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June 13, 2021

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

Re: Public Input Welcomed on Climate Change Disclosures (March 15, 2021)

Dear Ms. Countryman:

LSEG (London Stock Exchange Group) welcomes the opportunity to submit comments on the Securities and Exchange Commission's ("SEC" or "Commission") statement by Commissioner Lee "Public Input Welcomed on Climate Change Disclosures"[1] and commend the SEC leadership in advancing critical questions which will form the foundation to build a strong climate related disclosure framework.

LSEG is a diversified global financial markets infrastructure and data business. Our role in the global capital markets places LSEG in a strong position to integrate sustainable and green solutions into both investment and capital raising. Across our diversified business model, we have been supporting investors and issuers in the transition to a low-carbon and sustainable economy for over a decade, developing innovative products and services in close collaboration with clients and thought leaders.

Our sustainable finance offering is focused on two key areas: green financing for issuers (both debt and equity) and data and analytics, including indices that enable investors to incorporate climate and sustainability considerations into their investment process. Our data and analytics business, Refinitiv, has been delivering ESG data and solutions for over 15 years and offers one of the richest ESG databases in the industry. This includes standardized ESG data points and analytics for 80% of global market cap based on publicly reported company data. Our global benchmark and index business, FTSE Russell, serves institutional and retail investors globally, with approximately $18 trillion being benchmarked to its indices, and has been providing ESG indexes for over 20 years. Through FTSE Russell's Green Revenues and ESG models the investment community can access the tools – data, analytics and benchmarks – they need to shift capital allocations towards a greener and more sustainable economy.

Refinitiv led the formation of a new multi-member alliance. In January 2020, we launched the Future of Sustainable Data Alliance ("FoSDA") with the World Economic Forum in Davos. FoSDA's goals include (1) articulate the future data requirements that investors and governments need to accurately

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[1] U.S. Securities and Exchange Commission, Acting Chair Allison Herren Lee, Public Statement, March 15, 2021, "Public Input Welcomed on Climate Change Disclosures," *available at* https://www.sec.gov/news/public-statement/lee-climate-change-disclosures.

integrate ESG data into decision-making processes, (2) highlight new technology and data sets, in a post-COVID-19 world, there is even more need to channel stimulus that can support a just transition to sustainable development, and (3) determine data needs and how to satisfy them for investors who want to take greater account of SDG-related risks and impacts.

In response to the SEC's questions for comments, we provide the following main points, explained in more detail below:

1. **International Harmonization:** The SEC should align its climate disclosure framework to international efforts already in development to ensure globally coherent and comparable reporting. This is essential for investors including pension funds who have global investment portfolios.
2. **Disclosure Consistency and Reporting Flexibility:** Registrants should have flexibility regarding where and how disclosure is reported but the disclosures themselves should be consistent. The SEC should ensure reliability by considering requirements to provide some level of independent assurance for the most important and established metrics.
3. **Comparable and Useful Metric-centric Disclosures:** The SEC should encourage the use of metric-centric disclosures that are comparable and decision useful. Where feasible the SEC should support machine readable reporting systems such as XBRL.

Framework (Q4, Q5, Q6, Q9, Q15)

As regulators and the industry increasingly contemplate frameworks and taxonomies for disclosing sustainability and climate-related risk, we recognize the need for pragmatism, comparability and consistency in climate disclosures. While a one-size-fits-all approach does not take into the account the heterogeneity of companies and sectors, there is also a risk that multiple jurisdictions considering disclosure frameworks in an uncoordinated manner could lead to duplicative, fragmented and contradictory regimes. This would undermine the utility of disclosures and would increase costs and burdens on companies, particularly on small companies. It is imperative that where there are genuine needs in different jurisdictions for differences that the reporting standards are fully inter-operable based on a common underlying structure even if some measures are included in one but not another.

Since its inception in 2017, we have supported the Financial Stability Board's ("FSB") Task Force on Climate-related Financial Disclosures ("TCFD"). LSEG is also a member of the UN's Sustainable Stock Exchange Initiative and chaired the development of their "Model ESG Reporting Guidance," which provides a basis that each securities exchange could use to develop consistent ESG reporting guidance for their respective markets.

Many issuers and asset owners already make voluntary TCFD-consistent disclosures. We believe that TCFD continues to drive the business community towards more standardized and globally consistent, decision-useful disclosures regarding climate risk. We believe further international cooperation and focus on developing and requiring globally coherent, comparable and pragmatic climate-risk disclosures will improve the quality and integrity of climate reporting, allowing market participants to evaluate and understand climate risk.

The SEC should build on the important global initiatives like TCFD and others including the International Financial Reporting Standards ("IFRS") Foundation's project to develop an International Sustainability Standards Board ("ISSB"), the Network for Greening the Financial System ("NGFS") and the G20 sustainable finance working group.

TCFD and other international efforts are high-level frameworks. Thus, the SEC and regulators in other jurisdictions must still develop guidance or best practices to help consistency in each sector. To ensure quality and comparable disclosures, high level and sectoral guidance is required to underpin any framework alignment. We recommend the SEC develop guidance including: (1) High level guidance to explain what 'alignment with TCFD or other framework' means in practice; and (2) Sectoral guidance to encourage comparable and relevant disclosures and leverage market developments (e.g., TCFD guidance for banks and insurers).

Disclosure (Q1, Q8, Q10)

Registrants and investors are concerned about what should be disclosed in the annual report as opposed to other company reports. We recommend that the SEC allow firms to explain their approach, such as a short statement of compliance or a summary table, in the annual report and provide further detail and context in a separate report if needed. The SEC should bear in mind that issuers in different jurisdictions will have different legal weight attached to their annual report. Therefore, we recommend flexibility regarding the choice of publication that companies make disclosures in (e.g., annual report or separate sustainability report).

Reliability is one of the major issues concerning non-financial reporting. This includes qualitative evaluations and quantitative data where accuracy is crucial as it is used in investment decision making. To enhance the quality and reliability of non-financial information, we recommend the SEC consider introducing independent assurance requirements. While this is already mandatory in certain jurisdictions, it is still not widely utilized.[2] Independent assurance models allow companies the discretion to choose between the two forms of disclosure (limited assurance and reasonable assurance). Given this creates additional costs for issuers, the scope of assurance should only include the most important and material data. We recommend the SEC provide guidance clearly defining what data requires independent assurance, and provide flexibility for smaller issuers to ensure a proportionate cost burden.

[2] Spain, Italy, and France require mandatory independent assurance while many other jurisdictions continue to rely to voluntary independent assurance. Accountancy Europe, "Towards reliable non-financial information across Europe," February 19, 2020, *available at* https://www.accountancyeurope.eu/publications/towards-reliable-non-financial-information-across-europe/

Data (Q2, Q4, Q15)

Materiality is at the core of the SEC's disclosure requirements and it is also central to sustainable finance. In December 2020, Refinitiv commissioned a comprehensive survey of over 600 institutional investors globally, which found:[3]

- 98% of respondents take ESG and sustainability data into consideration when deciding to invest in a company.
- 87% of respondents agreed that climate change is already having a material impact on company equity values.
- 88% of global institutional investors wanted more forward-looking ESG and sustainability data to be able to comply with planned regulations.

These results further validate the fact that ESG, including climate related disclosures, is no longer in its infancy. Robust analysis of ESG data has become a fundamental addition to quantification of risks and opportunities during the investment decision-making process. Investors want sustainability data in the form of consistently calculable and widely applicable metrics. Metrics are a core part of any disclosure framework and we recommend the SEC focus on metric-oriented reporting rather than binary (good/bad or yes/no) to ensure meaningful and decision useful data. And where feasible, the SEC should support machine readable reporting systems such as XBRL.

To achieve this goal, we recommend the SEC build on the established work and accumulated knowledge of organizations already operating in the climate disclosure space, primarily the TCFD framework. The Global Reporting Initiative ("GRI") and the Sustainability Accounting Standards Board ("SASB") have also developed frameworks which should be considered in the context of climate disclosure. The SEC should also build on the global investor consensus developed by Climate Action 100+ ("CA100+"), which recently outlined specific metrics for corporate net zero commitments.[4] The NGFS's work on climate and green finance issues could also be incorporated.[5]

FoSDA, founded by Refinitiv, the World Economic Forum and other key partners recently announced the launch of a Data Council.[6] The FoSDA Data Council convenes global data experts from key

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[3] Survey of 660 Global Institutional Investors commissioned by Refinitiv.

[4] Transition Pathway Initiative, "TPI partner Climate Action 100+ releases first-ever net zero company benchmark," March 22, 2021, *available at* https://www.transitionpathwayinitiative.org/publications/49?type=NewsArticle

[5] Network for Greening the Financial System Technical Document, "Progress report on bridging data gaps," May 2021, *available at* https://www.ngfs.net/sites/default/files/medias/documents/progress_report_on_bridging_data_gaps.pdf

[6] Future of Sustainable Data Alliance, "Data for mobilisation of capital towards global sustainability goals: the Future of Sustainable Data Alliance (FoSDA) launches the Data Council," February 17, 2021, *available at* https://futureofsustainabledata.com/data-for-mobilisation-of-capital-towards-global-sustainability-goals-the-future-of-sustainable-data-alliance-fosda-launches-the-data-council/

industry leaders. The Data Council can act as a much-needed industry and regulator sounding board focused on data needed for sustainable finance. This group of market data experts will serve to add realistic insight into the exploding volumes of data being used and demanded to deploy capital sustainably and will help chart a path forward with increasing efficiency and transparency. The SEC should look to groups like FoSDA as they develop future regulations and align to specific frameworks. FoSDA is due to publish a report later in 2021.

Looking forward the SEC must also think beyond today's requirements. While this request for comment is primarily focused on climate change, it is important to develop a holistic understanding of sustainability risks and opportunities. There are thousands of raw environmental, social and governance (ESG) indicators that can provide insights into the performance of companies. There can be a wide variety of potential measures for any one theme. Some indicators can be far more relevant for certain industries than others. We recommend the SEC encourage the development of these datasets to meet evolving needs (e.g., biodiversity related data and future stress-testing requirements to support net zero targets).

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We hope to further engage with SEC on sustainability disclosures as well as broader sustainable finance issues. We would be pleased to provide any further information or respond to any questions that the Commission or the staff may have.

Sincerely,

Jonathan Jachym
Head of Government Relations and Regulatory Strategy, Americas
London Stock Exchange Group

cc: Hon. Gary Gensler, Chair
Hon. Allison Herren Lee, Commissioner
Hon. Hester M. Peirce, Commissioner
Hon. Elad L. Roisman, Commissioner
Hon. Caroline A. Crenshaw, Commissioner