope 2 emissions data. Some members have gone even further and already are reporting their Scope 3 emissions. By making these disclosures, our members are providing investors a breadth of useful information.

All of these disclosure efforts have, to date, been purely voluntary and other members are still in the early stages of developing their climate-related data collection and risk mitigation policies and practices. The transition from voluntary disclosure to a mandatory reporting regime and the imposition of accounting-like precision on the reporting of emissions data already is causing some of our members to reconsider their approach to climate change. We believe that certain provisions of the Rule as drafted will discourage some registrants from continuing their forward-leaning practices and embracing climate-related initiatives.

We therefore recommend that the SEC revise its Rule and incorporate the following changes:

- Eliminate any requirements that registrants disclose their Scope 3 emissions, or at the most, allow such disclosures to be furnished rather than filed.
- Remove requirements that registrants obtain assurance on their GHG disclosures or, at most, require "limited assurance" beginning in Year 4.
- Provide further clarity on proposed requirements for climate-related expenditures, risks and transition activities, and remove the proposed line item impact disclosure requirement for consolidated financial statements.
- Delay implementation of the Rule for at least two years to provide registrants sufficient time to absorb the Rule and to develop the necessary policies and procedures required for adequate compliance.
- Eliminate requirements that are only triggered by a company's former or current actions.
- Separate all proposed climate disclosure requirements from the Form 10-K and allow registrants to disclose this information in a separate report at a time that aligns with their current sustainability reporting.

AHLA's specific comments and suggestions are discussed in more detail below. That discussion is preceded by a short overview of AHLA, our members, and the unique structure of our industry. We look forward to continuing this conversation as the SEC works to revise and finalize the Rule.

BACKGROUND

AHLA's membership represents all segments of the hotel and lodging business in the U.S. The hospitality industry is uniquely complex and comprises a range of organizational

structures, largely involving a few key entities including hotel brands, owners/REITs, and third-party managers/operators. While these structures vary, often with entities serving multiple roles, there are four predominant ownership and management models that are relevant to the SEC’s rule:

- 1) brand-owned and operated;
- 2) brand-managed;
- 3) franchised; and
- 4) REITs.

Brand-owned and operated. Under a brand-owned and operated structure, a hotel brand (typically a large public company), owns the underlying property and also performs all management and operational functions. The brand has full financial and operational control of the asset and hotel staff are employed directly by the brand. As the hotel owner, the brand has full discretion to implement desired programs and practices to execute its strategic plans.

Brand-managed. Many hotel brand portfolios also include properties that are managed by the brand but owned by third-party entities such as REITs (as further explained below) or private owners. In the managed model, the brand will typically employ the individuals working in the hotels it manages and has general operational control, subject to some level of owner input.

Franchised. Franchising is the most prevalent and growing model in our industry, dating back nearly 80 years. Over half of all hotels in the U.S. are currently franchised. Under this structure, an independent owner (franchisee) enters into a licensing arrangement with a hotel brand (franchisor) that grants the owner legal permission to operate the owner’s hotel under the franchisor’s name. The owner can leverage the brand’s reputation, distribution arrangements, and infrastructure in exchange for payment of various fees. Franchisees and franchisors have clearly defined roles and responsibilities. Owners, who often operate as small private businesses, may be required to uphold specified brand standards and initiatives but maintain full legal and operational control of the asset. The brand does not own or control the underlying property and lacks legal authority to make demands on owners that are outside the scope of the licensing contract. Owners may self-operate the hotel or hire an independent management company to operate the hotel on a day-to-day basis. In some circumstances, however, the brand will serve as the manager of the property as well as the franchisor, in which case the typical elements of a “brand-managed” property described above would apply.

Notably, hotel brands vary in how their portfolios are structured – some brands rely heavily on the franchised model, while others have significant managed portfolios (in the U.S. there is a relatively small proportion of brand-owned and operated properties). Such distinctions among categories have significant ramifications for the proportion of emissions that make up each company’s GHG profile.

REITs. REITs are another common ownership structure in our industry and those that are publicly traded will be significantly impacted by the Rule. Lodging/hospitality REITs are unique in that they own the underlying hotel asset but are required to engage an independent management company to operate or manage the property² and therefore rely heavily on third-

² 26 U.S.C. §856(l)(3)(A).

party contractors. REITs either enter into licensing agreements with hotel brands pursuant to a franchise model or enter into a management agreement with the brand itself to run the hotel. REITs may also contract with private companies to manage the property on their behalf. These businesses are often small, local or regionally-based. The management company has sole responsibility and authority over day-to-day hotel operations, including the hotel's energy purchases and expenditure as well as sourcing of inventory, supplies, and services.

Lastly, it is critical we mention that our members are still struggling to recover from the devastating impact of the COVID-19 pandemic. While certain portions of the business are rebounding, our industry continues to experience volatility and full recovery of profitability is likely still years away. Further, current labor market dynamics have resulted in severe staffing shortages at all levels. In surveying our membership, nearly 50% of respondent hotels are severely understaffed and almost all members have expressed difficulty in filling open positions, both in hotels and in corporate offices.³ Yet, the SEC estimates that companies will have to undertake an additional 3,400 to 4,400 hours of work in the first year, and up to 3,700 hours in years two through six, to comply with the new reporting obligations. Layering on these new mandatory reporting obligations and associated costs will impose additional stress on our members by requiring them to redirect already limited staff to carry out time-intensive data collection and verification efforts and to incur enormous additional costs at a time when our industry is still recovering from COVID-19.

As detailed in our comments below, the variety of unique ownership and management structures coupled with the ongoing economic difficulties our industry is facing, will result in a diverse set of challenges for our members as they seek to comply with various provisions of the SEC's Rule.

DISCUSSION

GHG Emissions Metrics

- 1. Scope 3 methodologies are extremely underdeveloped and likely to produce inconsistent, unreliable data that could ultimately distort a company's overall emissions profile. Collecting and verifying Scope 3 emissions is particularly challenging for the hotel industry given the variety of ownership and management models and will impose significant burdens on our members. The SEC should therefore eliminate all Scope 3 emissions reporting requirements.**

- a. Lack of development and unreliability of Scope 3 methodologies**

The Rule requires certain registrants to disclose their total Scope 3 GHG emissions if material, or if the registrant has set a GHG emissions reduction target or goal that includes its Scope 3 emissions. The SEC has generally acknowledged the difficulty of Scope 3 reporting,

³ The American Hotel & Lodging Association, *2022 State of the Hotel Industry Report in Collaboration with Accenture* (January 24, 2022), available at <https://www.ahla.com/sites/default/files/AHLA%20SOTI%20Report%202022%201.24.22.pdf>

noting that these emissions “would likely impose the greatest compliance burden for registrants due to the complexity of data gathering, calculation, and assessment required for that type of emission.”⁴

AHLA acknowledges that Scope 1 and Scope 2 reporting is a much more common practice, particularly for public companies where it is increasingly becoming the norm. While Scope 1 and 2 reporting is currently voluntary, the available frameworks and service providers that support these disclosures are fairly robust. Scope 3 assumptions and calculations, in contrast, are very underdeveloped. In describing the rationale for including Scope 3, the SEC notes that this category of emissions may be necessary to provide investors with a “complete picture” of how a company’s GHG emissions throughout its value chain may impact the operations and financial performance of the business. As a practical matter, however, the available methodologies for calculating Scope 3 emissions are at best underdeveloped and, more likely, are ineffective for producing reliable and comparable information for investors. The estimates required for calculating Scope 3 emissions vary widely and are heavily dependent on the assumptions relied on by the preparer of such calculations. Any evaluation of such emissions would need to be reviewed in light of the specific methodologies and assumptions adopted by each reporting entity, which will inevitably vary across registrants, often by such a significant degree as to provide no comparable value to investors.

While the Rule seeks to account for these variables by allowing registrants to use ranges and estimates, the breadth and depth of these requirements necessitates a level of thoroughness that cannot be reliably achieved in our current landscape. Insisting on emissions figures whose assumptions vary so drastically could produce a distorted picture of a registrant’s emissions profile and how that registrant compares to other companies. This could ultimately mislead investors who may rely on this information for their investment decisions.

b. Particular challenges for the hotel industry

In addition to the concern over the general usefulness and comparability of Scope 3 emissions, collection and verification of Scope 3 is uniquely challenging for the hotel industry. The Rule identifies 15 categories of Scope 3 emissions as outlined in the GHG Protocol, the majority of which would depend to varying extent on third parties given the prevalence of the management and franchise model, as discussed above. Indeed, the SEC acknowledged as much in the Rule stating that “obtaining the data necessary to calculate a registrant’s Scope 3 emissions might prove challenging since much of the data is likely to be under the control of third parties.”⁵ Of most concern to our members are the inclusion of:

- 1) a registrant’s “franchises” and
- 2) “purchased goods and services” in the list of Scope 3 activities.

We address each in turn.

⁴ Rule at 21464.

⁵ Rule at 21412.

Collection from Franchisees and Management Companies

Requiring registrants to include emissions produced from franchises as part of their Scope 3 disclosures poses significant challenges for hotel brand, REITS, and other owners. As outlined in the background section above, while their specific organizational structure may vary, many of our members rely heavily on third parties to operate their properties. If such a registrant is required to disclose its Scope 3 emissions, they would need to obtain the data from the franchisee or management company, who may themselves need to obtain it from the local businesses who provide goods and services to the hotel. Franchisees and management companies comprise a meaningful portion of AHLA's overall membership. These companies are often small and privately run, and would not otherwise be subject to the SEC's disclosure requirements. We are uniquely concerned with the role these entities will be required to play in the climate disclosure process and the burdens that will be imposed on them despite not being public filers. As entities overseeing a hotel's day to day operations, they exert substantial control over the property, including its energy purchase and usage, though the extent varies depending on the terms of the contract. In order to satisfy their public company reporting obligations, public hotel brands and REITs may need to make meaningfully more demands on hotel franchisees and operators for climate-related data. This dynamic creates serious collection obstacles for both registrants and the third parties on which they rely.

A primary concern is that many franchisees and management companies lack the resources and personnel needed to implement and maintain a data collection and reporting program at the scale and granularity needed for public owners and brands to satisfy the SEC's proposed disclosure regime. Obtaining the necessary data to calculate and disclose Scope 3 emissions would require a level of coordination and oversight from our brand/owner members that is untenable, especially for those with hundreds or thousands of properties across the globe. The validation and reliability of the data is of equal concern as, again, these third-party entities are unlikely to have the resources to validate these figures to any level of certainty sufficient for an SEC filing. Even our large registrant members who have committed to Scope 3 reductions targets are still working on refining their data collection and validation processes. Requiring the same level of precision from small, private businesses who would otherwise have no duty under this rule is extremely burdensome, and in some cases impossible to achieve. Due to the difficult labor market, many of our members are struggling to fill open positions at their hotels, which has made it increasingly challenging for hotel associates to deliver even basic hotel services. Accurately tracking Scope 1 and Scope 2 data to the level required for financial reporting will add to that workload. Layering on the requirement to collect and validate Scope 3 emissions will place an undue burden on those associates and may even require certain hotels to hire additional staff, a challenging and costly prospect in the current labor market.

Collection from Suppliers of Goods and Services

Similar to the considerable challenges our members would face reporting their Scope 3 emissions, data collection and verification for a registrant's purchased goods and services is practically impossible. Purchased goods and services can frequently be one of the larger Scope 3 categories for many hotels. Cleaning services, transportation, food, supplies, and entertainment

represent broad categories encompassing hundreds if not thousands of individual emissions that make up a registrant's Scope 3 inventory. Regardless of ownership structure, category, or class, all our members rely heavily on a broad network of suppliers and vendors to support their hotels. Access to supply chain information across the hotels within the U.S. is already challenging, but members who are global companies also are faced with added complications of supply chains for hotels based all over the world.

Further, the suppliers our members depend on are overwhelmingly small, local companies that have been hit the hardest during the pandemic and continue to struggle amidst current labor trends. Like private operators and franchisees, these entities would not be subject to the SEC's disclosure regime but for their contractual relationships with our public members. While many of our members have pursued these local and diverse sourcing practices for decades, others have more recently embraced similar commitments as part of their broader Diversity, Equity, and Inclusion (DEI) efforts. Similarly, travel and tourism companies are exerting increasing pressure on hotels to support local destinations by buying local, and supporting small businesses.

Given their small, private structure, such suppliers overwhelmingly lack the resources, staff, and expertise to provide registrants with the extensive amount of reliable Scope 1 and Scope 2 emissions data that our members would be comfortable submitting as part of their SEC filings. Indeed, many of these suppliers are located all across the globe in countries that may be years behind on any climate-related requirements. Further, registrants may feel pressured to shift their purchase of goods and services to larger, more established entities with the resources and capacity to track and report this data with a higher level of assurance.

Scope 3 methodologies are still evolving and, as discussed above, there are significant practical limitations on our members' ability to collect and assess Scope 3 emissions data at the level required by the Rule for properties that they do not own and/or operate. AHLA therefore requests that the SEC eliminate the requirements to disclose all Scope 3 emissions. If SEC-mandated Scope 3 reporting is required at all, this data should be furnished in a separate report, rather than filed and a longer compliance period should be permitted to align disclosures with the available data (9-12 months after each calendar year). Doing so would encourage registrants to develop and refine their Scope 3 collection programs without the added burden and associated liability of filing these figures.

2. The levels of assurance required would be cost prohibitive and nearly impossible for AHLA members to obtain; the SEC should eliminate all required assurances.

The Rule includes a proposed phased approach for a registrant to file an attestation report covering its Scope 1 and 2 emissions. It begins by requiring large accelerated filers to provide "limited assurance" of their emissions beginning Year 2, then expands to require "reasonable assurance" for Year 4 and beyond. Registrants would also be required to use a service provider that satisfies specified qualifications and include certain disclosures about the provider. Obtaining "limited assurance" is a time- and resource-intensive process that would consume a large proportion of our members' sustainability budgets. Demanding "reasonable assurance" would impose a much higher bar for registrants to achieve, requiring significantly more

resources and increased costs. Our members are already facing challenges procuring the necessary support, a challenge that will likely be exacerbated as the Rule produces an influx of new companies that are required to provide these reports in their filings. While AHLA fully supports the goal of ensuring the data reported is as reliable and comparable as possible, obtaining the levels of assurance required by the Rule would impose unreasonable burdens on our members and is nearly impossible for our members to obtain in the timeframe articulated in the Rule. We therefore believe the SEC should eliminate all required assurances or, at the most, require attestation reports that provide “limited assurance” beginning Year 4.

Financial Statement Metrics

- 3. The 1% threshold for disclosing the absolute impact of severe weather events and transition activities on specified line items would require a level of precision that is impractical and would not provide valuable information to investors; the SEC should remove this requirement entirely.**

For consolidated financial statements that would otherwise be included in the Rule’s specified disclosure forms, registrants must include a note describing the financial impact of severe weather events, transition activities, and any mitigating expenditures and opportunities on a relevant line item if the absolute value of those impacts is 1% or more of the total line item. Performing such a precise calculation, particularly for impacts inherently based on extensive estimates and assumptions, would be nearly impossible to achieve even for our largest members. In addition, the standard does not track with the materiality principle which is used for all other financial statement footnotes and underpins the rest of the requirements in the Rule. The amount of judgement and estimation required to determine if an event or activity was climate-related, let alone whether it would have a 1% impact, would be excessively costly, practically impossible and would not ultimately yield decision-worthy information for investors. The concepts targeted in these line item impacts are better served outside the pages of our members’ financial statements. AHLA therefore urges the SEC to eliminate the line item disclosure requirement entirely. If the requirement is retained in some fashion, the relevant measure should be materiality consistent with all other requirements in the Rule, not an arbitrary percentage.

- 4. The SEC should provide more clarity on key concepts that registrants must report on, including what constitutes a climate-related expenditure, risk, and transition activity.**

If the SEC requires registrants to include the impact of climate-related events in their financial statement footnotes or other documents, one overarching point of confusion raised by our members concerns the inclusion of the concepts of “climate-related” and “transition activities” in our members’ financial filings. For instance, the Rule describes climate-related “expenditures” as capital costs incurred to mitigate risks from severe weather events and other natural conditions, as well as costs incurred to reduce GHG emissions or otherwise mitigate exposure to transition risk. The Rule does not provide guidance on how to assess expenditures that may have multiple purposes or where the climate impact was not a predominant factor in the determination. Do registrants include *any* expenditure that could have a mitigating effect on

climate risks or could reduce GHG emissions even if that cost was not originally selected for those purposes? The SEC should provide additional guidance for these scenarios.

Additionally, while the Rule includes some examples of “climate-related risks” and “severe weather events,” additional clarity is needed for companies to adequately assess whether a particular event is “climate-related.” Our members consistently deal with various natural disasters and adverse weather events, some more severe than others. Assessing all potentially negative weather conditions, particularly for our members with hotel portfolios that may include upwards of a thousand hotels across the globe, is a considerable undertaking. It is very likely that without more guidance on the types of events and conditions that the SEC intends to capture, there will be substantial variability in how companies interpret the types of events and conditions that should be disclosed. This inconsistency among registrants will ultimately undermine the comparability and reliability of this data for investors.

AHLA therefore requests that the SEC consider incorporating a materiality threshold, as is historically consistent with financial reporting and the approach used throughout the Rule. The disclosure would instead be based on whether any potential adverse weather event is substantially likely to have a material impact on the registrant’s financial position. This approach would create a standard that would allow investors to assess the most relevant climate risks across a company’s entire portfolio, rather than individual climate events and risks that may have a de minimis impact on the company’s financial condition. Investors could therefore focus on more systemic climate challenges that the company faces and identify general risk patterns, which are far more relevant to a registrant’s overall performance and avoid being overwhelmed by non-material information.

Timing and Implementation

5. The SEC’s proposed implementation timeline is very aggressive and does not grant AHLA members enough time to adequately comply with the Rule’s disclosure requirements. Implementation of the Rule should be delayed two years.

In its discussion, the SEC includes a sample compliance schedule that assumes a December 2022 effective date. According to this timeline, large accelerated filers would report on all climate-related risks and Scopes 1 and 2 emissions beginning 2024 for fiscal year 2023. This would require those registrants to begin collecting and analyzing data as early as January 2023, depending on when their fiscal year begins, which effectively requires registrants to begin preparing now prior to the publication of the final rule. Registrants would be required to gather information for years even earlier than 2023 for their financial statement footnote disclosures. This implementation timeline is very aggressive and fails to adequately account for the scale of this undertaking. The timeline does not afford registrants the opportunity to sufficiently analyze the Rule and implement the collection and verification processes required for complete and accurate reporting.

In order to satisfy all the disclosure requirements, our members need more time to fully absorb the Rule and establish the internal policies and processes required to comply. Some of

these steps include assembling internal teams and training necessary personnel to administer data collection programs, developing platforms and methodologies for calculating emissions and assessing relevant risks and opportunities, engaging outside counsel and auditing firms for compliance support, and coordinating with third-party owners and operators who control the data but are not otherwise be subject to the SEC's disclosure requirements.

While many of our members have already implemented some of these processes as part of their voluntary climate reporting, the additional layer of liability that attaches to an SEC filing requires additional refinement and further development of internal controls and processes to ensure satisfactory compliance. Many of our members are in the early stages of developing their broader climate strategy and have yet to establish many of the necessary procedures to comply with the Rule as written. Additionally, many of our members believe that the SEC's initial compliance cost estimates do not adequately reflect these steps, nor the additional expenses that will inevitably arise during the course of compliance. Financial budgets for the 2022 calendar year have already been established, which presents challenges to absorbing the substantial cost in 2022 required to implement the procedures and put personnel in place at the start of 2023 to begin collecting data by the reporting deadline. We therefore urge the SEC to delay implementation by at least two years and, assuming a December 2022 effective date, require the first reporting to be due no earlier than 2026.

6. Requiring the disclosures to be included in a Registrant's Form 10-K does not allow registrants to collect and verify their GHG emissions in a manner sufficient for an SEC filing and does not align with existing climate reporting timelines. All climate disclosures should be contained in a separate report.

In addition to the aggressive implementation timeline for the Rule itself, registrants would be required to report these disclosures annually as part of their Form 10-K or registration statement. Most of AHLA's public members would therefore only have 60 days to collect, validate, and obtain requisite assurances on the required climate risk and emissions data from their prior fiscal year. This timeline is extremely onerous if not impossible for companies to satisfy. While the Rule seeks to address this challenge by allowing registrants to estimate any fourth quarter data if none is reasonably available, this approach does not account for the significant lag in obtaining data, particularly GHG emissions, from their franchisees and third-party management companies, who must initially collect it from utility companies and other third-party vendors. This lag is particularly acute in the hotel industry as the role of third parties adds an additional layer to the already extensive process of reviewing and verifying emissions figures in a manner sufficient for a SEC filing. The extent and scope of annual reporting under the current financial disclosure requirements is already challenging and many of our members who rely on third parties to prepare and submit financial information, already use most of the available time within the 60-day period to prepare their Form 10-K. By the SEC's own estimate, the Rule likely adds more than 3,000 hours of additional reporting burden to an already intense schedule. The process is time intensive as it currently exists, and the Rule will unnecessarily add to the time demands and the expense of public reporting on Form 10-K when the same data collection goals can be achieved in subsequent filings.

Further, our members who are currently producing ESG and other climate-related reports generally rely on a mid-year timeframe for producing this data. The SEC's reporting schedule would upend this process entirely. Leading global reporting frameworks, such as the CDP relied on by many of our members for their voluntary climate disclosures, generally require reports to be submitted mid-year to provide adequate time for collection and vetting of prior year data. It has therefore become an industry practice for companies to submit these disclosures and publish their organizations' sustainability reports in late Q2 or early Q3 for data collected for the company's previous fiscal year. This affords companies adequate time to coordinate with third party contractors and vendors, collect the relevant GHG emissions data and verify the figures to a level they are comfortable publishing in their annual sustainability reports. By requiring these climate disclosures to be included in the Form 10-K and imposing onerous attestation thresholds, the Rule establishes a compressed reporting timeline that offers registrants no flexibility to file their SEC disclosures in a sufficiently detailed and precise manner that aligns with the climate disclosure processes they have already instituted. Providing companies with the time required to produce reliable data is the best way to fulfill the Rule's intent of collecting reliable, consistent, and comparable data for investors. We therefore suggest that the SEC separate these new disclosures from the Form 10-K entirely and instead allow registrants to file a separate climate-specific report 180 days after fiscal year-end. Lastly, whatever disclosures are required should be prospective only, with historic data only being provided based on the first year when reporting under the rule is required.

7. Imposing additional disclosure requirements triggered by a registrant's actions will discourage companies from pursuing aggressive climate goals, especially regarding Scope 3 emissions.

Many of the Rule's disclosure requirements are triggered by a company's actions. For example, a registrant that has adopted a climate transition plan must disclose a detailed description of that plan as part of its SEC filing. Similarly, to the extent a company uses a scenario analysis to assess the resilience of its business strategy, those analytical tools must be disclosed even though the Rule does not impose any obligation on registrants to conduct such an analysis. In fact, merely setting a climate-related target or goal internally could trigger the need for a company to provide detailed disclosures, which may include confidential business information. Of most concern, a registrant whose climate-related targets include a Scope 3 component would then be required to report those emissions. The SEC has acknowledged that companies may set longer-term goals without a full knowledge of the path they will take to achieve their target. It is therefore imperative that such goals not be construed as promises or guarantees, nor should they bind companies to additional reporting requirements under the Rule. Establishing higher reporting thresholds for registrants who have embraced effective new tools and set more aggressive emissions targets likely will discourage those companies from continuing to be forward-leaning on climate issues, particularly in regard to Scope 3 emissions commitments. Many of our members who have made or are considering making bold climate commitments, such as achieving net zero emissions, will likely reconsider whether those goals are ultimately in their companies' best interest given the added burdens of disclosing these activities as part of their official SEC filings.

The SEC has provided reasoning for why these particular disclosures are not required as of right, including the complexity of the information and the “undue burden” such requirements would impose on certain registrants. We appreciate that the SEC has considered the challenges that many of these requirements present. We do not believe, however, that treating certain companies differently and, in effect, penalizing them for overcoming these challenges and taking voluntary action serves the broader goal of increased transparency and better data for investors. Nor does this approach serve the ultimate goal of reducing the emissions and overall environmental impact of public companies. We therefore urge the SEC to remove disclosure requirements that are specifically tied to a company’s former or current actions and instead allow registrants to furnish this information on a voluntary basis, as a growing number of our members are currently doing. Rather than incentivizing companies to limit their climate-related commitments, we believe this approach will provide registrants with the security and predictability they need to continue setting ambitious climate goals and refining best practices for assessing and mitigating climate-related risks and opportunities.

CONCLUSION

As noted above, AHLA is committed to collaborating with the SEC to produce a climate disclosure framework that serves investor interests by producing consistent, comparable, and reliable data. In order to achieve the SEC’s goal, the Rule must include practical requirements that are predictable and viable for AHLA members and the broader hospitality industry. We encourage the SEC to consider the concerns and suggestions we have raised and we look forward to further discussing the Rule.

Sincerely,



Chip Rogers
President and CEO
American Hotel and Lodging Association