June 14, 2021
The Honorable Gary Gensler
Chair
United States Securities and Exchange Commission
100 F Street, NE Washington, DC 20549-1090

Re: Request for Comment on Climate Change Disclosures

Dear Chair Gensler,

On behalf of Vert Asset Management, I respectfully submit the following comments in response Acting Chair Allison Herren Lee's request for public input on Climate Change Disclosures (March 15, 2021).

Vert Asset Management is a dedicated ESG (environmental, social, and governance) asset manager. We work in close consultation with academic experts and experienced portfolio managers to create investment products that work for the wealth management community. Vert combines ESG research and a disciplined rules-based process to deliver funds that achieve investors' twin goals of sustainability and market rates of return. Our clients are primarily financial advisors. We currently manage one open-ended mutual fund with $110 million AUM (as of March 31, 2021) that invests in publicly traded real estate investment trusts globally.

We are signatory to the PRI and signed onto the Ceres Investor letter that has been submitted. We also wanted to submit our own brief response to take the opportunity to address this important request for information.

Our comments are underpinned by our experience investing in publicly-traded real estate investment trusts globally and our engagement philosophy where we work to build capacity in financial services on knowledge about ESG issues.

We empathize with companies that the reporting process for ESG disclosures is fragmented and onerous mainly because there is no standardized format to report all the various points of
information that different stakeholders ask of a company. One such company we invest in
through our mutual fund is Macerich:

Olivia Leigh, Executive Vice President of Operations and People at Macerich, a publicly
traded real estate investment trust, states, “Climate risk disclosure is important - to investors,
certainly, but also to all our stakeholders including employees, retailers and brands, shoppers
and our broader communities. We support climate risk disclosure standardization so people
can more readily compare organizations in terms of ESG performance and commitments.”

Many companies like Macerich are already disclosing this information through a multitude of
reports to demonstrate they factor climate risks into their overall corporate strategy. Some of
these reports include but are not limited to industry specific benchmarks such as the Global
Real Estate Sustainability Benchmark (GRESB), in addition to the Task Force on Climate-
related Financial Disclosures (TCFD) and/or Global Reporting Initiative (GRI) and/or CDP
reports.

We are hopeful that the SEC will move towards integrating climate risk disclosures into
mandatory reporting. Climate risk is an investment risk and investors need this information.
Thank you for asking for public comment on this important issue. Thank you for taking our
investment management perspective into consideration.

Sincerely,

Sarah Adams
Chief Sustainability Officer
Vert Asset Management

1 Conversation between Vert Asset Management and Macerich on Friday, June 11, 2021.
Comments in response to some of the specific questions asked:

Questions 1 & 7

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?

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?

The Commission's creation of a Climate and ESG Task Force is a great way to start to understand and consider climate and ESG issues when developing new rules or amending old rules. It is important that the SEC remain involved in continued discourse on ESG issues with other international policy bodies, including the SEC's membership in IOSCO's Sustainable Finance Network.

It would be helpful for climate risk disclosures to be required in existing reports that companies file with the SEC such as the 10-K. In fact, many real estate investment trusts have already started referring to climate risks in their annual reports. To date over 85% of US real estate investment trusts in our mutual fund identify climate risks in their most recent 10-K in the designated "Risk" section.

**Question 2** This question contains many questions. We are only answering the portions in bold.

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
Two key components of climate change have been identified as energy use and emissions. Requiring companies to report their Scope 1 (emissions from owned assets) and Scope 2 (purchased energy) emissions in conjunction with a management comment would contextualize that specific company’s carbon emissions.

Carbon emissions reported at absolute value are not very decision-useful for investors. Investors need carbon emissions to be reported year-on-year in comparable like-for-like metrics so comparisons to other companies can be made. But this is no different from financial information on a business, for instance an investor would not just look at the price to earnings figure without taking into consideration other characteristics of the company - what industry it operates in and who its competitors are.

Scope 3 emissions are in fact other companies Scope 1 and Scope 2 emissions. There are 15 associated downstream categories contained in Scope 3. In terms of a company engaging with its supply chain, a company knowing its Scope 3 emissions can inform behavior. For real estate, knowing emissions of leased assets and change of land use could be helpful to understand energy and material sourcing decisions.

Some stock analysts will look at all the available information that a company reports in conjunction with industry trends, benchmarks, microeconomic trends, macroeconomic trends, and geopolitical events. In the stock market, prices are derived from information. There is now more information that investors require. Companies are already reporting this information in the form of industry benchmarks such as GRESB for real estate in addition to TCFD or GRI or CDP reports.

Climate change risks often increase the cost of capital. In real estate, the recent wildfires in California and intense storms in Texas have increased insurance premiums.
In the absence of a robust carbon market, the city and state jurisdictions are developing laws to address carbon emissions and energy consumption. There are city regulations around the country requiring buildings to consume less energy. For instance in New York, New York, Local Law 97 enacted in 2019 requires buildings over 25,000 square feet (approximately 60% of the square footage in NYC) to cap emissions time. Fines will be levied at approximate $268 per ton emissions above the designated cap. In effect, this law creates a price on carbon in New York City.

Questions 5 & 6

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)? Are there any specific frameworks that the Commission should consider? If so, which frameworks and why?

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?

ESG disclosure has been evolving rapidly over the last 20+ years. Early reporting frameworks developed by the Global Reporting Initiative (GRI) asks companies to report on all ESG issues followed by the CDP (formerly the Carbon Disclosure Project) which historically was more narrowly focused on carbon emissions are part of a package of information that investors are already looking towards to gain insight into a company's management of environmental, social, risks and opportunities.

More recently, as an investment manager we have witnessed a relatively quick take-up of the recommendations by the Task Force on Climate-related Disclosures (TCFD) among real

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estate investment trusts. We believe TCFD has helped investors and companies talk the same language about climate risks and opportunities. TCFDs provides a clear framework for companies to communicate, identify, develop a mitigating strategy, and/or create adaptation plans in the short-term to long-term. CDP has integrated the TCFD framework into its questionnaire.

There is value in all of the existing frameworks - GRI, TCFD, Carbon Standards Disclosure Board (CDSB). We would argue Sustainability Accounting Standards Board (SASB) identifies metrics that would be used within the context of a framework like TCFD.

The relationship that the SEC has with the Financial Accounting Standards Board (FASB) should be replicated in regard to sustainability standards. As an investment manager who invests globally, we are required to understand the various jurisdictions and their requirements on ESG disclosures. We believe that through the work of the International Financial Reporting Standards (IFRS), ESG issues identified by GRI and SASB will be integrated into traditional accounting practices. The intersection of "traditional finance" and "sustainable finance" will continue to evolve so whatever approach the SEC decides to take, the SEC should remain somewhat flexible.

We do believe that all market participants should have free access to those standards (defined as metrics) if they are indeed standards meant to benefit all market participants. If the standards are behind a paywall or deemed to be proprietary that will skew the availability of reporting and interpreting sustainability information. For instance, in financial accounting a price-to-earnings ratio is not a proprietary metric and all market participants have access to learn the inputs and relative significance of that ratio.

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?

"Comply or explain" is a helpful first step. "Comply or explain" should be applied to all climate and ESG disclosures. We understand the EU Non-Financial Reporting Directive (Directive 2014/95EU) requires large public companies to disclose specific ESG information.
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?

There needs to be both the metrics and the Management Discussing and Analysis component side-by-side. Absolute figures are not decision-useful. They need to be contextualized.

The following diagram illustrates how ESG integration frames material business risks.

Diagram: Sample of issues and corresponding metrics that are examined under an ESG framework.¹

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<thead>
<tr>
<th>ENVIRONMENT</th>
<th>SOCIAL</th>
<th>GOVERNANCE</th>
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<td>Natural Resources</td>
<td>Human Capital</td>
<td>Corporate Behavior</td>
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<td>Pollution &amp; Waste</td>
<td>Product Liability</td>
<td>(Corporate Governance</td>
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<td>Climate Change</td>
<td>Stakeholder Opposition</td>
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<tr>
<td>Environmental Opportunities</td>
<td>Social Opportunities</td>
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<tr>
<th>EXAMPLE ISSUES:</th>
<th>EXAMPLE METRICS:</th>
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<tr>
<td>Greenhouse Gas Emissions</td>
<td>C0₂ Emissions Per Unit Produced</td>
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<tr>
<td>Energy Efficiency</td>
<td>Energy Use Per Square Meter</td>
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<td>Health &amp; Safety</td>
<td>Employee Accidents Relative to Total Hours Worked</td>
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<td>Labor Rights Diversity, Equity, Inclusion</td>
<td>Number of Active Controversies</td>
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<td>Board Independence</td>
<td>Independent Members Relative to Affiliated Members</td>
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<td>Executive Pay</td>
<td>Executive Pay Ratio &amp; Disclosures</td>
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The effect of sustainability issues in the capital markets and portfolio construction process cannot be disentangled from business decisions and operating choices that investees are faced with. For example, many real estate companies use an environmental impact assessment to evaluate a property before acquiring it as part of their due diligence. Additionally, real estate companies conduct a life-cycle analysis of a property as part of their investment planning when deciding how to best retrofit a building for energy efficiency. Climate risk metrics inform business strategy.