



Persefoni AI Response to the US Securities and Exchange Commission about whether current disclosures regarding climate change adequately inform investors.

Dear Chair Gensler,

On behalf of Persefoni, I welcome the opportunity to respond to the Securities and Exchange Commission's (SEC's) request for public input on climate-related financial disclosure issued by Acting Chair Allison Herren Lee on March 15, 2021.

Persefoni supports the SEC's increased interest and initiative in sustainability-related financial disclosure and believes generally accepted sustainability disclosure standards can play a key role in addressing this emerging priority.

Persefoni is a first-of-its-kind, enterprise-scale platform for carbon accounting and management, which enables enterprises to systematically lower the environmental impact of their operations. The platform helps turn raw data aggregated across multiple business units into data-driven, actionable insights. Enterprises are also able to see a full map of their carbon footprint, parsed into consumption buckets – like “business travel” – that are easy to track and tackle. You can think of us as the “ERP of Carbon & Climate.”

As the former Chief Executive of the Global Reporting Initiative (GRI), I have substantial experience with sustainability disclosure standards. GRI is the leading (by company adoption) sustainability standards organization. The large adoption of the GRI standards is primarily driven by the corporate responsibility movement. This has produced countless performance improvements and should be encouraged going forward. However, as sustainability topics such as climate change move into the mainstream of corporate financial disclosure, a different – yet coordinated – approach is needed.¹

To summarize, the SEC should move swiftly to adopt new rules requiring disclosure of climate related financial risks based on the framework outlined by the Task Force on Climate Related Financial Disclosure (TCFD). Climate disclosure should be a mandatory line-item disclosure for all registrants above a de-minimis threshold. In addition, the SEC should authorize the use of climate disclosure standards produced by the newly formed International Sustainability Standards Board if the International Financial Reporting Standards Foundation (IFRS). Such an endorsement will reduce reporting burden on US based companies by ensuring a single standard is used for disclosure of climate related financial information. This single standard will form a global common language that will facilitate comparability of disclosures thus accelerating the transition to a low carbon economy.

¹ The [paper](#) released by the existing sustainability standards organizations in the fall of 2020 succinctly outlines how such coordinate should take place.



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The SEC must also look beyond climate change to other sustainability issues that are important to investors. Close coordination with the existing standards organizations such as SASB and GRI is essential. As sustainability issues mature into the mainstream of financial disclosure, this coordination will ensure the SEC acts timely and in step with the state-of-the-art accounting and disclosure practices.

We welcome the SEC's growing interest in the role sustainability standards can play in advancing its mission to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. We are hopeful that the input provided below is helpful to you

In addition to the comments below on behalf of Persefoni, I stand ready to advise you and the other commissioners on sustainability disclosure standards as needed. I would be eager to share my perspective from leading GRI and more than 20 years of sustainability reporting experience with three large US-based technology companies as well as 10 years working on environmental policy in the US Federal government.

Sincerely Yours,

Timothy J. Mohin
Chief Sustainability Officer
Persefoni



Response to SEC Questions

Question 1:

How can the Commission best regulate, monitor, review, and guide climate change disclosures in order to provide more consistent, comparable, and reliable information for investors while also providing greater clarity to registrants as to what is expected of them? Where and how should such disclosures be provided? Should any such disclosures be included in annual reports, other periodic filings, or otherwise be furnished?

Response:

In the decade since the SEC issued its Guidance Regarding Disclosure Related to Climate Change, the relevance of this issue to investors has soared. With forecasts topping \$50 Trillion invested in ESG strategies, there is ample evidence that the Commission must act more definitively to protect investor interests. While the prior guidance cites existing regulation requiring climate disclosure, in many cases, companies still choose not to disclose this information or provide substandard disclosures that are not reliable.

The Commission must promulgate new rules to require consistent, comparable and high quality (assured) climate disclosure.

Experience from the European “Non-Financial Reporting Directive” (NFRD) is instructive to back up this recommendation. Originally adopted in 2014, the NFRD went into effect across the EU in 2018. Some member states opted to require assurance of disclosures to add reliability for investors. However, in just a few reporting cycles, the results of this policy were widely criticized as not adding value for investors and other stakeholders. The primary reason for this failure was that the policy allowed issuers flexibility to choose which disclosures to make and which reporting standards to use. Without more uniform and reliable disclosures, stakeholders found very little value and the policy failed to meet its goals. Now the European Commission will revise this policy with the stated intent of requiring specific disclosures across all industrial sectors and additional disclosures the apply within sectors.

In addition to the past decade of SEC filings, the European example should guide the commission as it considers climate disclosure policy. Without specific and detailed mandatory disclosure, climate reporting will continue to fall short of fulfilling the SEC’s mission of protecting investor interests.

Since its introduction, the disclosure framework issued by the Task Force on Climate Related Financial Disclosures (TCFD) had gained support from around the world. The



United Kingdom and other nations have adopted the TCFD framework as the basis for their mandatory climate disclosure policies. The Commission should also adopt the TCFD as the basis for new rules requiring climate disclosure.

As an outcome of the G7 Financial Stability Board, the TCFD framework is uniquely suited for investor-relevant climate disclosure. In addition, the framework builds from existing disclosure standards already in wide use. And finally, because the framework is widely supported internationally, adoption in new SEC rulemaking will facilitate interoperability with global disclosure regimes.

Question 2:

What information related to climate risks can be quantified and measured? How are markets currently using quantified information? Are there specific metrics on which all registrants should report (such as, for example, scopes 1, 2, and 3 greenhouse gas emissions, and greenhouse gas reduction goals)? What quantified and measured information or metrics should be disclosed because it may be material to an investment or voting decision? Should disclosures be tiered or scaled based on the size and/or type of registrant)? If so, how? Should disclosures be phased in over time? If so, how? How are markets evaluating and pricing externalities of contributions to climate change? Do climate change related impacts affect the cost of capital, and if so, how and in what ways? How have registrants or investors analyzed risks and costs associated with climate change? What are registrants doing internally to evaluate or project climate scenarios, and what information from or about such internal evaluations should be disclosed to investors to inform investment and voting decisions? How does the absence or presence of robust carbon markets impact firms' analysis of the risks and costs associated with climate change?

Response:

This group of questions deals with the type of climate information that should be disclosed and which issuers should disclose it and when. The use of the disclosures is also within the scope of this group of questions.

- What to disclose: As stated above, the TCFD framework should be used to guide the which disclosures are required.
- Who should disclose: The Commission should consider criteria to ease reporting burden on smaller issuers with less or no reporting required under certain thresholds. The EU NFRD and other policies provide ample experience to benchmark for creation of this policy.
- When to disclose: Given the climate crisis and the rapid acceleration of international climate disclosure mandates, the Commission should not include a phased approach. Given that the Commission's guidance has been available for more than 10 years and that registrants are obliged to provide investor relevant information regardless, issuers have had ample notice and time to prepare - there is no reason to delay any longer.



- Use of disclosures: The use of climate related financial disclosures is largely dependent on the needs of investors and analysts. The Commission should focus on the issuance of consistently high-quality climate disclosures based on comparable internationally recognized disclosure standards rather than engage too deeply in wide ranging use cases or the effects on the costs of capital – both of which are very dynamic and will change rapidly.

Question 3:

What are the advantages and disadvantages of permitting investors, registrants, and other industry participants to develop disclosure standards mutually agreed by them? Should those standards satisfy minimum disclosure requirements established by the Commission? How should such a system work? What minimum disclosure requirements should the Commission establish if it were to allow industry-led disclosure standards? What level of granularity should be used to define industries (e.g., two-digit SIC, four-digit SIC, etc.)?

Response:

The development of disclosure standards must be delegated to multi-stakeholder body of experts representing all relevant interests and geographies. This model has been adopted by the International Financial Reporting Standards Foundation (IFRSF) and has a proven track record of over many years.

The IFRSF has announced a working group to accelerate convergence in global sustainability reporting standards focused on enterprise value. This effort will focus on climate disclosure standards first and will build on the existing disclosure standards – specifically the TCFD - to reduce reporting burden and accelerate international consensus ensuring greater comparability and cross-border application. The International Organization of Securities Commissions (IOSCO) is in full support of this effort.

The SEC should endorse and support the IFRSF sustainability Standards working group and aim to build any future climate disclosure policy on the resulting standards. This will ensure the broadest international applicability and comparability thus facilitating global trade while simultaneously addressing the financial risks associated with the global climate crises.

It is essential that the SEC endorse the IFRSF standards (based on TCFD) because climate change risks are not generated in the US alone. Climate change is a global issue and thus the risks and mitigating measures must also be global. The alternate position of establishing US – only standards will put US based firms at a disadvantage as they will have to respond to several different disclosure requirements adding to reporting burden and creating obstacles to comparable disclosures. In addition, a US-only standard will not address the global nature of climate risks and, though confusion and inaction, likely



delay mitigating actions. Finally, as a global financial standards organization, the IFRSF can help forge integration into financial disclosure.

Question 4:

What are the advantages and disadvantages of establishing different climate change reporting standards for different industries, such as the financial sector, oil and gas, transportation, etc.? How should any such industry-focused standards be developed and implemented?

Response:

The SEC should endorse universal disclosures applicable to all registrants (above a de minimis threshold). This policy mirrors the policy announced by EU and endorsed by the World Economic Forum International Business Council. These groups have recognized that universal disclosures are essential to consistent, comparable, quality reporting. As mentioned above, the prior SEC guidance and the EU NFRD policy failed to produce high quality climate disclosures.

The SEC policy should a priori assume that the materiality principle is met for all registrants (above a de minimis threshold) for basic climate disclosures (scope 1 and 2 at a minimum).

In addition to requiring universal basic disclosures (based on international standards), the SEC should require additional disclosures for registrants in certain industrial sectors associated with outsized climate impacts. This will not add significant burden since most multi-national registrants will be subject to similar requirements if they do business in the EU.

Question 5:

What are the advantages and disadvantages of rules that incorporate or draw on existing frameworks, such as, for example, those developed by the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), and the Climate Disclosure Standards Board (CDSB)? [7] Are there any specific frameworks that the Commission should consider? If so, which frameworks and why?

Response:

Please refer to the response to question 3.



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The SEC should support the sustainability standards work of the IFRSF and base its disclosure policies on the resultant standards. The IFRSF has announced that its sustainability standards working group will incorporate the relevant disclosure standards in common use – including the G7 endorsed TCFD. This will ensure that the resultant standards will build upon, not duplicate, the existing disclosure practices and thus reduce reporting burden and maximize international consistency and comparability.



Question 6:

How should any disclosure requirements be updated, improved, augmented, or otherwise changed over time? Should the Commission itself carry out these tasks, or should it adopt or identify criteria for identifying other organization(s) to do so? If the latter, what organization(s) should be responsible for doing so, and what role should the Commission play in governance or funding? Should the Commission designate a climate or ESG disclosure standard setter? If so, what should the characteristics of such a standard setter be? Is there an existing climate disclosure standard setter that the Commission should consider?

Response:

Please refer to the responses to question 3 and 5.

The SEC should support and endorse the sustainability standards work of the IFRSF and base its disclosure policies on the resultant standards. Like financial disclosure standards, it is essential to delegate standards setting to a third party with the appropriate representation, transparency and accountability built into its governance. The IFRSF has a long and proven track record of producing widely adopted standards based on these fundamental governance criteria.

Delegation to appropriate independent standard setting organizations will ensure that the standards are kept up to date with the latest international consensus in climate accounting and disclosure practices.

Question 7:

What is the best approach for requiring climate-related disclosures? For example, should any such disclosures be incorporated into existing rules such as Regulation S-K or Regulation S-X, or should a new regulation devoted entirely to climate risks, opportunities, and impacts be promulgated? Should any such disclosures be filed with or furnished to the Commission?

Response:

The SEC should develop a new, stand-alone climate disclosure rule. This will ensure the greatest possible clarity which will accelerate adoption and decrease confusion and burden.

All resultant climate disclosures should be reported to the SEC and made publicly available like financial disclosures (through EDGAR). This practice will ensure the transparency needed to protect investors against climate risks.



Question 8:

How, if at all, should registrants disclose their internal governance and oversight of climate-related issues? For example, what are the advantages and disadvantages of requiring disclosure concerning the connection between executive or employee compensation and climate change risks and impacts?

Response:

Please refer to the response to question 4.

The SEC should only require governance and oversight information for the largest and most carbon intensive registrants. Narrowing these types of disclosures will reduce the overall reporting burden and focus on the registrants where these issues are critical concerns for investors.

Question 9:

What are the advantages and disadvantages of developing a single set of global standards applicable to companies around the world, including registrants under the Commission's rules, versus multiple standard setters and standards? If there were to be a single standard setter and set of standards, which one should it be? What are the advantages and disadvantages of establishing a minimum global set of standards as a baseline that individual jurisdictions could build on versus a comprehensive set of standards? If there are multiple standard setters, how can standards be aligned to enhance comparability and reliability? What should be the interaction between any global standard and Commission requirements? If the Commission were to endorse or incorporate a global standard, what are the advantages and disadvantages of having mandatory compliance?

Response:

Please see the responses to questions 3, 4 and 5.

In summary, the SEC should mandate universal disclosure of basic climate information for all registrants above a de minimis level. Such disclosures should be based on the climate disclosure standards developed by the IFRSF and the SEC should delegate climate disclosure standards development to the IFRSF.

The failure of the prior SEC guidance and the EU NFRD to produce investor-grade climate disclosure provides ample evidence that mandatory minimum climate disclosure is required. Such mandates will produce consistent, comparable, quality disclosures needed to protect investors from climate related financial risks.

Delegation of climate disclosure standards to a reputable standards organization with the appropriate governance, transparency and accountability criteria will ensure global acceptance, consistency of disclosure and comparability across the world. In addition,



the standards will reflect the up-to-date best practices and reduce reporting burden associated with confusion over multiple disclosure regimes.

Question 10:

How should disclosures under any such standards be enforced or assessed? For example, what are the advantages and disadvantages of making disclosures subject to audit or another form of assurance? If there is an audit or assurance process or requirement, what organization(s) should perform such tasks? What relationship should the Commission or other existing bodies have to such tasks? What assurance framework should the Commission consider requiring or permitting?

Response

The SEC should mandate that all climate disclosures be assured by a qualified third-party assurance provider utilizing internationally recognized assurance standards specific to climate reporting. International Auditing and Assurance Standards Board (IAASB) provides such a standard and periodically issues updates to audit practitioners.

An assurance requirement is essential to address the long-standing failure of many registrants to produce reliable information on this critical topic. This requirement is aligned with the European Union Proposal for a Corporate Sustainability Reporting Directive (CSRD) and thus will reduce the burden for multi-national registrants already subject to the EU policy.

As with financial disclosures, the accounting procedures for climate disclosures carry accreditation and certification procedures (e.g., the greenhouse gas protocol). The SEC should require that assurance providers disclose all relevant certifications in their assurance statements.

Question 11:

Should the Commission consider other measures to ensure the reliability of climate-related disclosures? Should the Commission, for example, consider whether management's annual report on internal control over financial reporting and related requirements should be updated to ensure sufficient analysis of controls around climate reporting? Should the Commission consider requiring a certification by the CEO, CFO, or other corporate officer relating to climate disclosures?

Response

See response to question 8

The SEC should minimize any additional universal disclosure requirements to avoid unreasonable burdens. Climate related controls and certifications should be included in



guidance for registrants and only mandatory for the largest most carbon intensive industries.

Question 12:

What are the advantages and disadvantages of a “comply or explain” framework for climate change that would permit registrants to either comply with, or if they do not comply, explain why they have not complied with the disclosure rules? How should this work? Should “comply or explain” apply to all climate change disclosures or just select ones, and why?

Response

The SEC should avoid “comply or explain” policies. Such policies have been in effect in capital markets around the world for some time and there is ample evidence that they do not produce sufficient information to protect investors against climate related financial risks.

As stated above, the SEC should mandate universal disclosures of minimum climate information above a de minimus level. For larger and more carbon intensive registrants, additional climate disclosures should be mandatory. For all registrants, the SEC should provide recommendations on best practices for governance, certifications, assurance and related matters.

Comply or explain policies were intended to provide a phased-in approach to reduce the burden on companies less familiar with climate disclosure. Again, this approach has failed to produce investor-grade information and has become a sanctioned excuse for delay and inaction.

Question 13:

How should the Commission craft rules that elicit meaningful discussion of the registrant’s views on its climate-related risks and opportunities? What are the advantages and disadvantages of requiring disclosed metrics to be accompanied with a sustainability disclosure and analysis section similar to the current Management’s Discussion and Analysis of Financial Condition and Results of Operations?

Response

The SEC should provide additional guidance in its Management’s Discussion and Analysis of Financial Condition and Results of Operations for climate related matters. Such context is helpful for investors to gauge the appropriateness of the registrant’s management systems and controls for managing climate risks.



Question 14:

What climate-related information is available with respect to private companies, and how should the Commission's rules address private companies' climate disclosures, such as through exempt offerings, or its oversight of certain investment advisers and funds?

Response

To the extent allowable under its authority, the SEC should encourage privately held companies to provide climate disclosure on par with publicly traded companies.



Question 15:

In addition to climate-related disclosure, the staff is evaluating a range of disclosure issues under the heading of environmental, social, and governance, or ESG, matters. Should climate-related requirements be one component of a broader ESG disclosure framework? How should the Commission craft climate-related disclosure requirements that would complement a broader ESG disclosure standard? How do climate-related disclosure issues relate to the broader spectrum of ESG disclosure issues?

Response

The SEC should focus on climate disclosure rules per the recommendations above in the short-term. Over the medium to long-term, the SEC should consider additional ESG disclosure rules on a case-by-case basis.

ESG reporting is voluntarily practiced by more than 90% of the companies listed in the S&P 500. Such reporting is utilized by investors and other stakeholders alike. Similar to climate, some ESG issues will reach a threshold where there is ample evidence of board financial materiality. The Commission should appoint a standing organization to monitor the maturity and materiality of these issue and make recommendations on future rule making.

The history of climate disclosure provides a foundation for any consideration of disclosure policy for additional ESG issues. A key criterion is that once the materiality threshold is met, the Commission should establish universal disclosure mandates with provisions for assurance and additional disclosures required for certain registrants. Another key criterion for inclusion of additional ESG disclosure mandates is deferral to the IFRSF sustainability standards. Because of its international credibility built on a transparent and accountable independent governance structure, the SEC should heavily weight any future ESG mandates on the issuance of IFRSF sustainability standards.