

June 17, 2022

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

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

Dear Ms. Countryman:

The Vanguard Group, Inc. (Vanguard)<sup>1</sup> appreciates the opportunity to comment on the Securities and Exchange Commission's (Commission or SEC) proposal to provide investors with information pertaining to climate-related risks faced by public companies (Proposal).<sup>2</sup> As a steward of lifetime savings for more than 30 million clients, Vanguard recognizes the value of meaningful disclosure to investors' ability to evaluate risk and make informed investment decisions. In that vein, we agree with the Commission that investors should receive information about a company's key risks, including material climate risks.<sup>3</sup> However, we encourage the Commission to carefully consider the trade-offs associated with new disclosure requirements. Though we support meaningful disclosure of material climate risks for investors, there are aspects of the Proposal that may be less useful for investors and overburdensome for companies.

Corporate disclosures about climate risks inform Vanguard's efforts on behalf of our funds' investors in various ways. For example, clear, comparable disclosures inform the investment decisions of portfolio managers on our actively managed funds, support the design and management of our products, and inform the engagement efforts and proxy voting decisions of our investment stewardship team. We undertake these activities from a long-term perspective and with an objective to protect and enhance long-term shareholder value.

Vanguard views corporate disclosures—including disclosures pertaining to climate—through the lens of materiality, and we focus on the risks that are most relevant to particular companies. We consider climate risks to be material and fundamental risks for investors and the management of those risks is important for price discovery and long-term shareholder returns. As disclosure of

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<sup>1</sup> Vanguard is a leading global investment management organization that offers a large selection of low-cost mutual funds, exchange-traded funds, investment advice, and related services to individual investors, financial professionals, and institutional investors. As of May 31, 2022, we acted as investment adviser to more than 200 U.S. mutual funds registered under the Investment Company Act of 1940.

<sup>2</sup> The Enhancement and Standardization of Climate-Related Disclosures for Investors, 87 Fed. Reg. 21334 (Apr. 11, 2022).

<sup>3</sup> See Letter from John Galloway, Principal and Investment Stewardship Officer, The Vanguard Group, Inc., to Vanessa A. Countryman, Secretary, U.S. Securities and Exchange Commission, dated June 11, 2021, available at <https://www.sec.gov/comments/climate-disclosure/cll12-8906800-244148.pdf>.

climate risks improves, we believe securities prices will more accurately reflect these risks, and all investors will benefit.

We appreciate that the Proposal would ensure public companies provide clear, consistent, and comparable foundational climate-related information, including uniform reporting of Scope 1 and Scope 2 greenhouse gas (GHG) emissions. This information will help investors better understand a company's exposure to, and management of, climate risk without imposing undue burden on companies.<sup>4</sup> The proposal to align these disclosures to well-established and widely respected frameworks, such as the Task Force on Climate-related Financial Disclosures, will improve the usability of the disclosures and reduce costs for investors and companies. In most cases, the foundational disclosures described in the proposal should provide investors with adequate information about material climate risks.

It may be appropriate, however, to require additional climate-related disclosures for a subset of companies that have more acute climate risks<sup>5</sup> or that have set climate-related targets using metrics not addressed in the foundational disclosures. With respect to these companies, investors would be best served by more targeted and flexible disclosures than the full Scope 3 framework proposed, which includes significant data requirements and potentially broad applicability.<sup>6</sup> We encourage the Commission to ensure that any additional disclosure burdens that flow to companies that have set targets, or with more acute climate risks, are limited to the specific data elements required to describe the target set or the more acute risk. For example, a company that faces acute risk with respect to one or more categories of its Scope 3 emissions—such as purchased goods and services or use of sold products—or that has set a target with respect to that element, should be required to disclose only the information necessary to help investors understand that risk or progress toward the target. This would reduce any unintentional disincentives to setting targets while ensuring that companies more fully describe the climate risks material to their organizations. Given that the data required to provide these disclosures may be difficult to ascertain, and some information may be subject to different interpretations, supplemental disclosures should include information about key assumptions the company makes for its calculations or projections. We also would encourage the Commission to provide a safe harbor from liability for these good faith disclosures for a reasonable period of time.<sup>7</sup>

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<sup>4</sup> The data required for Scope 1 and Scope 2 disclosure is presently available to companies, and companies routinely track data on their energy purchases, usages, and electricity consumption. Hundreds of public companies already furnish investors with Scope 1 and Scope 2 disclosures.

<sup>5</sup> For example, a fossil fuel company may determine that it has acute risk with respect to its Scope 3 emissions—i.e., those occurring when the company's clients consume fossil fuels—because the Scope 3 emissions are intrinsically tied to the company's future cash flows.

<sup>6</sup> We agree with the Investment Company Institute (ICI) about the importance of the SEC adhering to the materiality standard that underlies federal securities laws in designing any final rules to maximize the utility of disclosure to investors and to minimize the burden on companies. *See* Letter from Eric J. Pan, President & CEO, the Investment Company Institute, to Vanessa A. Countryman, Secretary, SEC, dated June 16, 2022, available at <https://www.ici.org/system/files/2022-06/22-ici-cl-sec-climate-proposal.pdf>.

<sup>7</sup> We support ICI's recommendation that the safe harbor provisions should track the safe harbor for forward looking statements provided in the Private Securities Litigation Reform Act. *Id.*

June 17, 2022

Page 3

Vanguard appreciates the opportunity to comment on this proposal. If you have any questions or would like to discuss our views further, please contact me at [REDACTED] or Ricardo Delfin, Principal, a [REDACTED].  
Sincerely,

/s/ John Galloway

John Galloway  
Principal and Investment Stewardship Officer  
The Vanguard Group, Inc.

cc: Chair Gary Gensler  
Commissioner Hester M. Peirce  
Commissioner Allison Herren Lee  
Commissioner Caroline A. Crenshaw

Renee Jones, Director, Division of Corporation Finance

William Birdthistle, Director, Division of Investment Management