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November 1, 2022

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

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

Dear Ms. Countryman:

We are writing with regard to the above-captioned rulemaking to provide further comments during the reopened comment period. We are writing as legal advisors to numerous investment organizations that have a stake in the outcome of the climate disclosure rulemaking. These comments reflect our own views.

There have been a few developments in the months since the comment period closed that merit brief comment. We will address each of these in turn.

Many company climate disclosures fall short of stated commitments

Despite climate commitments to the contrary, recent data released by the Taskforce on Climate-related Disclosures (TCFD) shows that of more than 1,400 companies surveyed, only 4% made climate disclosures in line with all 11 TCFD recommendations.[1] Additionally, disclosure of organizational emissions rose by only 4 percentage points from the previous year, despite TCFD's 2021 updated recommendation that companies disclose their Scope 1 and 2 emissions independent of a materiality assessment.[2]

Climate Action 100+, which targets the world's most systemically important listed emitters, revealed in a recent report that high-level climate commitments by companies are not yet being met with credible transition plans, with only 10% of focus firms setting short-term targets (up to 2025) that are aligned with a 1.5C scenario and cover all material emissions.[3] Further, only 20% of companies have established medium-term targets that cover all material emissions and are aligned with a 1.5C pathway.[4]

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[1] Khalid Azizuddin, Only 4% of companies met all TCFD requirements, survey finds, Responsible Investor, 13 October 2022, https://www.responsible-investor.com/just-4-of-companies-met-all-tcfd-requirements-finds-survey/.

[2] Khalid Azizuddin, Only 4% of companies met all TCFD requirements, survey finds, Responsible Investor, 13 October 2022, https://www.responsible-investor.com/just-4-of-companies-met-all-tcfd-requirements-finds-survey/.

[3] Paul Verney, Just 10% of CA100+ target firms are Paris-aligned on policy advocacy, Responsible Investor, October 13, 2022, https://www.responsible-investor.com/just-10-of-ca100-target-firms-are-paris-aligned-on-policy-advocacy/

[4] Paul Verney, Just 10% of CA100+ target firms are Paris-aligned on policy advocacy, Responsible Investor,

Even fewer companies, just 16%, disclosed the resilience of their strategies under different climate-related scenarios.[5] Investors rely on company emissions data and transition plans in order to make prudent investment decisions and assess climate-related financial risk. Companies that make net-zero or climate-related commitments must disclose this information in order to provide investors a clear picture of the company's efforts and progress towards their climate goals. This evident, widespread lack of company disclosures underscores the importance of the Proposed Rule.

Clarifying proportionality of transition plan and Scope 3 disclosure requirements

Through investor engagement and media coverage, we are aware of opposition perspectives regarding transition plan and Scope 3 disclosure requirements. We believe that the opposition to these requirements is based on an unfounded distortion of how we understand the Commission would apply these requirements. We suggest that the Commission address the concerns posed by opposition to the rules through guidance on how the proposed rules would be implemented.

Scope 3 disclosure requirements

We stand by our prior comment that mandatory Scope 3 disclosure is appropriate, and that it should not be built around an assessment of materiality. Our prior comments of June 16, 2022 urged mandatory Scope 3 disclosure, not conditioned on materiality, and suggested that the Commission provide appropriate guidance as to mandatory sectors and disclosures in the event that materiality continues to be a condition of disclosure.

We are aware of the campaign by certain agricultural organizations to oppose Scope 3 disclosure requirements.[6] Rather than eliminating such disclosure requirements, we believe the Commission can reduce the concerns and costs associated with Scope 3 disclosures by making it clear that estimation, rather than field measurement, of such emissions is appropriate in sectors when measurement is not currently widely practiced. Using factors such as amount of agricultural land in a supply chain, and proxies for GHGs, such as type of cultivation practices and any measures deployed to sequester carbon or constrain carbon emissions, can yield useful information for the market without generating high costs associated with substantial field work to calculate agricultural Scope 3 emissions.

Proportionality of transition plan and target requirements

In § 229.1506(a)(1), the rulemaking proposal would require a registrant to provide disclosures if it has set targets or goals related to the reduction of greenhouse gas emissions, or any other climate-related target or goal. In §229.1503(c)(1), the proposal requires that, "[i]f the registrant has adopted a transition plan as part of its climate-related risk management strategy, describe the plan, including the relevant metrics and targets used to identify and manage any physical and transition risks."

October 13, 2022, https://www responsible-investor.com/just-10-of-ca100-target-firms-are-paris-aligned-on-policy-advocacy/

[5] Khalid Azizuddin, Only 4% of companies met all TCFD requirements, survey finds, Responsible Investor, 13 October 2022, https://www responsible-investor.com/just-4-of-companies-met-all-tcfd-requirements-finds-survey/.

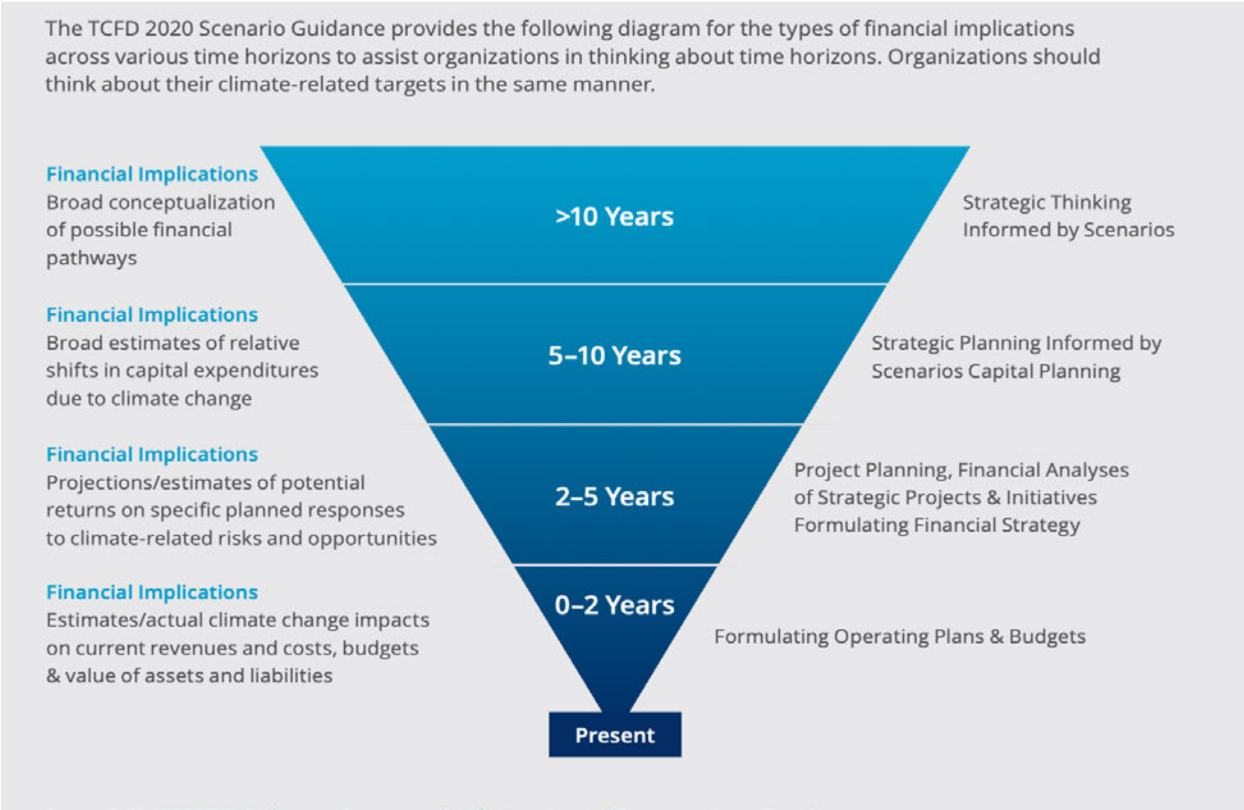
[6] For example, see, https://www.sec.gov/comments/s7-10-22/s71022-20132020-302492.pdf

Investor engagements in the months since the closing of the comment period led us to conclude that the proposed requirements to disclose transition plans for achieving GHG reduction targets may be widely misunderstood as requiring a detailed articulation of all steps necessary to accomplish even the longest-term goals and targets. It would be an unfortunate outcome of the rule if companies were to determine not to adopt Net Zero targets because they do not yet know how to achieve the longest-term targets.

Therefore, it might be helpful to provide guidance or examples in the preamble of the rule bringing clarity as to how climate transition plans should be an articulation of transition-related business strategy across relevant time horizons for the company. A transition plan for Net Zero by 2050 goals would discuss how a company plans to move toward this goal, what short term and intermediate steps – such as adopting renewable energy or clean fleet vehicles -- are planned and what the company plans to do in the future to reduce emissions.

Just as in business strategy planning, we would expect a more rigorous evaluation by the Commission and investors on near- and medium-term implementation plans and that long-term goals and commitments would be proportionally less detailed, as would normally be the case in any business planning.

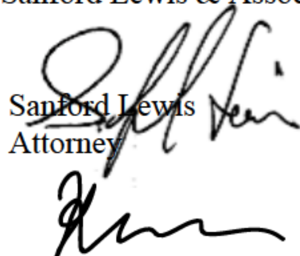
This is consistent with the approach of the TCFD in discussing the impacts of short, medium and long-term climate related targets. The TCFD in its October 2021 publication "Guidance on Metrics, Targets and Transition Plans," page 34, notes that the relative level of details expected on financial implications vary depending on the various time horizons of planning:



Consistent with this TCFD guidance, it is a reasonable expectation of investors that companies will disclose detailed steps to achieve short and medium-term targets. In contrast, targets and plans associated with the long-term, e.g. a 2040 or 2050 net zero target may lack details on the specific actions or technologies necessary to meet reduction targets, while discussing critical pathways, such as the technological innovation, organizational restructuring, acquisitions, divestments, or changes to supply chains or markets that are assumed to be necessary to address long-term goals.

Thank you for the opportunity to comment. Please feel free to contact us if you need further clarification on any point in our comments.

Sincerely,
Sanford Lewis & Associates



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