PERSEFONI

Via Electronic Mail to rule-comments@sec.gov June 17, 2022

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

Re: Public Comment on Enhancement and Standardization of Climate-Related Disclosures for Investors Proposed Rule— Release Nos. 33-11042; 34-94478; File No. S7-10-22

Dear Secretary Countryman,

On behalf of Persefoni AI Inc. ("Persefoni"), I am pleased to respond to the request for public comment on the Enhancement and Standardization of Climate-Related Disclosures for Investors proposed rule (the "Proposed Rule"). Persefoni supports the Proposed Rule. We offer our perspective on the role of technology in reducing the cost of gathering and reporting on GHG emissions, and enhancing the usefulness of climate-related data.

The Need for Consistent, Comparable, Reliable Climate Data

Investors have long urged companies to provide, and the Commission to require, disclosure of consistent, comparable, decision-useful climate-related information. The Recommendation from the Investor-as-Owner Subcommittee of the SEC Investor Advisory Committee Relating to ESG Disclosure (May 14, 2020) ("IAC Recommendation'') highlighted this demand. The IAC Recommendation emphasized investors' growing demand for consistent, comparable, and reliable ESG information; issuers' confusion over what information to report due to the proliferation of reporting standards; and the significant burden companies face as a result of the many (sometimes hundreds of) questionnaires they are asked to complete by raters and investors seeking sustainability information. The IAC Recommendation cites a 2019 State Street Global Advisors report[1] "The ESG Data Challenge," which emphasized that "quality data is the lifeblood of investment analysis. While 'quality' can be defined in several ways, most investors agree that consistency and comparability in the availability of data across companies are essential elements of an effective data set."

[1] Co-authored by Persefoni Sustainability Advisory Board member Rakhi Kumar.

The Role of Technology in Reducing the Cost of Compliance and Enhancing the Benefits of the Proposed Rule

Cost Reduction. The Proposed Rule's Economic Analysis estimates that larger reporting companies will incur first-year compliance costs of $640,000, with subsequent year costs estimated at $530,000. A recent survey conducted by The SustainAbility Institute by ERM ("ERM") drew consistent conclusions. The ERM survey found that, on average, corporate issuers spend $533,000 annually on climate-related disclosure activities, while institutional investors spend an average of $1,372,000 annually to acquire and analyze climate data to inform their investment decisions. These numbers represent a current baseline on the basis of voluntary disclosures, and are instructive as to the level of cost and effort incurred by issuers and investors in generating, acquiring, and using climate-related information currently.

Current costs that companies incur in generating GHG emissions data reflect significant manual effort by company employees and external consultants. As the ERM survey notes, "costs can include data services, internal data collection, [and] external consultants." The GHG Protocol's calculation tools reinforce that current practices are highly manual. See also the EPA's Electronic GHG Reporting Tool for point source emissions disclosures under its jurisdiction. These costs include costs associated with attempting to manually complete complex processes that are poorly suited to spreadsheets and consultants.

According to a recent report by Forrester, "Sustainability Management Software Empowers Sustainability Transformation," technology tools have begun to play an important role in helping companies to measure their GHG emissions and make use of that data to manage their climate-related risks and opportunities and communicate with investors. Moreover, according to the report, competition in the software market should drive cost reductions and innovation that will further benefit companies and investors. The report notes, "consolidation in the market is in full swing . . . this evolving market will continue to fuel corporate sustainability action."

As an example, Persefoni's software facilitates companies' GHG reporting through three main functions. First, it simplifies GHG reporting by taking otherwise complex information and breaking it down into information familiar to business managers. For example, the tool asks questions about a company's people, operations and facilities that match up to the way companies keep data. That information is then mapped to the GHG Protocol's Scopes 1, 2, and 3 emissions.

Second, it facilitates the ingestion of data into the platform, making the data more useful and reducing the cost of data acquisition. Data can be entered through application programming interface ("API"), bulk uploads, or manual entry in response to questions in the tool. The most efficient means of data acquisition is by API, which allows data to flow directly from its source (for example, the company's financial system or a utility provider) into the platform in real time. This process reduces the time and effort that many companies currently devote to entering data into spreadsheets or responding to questionnaires.

Third, the platform applies appropriate emission factors to the data and conducts calculations in accordance with the GHG Protocol (and for financed emissions, in accordance with PCAF) to derive companies' GHG emissions.[2] This facilitates and streamlines a process that currently can be expensive and time consuming for companies relying on consultants and spreadsheets to calculate their emissions footprints. It also reduces the opportunity for error and creates transparency as to the calculations conducted.

Enhanced Consistency, Comparability, and Reliability of Reported Information. Technology standardizes reporting, making data more comparable from period to period for a given company, and making comparison across companies clearer. Technology tools are less subject to the human error that can occur when data is entered in spreadsheets and as different assumptions are applied over time. Software tools provide a record of reporting that facilitates consistency and auditability of the reported information. This precise record is important for investors and can also reduce reporting companies' risk of disclosing false or misleading information.[3]

Enhanced Utility of GHG Data for Reporting Companies and Investors. The Proposed Rule will have significant benefits not only to investors but also to companies. In promoting consistent disclosure of climate-related financial risks, the Proposed Rule will help companies to apply more consistent processes to their analysis of climate-related financial risks (and potentially opportunities). Software tools can help to put more useful data in the hands of companies. Specifically, such tools can provide companies with greater flexibility to view their emissions data at a higher view, for example, for board oversight, and at a more granular view at the operational division level. Further, the data can be viewed at the individual transaction level as necessary for auditors. This ability to understand their emissions data can help companies to evaluate their risks and opportunities, set their strategies, and measure their progress against

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[2] The Persefoni platform contains 107,000 emission factors that are applied to provide accurate emissions data in accordance with the GHG Protocol and calculating emissions from activity data with significant precision.

[3] The cost of non-compliance with regulatory requirements can well exceed the costs of compliance. In 2021, for example, Toyota was fined $180 million for inaccurately reporting the emissions of the vehicles it sells. That same year, Amazon was fined 746 million Euros and WhatsApp was fined 225 million Euros for violating the General Data Privacy Regulation (GDPR).

their strategies.[4] This lends not only to greater resilience but also, importantly, to greater transparency to investors as to the company's climate-related financial risks and strategies.

Network effects. As the Proposed Rule notes, the cost and complexity of compliance will decrease over time, while the reliability of information will improve, with increased institutional knowledge and the right technology solutions. We also expect network effects to take shape, causing companies' reporting to facilitate reporting by other companies. This will take form concretely in the domain of companies' Scope 3 GHG emissions reporting, which will benefit from the Scopes 1 and 2 reporting by companies in their value chain. Further, more accurate, comparable and robust reporting will also feed into improved industry average data, which is used as a proxy for actual emissions data. In order for these effects to materialize, however, it is critically important that the Proposed Rule take effect to drive the consistency and comparability necessary to enable such network effects. Moreover, we encourage the SEC and other international standards-setters and regulators to continue their efforts to pursue alignment around the TCFD and the GHG Protocol.[5]

Conclusion

We welcome the Proposed Rule and applaud the Commission's efforts to drive the convergence and harmonization of climate-related disclosure requirements across jurisdictions. This will help to reduce costs and complexity for companies and provide investors with the information they need to properly factor climate-related financial risks into their investment decisions. As described above, we believe technology will play an important role in promoting enhanced corporate decision making and reporting, and reducing the burdens that reporting companies and investors currently face.

Sincerely Yours,

Timothy J. Mohin
Chief Sustainability Officer
Persefoni

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[4] A similar phenomenon was observed in response to broker-dealer regulations where technologies emerged to facilitate compliance and those technologies proved to enhance firm performance and compliance. Ben Charoenwong, Zachary T. Kowaleski, Alan Kwan, Andrew G. Sutherland, RegTech; and Betsy Verckey, Compliance demands spur firms to invest in 'regtech' — and more (March 8, 2022).

[5] See the report issued by Persefoni and ERM comparing the proposals of the SEC, ISSB and EFRAG, New report helps companies and investors make sense of proposed climate disclosure standards (June 9, 2022).