The Nature Conservancy
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Contact: Jason Albritton, Director, Climate & Energy Policy

June 17, 2022

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File Number S7-10-22, The Enhancement and Standardization of Climate-Related Disclosures for Investors

Introduction

Thank you for the opportunity to comment on the SEC's proposal to standardize the content and application of climate-related disclosures for investors.

The Nature Conservancy (TNC) agrees that information about a company's "climate-related risk" is important and relevant to investment decisions. Indeed, as the concentration of greenhouse gases in the atmosphere continues to mount, the salience to investors of both climate-driven impacts and plans to curb greenhouse gas pollution only continue to increase over time.

Consistent, reliable, and easily comparable disclosures of climate-related risk are squarely in the interest of the public. These disclosures allow investors to make informed decisions about capital investments and they allow the public a clearer view of the myriad impacts of a warming climate on the drivers of our economy.

Since 1982, the Securities and Exchange Commissions has required disclosures pertinent to environmental compliance-related risk. These longstanding requirements have enhanced transparency and helped to ensure that environmental risk factors do not present a hidden liability to investors or shareholders. The notable exception to this statement is, of course, those risks associated with a company's emissions of greenhouse gases.

The private and nonprofit sectors have stepped in to try to address this gap by introducing numerous voluntary accounting frameworks and standards that attempt to assist investors and shareholders in assessing risk. SEC guidance on voluntary risk disclosure, initiated in 2010, has helped these efforts be more effective in shedding some light on the economic liability presented by unchecked greenhouse gas pollution. Even so, as of 2022 these voluntary initiatives still lack consistency, reliability and comparability. Moreover, as voluntary frameworks, they are of course not universally applicable to publicly traded companies.

We applaud the SEC for its proposal to correct this gap by using the most widely-accepted international standards for risk disclosure and accounting. The TCFD framework has been adopted by almost 3,000 entities globally, including financial institutions, companies, and countries, and it has been endorsed by the G7 Finance Ministers. The GHG Protocol (GHGP), initiated in 1997, has been similarly vetted and indeed constitutes the accounting framework used by the TCFD itself. Taken together, these models present the most accessible means by which to adopt systems that have already been tested and proven by a wide variety of companies over years of practice and refinement.

Comments

Disclosure of Scope 1, 2 and 3 emissions

The proposed rule would require disclosure of Scopes 1 and 2, as well as material Scope 3 emissions for companies above a minimum size threshold, and/or that have Scope 3 related goals/targets. We support this approach, which provides some transparency regarding the scale of Scope 3 emissions without unduly burdening smaller businesses for whom SEC disclosure is not required and would be burdensome.

We support requirements for Scope 3 proposed by the SEC, specifically to include each type of greenhouse gas for the past fiscal year and to include any past or current Scope 3 targets.

We also strongly support disclosure any use of offsets for quantitation, inclusive of all Scopes.

Use of "safe harbor" provision for Scope 3 emissions

We also commend the SEC on the establishment of a "safe harbor" for Scope 3 disclosures: provided a company is estimating their Scope 3 emissions in good faith, they would not be held liable for inaccurate or fraudulent estimates resulting from third parties in their value chain. This reflects the challenges of Scope 3 estimation, including heavy reliance on various suppliers with uneven quality of record keeping.

Disclosure of accounting for use of GHG offsets and/or Renewable Energy Credits (RECs)

We support the SEC's proposed requirement that companies disclose the source of offsets, and carbon credits, including, at minimum the carbon standard(s) and/or registries that the underlying projects were developed under, project location (e.g., country), project type (e.g., reforestation, clean cookstoves, ozone depleting substances, etc.), and the cost of the offsets or RECs as they relate to a company's planning for greenhouse gas emissions management. TNC agrees that transparency in accounting for these types of carbon reductions is critical to assessing the trajectory of a company's emission reduction plans, including costs: as the proposal notes, "A registrant that relies on carbon offsets or RECs to meet its goals might incur lower expenses in the short term but could expect to continue to incur the expense of purchasing offsets or RECs over the long term." With respect to offsets from the land sector, we urge the SEC to incorporate by reference the final GHGP guidance.

Board/board committee engagement and CEO renumeration
We encourage the SEC to require that a registrant disclose whether and how the board or board committee considers climate-related risks as part of its business strategy, risk management, and

financial oversight. For example, does the board have a committee focusing on climate, sustainability, environment, etc.

We also encourage the SEC to require disclosure of any connection between executive remuneration and the achievement of climate-related targets and goals.

Disclosure of an internal price on carbon

While the proposal does not mandate that companies establish a price on carbon, TNC supports the proposal to require disclosure if a company has used an internal price on carbon, including one intended only to support internal scenario analyses.

Investors are best served by clear information about whether and how well a company is prepared to participate in global or domestic carbon markets. Information about the existence and use of an internal carbon price will help investors make their capital allocation decisions with this information in mind.

Conclusion

The proposed disclosure requirements are aligned with the responsibility of the SEC to promote transparency around the myriad risks presented to investors. The proposal moves to close an important gap in the SEC's oversight, which concerns those environmental risks related to climate change. Market participants must have access to consistent, comparable, and reliable information on climate-related risks and mitigation and resilience opportunities to ensure that markets are fair, capital is efficiently allocated, and investors are protected. Well-regulated, consistent, meaningful, and comparable climate risk disclosures from companies is needed to provide investors with information that enables them to assess their own material risks and opportunities related to climate change across their portfolios. Thank you once again for the opportunity to participate in the public comment process.