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17th June 2022

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

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

Dear Ms. Countryman:

Thank you for the opportunity to comment on proposed File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors.

We have earlier expressed our support for the SEC's efforts to ensure investor protection through corporate reporting that provides material, decision-useful information. In turn these measures contribute to the SEC mandate to maintain fair, orderly, and efficient markets which supports capital formation. As we have argued in the Financial Times "climate risk disclosure needs to be standardized, mandatory and regulated in the same way as financial reporting to ensure it is timely, accurate, complete and verified."[1]

Franklin Resources, better known as Franklin Templeton, is a global investment management organization with approximately $1.45 trillion[2] in assets under management, invested globally across multi-asset class portfolios through 14 independent specialist investment managers.

The firm has made several important commitments to managing the risks and opportunities that arise due to climate change, including our support for the Taskforce on Climate-related Financial Disclosures (TCFD), commitment to Climate Action 100+ and membership of the Net Zero Asset Managers Initiative (NZAMI). These commitments reflect our fiduciary duty to clients in seeking to generate the risk adjusted investment returns upon which they rely to meet their financial goals for essential needs, such as retirement security. The management of both risks and opportunities requires us to have access to reliable and comparable information to ensure we are making prudent investment decisions on behalf of our clients.

We welcome the considered approach taken by the SEC in developing its proposals, which will provide companies with the practical guidance that will bring improvements in reporting that investors value. Bringing consistency to those reports is essential, so that investors have the information needed for well-informed capital allocation and effective stewardship.

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[1] *Why the SEC is right to make climate risk reporting mandatory*, By Anne Simpson and Ben Meng, Franklin Templeton, Financial Times, March 29th, 2022.
[2] As of May 31st, 2022

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As a global investor, we appreciate the SEC using the TCFD's recommendations as the foundation for the proposal, as these are similarly reflected in the International Financial Reporting Foundation's recently appointed International Sustainability Standards Board. Likewise, the TCFD's recommendations have been well vetted with significant numbers of both US and internationally listed companies currently reporting under this voluntary framework.[3]

Currently, both investors and companies face costs and uncertainties where information provided is not consistent, assured and integrated into the financials. We see analysis and evidence that incomplete information adversely impacts companies' cost of capital,[4] and increasingly is relevant to top line revenues.[5] However, we also appreciate that there are complexities and challenges, hence we welcome the proposals offering a phased in approach, with safe harbor provisions which offer protection from liability where appropriate. This strikes an important balance in making progress towards meeting investor needs, whilst ensuring capital formation is robustly protected.

Climate related information is currently disclosed in a number of different ways by registrants that pose challenges to investors – who have the task of aggregating and managing this form of risk in their portfolios in combination with traditional risk metrics. Consistency and accuracy are key to understanding material risks, therefore we are supportive of this information being part of filed reports, rather than furnished, with reasonable assurance, as with other material risks disclosed in company financial statements. This is consistent with FASB[6] and IASB, who have confirmed that their existing standards apply to climate risk, just as they do to other material risks, and where climate risks are material, they should be considered in drawing up company accounts.

Further, we suggest that there is a need to ensure that the reporting regime includes the relevant details on important concerns such as the impact of companies' climate strategy to ensure a just transition, as referenced in the Paris Agreement[7]. Investors are increasingly focusing on this area, notably through the Climate Action 100+ benchmark which includes the just transition for company climate strategy. [8]

We appreciate the opportunity to share our thinking on these important issues. If you have questions, we would be glad to discuss. Please contact [redacted] if this would be helpful.

Yours sincerely,

Anne Simpson
Global Head of Sustainability
Franklin Templeton

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[3] See the Task Force on Climate-related Financial Disclosures 2021 Status Report
[4] MSCI research on cost of capital demonstrates that higher rankings on sustainability reporting are associated with lower cost of capital. https://www msci.com/www/blog-posts/esg-and-the-cost-of-capital/01726513589
[5] See FCLT Wharton ESG data lab analysis showing that customer and employee preferences on sustainability are being seen in top line revenues. https://www.fcltglobal.org/resource/stakeholder-capitalism/
[6] See https://fasb.org/page/ShowPdf?path=FASB_Staff_ESG_Educational_Paper_FINAL.pdf.
[7] https://unfccc.int/sites/default/files/resource/Just%20transition.pdf
[8] www.climateaction100.org