



June 17, 2022

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

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

Ms. Countryman:

Investor Advocates for Social Justice submits this comment in support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (the "Proposed Rule"). We appreciate the Commission and SEC Staff's substantive work leading to this groundbreaking Proposed Rule that will drive standardized disclosures and provide investors with decision-useful climate-related financial information.

IASJ, a successor organization to the Tri-State Coalition for Responsible Investment, was founded in 1975 and is a 501(c)(3) tax-exempt non-profit organization representing and supporting long-term institutional investors with faith-based values who seek to promote human rights, climate justice, racial equity, and the common good through their ministry work as well as their investments. IASJ facilitates investor collaboration and provides a forum for technical assistance and representation of institutional investors, or "Affiliates," in engagements with companies to address strategic environmental, social, and governance (ESG) issues and advocate for change that supports long-term value creation. We are a member of the Interfaith Center of Corporate Responsibility (ICCR), a 50-year-old coalition of more than 300 faith- and values-based institutional investors representing over \$4 trillion in assets under management who engage with hundreds of corporations on their environmental and social impacts. ICCR members have been engaging for decades with companies on the risks posed by climate change and therefore deeply understand the value of comparable, consistent, and reliable climate-related information.

IASJ believes climate-related disclosures are critical for effective investment analysis and decision-making and we are therefore supportive of many components of the Proposed Rule's measures to establish a baseline of climate risk information accessible to investors of all sizes; however, we also offer recommendations for the Proposed Rule to be strengthened to improve the consistency and comprehensiveness of the disclosures that will result from the rule. We have outlined these perspectives in the letter below, but first seek to recognize the following essential elements of the Proposed Rule.

The scope and materiality of the categories covered by the Proposed Rule, including the disclosures in financial statements, is a clear reflection of the Commission's recognition of the urgency of climate-related risks.

- The Proposed Rule comes at a time when addressing material risks related to the climate crisis has never been more urgent: the latest IPCC report from April 2022 reaffirms the need

for “immediate and deep emissions reductions across all sectors” to limit global warming to 1.5 degrees Celsius.¹

- Many investors believe issuers must have clear decarbonization strategies and commitments backed up by credible science-based transition plans to mitigate climate-related risks. Decisions that companies and investors make today will have long-term impacts on emissions and climate-related matters; for example, long-lived assets that may lock in increasing emissions over the course of the asset’s life.
- We believe that disclosure of material and systemic risks of climate change will help companies and investors to understand, price, and manage climate risks and opportunities. These activities are not only at the core of efficient securities markets, but are also essential to ensuring a just and thriving economy that works for all people and communities.
- Inclusion of climate-related disclosures in the financial statements (Reg S-X) and in accompanying (Reg S-K) disclosures regarding company strategies, financial impacts, risk management, GHG emissions data, offsets, etc. will offer greater accessibility and assurance of this information to investors.

The Proposed Rule’s mandatory disclosures will fill essential gaps for investors, and will do so in a cost-effective manner.

- Voluntary disclosures have been insufficient to meet investors’ needs for comparable, consistent, and reliable information from issuers. The lack of a regulatory mandate has led to inconsistent information across multiple reporting regimes, causing cherry-picking among companies regarding which metrics and information to disclose, as well as confusion among investors about which disclosures to trust and use.
- IASJ will be able to use the data proposed by the rulemaking to help our Affiliates make informed investment decisions, such as setting expectations for their investment managers to engage in ESG investing, establishing company screens, and assessing greenwashing or misleading claims. Currently, IASJ Affiliates do not have access to comparable data from mandatory disclosures, and often lack capacity and expertise to compare data from companies that voluntarily disclose information.
- While the shareholder engagement process has been important in developing models and best practices for climate disclosure, consistent and mandatory disclosure across the market that allows efficient and informed investor decision-making, necessitates the requested disclosures.

IASJ’s comments of components of the Proposed Rule

Inclusion of Indigenous Rights

IASJ is a member of the Investors and Indigenous Peoples Working Group (IIPWG) and views the rights of Indigenous Peoples as critical to disclosure on climate strategy and reporting. Specifically, companies whose business models, operations, transition plans, and emissions impact the rights of Indigenous Peoples as defined under the United Nations Declaration on the Rights of Indigenous Peoples are inseparable from issues related to climate risk. Financial institutions like the World Bank have acknowledged that Indigenous Rights are critical pillars to climate solutions, such as forest conservation and climate stability.² The UN Intergovernmental Panel on Climate Change’s (IPCC) recent reports have acknowledged with “high confidence” that adaptation efforts benefit from the

¹ https://www.ipcc.ch/site/assets/uploads/2022/04/IPCC_AR6_WGIII_PressRelease_English.pdf

² <https://blogs.worldbank.org/climatechange/indigenous-land-rights-critical-pillar-climate-action>

inclusion of local and Indigenous knowledge. IASJ has engaged with companies to seek greater disclosure on their approach to risks associated with climate transition plans and violating Indigenous Rights. Proposals filed with Citigroup³ and Wells Fargo⁴ in 2022 received 34% and 26% of shareholder support respectively. Please see the comment submitted by IIPWG members on recommendations for inclusion of Indigenous Rights, IASJ supports this in full.

Inclusion of Just Transition

Just Transition, defined as achieving a healthy economy and a clean environment via a fair process that protects workers and communities, presents critical material risks to companies carrying out climate transition plans.⁵ Potential impacts associated with the Just Transition include impacts to the workforce, violation of Indigenous Rights, and risks to local and fenceline communities. Companies that have not sufficiently managed these transition risks have been exposed to material impacts such as loss of social license to operate, reputational damage, litigation, and damaged relationships with employees, business partners, and local communities. A 2021 benchmark from the Business and Human Rights Resource Centre found that the majority of renewable energy companies have inadequate policies in place to prevent human rights abuses, specifically violations of land rights, Indigenous Peoples' rights, and protections for human rights defenders.⁶ A prominent 61-megawatt wind project in Kenya was cancelled in 2016 following delays, protests from local communities, and land disputes, resulting in investment losses of \$66 million.⁷ A 2022 energy policy study identified 53 utility-scale renewable energy projects spanning 28 U.S. states that faced opposition and were subsequently cancelled or delayed between 2008 and 2021.⁸ At a minimum, disclosures related to the needs of and impacts to the workforce and communities should include how registrants are managing potential and actual reputational risks or negative attention from unfavorable impacts and disproportionate burdens of their climate risk mitigation efforts on these constituents.

Scope 3 Emissions

Scope 3 emissions disclosure for all registrants is essential for assessing material climate risk. The SEC should create the conditions necessary for an orderly development of needed market information by creating a consistent Scope 3 requirement. The tools and methodologies needed to provide estimated scope three emissions are available now and will be refined over time. The proposed rule gives sufficient leeway to start with rough estimates and to refine Scope 3 calculations over time. Please see the comment submitted by the Interfaith Center on Corporate Responsibility on recommendations for inclusion of Scope 3 emissions, IASJ supports this in full.

The climate crisis requires immediate action to mitigate the growing threats to financial markets and the economy, and, more importantly, to people. Therefore, we ask the SEC to strengthen the elements of the Proposed Rule to ensure investors and companies have uniform, comparable

³ <https://iasj.org/wp-content/uploads/2022-Citigroup-Proposal-on-Indigenous-Peoples-Rights-FINAL.pdf>

⁴ <https://iasj.org/wp-content/uploads/Wells-Fargo-Proposal-2022-on-Indigenous-Rights-FINAL.pdf>

⁵ <http://jtalliance.org/what-is-just-transition/>

⁶ <https://www.business-humanrights.org/en/from-us/briefings/renewable-energy-human-rights-benchmark-2/>

⁷ <https://www.greentechmedia.com/articles/read/human-rights-challenges-flying-under-radar-for-renewables-industry>

⁸ <https://www.sciencedirect.com/science/article/pii/S0301421522001471>

information to best manage such risks. We again applaud the Commission for its comprehensive efforts on the Proposed Rule, appreciate the opportunity to participate in this rulemaking, and thank you for your consideration of our comments. For further discussion or questions, please contact: Courtney Wicks, Executive Director at [REDACTED]

Sincerely,

A handwritten signature in black ink that reads "Courtney Wicks". The signature is written in a cursive style with a large, looped "C" and "W".

Courtney Wicks
Executive Director
Investor Advocates for Social Justice