June 14, 2021

The following letter is presented by Boston Common Asset Management in response to an invitation for comment on climate change disclosures by SEC Acting Chair Allison Herren Lee to be submitted by June 14th, 2021.

Boston Common Asset Management submits this comment letter in support of a rulemaking by the SEC on mandatory climate change disclosures. We believe that disclosure of the material and systemic risks of climate change will help companies and investors to understand, price, and manage climate risks and opportunities. These activities are not only at the core of efficient securities markets, but are also essential to ensuring a just and thriving economy that works for all people and communities.

Our Firm Focus on Climate Change

Boston Common Asset Management is a global investment manager that specializes in sustainable and responsible global equity strategies. Boston Common urges companies we invest in to improve their sustainable business practices and to promote transparency, accountability, and inclusivity in the way they conduct business with their employees, customers, suppliers, and other partners. Boston Common has a long history of investing in companies that are accelerating the transition to a low carbon economy, including companies that focus on renewable energy, climate mitigation and adaption, more efficient processes, and circular economies. We fully divested from fossil fuels in 2019.

In early 2020, Boston Common became the first US asset manager to join the Platform for Carbon Accounting Financials (PCAF) – with 123 signatories representing $39.8 trillion in financial assets. As part of the PCAF Core team, we helped develop global carbon accounting standards launched in November 2020 covering six asset classes. In March 2021 Boston Common joined the Net Zero Asset Managers Initiative alongside 73 global asset managers representing $32 trillion in assets under management. As signatories, we are committed to aligning our investments to net-zero emissions and a 1.5 degrees Celsius scenario by 2050. Since 2015 Boston Common Asset Management has publicly disclosure our own financed emissions (portfolio carbon footprint).

We also work in collaboration to advance climate action with other investor coalitions and multi-stakeholder organizations including PRI, Ceres, Interfaith Center on Corporate Responsibility, the International Corporate Governance Network, and the Climate Safe Lending Network. All of which have been advocating with companies on the risks posed by climate change and therefore deeply understand the value of comparable, consistent, and reliable
climate-related information. Boston Common Asset Management believes climate disclosures are critical for effective investment decision-making.

**Climate change poses a systemic risk to the economy, and therefore has material impacts on companies of all sizes in all industries.**

U.S. regulators recognize climate change as a systemic risk to the financial system.¹ A company may be impacted by climate change, and a company can have climate-related impacts on the larger economic and social systems in which it is embedded. This is the concept of double materiality,² which has been recognized by corporate reporting systems internationally. The impacts of climate change include physical risks to real assets from climate-fueled weather events and transition risks posed by regulatory, technology, economic and litigation changes during the shift to a net-zero economy. These risks are happening now as evidenced by the increased frequency and intensity of “100-year” weather events across the globe and the EU taxonomy regulations, for example.

Given the current climate emergency, it is especially critical for investors including Boston Common Asset Management to actively support all interventions including progressive climate policies globally such as mandatory climate disclosure. Even before the Paris Agreement, advocating for progressive climate policies has been one of our firm’s highest priority. What has changed is the urgency for regulatory interventions especially given the latest IEA energy modeling which concludes there is a very narrow path to achieve a 1.5 degrees Celsius by 2050 pathway including no new investment in new fossil fuel supply projects as of now, no new sales in non-electric vehicles by 2035, and having the global electricity sector have net zero emissions by 2040.

Under the previous Administration in the US, we lost four years to advance progress on efforts to mitigate climate impacts. While investors and businesses continued to address climate, progress was limited without comprehensive government interventions. This is one of the reasons our firm is a signatory to the new Global Investor Statement on Climate Change supported by 456 investors with over $41 trillion in assets. It is critical for investors to back a set of comprehensive action steps for governments to take ahead of COP26. This includes the need to step up ambition related to NDCs (Nationally Determined Contributions) targets, adopt mid-century net zero goals - by 2050 or sooner, and support mandatory climate disclosure.

The current state of climate disclosure does not meet investor needs for comprehensive, science-based, decision-useful data from all enterprises facing material short, medium, and long-term climate change risks. Under Boston Common’s five-year flagship initiative, “Banking on a Low Carbon Future”, we engaged nearly 60 global banks on climate risks and

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opportunities, highlighting the need for the financial sector to step up on climate. Our November 2019 report **Banking on a Low-Carbon Future: Finance in a Time of Climate Crisis**, concluded that there is a systematic reluctance by banks to demand higher standards from high carbon sector clients with only half the banks explicitly engaging clients on low carbon transition plans and only 7 banks asked clients to adopt the TCFD recommendations. Our findings illustrate that voluntary climate disclosure is not enabling the robust climate disclosure and action by the financial sector that is needed and calls for the SEC to adopt robust mandatory climate disclosure.

A new study has found that mandatory ESG reporting has the quality of reporting and increased the accuracy and reduced the dispersion of analysts’ earnings forecasts, among other benefits. Disclosures to CDP in 2019 showed that 215 of the biggest global companies reported nearly US$1 trillion at risk from climate impacts, with many of those impacts likely to hit within the next 5 years. Meanwhile, companies also reported US$2.1 trillion in cumulative gains from realizing business opportunities related to climate change.

**Considerations for climate disclosure rules**

For the benefit of all market participants, we believe climate change disclosure rules from the SEC should include, at a minimum, the following elements:

- **Based on 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. The TCFD covers disclosure guidance on governance, strategy, risk management, and metrics and targets.

- **Transition plan disclosure:** Disclosure rules should provide clear insights into companies’ climate transition plans, including short, medium, and long term targets. Disclosure on transition plans should address risk management, governance and strategies, and scenario planning for a net zero future.

- **Industry-specific metrics:** SEC rulemaking should include industry specific metrics, because material climate risks manifest in different 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.

- **Complete emissions disclosure:** Disclosure rules should include Scope 1, 2 and 3 greenhouse gas emissions, which are needed to assess the full range of climate change risks facing companies. This must include emissions attributable to the lending, investing, and underwriting activities of financial institutions, often referred to as “financed emissions”, which contribute substantially to the systemic risk of climate change faced by the financial sector.

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

• **Subject to audits:** Climate-related disclosures in financial filings should be subject to auditing and assurance measures as are financial disclosures. The SEC should work with the Public Company Accounting Oversight Board (PCAOB)\(^5\) to fully incorporate climate into its audit regulatory functions, over which the SEC has statutory oversight responsibility.

• **Regular updates:** Scientific consensus around climate impacts and capital market responses to climate risks are rapidly evolving. SEC rules should be updated regularly in response to these developments, and they should include the development or adoption of new metrics, as existing climate standards and frameworks have done as the science and markets have evolved.

• **Broad ESG disclosure framework:** The topics of “E”, “S” and “G” disclosures are inextricably linked; therefore, the SEC should consider the development of a broad ESG disclosure framework that climate disclosures would feed into; however, it is imperative that the development of a broader ESG disclosure mandate does not delay a rulemaking for mandatory climate disclosures. The climate crisis is too urgent and investors need this information as soon as possible. Additional ESG disclosure themes that the SEC should consider prioritizing include, but are not limited to, political spending and human capital management.

The climate crisis requires immediate action to mitigate the growing threats to financial markets and the economy, as well as to the people and communities that exist within them; therefore, we ask the SEC to act urgently in its climate disclosure rulemaking process. We appreciate the opportunity to participate in the SEC’s request for information and thank you for your consideration of our comments.

Sincerely,

[Signature]

Managing Director/Director of Shareowner Engagement

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\(^5\) The PCAOB was set up to oversee the audits of public companies and other issuers in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports.