

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

June 17, 2022

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

Dear Ms. Countryman,

Paradice Investment Management LLC writes in support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors. We appreciate all of your hard work to ensure the proposal meets the needs of investors for material climate-related information and also furthers the SEC's objectives to maintain fair, orderly, and efficient markets and facilitate capital formation.

Paradice Investment Management LLC ("Paradice") is an equities-focused investment management firm. Paradice's advisory services are primarily offered through strategies, including Global Small Mid Cap Equity, International Small Cap Equity strategies managed by Paradice's Global Equities Team based in Denver.

The Paradice Global Equities Team supports the SEC's proposal as we believe it would result in what we see as decision-useful, comparable climate risk information that is vastly improved compared to disclosures that are currently available. We appreciate the SEC's integration of nearly all of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into your proposal, as this has become the global benchmark for decision-useful climate risk and opportunity disclosure.

Further, we believe that climate-related impacts or risks can materially affect a company's financial position and operations, we support the inclusion of some climate-related information in the financial statements; this also helps promote consistency in information across a company's reporting. Finally, we believe global alignment of climate risk disclosure standards can be essential to both investors and issuers, so we support the SEC's efforts to align its proposal with the developing International Sustainability Standards Board (ISSB) climate risk disclosure standards.

Please find below commentary regarding our support for specific provisions of the proposal which we wished to highlight to the SEC:

- We support the inclusion of a greenhouse gas (GHG) emissions reporting requirement, as well as requiring assurance of certain GHG emissions disclosures and for the phasing in of reasonable assurance over time.
  - This information is a critical piece to our understanding of the quality of a company's earnings in the face of climate change and the energy transition. Currently, we find that we cannot access standardized or comparable GHG emissions data directly reported by companies, and may at times need to rely on estimations sourced from third party data providers. Robust, company-reported emissions data is strongly preferred.
  - It is our view that assurance is needed to ensure that we receive accurate, relevant and consistent information about emissions, which is currently very difficult to obtain.
- We welcome the inclusion of Scope 3 GHG emissions reporting and believe the phase-in approach is appropriate.
  - Scope 1 and 2 emissions alone may not give a representative view of a company's exposure to the energy transition. Both upstream and downstream emissions are highly relevant to understand, and

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current reporting is weak. Despite the challenges in obtaining accurate data and the reliance on estimation methods, we believe improved disclosures on Scope 3 emissions will be very useful.

- Qualitative information regarding a company's oversight and governance of climate-related risks, as proposed, can be very useful for investors.
  - It is difficult for shareholders to gain confidence that a company is responding appropriately to climate change (both risks and opportunities) without insights into the governance structures and internal controls it has in place.
- Descriptions of the processes in place to identify climate-related risks, and the extent to which these have the potential to impact the company's operations, strategic, business model and outlook can be decision-useful for investors. Additionally, it is relevant to understand how processes are integrated into overall risk management frameworks and how risk analysis undertaken feeds into business decision making.
  - We welcome the proposal eliciting such descriptions from companies. Currently, disclosures in this area are generally weak and limit our ability to determine whether suitable risk identification and management processes are in place.
  - As investors, we look for companies to go beyond understanding risk exposures and to evidence how operations and strategy are being adjusted in response. Without such insights, we may not be able to gain conviction, in this aspect, that the company will be durable over the long term.
- We welcome requirements regarding asset-level exposure to physical climate change impacts, including the proposal's call for asset-level disclosures where assets are in locations facing high and extremely high water stress.
  - In our experience, US corporate climate disclosures to date have focused more on transition risk than physical risk. While only a relatively small subset of companies face acute carbon risk, many more are materially exposed to acute and chronic physical impacts of climate change. This makes it challenging for investors to understand their own exposures to the full suite of potential climate-related risks.
  - We would be supportive of guidance being provided to companies that, considering the fact that physical risks may not be material at present but may become so in the future as climate change progresses, risk assessments should be updated periodically.
- As an investor we believe it is important to have sufficient detail regarding a company's climate-related commitments and transition plans, including with respect to any goals or targets set, detail on progress against those targets, and other relevant insights into their credibility and achievability.
  - We welcome the SEC's proposed requirements in this regard, and believe they will aid investor evaluations of transition plans. Considerations including the extent to which plans are aligned with global climate change goals, how a business may need to transform to deliver on its plan, and what capital expenditures might be required to achieve the plan are all directly relevant to understanding investment risks.
  - Among those companies that have already released a climate plan, the quality of disclosure is highly varied. This impedes comparability and determination of relative ambition, appropriateness, and achievability. Enhanced disclosures in this area will be highly useful to investors.
- We support the inclusion of requirements regarding stress testing and scenario analysis, such as regarding assumptions used and projected impacts to the company.
  - In many cases, where a company has undertaken scenario analysis, investors have limited look-through to details which can be critical to understanding whether the analysis is appropriate and credible. Enhanced requirements will significantly improve the utility of scenario analysis, enabling investors to

better understand the resilience of a company's strategy under different climate transition pathways and warming scenarios, and to engage with the company as required.

- Enhanced disclosure regarding any internal carbon price used by a company, including how it is set, can be highly relevant to investors.
  - We welcome the proposal's internal carbon price disclosure requirements. Where a company does use an internal carbon price, unless transparency is provided on what the price is and how it is set, investors cannot determine whether this is appropriate and what the financial implications may be.
- We welcome the inclusion of detail regarding the use of carbon offsets and the proposed exclusion of the impact of any purchased or generated offsets from a company's reported emissions.
  - It is relevant to understand the extent of a company's carbon offset use when considering not only real-world emissions reductions but also the financial implications for the company. For example, a firm which is heavily reliant on carbon offsets to reduce its reported emissions may become burdened by increasing carbon credit costs in the future. This potential burden might be overlooked by investors if offsets were not excluded from the firm's reported emissions.

Investors who choose to incorporate such analysis, require material climate-related financial information to make better informed investment decisions to protect or enhance the value of investments made on behalf of beneficiaries. We reiterate that we welcome the SEC's proposal, which we see as having the potential to reduce market uncertainty, elicit decision-useful information, and better enable comparisons across companies. We believe we will be better placed as investors to understand risks across client portfolios, engage meaningfully with portfolio companies as required, and make informed decisions when exercising our voting rights.

Thank you very much for your consideration of our comments.

Sincerely,

Toby Shute  
Senior Analyst and Head of ESG for Global Equities  
On behalf of Paradise's Global Equities Team

#### Appendix

We submitted a comment in response to the SEC Request for Information on climate change in 2021. Our comment is available at this link: [cil12-8911369-244307.pdf \(sec.gov\)](https://www.sec.gov/cil12-8911369-244307.pdf)