



## S&P Global Response to SEC Call for Input on Climate Change Disclosures

June 11, 2021

*Submitted Electronically*

The Honorable Gary Gensler  
Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549

### Re: Public Input on Climate Change Disclosures

Dear Chair Gensler:

S&P Global welcomes the opportunity to respond to the Securities and Exchange Commission's (SEC) request for input on Climate Change Disclosures.

S&P Global is the world's foremost provider of credit ratings, benchmarks and analytics in the global capital and commodity markets, offering innovative Environmental, Social, Governance (ESG) solutions, with deep data and insights on critical business factors. We have been providing essential intelligence that unlocks opportunity, fosters growth, and accelerates progress for more than 160 years. Our divisions include S&P Global Ratings, S&P Global Market Intelligence, S&P Dow Jones Indices, and S&P Global Platts.

Here at S&P Global, we have been developing data sets, analytics and solutions in order to meet changing regulatory and investor demand. We have acquired and further developed some of the most prominent data sources in ESG, climate and carbon markets including our acquisitions of Trucost (2017) and SAM of RobecoSAM (2019). Earlier this year, we announced the launch of a consolidated data sourcing initiative, **Sustainable1**, that is responsible for developing consistent ESG-related data sets that we can utilize across our business divisions.

S&P Global currently provides a broad range of ESG-related solutions. These include some of the following: ESG Scores and Evaluations, our Corporate Sustainability Assessment, Climate Analytics, Positive Impact Analytics, Framework Alignment Opinions, ESG Climate Indices, Green Bond Evaluations, Green Bond Alignment Opinions, and Energy Transition Pricing News and Analytics. We anticipate further enhancements to our capabilities and offerings as we continue to invest and innovate.

We believe the questions you have raised and the topics you are addressing are of critical importance not only to us as a furnisher of some of these types of data, but also to the broader global markets. Clear and

comparable data sets would allow investors, governments, companies, and the broader ESG stakeholder community to take the decisions necessary for building long-term sustainable economies.

### **Climate-related Disclosure**

We agree with the assessment of a number of central banks and regulators that climate change is a source of financial risk. Adopting a strategic approach to evaluating, modelling, and addressing potential climate-related financial risks can help to mitigate them.

For example, according to S&P Global Trucost research, almost 60% of companies in the S&P 500® and more than 40% companies in the S&P Global 1200 have physical assets which are at high risk of climate change impacts. Wildfires, water stress, heatwaves, rising sea levels, and hurricanes linked to increasing global average temperatures represent the greatest drivers of physical risk.<sup>1</sup>

The main challenges when trying to evaluate climate risks for individual corporates are the lack of disclosure generally and – where disclosure does exist – the lack of comparability across peers. Disclosures aligned to the Financial Stability Board’s Recommendations of the Taskforce on Climate-related Financial Disclosures like (TCFD) are helpful in understanding the liability, transition, and physical risks of a specific company as well as the strategy which that company is pursuing to manage or mitigate those risks.

As an example, If the TCFD disclosure standards were adopted more widely, or required via regulation, and adhered to by a wide range of companies, this would improve upon the current status quo of inconsistent and incomparable disclosure – or indeed non-existent disclosure.

TCFD-based disclosure would also provide climate risk-related information that is much more useable in the financial markets. The TCFD's recommendations should help to standardize the types and quality of climate-related disclosures by providing a unified framework of what to disclose as well as when and how to disclose it. Additional disclosures in line with the TCFD's recommendations should, over time, further enhance the ability of markets to assess risk factors and opportunities related to climate.

Adoption of the TCFD recommendations is growing. For example, according to S&P Global’s estimates almost 1,500 companies backed the TCFD reporting framework in 2020, a fivefold increase from the number in 2017. Data from research conducted by S&P Global suggests that 77% of major global companies (up 7%) and 58% of major U.S. companies (up 6%) publicly disclosed carbon targets in 2020.<sup>2</sup>

### **Environmental, Social, and Governance (ESG) Disclosure**

As a user, aggregator, and provider of sustainability related information across our credit ratings, ESG and Green Bond Evaluations, benchmarks, and data businesses, we believe that it is important for corporate disclosure to be comparable, reliable, regular, relevant, and accessible.

We recognize that ESG disclosure standards and the analytical work to assess and measure ESG-related risks and opportunities are still evolving and maturing. The existing market standards for ESG reporting available today cover most of the core ESG issues that would be relevant to a broad number of sectors.

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<sup>1</sup> S&P Global Trucost, Understanding Climate Risk at the Asset Level: The Interplay of Transition and Physical Risks, 27 November 2019 – [Link](#)

<sup>2</sup> S&P Global and GreenBiz Group, State of Green Business, 2021, 4 February 2021 – [Link](#)

However, it can be unclear to companies what exactly they are either being asked or required to disclose and how to disclose on ESG matters. This often means that data which is publicly disclosed is not always adequate to perform detailed, comparable, and up to date analysis and benchmarking of ESG and sustainability performance.

Better disclosure standards will lead to better ESG data. Better and more meaningful ESG data from companies will enable issuers and users of corporate disclosure to identify, compare, and act upon ESG risks and opportunities. A set of standardized minimum data reporting and collection standards for disclosures, using common definitions of Key Performance Indicators (KPIs), could facilitate comparability in this regard.

A core set of metrics for standardized minimum disclosure could allow for greater comparability across sectors and could take the form of a short list of disclosures that companies publish. However, given the rapidly evolving nature of sustainability topics and ESG factors more broadly, we see a clear need for standardized data to be supported by principles-based standards that can be applied across a range of conditions.

### **International Coordination & Workstreams**

S&P Global believes it is essential for dialogue and international coordination in order to ensure that the positive steps being taken on ESG matters remain aligned with global market practices and regulatory frameworks. One of the most challenging issues in this space is the development of standards which would work in different legal and national contexts.

It is therefore important that policy initiatives are pursued on the basis of coordination. There may be risks of market fragmentation and/or potential regulatory conflicts between jurisdictions if sectoral legislation is changed without appropriate consultation with international partners.

We therefore welcome the active international workstreams led by IOSCO and the IFRS Foundation to address the challenges in the disclosure space. We support the SEC playing an active role in these discussions to avoid fragmentation and to help coordinate a path towards greater consensus.

We also believe that there is a need for a global set of internationally recognized sustainability reporting standards. The initial and primary focus should be on the integration and alignment of existing standards – rather than development of new ones. We support the IFRS Foundation playing a leading role in cooperation with IOSCO in this regard.

The IFRS Foundation's experience and expertise in developing globally consistent and relevant accounting standards would be an asset in developing a similar international baseline for reporting standards on sustainability. The establishment of an International Sustainability Standards Board (ISSB) operating under the auspices of the IFRS Foundation and coordinating with IOSCO members would provide positive momentum to developing international alignment and global consistency for sustainability reporting.

## Conclusion

We believe some of the questions you are considering are critical to further the development of sustainable long-term economic growth globally. We would like to continue dialogue with you as you refine your thinking in these areas. More information about our own capabilities, research and analytics related to climate and ESG data can be found here <https://www.spglobal.com/esg/>.

We remain at your disposal to discuss our response and to provide further insights.

Respectfully submitted,



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S&P Global