Seventh Generation Interfaith
Coalition for Responsible Investment

May 20, 2021

*The following letter is presented by Seventh Generation Interfaith Inc. in response to an invitation for comment on climate change disclosures by SEC Acting Chair Allison Herren Lee to be submitted by June 14th, 2021.*

Seventh Generation Interfaith (SGI) is a coalition of faith-based and values-driven institutional investors who view the management of their investments as a powerful catalyst for social change. Our membership comprises 33 organizations located in the Mid-Western United States. We are a member of the Interfaith Center of Corporate Responsibility (ICCR), a 50-year-old coalition of more than 300 faith- and values-based institutional investors who engage with hundreds of corporations on their environmental and social impacts.

SGI submits this comment letter in support of a rulemaking by the SEC on mandatory climate change disclosures. Climate disclosures are critical for effective investment decision-making. Investors need consistent, comparable and reliable information at scale that will support both companies and investors in comprehensive risk exposure assessments to navigate the path to a net zero future. The current state of climate disclosure does not meet investor needs for comprehensive, decision-useful data from all enterprises facing material climate change risks. We believe that disclosure of the material and systemic risks of climate change will help companies and investors to understand, price, and manage climate risks and opportunities. These activities are not only at the core of efficient securities markets, but are also essential to ensuring a just and thriving economy that works for all people and communities.

On the other hand, ignoring climate-related risks will be costlier than climate disclosure compliance. The costs to companies of inaction may be dire in the medium and long term, and many of those impacts, such as those from floods, fires, droughts and hurricanes, are already being incurred. While there will be a cost for compliance with SEC climate disclosure rules, it is far less costly to companies and their investors than ignoring the risk.

Climate change risks are directly connected to human rights and other environmental issues. As faith and values-based investors, we call on the SEC to consider the interconnections between climate change, racial justice, and human rights, as the worst impacts of climate change are often borne by low-income communities and communities of color. These disproportionate impacts contribute to social inequities, which can have negative consequences on the economy.

In the SEC's rule making, we ask you to consider the following:

- **Based on TCFD:** The SEC's work should be based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which has been endorsed by hundreds of companies and investors globally. The TCFD covers disclosure guidance on governance, strategy, risk management, and metrics and targets.
- **Transition plan disclosure:** Disclosure rules should provide clear insights into companies' climate transition plans, including short, medium, and long term targets. Disclosure on transition plans should address risk management, governance and strategies, and scenario planning for a net zero future.
- **Industry-specific metrics:** SEC rulemaking should include industry specific metrics, because material climate risks manifest in different ways by industry. These metrics

should build on existing standards in common use by investors and companies. Identifying such industry specific metrics would also allow for comparable disclosures.

- **Complete emissions disclosure**: Disclosure rules should include Scope 1, 2 and 3 greenhouse gas emissions according to the GHG Protocol, which are needed to assess the full range of climate change risks facing companies. This must include emissions attributable to the lending, investing, and underwriting activities of financial institutions, often referred to as “financed emissions”, which contribute substantially to the systemic risk of climate change faced by the financial sector.
- **Inclusion in financial filings:** Material climate disclosures, including discussion on risk exposure and business opportunities, impacts on strategy and emissions reporting and management, should be included in annual, quarterly and other appropriate SEC filings.
- **Subject to audits:** Climate-related disclosures in financial filings should be subject to auditing and assurance measures as are financial disclosures. The SEC should work with the Public Company Accounting Oversight Board (PCAOB)[1] to fully incorporate climate into its audit regulatory functions, over which the SEC has statutory oversight responsibility.
- **Regular updates**: Scientific consensus around climate impacts and capital market responses to climate risks are rapidly evolving. SEC rules should be updated regularly in response to these developments, and they should include the development or adoption of new metrics, as existing climate standards and frameworks have done as the science and markets have evolved.
- **Broad ESG disclosure framework**: The topics of “E”, “S” and “G” disclosures are inextricably linked; therefore, the SEC should consider the development of a broad ESG disclosure framework that climate disclosures would feed into; however, it is imperative that the development of a broader ESG disclosure mandate does not delay a rulemaking for mandatory climate disclosures. The climate crisis is too urgent and investors need this information as soon as possible. Additional ESG disclosure themes that the SEC should consider prioritizing include, but are not limited to, political spending and human capital management.

The climate crisis requires immediate action to mitigate the growing threats to financial markets and the economy, as well as to the people and communities that exist within them. Therefore, we ask the SEC to act urgently in its climate disclosure rulemaking process. We appreciate the opportunity to participate in the SEC’s request for information and thank you for your consideration of our comments.

Sincerely,

*Francis X. Sherman*

Francis X. Sherman
Executive Director
Seventh Generation Interfaith Inc.

[1] The PCAOB was set up to oversee the audits of public companies and other issuers in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports