

Questions for Consideration

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?

There should be a required set of ESG disclosures on at least an annual basis. The annual report is the best place for the minimum disclosure requirements but could be supplemented by additional information in a sustainability report.

The disclosures should be separated into generic information, which all companies would need to disclose, e.g. carbon footprint and industry-specific information, e.g. revenues derived from various fuels in power generation companies.

The mandatory disclosures should be audited or alternatively verified by a third-party, licensed to express an opinion on ESG matters.

It would be helpful if companies also disclosed what their goals are related to climate-ESG-carbon footprint. Perhaps this comes more in a sustainability report, but the larger picture is where do they plan to go with this, how do they plan to achieve it and over what timeframe.

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?

Scope 1 and 2 emissions, emissions intensity, and carbon neutral or other climate-specific goals should be required fields for all companies. These indicators should be mandatory from year 1, with additional fields being added through continuous consultation with the investor community.

We consider that there are specific industries where ESG factors, particularly relating to climate have become more important drivers of risk and for company prospects. These include utilities, energy and automobiles, with increasing regulation driving a change in technologies. We believe that the pricing differential is still limited in the fixed income space, partly due to a lack of relevant disclosed information and also, in part, due to investment firms' learning curves in understanding these risks.

An insight into how companies are dealing with carbon pricing would be useful, as would an analysis of the costs and benefits of transition expenses.

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.)?

We find level 3 SIC codes provide the best balance between granularity and a wide enough definition of an industry to be meaningful in most cases.

The advantage of disclosures standard developed by industry participants is arriving at a level of homogeneity earlier and being able to make like-for-like comparisons. The disadvantage in the short-term is that this will be led by a small proportion of influencers who will focus on metrics meaningful to them which may omit some disclosures relevant to the wider investor community.

We believe the SEC should impose additional guidelines for areas where it believes a particular metric is important.

Utilities is one of the key areas we have noticed where regulatory investor requirements do not always line up with company disclosures. For instance, both the California Insurance Department and the Bank of England have set limits on acceptable Utilities investments by capping the acceptable revenues generated from thermal coal as a proportion of the total revenues. Most US Utilities provide good disclosure in terms of the amount of power generated by thermal coal, but this is not linked to revenues. In most other sectors, the revenue split is used but not in the sector where this is most relevant for investors.

In this instance, we believe that the regulatory split is less meaningful than the disclosed item where proportion of power generated is probably a better indicator of climate credentials than the revenue proxy.

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?

The advantage of establishing different reporting standards for different industries is that peer groups can be better compared against metrics that are most meaningful.

The disadvantages are that certain industries will lag the population and investors will have a tendency to focus their energies into understanding the metrics only in the industries where climate focus is most prevalent.

The best course of action is a compromise between the two where we have mandatory common disclosures for all companies and a separate subset that are required by industry. This is similar to the type of financial and risk disclosure currently required in banking and insurance compared with non-financial corporates.

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?

In our experience, the TCFD and SASB are the most prolific frameworks on climate-disclosure, and the SEC should seek to align itself or vice versa with one of these to avoid further fragmentation of ESG Disclosure efforts. One of the key hurdles to adopting ESG Disclosure is the lack of a single, unifying standard.

SEC could also draw on aspects of the European Taxonomy to synthesize all three approaches.

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?

We believe that standard-setting should be controlled at the regulatory level for best effectiveness. The EU Taxonomy has gone a long way to achieving this across Europe and a similar approach by the SEC should encourage the various organizations that promoting ESG Disclosures to stick to one overarching and/or equivalent set of requirements.

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?
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?
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?
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?

Any approach to Climate Disclosures can only be effective at a strategic level if it has the support of senior management. We would support a C-Suite declaration in the financial statements as to the rigor and meaning of climate-related disclosures.

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?

We believe that a ‘comply or explain’ approach is well-suited to the early adoption of climate change disclosure as it draws attention to areas that have not been disclosed and also the rationale for non-disclosure. This could range from a disregard for climate change to data challenges which may be shared more broadly in an industry. This approach would encourage a dialog to improving the available dataset to be more useful to investors in the long-run.

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?