Principles for Responsible Investment

QUESTIONS FOR CONSIDERATION

Also available at: https://www.sec.gov/news/public-statement/lee-climate-change-disclosures

1. How can the Commission best regulate, monitor, review, and guide climate change disclosures in order to provide more consistent, comparable, and reliable information for investors while also providing greater clarity to registrants as to what is expected of them? Where and how should such disclosures be provided? Should any such disclosures be included in annual reports, other periodic filings, or otherwise be furnished?

   Annual Reports are definitely the most important medium for the dissemination of climate change information. They should contain both financial and extra financial information – such as Climate in order for investors to be able to adequately assess the potential risks and rewards of a holding. This reporting should be mandatory and standardized.

2. What information related to climate risks can be quantified and measured? How are markets currently using quantified information? Are there specific metrics on which all registrants should report (such as, for example, scopes 1, 2, and 3 greenhouse gas emissions, and greenhouse gas reduction goals)? What quantified and measured information or metrics should be disclosed because it may be material to an investment or voting decision? Should disclosures be tiered or scaled based on the size and/or type of registrant)? If so, how? Should disclosures be phased in over time? If so, how? How are markets evaluating and pricing externalities of contributions to climate change? Do climate change related impacts affect the cost of capital, and if so, how and in what ways? How have registrants or investors analyzed risks and costs associated with climate change? What are registrants doing internally to evaluate or project climate scenarios, and what information from or about such internal evaluations should be disclosed to investors to inform investment and voting decisions? How does the absence or presence of robust carbon markets impact firms' analysis of the risks and costs associated with climate change?

   All of Scope 1, 2, AND 3 are most important as well as GHG emission reduction commitments. These are measurable and quantifiable. As the size of the business matters, the majority of investors look at GHG intensity which scales the emissions to the revenue stream of the company. We believe that climate change considerations SHOULD impact the cost of capital – over the long run. The absence of a robust carbon market makes it difficult to speculate on the direction of movement of GHG emission and its impact on an investment.

3. What are the advantages and disadvantages of permitting investors, registrants, and other industry participants to develop disclosure standards mutually agreed by them? Should those standards satisfy minimum disclosure requirements established by the Commission? How

should such a system work? What minimum disclosure requirements should the Commission establish if it were to allow industry-led disclosure standards? What level of granularity should be used to define industries (e.g., two-digit SIC, four-digit SIC, etc.)?

Data should be provided at the most granular possible, equivalent of GICs 4 or beyond.

4. What are the advantages and disadvantages of establishing different climate change reporting standards for different industries, such as the financial sector, oil and gas, transportation, etc.? How should any such industry-focused standards be developed and implemented?

   There should be ONE common global framework (the TCFD), not multiple for different sectors.

5. What are the advantages and disadvantages of rules that incorporate or draw on existing frameworks, such as, for example, those developed by the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), and the Climate Disclosure Standards Board (CDSB)?[7] Are there any specific frameworks that the Commission should consider? If so, which frameworks and why?

   It will be more efficient for registrants to report on one common framework (TCFD). Climate is a global problem requiring a global solution.

6. How should any disclosure requirements be updated, improved, augmented, or otherwise changed over time? Should the Commission itself carry out these tasks, or should it adopt or identify criteria for identifying other organization(s) to do so? If the latter, what organization(s) should be responsible for doing so, and what role should the Commission play in governance or funding? Should the Commission designate a climate or ESG disclosure standard setter? If so, what should the characteristics of such a standard setter be? Is there an existing climate disclosure standard setter that the Commission should consider?

   Our hope is that there would be a standard setter for ESG (i.e. SASB) and Climate change (i.e. TCFD). In order to provide a comparable framework.

7. What is the best approach for requiring climate-related disclosures? For example, should any such disclosures be incorporated into existing rules such as Regulation S-K or Regulation S-X, or should a new regulation devoted entirely to climate risks, opportunities, and impacts be promulgated? Should any such disclosures be filed with or furnished to the Commission?

8. How, if at all, should registrants disclose their internal governance and oversight of climate-related issues? For example, what are the advantages and disadvantages of requiring disclosure concerning the connection between executive or employee compensation and climate change risks and impacts?

Climate related issues need to be driven, approved and disclosed, by the highest level within the enterprise: the Board of Directors. Compensation structures need to drive meaningful action across the entire enterprise.

9. What are the advantages and disadvantages of developing a single set of global standards applicable to companies around the world, including registrants under the Commission's rules, versus multiple standard setters and standards? If there were to be a single standard setter and set of standards, which one should it be? What are the advantages and disadvantages of establishing a minimum global set of standards as a baseline that individual jurisdictions could build on versus a comprehensive set of standards? If there are multiple standard setters, how can standards be aligned to enhance comparability and reliability? What should be the interaction between any global standard and Commission requirements? If the Commission were to endorse or incorporate a global standard, what are the advantages and disadvantages of having mandatory compliance?

   There should be adherence to a global set of standards to ensure clarity and globally comparable data. There should not be multiple standard setters.

10. How should disclosures under any such standards be enforced or assessed? For example, what are the advantages and disadvantages of making disclosures subject to audit or another form of assurance? If there is an audit or assurance process or requirement, what organization(s) should perform such tasks? What relationship should the Commission or other existing bodies have to such tasks? What assurance framework should the Commission consider requiring or permitting?

    For these disclosures to have teeth, they need to be mandatory, standardized and assured through the audit process. A good example of leadership on this issue is the audited climate statement from Rio Tinto. There are already best practices, but some choose to do nothing. It is what gets regulated that gets done.

11. Should the Commission consider other measures to ensure the reliability of climate-related disclosures? Should the Commission, for example, consider whether management's annual report on internal control over financial reporting and related requirements should be updated to ensure sufficient analysis of controls around climate reporting? Should the Commission consider requiring a certification by the CEO, CFO, or other corporate officer relating to climate disclosures?

    Yes. These disclosures should be certified at the highest level: the CEO. As well as by the Board and the Auditors, as previously mentioned.

12. What are the advantages and disadvantages of a "comply or explain" framework for climate change that would permit registrants to either comply with, or if they do not comply, explain why they have not complied with the disclosure rules? How should this work? Should "comply or explain" apply to all climate change disclosures or just select ones, and why?

13. How should the Commission craft rules that elicit meaningful discussion of the registrant's views on its climate-related risks and opportunities? What are the advantages and disadvantages of requiring disclosed metrics to be accompanied with a sustainability disclosure and analysis section similar to the current Management's Discussion and Analysis of Financial Condition and Results of Operations?

14. What climate-related information is available with respect to private companies, and how should the Commission's rules address private companies' climate disclosures, such as through exempt offerings, or its oversight of certain investment advisers and funds?

15. In addition to climate-related disclosure, the staff is evaluating a range of disclosure issues under the heading of environmental, social, and governance, or ESG, matters. Should climate-related requirements be one component of a broader ESG disclosure framework? How should the Commission craft climate-related disclosure requirements that would complement a broader ESG disclosure standard? How do climate-related disclosure issues relate to the broader spectrum of ESG disclosure issues?

    ESG is an ongoing assessment of E, S, and G control criteria over the long term while climate is a specific issue that needs to be measured, understood, and addressed with specific actions **immediately**. Keep them separate.

HOW TO PROVIDE FEEDBACK

Members of the public interested in making their input known on these or other related matters are invited to submit that input via the webform or e-mail address linked below. To help the staff process and review your comments more efficiently, please use only one of these methods. To the extent that you are responding to a particular question(s) above, please identify such question(s) in your submission. **Please submit comments within 90 days of the date of this statement.**

Submissions will generally be posted on www.sec.gov. Submissions received will be posted without change or redaction of personal identifying information. You should only make submissions that you wish to make available publicly.
In addition to, or in lieu of, making a written submission, staff in the Division of Corporation Finance would be happy to meet with members of the public to discuss their feedback on these and other related matters. Please contact Kristina Wyatt, Senior Special Counsel, at [redacted]

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