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June 12, 2021

Office of the Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Office of the Secretary:

Public Input Welcomed on Climate Change Disclosures

We appreciate the opportunity to respond to your public statement, Public Input Welcomed on Climate Change Disclosures.

The Commission's decision to solicit public input on how it can best regulate, monitor, review and guide climate change disclosures to provide more consistent, comparable and reliable information for investors – while also providing greater clarity to registrants as to what is expected of them – is timely. It comes amid growing calls to improve the global consistency of environmental, social and governance (ESG) reporting.

To achieve its objectives, we believe the Commission should incorporate, endorse or otherwise support a globally accepted ESG reporting system that would set baseline requirements. We support a 'building blocks approach' that would allow national and regional jurisdictions to build on that global baseline to set supplemental standards that serve their specific jurisdictional needs. This practical approach would allow the Commission (and other jurisdictions) to support a global baseline without sacrificing the nature or timeliness of its independent actions.

We believe global collaboration provides opportunities to ultimately reduce complexity and achieve greater consistency in ESG reporting. As a member of the International Organization of Securities Commissions (IOSCO), we believe the Commission is in a position to meaningfully participate in developing a global baseline – for the benefit of both U.S. and global capital markets.

To achieve global baseline ESG reporting requirements, we believe the related standard setter should have the standing to provide transparency, accountability and efficiency to global capital markets. Success will require expertise, know-how and robust due process to contribute to independent, politically neutral and high-quality global standard setting, as well as an understanding of the interconnectivity of nonfinancial information with financial reporting.

To date, numerous organizations around the world have developed ESG reporting frameworks or standards, largely independently – some designed for the benefit of investors and some designed for a broader group of stakeholders. These organizations increasingly recognize the need to work together for a common purpose. For example, leading global ESG reporting organizations have published a prototype for an approach to climate-related disclosures,[1] and the U.S.-based Sustainability Accounting Standards Board has merged with the International Integrated Reporting Council with the intent of simplifying the corporate reporting system[2].

We welcome efforts aimed at closer cooperation between organizations, but believe that a codified effort under the umbrella of a single standard setter would achieve a faster and more consistent reporting baseline. For example, the approach proposed by the IFRS Foundation is designed to meet this objective, creating an International Sustainability Standards Board that would build on the existing work of leading standard setters in sustainability reporting.[3] The Commission is co-leading IOSCO's Technical Expert Group set up to assess technical recommendations to be developed as part of the IFRS Foundation's initiative.[4]

Without a global framework, disclosures will be less consistent and comparable; registrants operating across jurisdictions (not least through their supply chains and customer bases) will have less clarity as to what is expected of them; and achieving reliability will be more costly because of the lack of standardization. Building on a global baseline, we encourage the Commission to consider whether additional disclosures are necessary in the context of the U.S. environment.

We believe any actions taken by the Commission in advance of achieving global baseline reporting requirements should balance the desire to ensure some reporting against the disclosure frameworks and standards already being applied by many registrants. For example, the Commission could take an initial high-level approach by supporting the disclosure framework of the Task Force on Climate-related Financial Disclosures[5], or the broader metrics published by the International Business Council of the World Economic Forum[6].

If the Commission intends to proceed with specifying granular disclosures, an adequate comment period will be needed so that registrants can consider the proposals against their current reporting practices. In addition,

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[1] Reporting on enterprise value: Illustrated with a prototype climate-related financial disclosure standard; Carbon Disclosure Project (CDP), Climate Disclosure Standards Board (CDSB), Global Reporting Initiative (GRI), The International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB), December 18, 2020; retrieved June 11, 2021.

[2] Press release, IIRC and SASB form the Value Reporting Foundation, providing comprehensive suite of tools to assess, manage and communicate value, June 9, 2021; retrieved June 11, 2021.

[3] In April 2021, the IFRS Foundation Trustees published a feedback statement on the Foundation's 2020 proposal to establish the International Sustainability Standards Board (ISSB), and published targeted amendments to its constitution to facilitate creation of the ISSB.

[4] Media release, IOSCO Technical Expert Group to undertake an assessment of the technical recommendations to be developed as part of the IFRS Foundation's sustainability project; March 30, 2021; retrieved June 11, 2021.

[5] The TCFD disclosure recommendations focus on four areas that are relevant in virtually all types of companies: governance, strategy, risk management, and metrics and targets.

[6] The Stakeholder Capitalism Metrics are based on existing standards, with the near-term objectives of accelerating convergence among the leading private standard-setters and bringing greater comparability and consistency to the reporting of ESG disclosures.

the Commission should ensure that it takes account of the fact that different ESG issues will be material to different registrants, often based on their size, industry and/or geographical reach.

Outside of the nature of the disclosures, the transition period for compliance with any requirements is particularly important because registrants will likely need sufficient time to prepare for rigorous and timely ESG reporting. There are various ways in which an appropriate transition could be achieved, including a long-dated effective date (including segmentation by type of registrant) and/or a phasing in of disclosures over time. The transition should allow registrants to continue their work to develop and strengthen their processes/controls in an area in which measurement systems are evolving as technology and innovation allow greater understanding and precision. The Commission should also consider appropriate safe harbor provisions, and the extent to which the required disclosures could be furnished rather than filed.

In summary, we think ESG reporting is one of the most important emerging corporate reporting topics today, which should be supported by the creation of global baseline reporting requirements that organizations can use to report meaningfully and consistently against climate and wider ESG opportunities and risks.

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We appreciate the opportunity to submit our comments, and Scott Flynn at [redacted] or Maura Hodge at [redacted] would be happy to further discuss any of the matters addressed in this letter.

Very truly yours,

KPMG LLP

KPMG LLP

cc:

Chair Gary Gensler

Commissioner Caroline A. Crenshaw

Commissioner Allison Herren Lee

Commissioner Hester M. Peirce

Commissioner Elad L. Roisman