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Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

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

Filed electronically at <https://www.sec.gov/rules/submitcomments.htm>

Dear Ms. Countryman,

Northern Trust Asset Management (NTAM)¹ appreciates the opportunity to provide comments to the Securities and Exchange Commission (the Commission) on File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (Proposed Rule). NTAM commends the Commission for its leadership in proposing greater clarity to material climate-related data. To better interpret and utilize climate-related information, consistent, reliable and comparable disclosures by companies are a top priority for investors and investment advisors. In the absence of standardized disclosures, investors seeking climate-related information have had to collect this data from numerous sources, including companies' voluntary disclosures that are often difficult to compare. Therefore, we support the spirit of the Commission's Proposed Rule requiring all public companies to file certain climate-related financial information with the Commission. Requiring common, consistent disclosure in a uniform location will facilitate the efficient allocation of capital. We support key components of the Proposed Rule, including that publicly traded companies should be required to disclose information about their Scopes 1, 2, and if material, Scope 3 greenhouse gas ("GHG") emissions and provide narrative disclosure consistent with the Taskforce on Climate-Related Financial Disclosures ("TCFD"). The Proposed Rule's alignment with the recommendations of the TCFD

¹ NTAM is the branding name of the asset management business of Northern Trust Corporation ("Northern Trust"), a financial holding company and publicly traded company. Northern Trust is a leading provider of wealth management, asset servicing, asset management and banking to corporations, institutions, affluent families and individuals. As of March 31, 2022, Northern Trust had assets under custody/administration of approximately US \$15.5 trillion and assets under management of approximately US \$1.4 trillion. NTAM is composed of Northern Trust Investments, Inc., Northern Trust Global Investments Limited, Northern Trust Fund Managers (Ireland) Limited, Northern Trust Global Investments Japan, K.K., NT Global Advisors, Inc., 50 South Capital Advisors, LLC, Belvedere Advisors LLC and investment personnel of The Northern Trust Company of Hong Kong Limited and The Northern Trust Company.

and the Greenhouse Gas Protocol ensures market efficiencies, a key focus for investors. The TCFD recommendations are widely used across the largest capital markets, with 2,600 supporters globally. Furthermore, regulators have begun mandating TCFD-aligned reporting in the United Kingdom, Brazil, the European Union, Hong Kong, Japan, New Zealand, Singapore and Switzerland. The IFRS Foundation, which sets accounting standards used in over 140 nations, recently released its proposal for climate-related disclosures via its International Sustainability Standards Board (ISSB). The ISSB proposal similarly uses the TCFD recommendations as a baseline and has significant similarities to the Commission's Proposed Rule.

Coherence with future ISSB standards will reduce the compliance burden on many of the largest global issuers and will likely fall under the disclosure requirements of a jurisdiction following the ISSB standards. Furthermore, globally coherent disclosure requirements will lead to better comparability of data for investors.

While we are generally supportive of the Proposed Rule, we recommend certain modifications to better support the practicalities of implementation and alleviate some of the disclosure burden reflective of the known data and methodological challenges especially acute with Scope 3 GHG emissions.

Comments on the Proposed Rule

- 1) **Location of mandatory disclosure:** We agree with the notion that information related to climate-related financial risks should be disclosed in a filing with the Commission if deemed material. This information would provide consistent, comparable and reliable information to investors to enable them to make more informed decisions. We recommend the SEC require companies to provide material climate-risk related information in the Form 10-K. Access to material information at the same level of assurance as other relevant, material insights would facilitate better-informed investment decisions.
- 2) **Additional Reporting:** We are supportive of supplemental information that may not be designated as material for purposes of disclosure in Form 10-K but called for by Items 1501 (Governance); 1502 (Strategy, business model and outlook); 1503 (Risk management) and 1506 (Targets and goals), to be left to the discretion of the company, and we encourage voluntary disclosure in accordance with industry standard. With respect to timing, we recommend the standalone climate report be furnished alongside the filing of the Form 10-K to allow sufficient time for analysis ahead of annual general meetings.
- 3) **Scopes 1 and 2 GHG Emissions:** We support the Commission's assertion that Scopes 1 and 2 GHG emissions data should be provided generally in accordance with the Greenhouse Gas Protocol, and that this reporting should be subject to a company's disclosure controls and procedures to ensure quality and reliability of the data. Companies providing narrative information consistent with the TCFD framework should

promote consistency, comparability and reliability of key information for investment decision-making purposes.

- 4) **Reporting on Scope 3 GHG Emissions and Liability Safe Harbor:** According to The Carbon Trust, upstream and downstream emissions, or Scope 3 emissions, often represent the largest source of GHG emissions for an entity, and in some cases can constitute up to 90% of total carbon impact.² Given this, Scope 3 often represents a critical metric to enable investors to better assess climate related risks and provide a fulsome picture of a company's carbon footprint. In the absence of mandatory reporting of Scope 3 emissions, when material to a particular company, investors are exposed to incomplete material information and the burden of excess effort and costs faced by investors to piece together this information from multiple sources all of which are inconsistent. As users of climate disclosure information, we are acutely aware of the existing challenges with data and methodological approaches associated with the calculation of Scope 3 GHG emissions. On balance our view is that the benefits to investors of more complete, comparable and consistent emissions disclosure data resulting from mandatory Scope 3 emissions, when material, exceeds the drawbacks as outlined in the preceding sentence. We would be quick to add that the accommodative provisions the SEC is proposing are reasoned, recognizing these data and methodological challenges. We note specifically the provisions of liability safe harbor and a transition period for reporting. These would enable a runway for data and methodologies to continue to advance. We advocate that the mandatory disclosure of Scope 3 GHG emissions, when material, be contingent on these provisions being in place.
- 5) **Compliance Timing:** We agree with the assertion that there should be tiered timing for compliance; however, we encourage the Commission to consider extending the timelines and distancing requirements for Scopes 1, 2 and 3; for example, Large Accelerated Filers would file proposed disclosures, including Scopes 1 & 2 GHG emissions metrics for fiscal year 2024 (filed in 2025) and for Scope 3 where material in fiscal year 2025 (filed in 2026) to allow time for data collection, assurance and more complete implementation.
- 6) **Aggregated Data:** We support the Commission's approach in requiring companies to disclose Scopes 1 and 2 GHG emissions on an aggregated basis for the most recently completed fiscal year. We encourage the Commission to defer on the requirement to furnish disaggregated data and to provide guidance on which disaggregated GHGs to prioritize.
- 7) **Internal Carbon Price:** We recommend the Commission consider the potential unintended impacts that could occur by requiring companies that determine an internal carbon price to disclose that price. We encourage companies to consider the impacts of

² <https://www.carbontrust.com/news-and-events/insights/make-business-sense-of-scope-3>

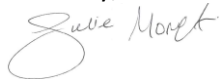
carbon pricing internally, and as such recommend reporting on this metric should be voluntary.

- 8) **Scenario Analysis:** Scenario analysis is a risk management tool. We encourage voluntary disclosure where a registrant uses scenario analysis, and suggest it be captured in the qualitative discussion in the MD&A.
- 9) **Content:** We support the Commission requiring companies to disclose, in a footnote to the financial statements, the material impacts of climate-related events, including severe weather events such as flooding, drought, wildfires, extreme temperature, and sea-level rise; and transition activities, including efforts to reduce GHG emissions or otherwise mitigate exposure to transition risks.
 - a. We recommend that the Commission require presentation of historical periods on a go-forward basis for financial metrics. Given the foundational nature of GHG emissions disclosure and the number of companies already providing this data today, we support companies providing it unless it is not reasonably available without unreasonable effort or expense.³
- 10) **Foreign Issuers:** The Commission should consider permitting foreign private issuers to file their climate-related disclosures in compliance with any final ISSB standard as an alternative to complying with any final Commission rule to mitigate jurisdictional fragmentation.
- 11) **Assurance:** The requirement to obtain third-party assurance should increase reliability of climate-related information. We agree with the Commission that reasonable assurance for emissions data is appropriate.
- 12) **Exclusions:** The Commission should exclude registered investment companies, business development companies and exchange traded funds from any final rules given they typically do not have physical operations or employees, making the calculation of Scopes 1, 2, and 3 GHG emissions unfeasible and narrative disclosures unnecessary.

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NTAM appreciates the opportunity to comment on this important topic and welcomes the opportunity to discuss our comments on the inclusion of climate-related considerations in the Proposed Rule. To this end, NTAM is available to collaborate with the Commission and provide additional insights.

Sincerely,



Julie Moret
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Sheri B. Hawkins, CFA
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³ For example, the filing covering the 2023 fiscal year would provide the newly required financial metrics for only the 2023 fiscal year; the filing covering the 2024 fiscal year would provide the newly required financial metrics for the 2024 and 2023 fiscal years, etc.