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VIA Email Submission

June 11, 2021

The Honorable Gary Gensler
Chairman
Securities and Exchange Commission

The Honorable Allison Herren Lee
Commissioner
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Investment Consultants Sustainability Working Group-U.S. (ICSWG-US) Comment in Response to SEC Request for Comment on Climate Related Disclosures

Dear Chairman Gensler and Commissioner Lee,

The ICSWG-US, representing 14 leading investment consulting firms with a combined $33 trillion in assets under advisement, welcomes the opportunity to respond to the Securities and Exchange Commission's call for comments related to climate change disclosures by listed issuers. As trusted advisors, investors, and fiduciaries to our clients, we assist institutional asset owners on a wide range of activities, including asset-liability modeling, asset allocation, investment manager due diligence, selection, and monitoring, among other functions. In recent years, our firms have increasingly advised clients on the integration of environmental, social, and governance (ESG) considerations, impact investing, and/or socially-responsible investing topics. Due to our collective experience providing advice regarding climate related investment topics, we can offer a unique perspective on the question of whether and how issuers should be required to disclose climate related information.

The ICSWG-US supports the SEC's efforts to ensure that investors have access to consistent, comparable, and reliable information on financially material risks and opportunities related to climate change and other sustainability factors.

Given that the clients we collectively represent hold a diverse set of perspectives regarding climate change risks and opportunities, ICSWG-US wishes to share a set of principles that we believe should be incorporated into any resulting listing standards and/or regulatory actions the SEC may require in the future, reflecting our roles as fiduciaries and advisors on behalf of our clients.

The following principles do not directly address every question posed by the SEC; however, we have indicated in italics which questions to which each principle may apply. Overall, we believe each question includes important considerations, and we commend the SEC for seeking public input on this set of considerations.

Principle 1: A consideration of financial materiality must inform any climate related disclosure requirements. ***Addresses Question 4.***

Decades of research by academics and industry practitioners have articulated the importance of tailoring an evaluation of environmental, social, and corporate governance (ESG) related data to reflect the materiality of such data to the financial performance of the issuer in question, taking into consideration the issuer's industry, supply chain, geographic location(s), stakeholders, and other important context. Climate risk is systemic across the economy, including physical, energy transition, and regulatory risks. At the same time, because climate risk affects each industry differently, climate-related disclosures must include Scope 1, 2, and 3 emissions, as applicable to a given enterprise, as well as information on the actionable, industry-specific levers that a company is using to directly mitigate emissions, the climate change-driven risks and opportunities germane to the enterprise, as well as the disclosure of the applicable methodology used to calculate this data. Additionally, climate-related disclosures must include information about the efforts to build enterprise-wide resilience against the physical risks from climate change.

Principle 2: Disclosure requirements must be clear and consistent across issuer types, and avoid overly burdening issuers. ***Addresses Question 1.***

As advisors and fiduciaries who assist our clients in accessing and interpreting ESG and climate related data on their investments, we are acutely aware that there are often gaps in ESG data reported by issuers and captured by third-party data providers. These gaps are generally the result of a lack of uniform disclosure standards mandated by regulatory or other oversight bodies, and we believe that there is an opportunity to address this challenge for the benefit of investors, and the capital markets more broadly. Principle-based disclosure standards can be helpful in the absence of other mandated disclosure standards as well as for smaller companies with fewer resources to support robust disclosure. However we believe that, over time, clear, consistent, and definitive standards, regularly reviewed and updated to reflect best practices, as appropriate, would be preferable. As one example, the Task Force on Climate Related Financial Disclosure (TCFD) Recommendations could serve as a useful framework for the SEC.

Principle 3: Leveling the playing field for investors with required climate-related and broader sustainability disclosures. ***Addresses Question 1.***

Required disclosure would reduce survey fatigue for corporate issuers and provide increased climate change data and metric transparency to institutional and retail investors. Investors have increasingly coalesced around the use of Sustainability Accounting Standards Board (SASB)

Standards for broader sustainability issues and the recommendations of the TCFD for climate change related disclosure In addition, company use of SASB and TCFD, as well as other well-established disclosure regimes such as the Global Reporting Initiative (GRI) and the Carbon Disclosure Project (CDP) has also rapidly increased. However, only SEC action can elicit the baseline disclosures required to provide investors with consistent, comparable, reliable, and material sustainability information from all public companies.

Principle 4: Leverage Existing Frameworks and Standards. ***Addresses Question 5.***

An approach by the SEC that leverages the work of existing, voluntary framework providers and standard setters could significantly reduce the implementation complexity for companies that results from the existence of multiple similar yet disparate approaches. We also recognize that there is a widespread sense of survey fatigue among issuers generally, but especially among small and micro-cap companies that have fewer resources to track and respond to the multitude of ESG-related surveys and questionnaires on behalf of investors and third parties. The Sustainability Accounting Standards Board (SASB), the Task Force on Climate Related Financial Disclosure (TCFD) have developed, in our collective view, extremely substantive and beneficial frameworks for evaluating climate change risks and opportunities and, more broadly, ESG factor materiality. The CFA Institute has also developed preliminary ESG disclosure standards relating to investment products. We recommend that the SEC engage with and leverage those organizations' perspectives in developing any resulting disclosure standards.

Principle 5: Harmonize climate related financial disclosure requirements with international regulators, to the extent possible. ***Addresses Question 9.***

We encourage the SEC to seek to harmonize, where possible and practical, any resulting climate-related financial disclosures with similar frameworks promulgated by international regulators. While the goal would not be to create a unified global climate related financial disclosure regime that supersedes country or regional regimes, the purpose of such efforts would be to make disclosure more efficient for issuers, and analysis of such disclosures more efficient for investors, across global jurisdictions.

Principle 6: Climate disclosures should recognize how climate change may impact the workforce and communities. ***Address Question 15.***

We encourage the SEC to consider that, while the transition toward a lower-carbon economy is an overall positive development for the world as a whole, there are many communities, as well as particular occupational fields that may be adversely impacted economically as a result of the physical impacts associated with climate change and the energy transition. As a result, climate related disclosures should address impacts to the workforce and the community. Taking these human capital management and community impact considerations into account (sometimes referred to as part of a "Just Transition" to a low carbon economy) can encourage consideration of a broader range of stakeholder perspectives in climate change analysis and disclosures.

Principle 7: Investor-focused standards for the disclosure of material sustainability information should ultimately consider the full range of ESG issues. ***Addresses Question 15.***

While acknowledging the urgency of addressing climate change, the ICSWG-US believes it is important for the SEC to ultimately consider sustainability disclosure across the full range of ESG issues through which investors analyze financial performance and the creation of enterprise value. We believe that the SEC should develop an approach to climate-related financial disclosure that can subsequently or concurrently apply to a broader range of financially material sustainability information.

We welcome the opportunity to speak with SEC representatives to the extent it would be helpful to your efforts. Please contact us at [redacted]

Sincerely,

ICSWG-US

About ICSWG-US *(www.ICSWG-US.com)*

The Investment Consultants Sustainable Working Group - United States (ICSWG-US) is a collaboration among investment consulting firms to engage with its collective stakeholders, and empower asset owners and their ultimate beneficiaries to advance sustainable investment practices across the investment industry.

The ICSWG-US aims to support sustainable investment practices across institutional asset owners and asset managers. Through this effort, ICSWG-US members will seek to provide perspectives from the consultant community and be a resource on activities such as standardization of environmental, social, and governance (ESG) integration and climate-related reporting, regulations, and innovations. Overall, the group will strive for an equitable and informed path toward genuine sustainable institutional investing.