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June 11, 2021

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street NE Washington DC
20549-1090

Re: Request for Public Input on Climate Change Disclosures

Dear Ms. Countryman:

Teachers Insurance and Annuity Association of America ("TIAA") is pleased to submit this comment in response to the U.S. Securities and Exchange Commission's (the "SEC" or the "Commission") request for public input on climate change disclosures (the "Request for Input").[1] We welcome the opportunity to provide our thoughts on the appropriate regulatory framework for corporate disclosures related to climate risk. Nuveen, LLC ("Nuveen"), the asset management arm of TIAA, is one of the asset management industry's pioneers in responsible investing ("RI"). Nuveen and TIAA share many of the Commission's concerns about the risks climate change poses to the investments underpinning the retirement savings of millions of people, including educators, medical professionals, and institutional and individual investors of all types. In an effort to help address those risks, we are working to create a disclosure framework that will allow investors to achieve superior long-term returns by properly incorporating climate change-related considerations.

Despite widespread acknowledgment throughout the industry that the risks posed by climate change are material, many companies have failed to produce quality climate disclosures indicating how they are measuring and managing those risks. Proper disclosure of climate risk is essential, as it encourages issuers to manage their risks more thoughtfully, and allows investors to effectively integrate climate risk information from issuers into their investment processes. For that reason, we believe the SEC should impose uniform disclosure requirements that will compel issuers to disclose their climate risk exposure in a relevant, consistent, and comparable way.

Below, we share our high-level thoughts on how the Commission might design an effective disclosure regime that balances the potential burdens of disclosure on issuers with the wealth of potential benefits to both investors and issuers, discussing the general characteristics we believe a climate disclosure framework should have. We hope the following recommendations are helpful as the Commission undertakes the important work of formulating disclosure requirements that will

1 *Public Input Welcomed on Climate Change Disclosures*, Acting Chair Allison Herren Lee (Mar. 15, 2021), *available at*: https://www.sec.gov/news/public-statement/lee-climate-change-disclosures.

provide investors with material, high quality, and consistent data on climate change and other environmental, social, and governance ("ESG") matters.

I. **About TIAA and Nuveen.**

Founded in 1918, TIAA is the leading provider of retirement services for those in academic, research, medical, and cultural fields. Over our century-long history, TIAA's mission has always been to aid and strengthen the institutions, retirement plan participants, and retail customers we serve and to provide financial products that meet their needs. Our investment model and long-term approach aim to benefit the approximately five million individual customers we serve across more than 15,000 institutions. To carry out this mission, we have evolved to include a range of financial services, including retail services and the asset management services offered by Nuveen and its subsidiaries. Nuveen is comprised of investment advisers that collectively manage over $1 trillion in assets, including in the Nuveen and TIAA-CREF registered fund complexes as well as in private funds and structured vehicles.[2]

For over 40 years, Nuveen has been a leader in the RI space. Drawing from its years of experience, Nuveen has implemented RI principles throughout the enterprise that support well-functioning markets in order to preserve and grow financial, social, and environmental capital. We believe responsible ESG business practices reduce risk, improve financial performance, and promote positive social and environmental outcomes. Nuveen is also a top-10 manager among ESG mutual funds, exchange-traded funds, and variable insurance products.[3]

As of May 12, 2021, TIAA's General Account – the $280 billion insurance investment account that provides guaranteed income for the millions of educators, healthcare workers, and other retirement savers who own the TIAA Traditional annuity product – has set a target of achieving net zero carbon emissions by 2050. While this pledge aligns with our desire to serve as a good environmental steward, it is first and foremost an affirmation of our fiduciary obligation, as one of the world's largest institutional investors, to achieve the best possible investment outcomes on behalf of our clients. We believe that climate risk is an investment risk that we must manage over time to maximize our risk-adjusted portfolio returns. Helping the companies we invest in understand and manage the climate risks they face is essential to our mutual continued success. Central to achieving our net zero target is the ability to access consistent, reliable, and quantifiable climate-related information from the companies in which we invest. That is why we are urging the Commission to help us reach our target by establishing climate-risk disclosure requirements for U.S. issuers across all industries.

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[2] As of March 31, 2021.

[3] Based on rankings sourced from Morningstar Direct as of December 31, 2019.

II. A formal regulatory framework for climate-related disclosures would benefit investors and issuers.

In the Request for Input, the SEC notes that investor demand for climate-related information is growing and acknowledges that climate risks can be material to investment performance. However, the Commission has not yet established clear, consistent disclosure requirements related to climate change. While the Commission provided guidance on climate disclosures to issuers in 2010,[4] the lack of formal disclosure requirements gives issuers too much leeway to use their own judgment in deciding whether and how to provide information about their exposure to climate risk. The result is a patchwork of inconsistent and unreliable disclosures that investors must parse through, making it extremely difficult for them to understand and compare the risks that climate change poses to the various companies in which they might want to invest, or the steps these companies may or may not be taking to address such risks.

Without easy access to reliable information about companies' climate risks and goals and the financial impacts thereof, investors are left in the dark to make investment decisions based on incomplete and potentially inaccurate information. We believe it is time for the Commission to create new climate-related disclosure requirements to give investors – including TIAA and Nuveen – greater transparency into the many ways issuers are impacted by, and choose to respond to, the risks and opportunities posed by climate change. A comprehensive climate disclosure framework would also be beneficial to issuers, as it would make the process of responding to investor requests for climate-related information more streamlined and standardized. Given the many potential benefits at stake, we urge the SEC to adopt a regulatory regime governing disclosure of climate risk by issuers without delay.

III. The SEC should leverage existing disclosure frameworks in designing its own climate-related disclosure requirements.

We believe climate change is one of the top ESG risks facing investors today. Unfortunately, in our efforts to assess the climate risk exposure of our investments, we continue to face the challenge of poor, inconsistent, and incomparable climate risk disclosure. Some companies refuse to disclose climate data to investors, even where it is inarguably material to the company's financial health and performance. Many other issuers do make certain climate-related disclosures – but without consistent regulatory requirements governing those disclosures, this information is not nearly as useful as it could be for investors seeking to compare climate risk across issuers and industries. That is why we strongly urge the Commission to adopt a specific climate-disclosure regulatory framework that applies to issuers across all industries.

To assist the SEC in creating new climate disclosure requirements, we recommend that the Commission consider leveraging elements of existing ESG disclosure frameworks, including those established by the Task Force on Climate-Related Financial Disclosures ("TCFD") and the

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4 *Commission Guidance Regarding Disclosure Related to Climate Change*, 75 Fed. Reg. 6290 (Feb. 8, 2010)*, available at*: https://www.govinfo.gov/content/pkg/FR-2010-02-08/pdf/2010-2602.pdf (the "2010 Guidance").

Sustainability Accounting Standards Board ("SASB"). The disclosure standards that have been developed under these established frameworks are already used and accepted by thousands of companies world-wide to enable investors and other stakeholders to assess issuers' climate-related financial risk. However, reporting under these frameworks is still voluntary, and companies do not universally disclose information according to TCFD or SASB standards in a uniform way. Therefore, we think it would be helpful for the SEC to formalize many of the disclosure standards under these frameworks as part of a new set of climate-related disclosure requirements.

Specifically, we believe the TCFD framework is a useful starting point under which all companies would disclose information pursuant to the four pillars of the TCFD Recommendations (Governance, Strategy, Risk Management, and Metrics & Targets).[5] Enhanced "Governance" disclosure helps investors understand and ensure board oversight of climate risk. "Strategy" disclosure allows investors to understand how companies are assessing the resilience of the organization's strategy for navigating climate transition, including how climate-related risks may impact key drivers of business performance. Both "Risk Management" and "Metrics & Targets" disclosures help investors understand how a company is managing identified risks, how it plans to address these risks over time, and how it is progressing towards meeting its stated goals. The clarity provided by these disclosures helps investors understand the current and potential climate-related risks faced by issuers and evaluate their ability to adapt to a future low-carbon economy. This information is also critical to TIAA and Nuveen as we seek to understand and manage climate-related investment risks in our own portfolios.

The SASB framework provides more industry-specific metrics that allow investors to quantify and compare company performance in a standardized fashion and help both companies and investors prioritize material issues. SASB also consistently updates an industry-specific "materiality map" that identifies ESG issues that are financially material and relevant to various industries.[6] We believe the concept of materiality should be a central component of any new SEC climate disclosure regime, and thus the SASB materiality map is a potentially important resource. In our view, to make any future disclosure framework maximally helpful for investors, the SEC should require issuers to disclose only that climate-related information that is material to their business. However, doing so would require the Commission to make a determination or provide some guidance as to which climate-related topics are material – and we do not believe the Commission is currently well suited to make such complicated judgments on its own. Instead, we recommend that the SEC refer to SASB as a resource for cataloguing which climate-related issues are material on an industry-by-industry basis and factor this materiality matrix into any future SEC climate disclosure regime. This approach will help issuers make meaningful, targeted disclosures that will allow investors to focus on the most important climate-related issues.

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5 *Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures,* TCFD (June 2017) (the "TCFD Recommendations"), *available at*: https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf.

6 *SASB Materiality Map*, *available at*: https://materiality.sasb.org/.

We believe the TCFD and SASB frameworks would be ideal to incorporate into existing SEC rules, such as Regulation S-K, as a baseline for the Commission's new climate disclosure regime for all issuers. As discussed further below, the SEC might also consider using certain industry-specific disclosure standards under both frameworks, adding another level of mandated disclosures for issuers in industries that are particularly exposed to climate risk.

Building the basis of the SEC disclosure regime on the foundation of the TCFD and SASB frameworks would not only expedite the SEC's work, it would facilitate adoption by the many issuers who are already voluntarily complying with these standards. If over time the Commission believes that additional or more targeted disclosures are warranted, it could add its own disclosure requirements on top of the TCFD/SASB foundation.

IV. The SEC should adopt the same baseline disclosure requirements for issuers across all industries, with additional requirements for issuers in highly exposed industries.

We strongly believe that any new SEC climate disclosure regime should include baseline requirements that apply to issuers across all industries. This will ensure that comparable, reliable climate risk information is available to investors for all companies. However, we also recognize that implementing any new disclosure framework for climate-related matters will be a significant undertaking, not just for the Commission but also for the issuers who are subject to the new disclosure requirements. While some issuers have provided disclosures of their climate risk for years, many other issuers will be producing this information for the first time. Therefore, we recommend as an initial matter that the SEC require relatively basic climate disclosures for all issuers, and apply additional disclosure requirements to issuers in industries that are particularly exposed to climate risk.

Specifically, we recommend that the SEC require all issuers to provide Scope 1 and 2 greenhouse gas emissions data[7] as part of their standard disclosures. In recent years, it has become increasingly common for investors to request this information and for companies to provide it – though not all companies make these disclosures voluntarily. We also believe it would be reasonable to require all issuers to identify any targets they use to manage climate risk, including carbon emissions targets, and describe their performance to date against those targets. In addition, all companies should disclose information on their internal processes and procedures for assessing and mitigating climate risk, in the same manner that companies make such disclosures under the "Risk Management" pillar of the TCFD Recommendations today.[8] In our view, this set of information represents the minimum amount of data investors need to make informed investment decisions that adequately factor in a company's climate risk exposure and mitigation practices. We also believe it would not be overly burdensome or impractical to ask

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[7] As defined under *The GHG Protocol Corporate Accounting and Reporting Standard*, *Revised Edition* (Chapter 4), Greenhouse Gas Protocol Initiative*, available at*: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf.

[8] TCFD Recommendations, "Risk Management," Recommended Disclosure (b) (p. 21).

companies to produce this data, given that many companies already make these disclosures, either proactively or upon request from investors.

In addition to the universal disclosure requirements described above, we urge the SEC to adopt more targeted and robust disclosure requirements for issuers in industries that are particularly exposed to climate change. Companies in these industries should be required to disclose Scope 3 emissions data,[9] if appropriate and with any necessary phase-in period, in addition to the information required of all issuers. In our view, these highly exposed industries should align with those industries specifically called out in the TCFD Annex:[10]

- Financials (including banks, insurance companies, asset owners, and asset managers);
- Energy (including oil and gas, coal, and utilities);
- Transportation (including air freight, passenger air, maritime transportation, rail transportation, trucking services, and automobiles);
- Materials and Buildings (including metals and mining, chemicals, construction materials, capital goods, and real estate management and development); and
- Agriculture, Food, and Forest Products (including beverages, agriculture, packaged foods and meats, and paper and forest products).

Since the publication of the TCFD Recommendations in 2017, it has become clear that more detailed guidance is required for calculating Scope 3 "financed emissions" in the financial sector. For this reason, we believe the SEC should refer to the Partnership for Carbon Accounting Financials ("PCAF") standard,[11] which provides a calculation methodology for financed emissions in various asset classes, and consider incorporating certain concepts related to Scope 3 emissions reporting as described in that standard when designing future climate disclosure requirements for issuers.

Our recommended approach is in line with the TCFD framework, which establishes baseline disclosure recommendations for companies across all industries, and then provides sector-specific disclosure recommendations for industries with heightened exposure to climate risk.[12] By applying additional disclosure requirements to the most at-risk companies, the SEC can help investors receive the information they need, scaled appropriately to a company's level of likely

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9 As defined under *The GHG Protocol Corporate Accounting and Reporting Standard*, *Revised Edition* (Chapter 4), Greenhouse Gas Protocol Initiative*, available at*: https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf.

10 *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*, TCFD (June 2017) (the "TCFD Annex"), *available at*: https://assets.bbhub.io/company/sites/60/2020/10/FINAL-TCFD-Annex-Amended-121517.pdf.

11 *The Global GHG Accounting & Reporting Standard for the Financial Industry*, PCAF (Nov. 18, 2020), *available at*: https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf.

12 *See* TCFD Annex, Sections D and E.

exposure, without overburdening companies that are less likely to be impacted by climate change.

V. <u>Once a climate disclosure framework has been established, the Commission should consider adopting auditing requirements for climate data</u>.

One issue we hope the Commission will consider carefully as it works to implement a new climate disclosure regime is whether the climate data an issuer discloses should be audited and included as part of the issuer's annual financial filings. We agree with the assertion in the TCFD Recommendations that including "[climate-related] disclosure in mainstream financial filings should foster shareholder engagement and broader use of climate-related financial disclosures, thus promoting a more informed understanding of climate-related risks and opportunities by investors and others."[13] TCFD also argues that "publication of climate-related financial information in mainstream annual financial filings will help ensure that appropriate controls govern the production and disclosure of the required information."[14] In addition, we note that the SEC has in the past acknowledged that certain climate disclosures should be part of a public company's annual financial filings by specifically identifying in its 2010 Guidance those items under Regulation S-K for which climate disclosures would be appropriate.[15]

As a general matter, we believe that climate risk is inherently material and related to a company's financial health – and therefore, we believe the Commission should consider subjecting climate-related disclosures to an auditing process, as is the case with other financial data. If an issuer's climate disclosures are not required to be audited, investors may not have the necessary assurance that a company's climate data is correct and reliable. Moreover, failing to subject climate information to the same rigorous standards to which financial information is subject could suggest to investors, issuers, and the market that the Commission does not view climate risk as materially related to financial risk. On the contrary, we believe these two types of risks are inextricably linked. It is of course necessary and important to achieve the desired end state that data is reliable, standardized, and verifiable and that reporting requirements are clear and consistent as well, with sufficient training and accrediting standards for the auditing community.

We would therefore recommend that the SEC make a determination on appropriate audit requirements after the new climate disclosure regime has been established and issuers have had an opportunity to become familiar with it. Once the details of the Commission's new disclosure framework have been finalized and issuers have been given an opportunity to review and prepare for compliance, it will be easier for the SEC to determine what type of audit requirements would be most appropriate for climate disclosures. At that point, the industry will also be more informed about the specifics of the new climate disclosure landscape and better able to weigh in knowledgeably on the implications of auditing climate data. We hope to engage further on this topic as it becomes ripe for consideration by the Commission.

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[13] TCFD Recommendations (p. 33).

[14] *Id.*

[15] 2010 Guidance, 75. Fed. Reg. at 6293-95.

VI. <u>The SEC should review its climate disclosure requirements periodically to determine if updates are necessary</u>.

Climate science has undergone a rapid evolution in recent decades, and the financial industry is constantly learning new information about the risks climate change poses to issuers and investors. As much as we understand about the impacts of climate change today, we also acknowledge that future developments will almost certainly influence the industry's thinking about how the risks of climate change should be disclosed and addressed. Given the ever-changing nature of this issue, we urge the SEC to establish a process for periodically reviewing and amending, where appropriate, any climate disclosure regime it eventually adopts to account for ongoing climate-related developments. This approach would correspond with that taken by SASB, which "continues to conduct research, engage with corporate professionals, investors, and subject matter experts, and monitor existing, evolving, and emerging sustainability issues" to determine whether changes should be made to its Standards, first published in 2018.[16] SASB uses a model when considering updates to its Standards that "gives SASB the ability to address broad themes, regulatory changes, and other trends which affect multiple sectors, while still retaining the ability to pursue targeted, industry-specific issues where appropriate."[17] We recommend that the SEC refer to SASB's rigorous process for reviewing potential changes to its Standards as a framework for considering amendments to any climate disclosure requirements the Commission may adopt in the future.

VII. <u>Conclusion</u>.

TIAA appreciates the opportunity to comment on the Request for Input and express our strong support for the creation of a new SEC framework for climate-related disclosures. By imposing formal requirements around climate disclosure, the SEC will help all investors – including TIAA – make better, more informed investment decisions that appropriately factor in the significant risks and opportunities posed by climate change. We hope our comments are helpful as the Commission pursues this important initiative, and we welcome further engagement on any of the foregoing.

Sincerely,

Amy O'Brien

Yves Denizé

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16 *Standard-Setting Process*, SASB, *available at*: https://www.sasb.org/standards/process/.

17 *Id.*