



**June 11, 2021**

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**Vanessa Countryman**

Secretary  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, D.C. 20549-0609

**Re: Public Input Welcomed on Climate Change Disclosures (March 15, 2021)**

On behalf of the Institutional Limited Partners Association (ILPA)<sup>1</sup>, I appreciate the opportunity to respond to the Securities and Exchange Commission's request for public input on climate-related financial disclosures issued by Acting Chair Allison Herren Lee on March 15, 2021.<sup>2</sup> ILPA has worked at the forefront of efforts to improve governance, transparency and alignment in the private equity industry and has set forth numerous industry guidelines, including due diligence best practices and fee and expense reporting standards.

In ever increasing numbers, limited partners view environmental, social and governance considerations as an integral part of their investment decision making processes. In a recent survey of 100 U.S.-based institutional investors, 96% expect their firm to increase prioritization of ESG considerations as an investment criterion.<sup>3</sup> For many LPs, this means considering the climate-related risks and opportunities associated with their current portfolio and potential future investments. However, the climate-related information available today for private funds is not sufficiently advanced nor reliably available to support informed due diligence or portfolio monitoring. When data is provided by general partners on underlying portfolio companies, it lacks both consistency and comparability. This presents a fundamental challenge to LPs that have made target-based commitments to their stakeholders, such as the Net-Zero Asset Owner Alliance,<sup>4</sup> which ultimately require that LPs have data that allows for an evaluation of progress against such commitments. To that end, ILPA members have indicated that when compiling a cross-portfolio analysis of carbon emissions, spanning all underlying portfolio companies in which they are invested, as much as 90% of their private funds emissions data must be estimated given reporting gaps and inconsistencies.

To meet the growing needs of private markets investors, ILPA believes the best path forward is for industry participants to define and coalesce around a common set of climate reporting standards. While we do not believe it is the SEC's role to develop these standards, we view the SEC as being

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<sup>1</sup> ILPA is the voice of the institutional investors invested in private equity, colloquially known as limited partners or LPs. Our 550+ member institutions represent over 2 trillion USD in private equity assets under management globally and include public and private pension funds, insurance companies, university endowments, charitable foundations, family offices and sovereign wealth funds, all of which invest in the U.S. alternative investment market. LPs provide the capital that fuels private equity and venture capital investment, generating economic growth and job creation, across America and around the world.

For more information, please visit: <http://www.ilpa.org/>.

<sup>2</sup> <https://www.sec.gov/news/public-statement/lee-climate-change-disclosures>

<sup>3</sup> <https://www.edelman.com/research/2020-edelman-trust-barometer-special-report-institutional-investors>

<sup>4</sup> <https://www.unepfi.org/net-zero-alliance/>



uniquely positioned to facilitate broad market adoption by promulgating minimum requirements that reference pre-established reporting standards. The recommendations provided by the Task Force on Climate-related Financial Disclosures<sup>5</sup> should be considered as a baseline for this approach. The SEC should not set a minimum bar for disclosure requirements without extensive consultation with industry, including both public and private markets investors. Mandated minimum disclosures should be set in alignment with established, internationally recognized external standards, and over time should evolve with the development of those standards. Therefore, it is critical that the SEC be deliberate and transparent about its approach to reviewing and updating any mandated minimum disclosures to align with these standards over time.

Expanding upon the need for alignment with established, internationally recognized standards, LPs, many of whom invest globally, seek greater harmonization across jurisdictions, particularly as local and regional frameworks (e.g., the EU's Sustainable Finance Disclosure Regulation) continue to proliferate. To support this need, the SEC should consider alignment, as far as possible, with any disclosure standards being considered by the International Financial Reporting Standards Foundation. The IFRS, which has established a working group that includes numerous, prominent standard setting bodies,<sup>6</sup> seeks to provide technical recommendations built on the TCFD's recommendations. ILPA strongly believes that the SEC should not create new standards where existing standards can be leveraged and where opportunities for alignment exist. Adherence to multiple sets of standards introduces both cost and complexity for fund managers, portfolio companies and investors.

If appropriate standards for minimum disclosures are established for SEC registrants, these standards will subsequently influence private markets. In anticipation of potentially listing private fund portfolio companies, GPs will seek to align to the SEC standard. LPs, particularly those looking to measure climate implications across their public and private investment portfolios, will benefit from this alignment. Furthermore, LPs that currently struggle to collect climate-related information will benefit from SEC requirements, which will serve as a framework to encourage GP reporting alignment.

ILPA commends the Commission for opening a critical line of inquiry that could unlock meaningful and much needed information for investors. Minimum, mandated climate reporting disclosures for SEC registrants, if aligned with globally recognized standards and calibrated for relevance to private markets, will provide LPs with more abundant, consistent information that is required to assess climate-related risks and opportunities across their portfolios. We look forward to continuing a dialogue with the Commission on the nature of disclosures that will prove most relevant and valuable for private fund investors.

Sincerely,



Steve Nelson  
Chief Executive Officer  
ILPA

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<sup>5</sup> <https://www.fsb-tcf.org/>

<sup>6</sup> <https://www.ifrs.org/news-and-events/news/2021/03/trustees-announce-working-group/>



cc:

Honorable Gary Gensler, Chair

Honorable Hester M. Peirce, Commissioner

Honorable Elad L. Roisman, Commissioner

Honorable Allison Herren Lee, Commissioner

Honorable Caroline A. Crenshaw, Commissioner

Sarah ten Siethoff, Acting Director,  
Division of Investment Management

