Good for the Economy.
Good for the Environment.

June 14, 2021

Via Electronic Mail (rule-comments@sec.gov)
Hon. Gary Gensler, Chair
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: E2 (Environmental Entrepreneurs) Comments regarding Security and Exchange Commissions (SEC) request for comments on Climate Change Disclosure

Dear Chair Gensler:

I submit this comment on behalf of E2 (Environmental Entrepreneurs), a national, nonpartisan, group of more than 10,000 businesspeople from every state and every sector of the US economy. E2 members have founded or funded more than 2,500 companies, created more than 600,000 jobs, and manage more than $100 billion in venture and private equity capital.

E2 supports the Securities and Exchange Commission's (SEC) desire to address the need for climate-risk disclosure through a rulemaking. We urge the Commission to issue strong mandatory reporting requirements that promote transparency and accountability of corporate climate risk. This will allow individual and institutional investors and the financial markets at large to make informed decisions about climate-risk exposure. Furthermore, it will help provide greater resilience to the broader economy in the face of foreseeable climate impacts.

Gone are the days where standardized climate risk reporting can be dismissed as a "nice-to have" for those socially committed to addressing climate change or interested in green-investing. Last year alone, the cost of climate-related disasters in the United States nearly doubled to $95 billion, according to Munich RE. Climate-risk reporting is essential for investors to understand and plan for growing investment risk exposure from climate change-related issues, including disasters such as these. It is not only investors who would benefit from strong mandatory reporting requirements. Companies also need more visibility into the risks from climate change to plan for future business conditions and to help level the playing field with competitors. Lastly, we need more visibility into climate-related risks for the overall stability of our economy.

Investor Need for Robust Federal Climate-Risk Disclosure Requirements: Today climate risks have direct and significant implications for the fiscal health and even viability of companies. As a consequence of foreseeable climate-related events major assets can be stranded, flooded or burned; supply chains can be disrupted and product demand upended. Unfortunately, events such as extreme drought, hurricanes, wildfires and melting permafrost are increasing in frequency. In addition, global governance of emissions is expanding with corporate value implications.

As the corporate consequences of climate-risk grow, so too can investor exposure to those risks. Only under the current disclosure regime, investors are unable to adequately assess their exposure or protect themselves or their clients. Investors need sufficient federal climate risk disclosure to allow them to understand the climate-risk associated with each company and sector. They also need enough uniformity in reporting to be able to assess comparative risk between companies and between industries.

The lack of adequate mandatory disclosure requirements undermines investor confidence; a problem that will escalate as climate-related events increase in number and impact.

Corporate Need for Federal Climate-Risk Disclosure Requirements: In response to the demand and need for greater assessment of corporate climate-risk, a multitude of risk reporting mechanisms have evolved. Too many standards, however, have made it difficult for companies to know what to report and have raised concerns about the implications of disclosing more or different information than competitors disclose. A single federal disclosure requirement by sector would provide clarity and level the playing field.

Furthermore, a comprehensive federal climate-risk disclosure requirement will help companies by ensuring they understand their-own climate exposure. A recent survey by Deloitte of over 1,000 CFOs indicated that “companies’ climate responses focus primarily on measures that have a short-term cost-saving effect” and that “a thorough understanding of climate risks is rare”.[1] Mandatory reporting would give companies a reason to assess and better understand their broader climate-exposure.

National Economic Need for Federal Climate-Risk Disclosure Requirements: As proponents of a strong economy, E2 would be remiss in not highlighting that mandatory climate-risk disclosures would also benefit broader economic resilience. That is because climate-risk disclosures can result in systemic risk mitigation. In addition to promoting a more comprehensive internal accounting of climate risk, as outlined above, public climate-risk disclosure will incentivize companies to take actions beyond the “short term” to reduce their climate exposure. This will mean healthier companies. It will also reduce the likelihood that climate-related events will result in broader instability or collapse of entire industries (or the broader economy).

Just as corporate financial disclosures improve investor confidence, incentivize better corporate management and support market stability, so too will climate-risk disclosures. The result will be a more climate-resilient economy.

E2 urges the SEC to provide for the strong, clear, mandatory climate-risk disclosures essential for an equitable and climate-resilient economy that will mean more economic stability, more jobs, more growth across the US and the globe for decades to come.

[1] Impact of Climate Change on Business | Deloitte Insights

Specifically, climate change disclosure rules from the SEC should, at minimum, include:

- **Based on the TCFD:** The SEC's work should be based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which has been endorsed by hundreds of companies and investors globally.

- **Industry-specific metrics:** SEC rulemaking should include industry-specific metrics because material climate risks manifest indifferent ways by industry. These metrics should build on existing standards in common use by investors and companies. Identifying such industry-specific metrics would also allow for comparable disclosures.

- **Governance and strategy disclosure:** Disclosure rules should provide insights into companies' climate risk exposure, strategies, and scenario planning.

- **Emissions disclosure:** Disclosure rules should include Scope 1 (emissions from owned or controlled sources), Scope 2 (emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company), and Scope 3 (all other indirect emissions, including financed emissions, that occur in a company's value chain) greenhouse gas emissions, which are needed to assess the full range of climate change risks facing companies.

- **Climate justice disclosure:** Disclosure rules should include climate justice data to provide transparency around equity implications of climate-risks to curtail or avoid economic instability driven by worsening disparity.

- **Inclusion in financial filings:** Material climate disclosures, including discussion on risk exposure and business opportunities, impacts on strategy, and emissions and climate justice reporting and management, should be included in annual, quarterly, and other appropriate SEC filings.

- **Regular updates:** Climate change impacts, scientific consensus around climate impacts and capital market responses to climate risks are rapidly evolving. SEC rules should establish a standard and ensure that it is updated regularly in response to these developments, and they should include the development or adoption of new metrics.

Strong mandatory corporate climate disclosures are critical to a fair and stable marketplace. We appreciate the SEC's efforts and look forward to providing additional comments regarding a final rule.

We thank you for your consideration,

Sincerely,

Bob Keefe

Bob Keefe,
Executive Director