# WSP USA's Response to Request for Comments on SEC Proposed Ruling: The Enhancement and Standardization of Climate-related Disclosures for Investors

File Number: S7-10-22
Release Number: 33-11042; 34-94478
Commenter: WSP USA
Submission Date: June 17, 2022

## Contents

# Background on WSP USA

WSP USA is the U.S. operating company of WSP Global, one of the world's leading engineering and professional services firms. With more than 12,000 employees in over 200 offices across the United States, WSP USA provides engineering and consulting services to private- and public-sector clients.

WSP USA's Climate, Resilience & Sustainability (CRS) business line brings together several teams to partner with companies, government agencies, and communities across the country to solve the dynamic challenges of equitable climate mitigation, asset and infrastructure adaptation, and emergency management.

Within CRS, the Sustainability, Energy, and Climate Change (SECC) practice comprises more than 100 professionals with deep domain expertise in sustainability strategy, greenhouse gas (GHG) management, carbon markets, climate resilience, lifecycle assessment, water stewardship, and related topics.

# Comments to Select Questions

We have prepared comments to select questions where we have professional expertise. The comments are organized by section, and we have included the question and our response. Please note that the comments shared in this document solely represent the perspectives of WSP USA, not those of other operating companies of WSP Global.

## Section B: Climate Strategy

19. Should we require a registrant to describe the actual and potential impacts of its material climate-related risks on its strategy, business model, and outlook, as proposed? Should we require a registrant to disclose impacts from climate-related risks on, or any resulting significant changes made to, its business operations, including the types and locations of its operations, as proposed?

We believe this information serves as the foundation for investors to understand an organization's climate-related financial risk. Understanding potential material impacts on strategy, business planning, and outlook may provide decision-making information that is useful to investors. We recommend that location data be provided at a level that the entity feels comfortable with (e.g., state based, region based, or city based) based on information already in the public domain to avoid any potential security concerns.

20. Should we require a registrant to disclose climate-related impacts on, or any resulting significant changes made to, its products or services, supply chain or value chain, activities to mitigate or adapt to climate-related risks, including adoption of new technologies or processes, expenditure for research and development, and any other significant changes or impacts, as proposed? Are there any other aspects of a registrant's business operations, strategy, or business model that we should specify as being subject to this disclosure requirement to the extent they may be impacted by climate-related factors?

We agree that a registrant should be required to address material changes to products or services; supply chain or value chain; activities to mitigate or adapt to climate-related risks, including adoption of new technologies or processes; expenditure for research and development; and any other significant changes or impacts. We propose requiring disclosure of only material risks and impacts.

With respect to value chain, we suggest limiting required analysis to Tier 1 (direct) suppliers because analyzing indirect suppliers could be difficult. For example, in the case of large companies with multiple tiers and thousands of suppliers, entire value chain reporting may not be practical. Over time, more Tier 1 suppliers could also report the emissions from their suppliers, encompassing more of the value chain. Companies can have tens or hundreds of thousands of upstream suppliers and downstream value chain partners.

21. Should we require a registrant to specify the time horizon applied when assessing its climate-related impacts (i.e., in the short, medium, or long term), as proposed?

We support registrants describing the time horizons used for assessing climate-related impacts and financial consequences, but would recommend guidance from the Commission to define (in years) at least three time horizons: short, medium, and long term for registrants to employ. This would give context for investors to better understand annual reported climate-related financial risk assessments, and over many reporting periods would enable investors to have context for, and track an organization's ongoing assessment and management of its own climate-related risks.

22. Should we require a registrant to discuss whether and how it considers any of the described impacts as part of its business strategy, financial planning, and capital allocation, as proposed? Should we require a registrant to provide both current and forward-looking disclosures to facilitate an understanding of whether the implications of the identified climate-related risks have been integrated into the registrant's business model or strategy, as proposed? Would any of the proposed disclosures present competitive concerns for registrants? If so, how can we mitigate such concerns?

A registrant should describe whether and, if so, how climate-related impacts inform its business strategy, financial planning, and capital allocation.

25. Should we require a registrant to provide a narrative discussion of whether and how any of its identified climate-related risks have affected or are reasonably likely to affect its consolidated financial statements, as proposed? Should the discussion include any of the financial statement metrics in proposed 17 CFR 210.14-02 (14-02 of Regulation S-X) that demonstrate that the identified climate-related risks have had a material impact on reported operations, as proposed? Should the discussion include a tabular representation of such metrics?

Registrants should provide a narrative discussion regarding how climate risks may reasonably affect their consolidated financial statements. See Section F, Financial Metrics, for more details.

30. - [Multipart question broken down into each question and response below.]

1. Should we require a registrant to disclose analytical tools, such as scenario analysis, that it uses to assess the impact of climate-related risks on its business and consolidated financial statements, and to support the resilience of its strategy and business model, as proposed?

   We recommend that all companies regularly conduct some form of scenario analysis to inform their understanding of their own climate-related financial risks and to inform and support the resilience of their strategy and business model.

2. What other analytical tools do registrants use for these purposes, and should we require disclosure of these other tools?

   We are supportive of disclosure of all tools that registrants choose to use to analyze climate-related financial risks.

3. Are there other situations in which some registrants should be required to conduct and provide disclosure of scenario analysis?

   We do not have a response to this question.

4. Alternatively, should we require all registrants to provide scenario analysis disclosure?

   Registrants should describe the tools or processes used in a forward-looking scenario analysis.

5. If a registrant does provide scenario analysis disclosure, should we require it to follow certain publicly available scenario models, such as those published by the IPCC, the IEA, or NGFS and, if so, which scenarios?

   The scenarios listed have different use-case applications and may be more or less relevant for registrants in different sectors or industries. Some assessment of the use-cases of these scenarios for specific sectors may be important before prescribing their use (e.g., NGFS for financial services, IEA for utilities or energy). However, it would be important at some point in the future that registrants within the same sector apply the same scenario models to ensure consistency of disclosures within sectors or industries. This will enable better assessment by regulators and investors and will help minimize discrepancies that could be misleading between organizations within similar sectors or industries.

6. Should we require a registrant providing scenario analysis disclosure to include the scenarios considered (e.g., an increase of global temperature of no greater than 3 degrees, 2 degrees, or 1.5 degrees C above pre-industrial levels), the parameters, assumptions, and analytical choices, and the projected principal financial impacts on the registrant's business strategy under each scenario, as proposed?

   We agree that a registrant should describe the scenario models used for its assessment, but at least one warming scenario should be based on the then-known business-as-usual (BAU) temperature trajectory, and not limited to "no greater than 3 degrees". This provides an important context for investors to better understand results and future risks.

7. Are there any other aspects of scenario analysis that we should require registrants to disclose?

   We recommend that the following aspects of scenario analysis be disclosed:

   1. Alignment with the company's defined short-, medium-, and long-term business planning time horizons.
   2. A description of how vulnerability to climate-related financial impacts was assessed.
   3. Risks and opportunities considered.
   4. When the scenario analysis was conducted and the planned frequency of updates if other than annually.
   5. Any structural business changes since the scenario analysis was conducted.

8. For example, should we require a registrant using scenario analysis to consider a scenario that assumes a disorderly transition?

   We recommend encouraging registrants to assess a disorderly transition.

9. Is there a need for us to provide additional guidance regarding scenario analysis?

Yes. See our response to question 5. While significant scenario analysis guidance is available on the market, it may be prudent for the Commission to provide its opinion on the topic to clarify issuer concerns.

10. Are there any aspects of scenario analysis in our proposed required disclosure that we should exclude?

    We do not have a response to this question.

11. Should we also require a registrant that does not use scenario analysis to disclose that it has not used this analytical tool? Should we also require a registrant to disclose its reasons for not using scenario analysis?

    We do not have a response to this question.

12. Will requiring disclosure of scenario analysis if and when a registrant performs scenario analysis discourage registrants from conducting scenario analysis? If so, and to the extent scenario analysis is a useful tool for building strategic resilience, how could our regulations prevent such consequences?

    We do not have a response to this question.

Section D: Governance Disclosure

34. Should we require a registrant to describe, as applicable, the board's oversight of climate-related risks, as proposed? Should the required disclosure include whether any board member has expertise in climate-related risks and, if so, a description of the nature of the expertise, as proposed? Should we also require a registrant to identify the board members or board committee responsible for the oversight of climate-related risks, as proposed? Do our current rules, which require a registrant to provide the business experience of its board members, elicit adequate disclosure about a board member's or executive officer's expertise relevant to the oversight of climate-related risks?

We agree registrants should describe, as applicable, the board's oversight of climate-related risks. The registrant should describe what, if any training or expertise/skill building the board members have undertaken to enhance their understanding of climate-related financial risks and opportunities for the organization.

35. Should we require a registrant to disclose the processes and frequency by which the board or board committee discusses climate-related risks, as proposed?

It is helpful for investors to understand the frequency and processes in which climate change issues are discussed by the board or board committees.

36. Should we require a registrant to disclose whether and how the board or board committee considers climate-related risks as part of its business strategy, risk management, and financial oversight, as proposed? Would the proposed disclosure raise competitive harm concerns? If so, how could we address those concerns while requiring additional information for investors about how a registrant's board oversees climate-related risks?

We agree with this requirement because it is consistent with recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD). Transparency regarding how the board or board committee consider climate-related risks as part of its business strategy, risk management, and financial oversight is useful to investors in understanding whether the registrant has truly integrated climate-

related financial risk into its operations and strategy. We recommend that the registrant provide tangible examples of how it has incorporated climate-related financial risk into its strategy, risk management, and financial oversight to avoid qualitative statements that lead to greenwashing.

37. Should we require a registrant to disclose whether and how the board sets climate-related targets or goals, as proposed? Should the required disclosure include how the board oversees progress against those targets or goals, including whether it establishes any interim targets or goals, as proposed? Would the proposed disclosure raise competitive harm concerns? If so, how could we address those concerns while requiring additional information for investors about how a registrant's board oversees the setting of any climate-related targets or goals?

Understanding the board's role in setting organizational level goals is important to understanding the context of climate-related risks in the broader priority of the organization.

38. Should we require a registrant to describe, as applicable, management's role in assessing and managing climate-related risks, as proposed? Should the required disclosure include whether certain management positions or committees are responsible for assessing and managing climate-related risks and, if so, the identity of such positions or committees, and the relevant expertise of the position holders or members in such detail as necessary to fully describe the nature of the expertise, as proposed? Should we require a registrant to identify the executive officer(s) occupying such position(s)? Or do our current rules, which require a registrant to provide the business experience of its executive officers, elicit adequate disclosure about management's expertise relevant to the oversight of climate-related risks?

As noted above, understanding management's role in setting organizational level goals is important to understanding the context of climate-related risks in the broader priority of the organization. It is helpful to understand the general organization of management, e.g., specific positions with accountability over climate risks, as well as information about how/if climate risk is being integrated into all management positions.

39. Should we require a registrant to describe the processes by which the management positions or committees responsible for climate-related risks are informed about and monitor climate-related risks, as proposed? Should we also require a registrant to disclose whether and how frequently such positions or committees report to the board or a committee of the board on climate-related risks, as proposed?

This information is consistent with TCFD recommendations and questions in the CDP Climate Change Questionnaire.

40. Should we specifically require a registrant to disclose any connection between executive remuneration and the achievement of climate-related targets and goals? Is there a need for such a requirement in addition to the executive compensation disclosure required by 17 CFR 229.402(b)?

This is a reasonable requirement in cases where the incentive structure may already be described in public filings. A registrant should be allowed to provide a qualitative description if case-specific financial information is considered confidential.

Section E: Risk Management Disclosure

42. Should we require a registrant to describe its processes for identifying, assessing, and managing climate-related risks, as proposed?

This is consistent with the TCFD recommendations. However, we recommend the Commission provide additional guidance or explanation on what is considered "climate-related."

43. When describing the processes for identifying and assessing climate-related risks, should we require a registrant to disclose, as applicable, as proposed:

- How the registrant determines the relative significance of climate-related risks compared to other risks? Yes, this is important to understanding the broader context for how climate risks fit into an organization's overall risk taxonomy.
- How it considers existing or likely regulatory requirements or policies, such as emissions limits, when identifying climate-related risks? Yes, this is an important transition-related risk.
- How it considers shifts in customer or counterparty preferences, technological changes, or changes in market prices in assessing potential transition risks? Yes, this is an important transition-related risk.
- How the registrant determines the materiality of climate-related risks, including how it assesses the potential size and scope of an identified climate-related risk? Are there other items relevant to a registrant's identification and assessment of climate-related risks that we should require it to disclose instead of or in addition to the proposed disclosure items? Yes, this is very important for an investor to understand and helps set the context for the entire disclosure.

44. When describing the processes for managing climate-related risks, should we require a registrant to disclose, as applicable, as proposed:

- How it decides whether to mitigate, accept, or adapt to a particular risk? Yes.
- How it prioritizes climate-related risks? Yes. In particular, how it prioritizes climate-related risks compared to other risks the registrant is managing.
- How it determines to mitigate a high priority risk? Yes.

45. Should we require a registrant to disclose whether and how the processes described in response to proposed 17 CFR 229.1503(a) are integrated into the registrant's overall risk management system or processes, as proposed? Should we specify any particular aspect of this arrangement that a registrant should disclose, such as any interaction between, and corresponding roles of, the board or any management committee responsible for assessing climate-related risks, if there is a separate and distinct committee of the board or management, and the registrant's committee in charge, generally, of risk assessment and management?

We agree with this because it is consistent with the TCFD recommendations, but it may be helpful to investors for reporting to occur at a summary level. How, and to what degree, the registrant has mainstreamed climate risk into its normal business operations, risk management functions, and planning should be the primary outcome of this requirement.

47. If a registrant has adopted a transition plan, should we require it, when describing the plan, to disclose, as applicable, how the registrant plans to mitigate or adapt to any identified physical risks, including but not limited to those concerning energy, land, or water use and management, as proposed? Are there any other aspects or considerations related to the mitigation or adaption to physical risks that we should specifically require to be disclosed in the description of a registrant's transition plan?

Describing the process for how the registrant plans to mitigate and adapt in the context of both physical and transition climate risks over time is important.

48. If a registrant has adopted a transition plan, should we require it to disclose, if applicable, how it plans to mitigate or adapt to any identified transition risks, including the following, as proposed:

    Laws, regulations, or policies that:

- Restrict greenhouse gas emissions or products with high greenhouse gas footprints, including emissions caps; or
    - Require the protection of high conservation value land or natural assets?
- Imposition of a carbon price?
- Changing demands or preferences of consumers, investors, employees, and business counterparts?
- Are there any other transition risks that we should specifically identify for disclosure, if applicable, in the transition plan description? Are there any identified transition risks that we should exclude from the plan description?

A registrant should be required to provide information on how it plans to address the different transition and physical risks that it perceives as material to its firm or organization.

The transition risks that the Commission proposes to highlight are useful examples of common transition risks that most companies across industry sectors face. Ensuring that some response is required will enable greater consistency in disclosure across and within industries. Registrants should have flexibility to include additional transition risks specific to their company and/or industry.

## Section F: Financial Statement Metrics

55. The proposed rules would require disclosure for the registrant's most recently completed fiscal year and for the corresponding historical fiscal years included in the registrant's consolidated financial statements in the filing. Should disclosure of the climate-related financial statement metrics be required for the fiscal years presented in the registrant's financial statements, as proposed? Instead, should we require the financial statement metrics to be calculated only for the most recently completed fiscal year presented in the relevant filing? Would requiring historical disclosure provide important or material information to investors, such as information allowing them to analyze trends? Are there other approaches we should consider?

It could be helpful to investors for registrants to disclose climate-related financial statement metrics for the fiscal years presented in the registrants' financial statements, although guidance on which common climate-related financial metrics are required for all registrants would be important given there are some industry-specific financial metrics commonly reported in financial disclosures. Further, we recommend that the rule require a registrant to calculate and disclose these metrics initially for the most recently completed fiscal year. A historical disclosure view will develop over time as the company reports its climate-related risks each year.

59. Should we require registrants to disclose the financial impact metrics, as proposed? Would presenting climate-specific financial information on a separate basis based on climate-related events (severe weather events and other natural conditions and identified physical risks) and transition activities (including identified transition risks) elicit decision-useful or material information for investors? Are there different metrics that would result in disclosure of more useful information about the impact of climate-related risks and climate-related opportunities on the registrant's financial performance and position?

It will be important to provide guidance on both (1) climate-related financial metrics that report historical financial impacts for the reporting year (or prior years), and (2) climate-related financial metrics that disclose expected future financial impacts. Where feasible, providing a financial projection of costs for potential future conditions would be helpful as part of the scenario analysis. Providing actual costs spent from the previous year that were directly related to severe weather events, other natural conditions and transition activities would also be helpful.

63. Is it clear which climate-related events would be covered by "severe weather events and other natural conditions"? If not, should we provide additional guidance or examples about what events would be covered? Should we clarify that what is considered "severe weather" in one region may differ from another region? For example, high levels of rainfall may be considered "severe weather" in a typically arid region.

We recommend providing more guidance to assist registrants in understanding the Commission's expectations with regard to assessing all climate-related weather events (both acute and chronic). Of particular concern would be defining chronic issues such as sea level rise, extreme heat, or water stress.

Section G: Greenhouse Gas Emissions Metrics Disclosure

94. Should we require a registrant to disclose its greenhouse gas emissions both in the aggregate, per scope, and on a disaggregated basis for each type of greenhouse gas that is included in the Commission's proposed definition of "greenhouse gases," as proposed? Should we instead require that a registrant disclose on a disaggregated basis only certain greenhouse gases, such as methane ($CH_4$) or hydrofluorocarbons (HFCs), or only those greenhouse gases that are the most significant to the registrant? Should we require disaggregated disclosure of one or more constituent greenhouse gases only if a registrant is obligated to separately report the individual gases pursuant to another reporting regime, such as the EPA's greenhouse gas reporting regime or any foreign reporting regime? If so, should we specify the reporting regime that would trigger this disclosure?

We agree with reporting emissions in aggregate by scope. We agree with reporting emissions disaggregated by gas for scope 1 and scope 2, but not for scope 3. Currently, the emission factors available to quantify scope 3 are often already in units of carbon dioxide equivalent, and it may not be possible to disaggregate without introducing more assumptions. Reporting disaggregated emissions for scope 3 should be optional, where gases are easily disaggregated or already disaggregated for other purposes.

95. We have proposed defining "greenhouse gases" as a list of specific gases that aligns with the Greenhouse Gas Protocol and the list used by the EPA and other organizations. Should other gases be included in the definition? Should we expand the definition to include any other gases to the extent scientific data establishes a similar impact on climate change with reasonable

certainty? Should we require a different standard to be met for other greenhouse gases to be included in the definition?

We agree that the gases defined in the United Nations Framework Convention on Climate Change (UNFCCC)/Kyoto Protocol should be included in the definition of GHGs, consistent with the requirements of the GHG Protocol. The GHG Protocol issued an amendment to the corporate standard in February 2013, "Accounting and Reporting Standard Amendment" adding a seventh gas, nitrogen trifluoride ($NF_3$). This amendment will be updated in the future following any updates to the list from UNFCCC/Kyoto Protocol. Currently this document says companies, "Shall account for and report the emissions of all the GHGs required by the UNFCCC/Kyoto Protocol at the time the corporate or product inventory is being compiled. These GHGs are currently: carbon dioxide ($CO_2$), methane ($CH_4$), nitrous oxide ($N_2O$), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride ($SF_6$), and nitrogen trifluoride ($NF_3$)." This amendment can be found on the GHG Protocol's site under the corporate standard, supporting documents: https://ghgprotocol.org/corporate-standard.

96. Should we require a registrant to express its emissions data in CO2e, as proposed? If not, is there another common unit of measurement that we should use? Is it important to designate a common unit of measurement for emissions data, as proposed, or should we permit registrants to select and disclose their own unit of measurement?

We agree with the requirement to report emissions in $CO_2e$. This global practice of reporting corporate GHG emissions makes reporting, comparing, and communicating impacts easier. Registrants should state which version of global warming potentials (GWPs) are applied, along with the time-horizon. The GHG Protocol requires use of 100-year GWPs. This requirement is also clear in the Accounting and Reporting Standard Amendment from February 2013, referenced in question 95 (https://ghgprotocol.org/corporate-standard).

97. Should we require a registrant to disclose its total scope 1 emissions and total scope 2 emissions separately for its most recently completed fiscal year, as proposed? Are there other approaches that we should consider?

Registrants should be required to report scope 1 and scope 2 emissions separately for the most recent 12-month period available. We recommend allowing registrants to choose the 12-month reporting period (e.g., fiscal year, calendar year, or another 12-month period). It may be difficult for many companies to report high-quality data for all 12 months and have the data verified in time if fiscal-year reporting is the only option. This would likely result in many companies estimating fourth quarter data, which could create challenges around the reconciliation of estimated vs actual fourth quarter data. Reporting data for same 12-month period each year to measure progress consistently year over year is more important than which 12-month period is reported.

98. Should we require a registrant to disclose its scope 3 emissions for the fiscal year if material, as proposed? Should we instead require the disclosure of scope 3 emissions for all registrants, regardless of materiality? Should we use a quantitative threshold, such as a percentage of total emissions (e.g., 25%, 40%, 50%) to require the disclosure of scope 3 emissions? If so, is there any data supporting the use of a particular percentage threshold? Should we require registrants in particular industries, for which scope 3 emissions are a high percentage of total emissions, to disclose scope 3 emissions?

We agree scope 3 emissions should be required if the registrant determines them to be material, or already has a scope 3 target, which implies they are material. We recommend providing a definition for materiality following the quantitative threshold defined by Science Based Targets initiative (SBTi), which indicates that scope 3 is material, "If a company's relevant scope 3 emissions are 40% of more of total

scope 1, 2, and 3 emissions." (See page 5, SBTi Target Validation Protocol V3.0 https://sciencebasedtargets.org/step-by-step-process#develop-a-target). A registrant should only be required to report on relevant scope 3 categories, as defined by the registrant consistent with GHG Protocol guidance on scope 3 relevance.

99. Should we require a registrant that has made an emissions reduction commitment that includes scope 3 emissions to disclose its scope 3 emissions, as proposed? Should we instead require registrants that have made any emissions reduction commitments, even if those commitments do not extend to scope 3, to disclose their scope 3 emissions? Should we only require scope 3 emissions disclosure if a registrant has made an emissions reduction commitment that includes scope 3 emissions?

We recommend requiring scope 3 emissions disclosure if a registrant has made an emissions reduction commitment that includes scope 3 emissions. Also see our response to question 98.

100. Should scope 3 emissions disclosure be voluntary? Should we require scope 3 emissions disclosure in stages, e.g., requiring qualitative disclosure of a registrant's significant categories of upstream and downstream activities that generate scope 3 emissions upon effectiveness of the proposed rules, and requiring quantitative disclosure of a registrant's scope 3 emissions at a later date? If so, when should we require quantitative disclosure of a registrant's scope 3 emissions?

We agree the scope 3 requirement should be phased in as proposed. See response to question 98 for more information.

102. Should we require a registrant to disclose its scope 3 emissions for each separate significant category of upstream and downstream emissions as well as a total amount of scope 3 emissions for the fiscal year, as proposed? Should we only require the disclosure of the total amount of scope 3 emissions for the fiscal year? Should we require the separate disclosure of scope 3 emissions only for certain categories of emissions and, if so, for which categories?

Registrants should report emissions for relevant scope 3 categories separately to provide investors a more complete understanding.

105. Should we require the calculation of a registrant's scope 1, scope 2, and/or scope 3 emissions to be as of its fiscal year end, as proposed? Should we instead allow a registrant to provide its greenhouse gas emissions disclosures according to a different timeline than the timeline for its Exchange Act annual report? If so, what should that timeline be? For example, should we allow a registrant to calculate its scope 1, scope 2, and/or scope 3 emissions for a 12-month period ending on the latest practicable date in its fiscal year that is no earlier than three months or, alternatively, six months prior to the end of its fiscal year? Would allowing for an earlier calculation date alleviate burdens on a registrant without compromising the value of the disclosure? Should we allow such an earlier calculation date only for a registrant's scope 3 emissions? Would the fiscal year end calculations required for a registrant to determine if scope 3 emissions are material eliminate the benefits of an earlier calculation date? Should we instead require a registrant to provide its greenhouse gas emissions disclosures for its most recently completed fiscal year one, two, or three months after the due date for its Exchange Act annual report in an amendment to that report?

As suggested in our response to questions 97 and 125, companies should be allowed to report aligned with a 12-month period of their choosing as long as it is consistent each year. This period should be reasonably close to the most recently completed fiscal year, for example within 12 months of the fiscal

year-end. For example, companies may report calendar year 2020 data in their 2022 annual financial filing if they are unable to complete and verify their 2021 calendar year data in time. This will alleviate burdens on the reporting company and allow third-party assurance providers time to provide a high-quality review of the data.

106. Should we require a registrant that is required to disclose its scope 3 emissions to describe the data sources used to calculate the scope 3 emissions, as proposed? Should we require the proposed description to include the use of: (i) emissions reported by parties in the registrant's value chain, and whether such reports were verified or unverified; (ii) data concerning specific activities, as reported by parties in the registrant's value chain; and (iii) data derived from economic studies, published databases, government statistics, industry associations, or other third-party sources outside of a registrant's value chain, including industry averages of emissions, activities, or economic data, as proposed? Are there other sources of data for scope 3 emissions the use of which we should specifically require to be disclosed? For purposes of our disclosure requirement, should we exclude or prohibit the use of any of the proposed specified data sources when calculating scope 3 emissions and, if so, which ones?

Registrants required to disclose scope 3 emissions should describe the data sources used to quantify emissions. For comparability, the Commission should provide a list of general data options that could follow the GHG Protocol calculation guidance general descriptions by category. For example, Category 1 has the options of: supplier-specific method, hybrid method, average-data method, and spend-based method. A complete list is available in Appendix D of the Technical Guidance for Calculating Scope 3 Emissions available here: https://ghgprotocol.org/scope-3-technical-calculation-guidance.

114. Should we require greenhouse gas emissions disclosure for the registrant's most recently completed fiscal year and for the appropriate, corresponding historical fiscal years included in the registrant's consolidated financial statements in the filing, to the extent such historical greenhouse gas emissions data is reasonably available, as proposed? Should we instead only require greenhouse gas emissions metrics for the most recently completed fiscal year presented in the relevant filing? Would requiring historical greenhouse gas emissions metrics provide important or material information to investors, such as information allowing them to analyze trends?

Registrants should be required to report GHG emissions for the most recently completed 12-month period. See response to question 97; the period does not need to align with fiscal year. If a registrant has a goal, it should report, at a minimum, its base year and the most recent year to demonstrate progress toward its goal. Reporting on other annual periods in between will provide investors more insight into the trends and allow them to assess if the company is effective at implementing emission-reduction initiatives. However, providing information on in-between periods should be optional, and registrants may choose to share if available.

116. Should we require a registrant to disclose the organizational boundaries used to calculate its greenhouse gas emissions, as proposed? Should we require a registrant to determine its organizational boundaries using the same scope of entities, operations, assets, and other holdings within its business organization as that used in its consolidated financial statements, as proposed? Would prescribing this method of determining organizational boundaries avoid potential investor confusion about the reporting scope used in determining a registrant's greenhouse gas emissions and the reporting scope used for the financial statement metrics, which are included in the financial statements? Would prescribing this method of determining organizational boundaries result in more robust guidance for registrants and enhanced comparability for investors? If, as proposed, the organizational boundaries must be consistent

with the scope of the registrant's consolidated financial statements, would requiring separate disclosure of the organizational boundaries be redundant or otherwise unnecessary?

We agree that registrants should disclose the organizational boundaries used to calculate its GHG emissions. Registrants should be allowed to follow any of the organizational boundary types as defined by the GHG Protocol: equity share, financial control, or operational control. The proposed requirement could require many companies to change the organizational boundary they use, which could place undue burden on registrants, especially those that have targets based on their current organizational boundaries. The registrant would then either track two sets of numbers for different boundaries, or potentially abandon the current goal, which may have unintended consequences. Additionally, historical data may not be available, so investors may have fewer data points to evaluate performance.

118. Could situations arise where it is impracticable for a registrant to align the scope of its organizational boundaries for greenhouse gas emission data with the scope of the consolidation for the rest of its financial statements? If so, should we allow a registrant to take a different approach to determining the organizational boundaries of its greenhouse gas emissions and provide related disclosure, including an estimation of the resulting difference in emissions disclosure (in addition to disclosure about methodology and other matters that would be required by the proposed greenhouse gas emissions disclosure rules)?

See our response to question 116. Registrants should be allowed to use any of the organizational boundary approaches defined by the GHG Protocol.

119. Alternatively, should we require registrants to use the organizational boundary approaches recommended by the Greenhouse Gas Protocol (e.g., financial control, operational control, or equity share)? Do those approaches provide a clear enough framework for complying with the proposed rules? Would such an approach cause confusion when analyzing information in the context of the consolidated financial statements or diminish comparability? If we permit a registrant to choose one of the three organizational boundary approaches recommended by the Greenhouse Gas Protocol, should we require a reconciliation with the scope of the rest of the registrant's financial reporting to make the disclosure more comparable?

We agree registrants should be allowed to use the organizational boundaries defined by the GHG Protocol. See our response to question 116. Where these boundaries significantly differ from the entities reported in consolidation statements, or where major sources of emissions are excluded, registrants could provide a narrative description of the difference in boundary for GHG emissions reporting and financial reporting.

122. Should we require a registrant to use the same organizational boundaries when calculating its scopes 1 and 2 emissions, as proposed? Are there any circumstances when a registrant's organizational boundaries for determining its scope 2 emissions should differ from those required for determining its scope 1 emissions? Should we also require a registrant to apply the same organizational boundaries used when determining its scopes 1 and 2 emissions as an initial step in identifying the sources of indirect emissions from activities in its value chain over which it lacks ownership and control and which must be included in the calculation of its scope 3 emissions, as proposed? Are there any circumstances where using a different organizational boundary for purposes of scope 3 emissions disclosure would be appropriate?

Registrants should be consistent in their use of organizational and operational boundaries across scopes and over time. The organizational boundary defines what operations should be included in scope 1 and 2 versus scope 3. Choosing to use a different boundary for different scopes would lead to double counting or excluding emission sources relevant to the organization's operations. To track emissions

consistently over time, the boundary must remain consistent. If there is a reason the boundary needs to change, then the registrant should restate all historical years that are part of the goal period.

123. Should we require a registrant to be consistent in its use of its organizational and operational boundaries once it has set those boundaries, as proposed? Would the proposed requirement help investors to track and compare the registrant's greenhouse gas emissions over time?

See our response to question 122. Registrants should be consistent in their use of organizational and operational boundaries across scopes and over time. This is the intent of defining organizational boundaries.

124. Should we require a registrant to disclose the methodology for calculating the greenhouse gas emissions, including any emission factors used and the source of the emission factors, as proposed? Should we require a registrant to use a particular set of emission factors, such as those provided by the EPA or the Greenhouse Gas Protocol?

Registrants should disclose the methodology for calculating GHG emissions, including any emission factors used and the sources. If the Commission chooses to require a particular set of emission factors, it should consider the availability of these factors to all free of charge as well as the frequency of updates. Some factors (e.g., electricity) should be updated as often as annually, while others remain relatively constant in lieu of a methodology change.

125. Should we permit a registrant to use reasonable estimates when disclosing its greenhouse gas emissions as long as it also describes the assumptions underlying, and its reasons for using, the estimates, as proposed? Should we permit the use of estimates for only certain greenhouse gas emissions, such as scope 3 emissions? Should we permit a registrant to use a reasonable estimate of its greenhouse gas emissions for its fourth fiscal quarter if no actual reported data is reasonably available, together with actual, determined greenhouse gas emissions data for its first three fiscal quarters when disclosing its greenhouse gas emissions for its most recently completed fiscal year, as long as the registrant promptly discloses in a subsequent filing any material difference between the estimate used and the actual, determined greenhouse gas emissions data for the fourth fiscal quarter, as proposed? If so, should we require a registrant to report any such material difference in its next Form 10-Q if domestic, or in a Form 6-K, if a foreign private issuer? Should we permit a domestic registrant to report any such material difference in a Form 8-K if such form is filed (rather than furnished) with the Commission? Should any such reasonable estimate be subject to conditions to help ensure accuracy and comparability? If so, what conditions should apply?

Registrants should be allowed to use reasonable estimates in their annual GHG emissions reporting. However, ample time should be provided for reporting to reduce the number of estimates that need to be made. As suggested in our response to question 97, companies should be allowed to report a 12-month period of their choosing as long as it is consistent each year. This period should be reasonably close to the most recently completed fiscal year (e.g., within 12 months of the fiscal year end). The GHG Protocol requires that companies evaluate their emissions for any required historical adjustment each year. These adjustments could be due to structural changes (mergers, acquisitions, and divestments), methodology changes (improvements in emission factors or activity data), or discovery of significant errors. (See page 35 of GHG Protocol: A Corporate Accounting and Reporting Standard [Revised Addition]. Available at: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf.)

As a result, companies should already be restating historical emissions if errors are found to be above the company's defined significance threshold. Introducing yet another round of restatements could cause confusion and increase the burden of reporting. We recommend allowing enough time to have

the annual emissions inventory accurate and assured the first time. If there are errors or changes significant enough to restate, then these should be restated as part of the annual process.

127. Should we require a registrant to disclose any material change to the methodology or assumptions underlying its greenhouse gas emissions disclosure from the previous year, as proposed? If so, should we require a registrant to restate its greenhouse gas emissions data for the previous year, or for the number of years for which greenhouse gas emissions data has been provided in the filing, using the changed methodology or assumptions? If a registrant's organizational or operational boundaries, in addition to methodology or assumptions, change, to what extent should we require such disclosures of the material change, restatements or reconciliations? In these cases, should we require a registrant to apply certain accounting standards or principles, such as FASB ASC Topic 250, as guidance regarding when retrospective disclosure should be required?

Registrants should follow the GHG Protocol guidance from chapter 5, Tracking Emissions Over Time, to assess methodology changes, structural changes, and errors to be restated. According to the GHG Protocol, a reporting company should set a significance threshold for restatement, which can be defined as appropriate for each registrant. If a registrant has a goal, then it should restate its base year and the most recent year to demonstrate progress toward its goal.

129. When determining the materiality of its scope 3 emissions, or when disclosing those emissions, should a registrant be required to include greenhouse gas emissions from outsourced activities that it previously conducted as part of its own operations, as reflected in the financial statements for the periods covered in the filing, in addition to emissions from activities in its value chain, as proposed? Would this requirement help ensure that investors receive a complete picture of a registrant's carbon footprint by precluding the registrant from excluding emissions from activities that are typically conducted as part of operations over which it has ownership or control but that are outsourced in order to reduce its scopes 1 or 2 emissions? Should a requirement to include outsourced activities be subject to certain conditions or exceptions and, if so, what conditions or exceptions?

See our response to question 127. Registrants should follow the GHG Protocol guidance from chapter 5, Tracking Emissions Over Time, which requires them to restate historical emissions for insourcing and outsourcing activities

130. Should we require a registrant that must disclose its scope 3 emissions to discuss whether there was any significant overlap in the categories of activities that produced the scope 3 emissions? If so, should a registrant be required to describe any overlap, how it accounted for the overlap, and its effect on the total scope 3 emissions, as proposed? Would this requirement help investors assess the accuracy and reliability of the scope 3 emissions disclosure?

The registrant should follow the GHG Protocol scope 3 category descriptions, which are intentionally defined to avoid overlap across categories.

## Section H. Attestation of Scope 1 and Scope 2 Emissions Disclosure

139. Should we require accelerated filers and large accelerated filers to initially include attestation reports reflecting attestation engagements at a limited assurance level, eventually increasing to a reasonable assurance level, as proposed? What level of assurance should apply to the proposed greenhouse gas emissions disclosure, if any, and when should that level apply? Should we provide a one fiscal year transition period between the greenhouse gas emissions disclosure compliance date and when limited assurance would be required for accelerated filers and large

accelerated filers, as proposed? Should we provide an additional two fiscal year transition period between when limited assurance is first required and when reasonable assurance is required for accelerated filers and large accelerated filers, as proposed?

We agree that registrants should include attestation for scopes 1 and 2 to a limited level of assurance. We do not recommend that registrants be required to increase the level to reasonable in future years. I many cases, the incremental value provided by reasonable assurance does not justify the level of effort and the costs associated with reasonable assurance, which is about two to three times higher than limited assurance. Registrants should be allowed to make this judgment.

146. Should we require the greenhouse gas emissions attestation provider to be independent with respect to the registrant, and any of its affiliates, for whom it is providing the attestation report, as proposed? Should we specify that a greenhouse gas emissions attestation provider is not independent if such attestation provider is not, or a reasonable investor with knowledge of all relevant facts and circumstances would conclude that such attestation provider is not, capable of exercising objective and impartial judgment on all issues encompassed within the attestation provider's engagement, as proposed? The proposed provision is based on a similar provision regarding the qualification of an accountant to be an independent auditor under Rule 2-01 of Regulation S-X. Is Rule 2-01 an appropriate model for determining the independence of a greenhouse gas emissions attestation provider? Is being independent from a registrant and its affiliates an appropriate qualification for a greenhouse gas emissions attestation provider?

The attestation provider should under no circumstances develop the GHG inventory. However, assuming there is no conflict of interest, the attestation provider could provide additional services not related to GHG emissions quantification.

153. As proposed, the greenhouse gas emissions attestation provider would be a person whose profession gives authority to statements made in the attestation report and who is named as having provided an attestation report that is part of the registration statement, and therefore the registrant would be required to obtain and include the written consent of the greenhouse gas emissions provider pursuant to Securities Act Section 7 and related Commission rules. This would subject the greenhouse gas emissions attestation provider to potential liability under Section 11 of the Securities Act. Would the possibility of Section 11 liability deter qualified persons from serving as greenhouse gas emissions attestation providers? Should we include a provision similar to 17 CFR 230.436(c), or amend that rule, to provide that a report on greenhouse gas emissions at the limited assurance level by a greenhouse gas emissions attestation provider that has reviewed such information is not considered part of a registration statement prepared or certified by a person whose profession gives authority to a statement made by him or a report prepared or certified by such person within the meaning of Section 7 and 11 of the Act?

The proposed requirements may reduce the number of providers available to registrants and increase costs. We support the suggested provision to allow for more providers with subject matter expertise to conduct assurances.

## Section I. Targets and Goals Disclosure

170. Should we require a registrant to discuss how it intends to meet its climate-related targets or goals, as proposed? Should we provide examples of potential items of discussion about a target or goal regarding greenhouse gas emissions reduction, such as a strategy to increase energy efficiency, a transition to lower carbon products, purchasing carbon offsets or RECs, or engaging

in carbon removal and carbon storage, as proposed? Should we provide additional examples of items of discussion about climate-related targets or goals and, if so, what items should we add? Should we remove any of the proposed examples of items of discussion?

A registrant should be required to comment on how it intends to meet its climate-related targets or goals. If a registrant prepares a separate transition plan that includes its implementation plan to achieve its targets, it could provide a limited description in its statements.

171. Should we require a registrant, when disclosing its targets or goals, to disclose any data that indicates whether the registrant is making progress towards meeting the target and how such progress has been achieved, as proposed?

Registrants who have a target should clearly report progress toward that target.

173. If a registrant has used carbon offsets or RECs, should we require the registrant to disclose the amount of carbon reduction represented by the offsets or the amount of generated renewable energy represented by the RECS, the source of the offsets or RECs, the nature and location of the underlying projects, any registries or other authentication of the offsets or RECs, and the cost of the offsets or RECs, as proposed? Are there other items of information about carbon offsets or RECs that we should specifically require to be disclosed when a registrant describes its targets or goals and the related use of offsets or RECs? Are there proposed items of information that we should exclude from the required disclosure about offsets and RECs?

Where applicable, information on the number of RECs or other procured renewable energy should be included in disclosures. The emissions impact of this procurement should already be included in a registrant's scope 2 market-based emissions reporting.

Where applicable, information on the number of offsets in terms of metric tons $CO_2e$ should be reported. Registrants should identify the offsets by project type.