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June 8th, 2021

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

Dear Chair Gensler,

**Re: Public Input on Climate Change Disclosures**

On behalf of Qontigo, I extend our appreciation for the opportunity to respond to the SEC's request for public comment on climate change disclosures. Created in 2019 through the combination of Axioma, DAX and STOXX, Qontigo is part of Deutsche Börse Group, headquartered in Eschborn, with key locations in New York, Zug and London. A core element of our mission is to provide index, analytics and risk solutions to drive targeted sustainable returns.

We believe that the global shift toward sustainable investing represents a profound and transformative change in financial management and laud the SEC's initiative to seek public input on this matter of great significance to the global economy, society, and financial services industry. Based on the questions provided for consideration in the request, Qontigo's suggestions and recommendations are as follows.

**Regulating Climate Change Disclosures**

In the interest of scalability, preventing greenwashing, and minimizing cost burdens, climate disclosures should be mandatory and consistent across markets, sectors, asset categories, issuers, and economic activities. The framework and guidance should be clear, comparable, and easy to understand from the investors' perspective.

The recent developments in climate-related regulations across different markets have highlighted significant issues around divergent standards and hence a potential risk of capital misallocation. Given the international nature of the investment space, we recommend that any climate disclosure framework being considered in the US align with the EU Sustainable Finance Disclosure Regulation and the EU Taxonomy Regulation. We also recommend that rule-makers consider the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), as it is a framework already being utilized by more than 1,500 organizations across the world.

Regarding where such disclosures should be provided, we believe they should be integrated within mainstream financial filings, e.g. in annual reports and sector-specific pre-contractual disclosure documents.

In addition to mandating climate-related disclosures, regulators should create a strong foundation of governance and accountability mechanisms to ensure that the information being provided to investment decision-makers is accurate and reliable. We believe that some assurance or third-party verification should be required.

**Information Required**

To conduct a comprehensive analysis of the climate performance of their portfolio companies, investors will require disclosure to consider several climate-related metrics that are comparable across sectors, including, but not limited to, greenhouse gas emissions, reduction targets, climate risk governance, and climate risk exposure. For robust decision-making, investors must be able to consider climate information that is forward-looking and calculated based on actual physical output. For example, several existing methodologies for evaluating corporate climate performance, including those based on regulatory requirements, use enterprise value or the revenue of a firm to calculate greenhouse gas emissions intensity. These metrics can be volatile and potentially inflated, thereby leading to both capital misallocation from a carbon risk point of view and strong rebalancing risks among sectors.

**Industry-level Considerations**

Different industries have different rates at which they should decarbonize, given the different levels of GHG intensity and carbon budget. However, when it comes to reporting, climate-related disclosures must be comparable across sectors to be decision-useful. This is where a collaborative approach to climate-reporting standards, including different industry and civil society organizations, would prove to be effective. If the SEC were to involve industry participants to develop disclosure standards mutually agreed by them, there should at least be minimum standards to ensure a minimum level of ambition.

**Relevant Frameworks and Standard Setting**

Climate disclosure standards should leverage existing frameworks, such as the Task Force on Climate-Related Financial Disclosure recommendations and the Climate Action 100+ Net-Zero Benchmark. These frameworks were developed and have evolved over several years with support from experts across the investment, regulatory, and non-profit communities. Because these frameworks align with the globally accepted Paris Agreement—and are already widely adopted, used, and endorsed by various corporations and investors—an aligned regulation would have a higher possibility of quick adoption.

While standards need to evolve with time, ad hoc or frequent changes in requirements can generate significant costs and further blur the visibility and transparency over product methodologies.

**International Alignment**

The advantages of developing a single set of global standards for climate disclosures applicable to companies around the world would be immense, as financial market participants regularly offer products in several jurisdictions. A globally aligned framework would greatly benefit investors looking to use climate disclosures as the basis to fulfill suitability requirements and to design sustainable products across various markets.

Establishing a minimum global set of standards as a baseline that individual jurisdictions could build upon would be advantageous, as there will always be regional political preferences. By giving jurisdictions the option to add disclosure requirements, an agreement on such baseline standards could be easier to achieve.

It must be noted that this approach could, however, lead to a variety of diverging requirements worldwide, unless there is reciprocal recognition of the standards issued by the respective standard setters. Therefore, for international alignment to be effective, we recommend collaboration with global standard setters, such the International Organization Securities Commissions, Bank for International Settlements, and Financial Stability Board.

Additionally, if the SEC were to endorse or incorporate a global standard, we would recommend that it be made mandatory. There currently exist several voluntary environmental, social, and governance (ESG) disclosure frameworks developed by both private players and regulators. While this has increased information availability on ESG issues, it has led to a lack of comparability and cost inefficiencies for investors, in addition to confusion about what “best of breed” data is.

**Disclosure Reliability and Assurance**

To create regulation that goes as far as it can on disclosure, “comply and explain” can only be the first step, as it gives companies the option *not* to comply.

Additionally, we believe that third-party assurance standards can significantly increase investor confidence in the data and process-based information being reported. Assurance practices, such as internal control processes, audits for data and processes, and third-party verification, can help reduce potential manipulation and greenwashing by the reporting entities. The Public Company Accounting Oversight Board (PCAOB), with its high level of expertise and reach, is a body well-placed to develop mandatory assurance and verification practices for climate-related standards.

I thank you once again on behalf of Qontigo for the opportunity to engage with you on this enormously important issue. We hope our recommendations will be taken into consideration for rulemaking around climate disclosures, we look forward to seeing the results of this public consultation, and we remain eager to contribute to ongoing discussions.

Sincerely,

**Rodolphe Bocquet**
Global Head Sustainable Investment
Qontigo