SOROS

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June 16, 2022

Securities and Exchange Commission
Attn: Vanessa Countryman, Secretary
100 F. St. NE Washington, DC 20549

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

At Soros Fund Management (SFM), we believe that climate change poses a threat to the assets that we manage and the stakeholders we serve. Climate and disorderly transition impacts present material risks to businesses and value chains, as well as to broader markets. In August 2020, to do our part in helping to manage these risks, SFM committed to transition to a net zero greenhouse gas (GHG) emissions portfolio as rapidly as possible, and no later than 2040. We developed emissions reductions targets and a climate action strategy to support this commitment, both of which depend on credible corporate climate-related disclosures.

The state of emissions data and corporate climate disclosures today are inconsistent and fall short of what investors need to make financial decisions and align portfolios with a net zero scenario. As of today, SFM's impact strategy team has held meetings with nearly 100 portfolio companies to discuss their climate disclosures and transition plans. Our experience has been that companies are generally well intentioned and keen to partner on this issue, and that they appreciate clear and consistent reporting guidance from investors.

We believe the SEC's proposed rule will advance transparency and bring much-needed standardization and harmonization to climate-related disclosures in the U.S. At the same time, we want to ensure that all aspects of the proposed rule motivate the right behavior and are commercially viable for companies. Our hope is that the rule, in its final form, provides clear and practical accommodations that direct companies to deliver accurate data that can be compared to peers and prior year results rather than the most precise measurement possible. These accommodations would result in high quality emissions data and thoughtful transition plan disclosures that are cost and time effective.

In the following sections we register our support for the SEC's objective and provide comments on sections of the rule we believe are critical to investors.

Investors will benefit from credible, consistent climate-related disclosures as proposed by the SEC

The intent of the proposed rule solves for challenges that investors face, including the following disclosure types:

- **TCFD-alignment:** We believe that the TCFD framework is the right approach to elicit consistent, comparable, and reliable disclosures. We recommend the TCFD framework to our portfolio companies because it allows us to understand a company's climate transition strategy, its emissions reductions targets, and any risks that the business might face. It is evident from our discussions with companies that there is no one-size-fits-all approach to establishing an effective climate strategy and disclosures. Companies must have the latitude to bring their context – company stage, performance, industry, geography, and business model – into the equation. The TCFD framework allows companies to customize their disclosures and deliver detailed, forward-looking information on climate risks and opportunities to investors. [Question 3]

- **Climate transition plan:** If a company has adopted a climate transition plan, they should be required to describe the plan including relevant metrics and targets as proposed. This information is critical to our evaluation process. We consistently review corporate climate transition plans. If we believe a company does not have a credible plan, including science-based emissions reduction targets (with interim targets) and meaningful key performance indicators related to capital allocation, we may take action in our engagement or proxy voting as a result. For example, we have voted in favor of climate-related shareholder resolutions and against the re-election of directors where we do not believe they have a credible climate transition plan. As proposed, requiring companies to describe transition plans will help safeguard against insubstantial commitments and we believe it is unlikely to dissuade companies from adopting climate transition plans. [Question 46]

- **Emissions (Scope 1, 2 & 3):** SFM has ambitious portfolio emissions reduction targets which require credible, high-quality GHG emissions data to measure and track progress over time. This data informs our portfolio managers' investment decisions, providing greater visibility into issuers' low-carbon trajectories and alignment with our own climate targets [Question 93]. For our own evaluation, we find that disaggregated GHG emissions is a useful disclosure. [Question 94] In the absence of scope 3 reporting, it is difficult to differentiate between companies that make products which actively facilitate the climate transition, such as an Electric Vehicle (EV) manufacturer, versus companies that do not, such as Internal Combustion Engine (ICE) vehicle manufacturers. Scope 3 emissions reporting also allows us to make consistent evaluations across companies and ensure they are not incentivized to contract out high emitting activities We believe scope 3 emissions are material and believe all companies should report them. [Question 98]
    - Depending on the sector, upstream or downstream scope 3 emissions may be more relevant to an investor's scope 3 emissions evaluation. For example, in the case of ICE vehicles vs. EVs, the downstream

emissions profiles are significantly different. However, comparing two airlines -- one that sources a large percentage of its fuel from sustainable aviation fuel (SAF) and one that does not -- the upstream scope 3 emissions will perform much better for the former versus the latter. We encourage the Commission to set which scope 3 categories are most relevant depending on sector. We suggest limiting scope 3 emissions reporting requirements to any category that is more than 10% of a company's total scope 3 emissions. [Questions 102, 103]

- **Board Oversight:** We believe that the Board is responsible for oversight of a company's climate transition strategy and directors should have relevant expertise. We believe companies should disclose clear information regarding the Board's responsibilities, accountability mechanisms (frequency and reporting framework) and relevant Board member expertise in the Board bios. There are cases where we have voted against the re-election of Board directors when we are not confident that a company's climate transition plan is credible. Understanding the Board's responsibility and expertise is important in that evaluation. [Question 34]

However, it is critical that the final rule accounts for practicality, risks and costs for companies

We broadly support the proposed rule and have some suggestions to help ensure the best commercially practical outcome. The rule should clearly outline reasonable accommodations to encourage the right behavior, account for developing methodologies and anticipate the challenges faced by new market entrants and smaller companies:

Implementation Timeframe

- **Scope 1, 2, 3 emissions reporting should be phased-in for all companies:** We understand that emissions data gathering, calculating, and reporting will take time and may require additional resources, even for companies that have already begun the process. We agree with the proposal to lead with scopes 1 and 2 and follow a year later with scope 3. Companies that IPO should also have one additional year before they are required to comply with emissions reporting as outlined in the rule. Foreign issuers should be held to the same standard. [Questions 197, 179]

- **Small Reporting Companies (SRCs) and Emerging Growth Companies (EGCs) should be allowed additional time to comply with the proposed rules:** SRCs and EGCs would benefit from the proposed extended phase-in period. Larger companies have likely been in the process of gathering this data for some time and are better positioned to manage any increased costs and resources required. Smaller and recently public companies will benefit from an appropriate accommodation to mitigate the compliance burden, focus on performance and build out reporting. [Questions 175, 197]

Reporting Risk & Cost

- **Disclosure of proposed financial statement metrics should be required for certain companies:** While we believe it is valuable for all companies to evaluate how climate impacts and expenditures are tied to line items in their financial statements, we believe only companies in high-emitting industries and large accelerated filers should be required to disclose the proposed financial statement metrics, and we do not believe it should be pursuant to Regulation S-X. [Question 1] We would define high-emitting industries as the following: oil & gas, coal mining, electric utilities, steel, cement, agriculture, automotives, aviation, and shipping. We believe SRCs, EGCs and companies in other sectors should be exempt from this requirement. [Question 66]

- **However, proposed financial statement metrics should be reported in a separate "climate statement":** Instead of requiring the metrics to be disclosed in a note to the company's audited financial statements, this could be done in a separate "consolidated climate statement," which would not be subject to a formal financial audit. Companies should report, in this separate statement, their disaggregated climate-related impacts and expenditures on existing financial statement line items, including relevant financial estimates and assumptions. [Question 88]

- **Traditional financial attestation is not the correct tool for this type of disclosure:** Financial audits are different than climate disclosure audits and auditors do not have specific expertise to ensure the best outcomes. This could add unnecessary cost to the review process. In addition, relying on third party auditors could allow Board and management teams to avoid responsibility for these reports. Rather, reporting the Board's accountability mechanisms and providing transparency in reporting methodology should ensure that the management team and Board take proper responsibility. [Question 135]

- **Safe harbor should be clearly delineated:** We agree with the proposed rule that a safe harbor should apply to scope 3 reporting for all companies once this reporting is phased in. As written, the safe harbor would provide that disclosure of scope 3 emissions are not deemed fraudulent unless they are shown to be made "without a reasonable basis." We believe that a "reasonable basis" should be clearly defined as: emissions are calculated using the GHG Protocol standard. [Question 133]

- **Safe harbor for Scope 3 reporting should eventually phase out:** We expect that scope 3 reporting methodologies will be refined, tools and resources will improve, and the cost of reporting will become more commercially practical. As a result, we believe the safe harbor for scope 3 reporting should be phased out in a commercially reasonable timeframe. [Question 133]

- **Safe harbor should be expanded for all SRC and EGC reporting:** Smaller companies may not have the resources to focus on this level of reporting and deliver on business objectives. We believe that SRCs and EGCs should be provided this safe harbor for scopes 1, 2 and 3 reporting so they may continue to report at a level that is not overly burdensome to the business. We anticipate that the cost of reporting will decrease over time as the market matures. The SEC should reevaluate whether they may sunset the safe harbor for SRCs and EGCs in five years' time. [Question 133]

We appreciate the opportunity to comment on SEC's proposed rule and are available to answer any questions you may have.

Sincerely,

Dawn Fitzpatrick

Dawn Fitzpatrick

Chief Executive Officer and Chief Investment Officer, Soros Fund Management LLC

[redacted]