June 14, 2021

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

Via E-mail: rule-comments@sec.gov / Webform at https://www.sec.gov/cgi-bin/ruling-comments

Re: Comments on Climate Disclosures

Dear Ms. Countryman:

Mirova US LLC ("Mirova US") welcomes this opportunity to comment on the Securities and Exchange Commission's (the "SEC" or the "Commission") request for public input on climate change disclosure. As a global investment adviser exclusively dedicated to sustainable investing, we hope this letter will aid the Commission in its consideration of climate change disclosures by public issuers. This letter first provides an overview of Mirova US's position towards climate change disclosure and then responds to questions presented for consideration in then-acting Chair Allison Lee's March 15, 2021 public statement soliciting public input.

I. Overview of Mirova

Mirova US[1] began offering investment advice to US clients in March 2016, but our history with sustainable investing is much longer. Our parent, Mirova[2] ("Mirova France" and, collectively with Mirova US, "Mirova") began providing sustainable investment advice in the 1990s and became a standalone investment adviser exclusively focused on sustainable investing in 2014.[3] Mirova collectively manages $25.5 Billion Assets Under Management as of March 31, 2021, $5.8 Billion of which is managed by Mirova US and $1 Billion of which is exclusively for US investors. All Mirova strategies, including those offered to US clients, are focused on sustainability. Being so focused presents Mirova with unique opportunities to add its voice across various jurisdictions for key topics related to sustainability. Mirova Paris is among the 1% of global asset managers selected to be part of the PRI Leaders' Group on climate reporting, through key initiatives and programs including:

- Member of the High-Level Expert Group that advised the EU Commission for its sustainable finance action Plan, which implementation we have actively supported;

[1] Mirova US began offering investment advice in the US originally as a division of Ostrum Asset Management U.S., LLC and spun-out to become a standalone investment adviser in 2019.

[2] Note Mirova France is also a "Participating Affiliate" of Mirova US. Pursuant to this arrangement, certain employees of Mirova France serve as "Associated Persons" of Mirova US within the meaning of Section 202(a)(17) of the Investment Advisers Act of 1940 and, in this capacity, are subject to the oversight of Mirova US and its Chief Compliance Officer. These Associated Persons may, on behalf of Mirova US, participate in providing discretionary and non-discretionary investment management services (including acting as portfolio managers and traders), research and related services to clients of Mirova US.

[3] Mirova France began offering investment advice originally within an affiliate, Ostrum Asset Management.

- Founding member of the Green Bond Principles;
- Member of the steering committee of the Science Based Targets Initiative, which provides technical assistance to the Net Zero Asset Owner and Asset Managers alliances;
- Working in close collaboration with Carbone 4 to develop key carbon-assessment methodologies; and
- Contributing to several global consultations over the years including consultations led by stock exchanges and financial regulators such as the Monetary Authority of Singapore and the Hong Kong Stock Exchange, as well as industry-led consultation such as the Task Force on Climate-related Financial Disclosures (TCFD).

II. Overview of Mirova's Perspective on Climate Change Disclosure

In advance of providing specific responses to enumerated questions from the Commission, we feel it is appropriate to provide an overview of how Mirova considers and assesses climate change disclosure by issuers in which Mirova invests on behalf of its clients.

a) Investors need to understand the whole impact of issuers, including the entirety of their value chain, on climate change, whether positive or negative. This would enable investors to anticipate the investment risks and opportunities associated with those issuers.

b) Climate- and sustainability- related issues are complex, and methodologies to measure climate risks and opportunities for investors are still in their infancy. However, they are of tremendous importance for all investors: disclosures should not be delayed.

c) We support sector-specific disclosure for sustainability issues. However, climate change is such a cross-cutting and urgent issue that it should be considered on a systematic basis. In our view all issuers and all sectors should report on a minimum set of climate disclosures and on a relevant scope. More detailed reporting should be required from high carbon-stakes sectors (e.g., energy, industry, buildings, mobility, agriculture) and from part of the financial sector. More basic reporting could be required from low carbon-stakes sectors.

d) Issuers'/registrants' disclosure obligations should be drafted on the basis of investors' information needs. We recommend a baseline set of information and mandatory disclosures for all issuers. The key information that investors need is two-fold: on the one hand, an estimation of the share of issuers' activity that should be considered "green" (i.e. with a positive impact on climate) and the share that should be considered "brown" (i.e. detrimental to climate); on the other hand, information on the level of greenhouse gas ("GHG") emissions associated with issuers' activities, on the basis of a life-cycle analysis.

e) The scope of climate reporting for GHG emissions is key to obtaining meaningful information. Investors need to understand all the climate risks, opportunities and impacts associated with an issuer. This implies reporting on all scopes of emissions, including scope 3, and avoided emissions for high stakes sectors. In our experience, it

is better to have relevant proxies and estimates on a relevant scope than very precise figures on a limited scope.

f) If an international agreement or global framework were established, it should focus on disclosure *principles*, as the ones described in our response to question 2. This would enable a progressive convergence of the frameworks that currently exist across different countries. On the basis of our experience as a professional investment manager fully dedicated to sustainability, we have elaborated a list of disclosure principles that we think should be the basis of a common disclosure framework at the global level (see our proposal developed in response to question 2 below). While the SEC is not a global regulator, it can set a powerful example for other local regulators in this space.

g) The role of auditors with respect to climate and ESG reporting (if any) should be different than their role with respect to financial reporting. For sustainability disclosure, and for climate-disclosure in particular, data accuracy is important, but it is less important than disclosure that captures the right order of magnitude on a relevant scope of reporting. The SEC should not allow the perfect to become the enemy of the good when it comes to climate and ESG reporting. Auditors should also provide their evaluation on the relevance and meaningfulness of the climate information communicated.

II. Mirova's Responses to Questions for Consideration

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?

Investors and investment managers are confronted today with a double challenge: take into account how climate change might impact an issuer's financial performance and respond to their clients' demands that their investments have a positive impact on sustainability, and climate change, through adapted investment strategies. This is a commercial stake in the short-term – investors have to be able to understand which issuers present the best economic opportunities in the race against climate change. In the long-term, investors must be able to identify those companies that have a negative impact on climate change, since investments in these companies could entail major risks for investors, as either regulation or market pressures disrupts the business models of these companies.

The Commission's disclosure regime should therefore enable investors to get sufficient information to tackle these new climate-related challenges. It should make clear to registrants that the information requested from them is aimed at assessing their level of overall impact and contribution (be it positive or negative) to the fight against climate change.

In this regard, it is particularly crucial for investors to understand precisely] how issuers' activities accelerate or slow down climate change, with information on the "green" and "brown" share of their activity. This would include information on the associated levels of GHG emissions with respect to issuers' entire scope of responsibility (this means on scope 1, scope 2, but also on scope 3 and avoided emissions, even though methodologies are still in progress). For investors, it is more important to have the good estimates and orders of magnitude on the right scope of information rather than exact figures on a meaningless scope.

Integration of climate-related information in issuers' annual reports would be useful and appropriate.

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?

Our sustainability and climate disclosure objectives

Our approach to issuers' climate disclosure is very pragmatic. As an investor fully dedicated to sustainability, we request climate-related information with respect to issuers with a double objective:

a) Obtaining information that enables us to invest sustainably, i.e. not only limiting our investments in carbon-intensive industries but also investing in solutions that contribute to reduce greenhouse gas emissions and fight against climate change, that are the industries of the future;

b) Obtaining the information we need from part of issuers without multiplying useless information requests: we favor reporting that is limited to a few key-indicators, completed with qualitative information only to the extent it is indispensable to understand the figures; we are not in favor of long disclosures that often have limited added value for investors and represent a significant burden for issuers.

- On the basis of our experience as an investor dedicated to sustainability and operating in the already much-regulated EU context, we would like to provide some commentary on what sustainability disclosures are relevant for us. We think this commentary will be useful for the SEC as it reflects on climate and ESG corporate disclosures and will be relevant for a broad range of investors.

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The disclosure principles that we support

The type of information we look for is not limited to quantified data; we need comprehensive information and intelligence that supports our investment decision-making. We have therefore developed the following disclosure principles, that in our view would help make sustainable and climate-reporting more efficient for all stakeholders including investors and issuers as well as corporate employees and consumers.

1. Comprehensiveness of disclosures: request information that enables investors to fully understand the full impact of a company on climate, in order to make informed investment decisions

a) Present sustainability risks and opportunities for investors:

As an investor, we need to understand the whole impact of an issuer's business model on climate and sustainability, in order not only to mitigate risks but also to identify opportunities. Missing investment opportunities is in our view as high a concern as not mitigating risks. The level of risks and opportunities can be materialized mainly through 2 sets of indicators: 1) the share of activity that is exposed to green/climate-environmentally sustainable activities and the share of activities that is exposed to brown/unsustainable activities, in addition to potentially neutral activities. This information could be tracked using financial metrics such as revenue, but this may not always be sufficient: investments (capex and opex), P&L indicators, R&D should also be considered, as well as the level of GHG emissions that are induced or avoided as a result of an issuers' business model.

- In addition to these estimates, providing a forward-looking perspective is also an important element for investors. In this regard, it is of particular importance that an issuer can demonstrate how its entire business model can contribute to reaching certain defined sustainability objectives (for example, the Paris agreement and/or its own climate/sustainability-related objectives)

b) Take into account the entire scope of responsibility and life cycle:

Issuers' impact on climate and sustainability-related issues is not limited to the operations they directly manage. Disclosures that are limited to an issuer's direct operations would not prove sufficient to us to fully understand the level climate-related risks and opportunities associated with a business model.

- This is particularly true on GHG emissions reporting, for which the integration of scope 3 and avoided emissions is absolutely indispensable to understanding the real impact of a company's activity. We cannot understand the climate impact of a bank or of a car manufacturer if scope 3 emissions and avoided emissions are not taken into account. Disclosure limited only to scopes 1 and 2 is not sufficient and does not enable investors to understand the real climate impact of those businesses.

- The same rationale applies for financial indicators used for some sustainability indicators: revenue alone is not always adapted to provide a full picture of a

company's approach on a climate-related issue – investments, R&D, Capex, EBITDA, should also be considered.

These disclosure objectives are not easy to reach, and they raise multiple methodological issues that we grapple with in our day-to-day investment management business. These challenges should not, however, serve as pretexts to limit sustainability disclosure, since they can be overcome through innovative approaches to disclosures, adapted to the specific needs of investors. We have therefore reflected on the type of indicators and information that can be requested to date to issuers and investors, in order to respond to information needs while not waiting for perfect methodologies to be available.

2. ***Soundness of disclosures:*** **request information in a way adapted to the complexity of climate/ sustainability-related issue(s), so as to obtain meaningful information.**

a) Use proxies and estimates:

In our experience as an investor fully dedicated to sustainability, it is better to have an approximate figure on a meaningful sustainability indicator than information that is precise, but insufficient. Methodologies to assess data like scope 3 emissions or avoided GHG emissions are improving every day although, given the nature of what they assess, they will always remain imperfect. Managing sustainability risks and opportunities at the investor level requires having indicators of the right orders of magnitude and trends on these meaningful indicators, more than extremely precise figures. It is not possible to obtain, with respect to sustainability metrics, the same level of accuracy of data that can be expected today for other financial metrics. It is not as significant of an issue for our decision-making process, as long as we are aware of the potential margin of uncertainty that can be applied to the disclosed figures. Where no data exists, using proxies is also an interesting approach that can often provide good and workable estimates.

For example, in addition to figures on GHG emissions, exposure indicators are interesting proxies. Exposure indicators assess the level of exposure to certain sustainability issues (positive or negative) through the share of investment on specific activities, such as % of investment on fossil fuels. Issuers' controversies review (external stakeholders reporting of controversial practices on issuers' sustainability practices) is also a good proxy on exposure to climate/ESG-related risks.

b) Always integrate qualitative information

Quantitative indicators are important but, alone, they are never able to describe the complexity of a company on sustainability issues. Qualitative information describing a company's approach to climate change and a sustainability issue, how it positions and organizes itself internally to tackle this issue, how it understands, pilots and manages its climate impact: this type of information is in all cases indispensable.

c) Apply minimum climate disclosure requirements for all sectors and apply differentiated and sector-specific disclosure requirements for high-stakes sectors

All businesses do not have the same level of impact on climate change and associated risks and opportunities for investors. However, climate change is a cross-cutting issue that is becoming so crucial for our economies that, as investors, we deem it necessary to understand the positioning of all businesses. We need a common basis of disclosures for all sectors (see our proposal below), and we need to understand how each sector has an impact on climate. In this regard, qualitative information is crucial.

- If we take, for instance, two high climate-stakes sectors such as energy and agriculture, understanding their specific impact will require, for the energy sector, information on the energy mix and the impact of combustion associated with each type of fuel, while, for agriculture, understanding the impact will require information on changes in land use, utilisation of chemical inputs (fertilizers, pesticides), type of farming, etc.

3. *Understandability of disclosures:* present information in a meaningful way

Sustainability disclosures and climate-related information in particular can be displayed in many ways that will not provide useful or sufficient information for investors.

a) **Disclose intensity figures rather than absolute figures**: most of the time, sustainability/ESG-related information displayed in absolute figures does not provide meaningful information for investors. On climate-information for instance, absolute figures of GHG emissions, be it on scopes 1, 2 or 3, are most of the time difficult to interpret if they are not presented in a contextualized way. In addition to absolute figures (needed for calculations), we therefore recommend to present them through ratios. For instance, the level of emissions can be put in perspective per activity branch, or with respect to certain financial indicators or productivity indicators (teqCO2, teqCO2/revenue, teq CO2/kWh, teqCO2/production unit etc.). These ratios help an investor understand the main stakes in terms of risks and opportunities.

b) **Disclose information with time and/or sector comparison to enable analysis of trends and benchmarks:** It is often most clear when the impact of an issuer is presented with time comparison (3 year look-back period is a minimum; 5 to 10 years is ideal) and with a comparison to a sector average, so that its specific situation is well understood in the context of its sector(s) of activity. This information (data, figures, qualitative information) should be disclosed on the basis of the same methodologies used by the issuer to ensure consistency.

c) **Disclose methodologies, margins of error and potential variations of data.** Given the complexity of sustainability-related issues, we do not expect that data provided by different issuers will be directly comparable for many years, although this should remain regulators' objective. Because direct comparability will be difficult in the short term, full transparency on methodologies and estimates of potential margins of variation are indispensable for investors and data analysts to be able to understand the quality of the data displayed and provide a safe harbor to data/information users. This is all the more important

that the argument of the lack of data or the lack of accuracy are too often used in order to limit sustainability disclosure requirements.

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Our recommendation to the SEC for issuer's minimum climate-related disclosure

Rather than phasing in disclosure over time, we favor limiting the number of indicators required to be disclosed so that the overall system is simple and pragmatic. The following list identifies the metrics that we believe are indispensable to effective climate-related disclosures for any issuer or any sector.

1. Qualitative description of the strategy, internal governance, policy, and target on climate change (including alignment with the Paris agreement)

As noted below, the description of a company's climate governance should also describe how the company develops its internal competencies to understand and tackle the issue.

2. Percentage of exposure to green activities and to fossil fuels activities

The definition used for "green" activities (i.e., those that positively contribute to the fight against climate change) should be specified explicitly. Fossil fuels activities description should be granular enough to distinguish each type of fossil fuel (coal, oil, gas…)

- Revenue and Investments at minimum
- EBITDA, R&D, other financial indicators where relevant

3. Current GHG emissions and targets on the basis of a life-cycle analysis

Entire scopes 1, 2 and 3 are always relevant to include in any climate-related disclosure, even if figures reported happen to be low.

Avoided emissions should also be included, especially in the case of CO2-intensive industries. For more information on the notion of avoided emissions, please consult: http://www.carbone4.com/wp-content/uploads/2016/08/CarbonImpactAnalytics.pdf p. 12

4. Physical risk scenarios

The impact of the risks of major IPCC's scenario (2° C, 4° C and 6° C), adjusted to the current and existing parameters of the company, should be described. We do not favor projections on the future of the company itself, since that involves too much complexity and uncertainty. These scenario analyses should include relevant figures on input costs, operating costs, revenues, supply chain, business interruptions, etc.

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.)?

The advantage of defining disclosure standards mutually agreed by all stakeholders is of course to create consensus. The risk is however that the agreement reached would reflect only the lowest common denominator, that may not tackle the issue of climate-related disclosure at the right scale, and would not provide investors with the type of information they need.

Therefore, we do favor minimum disclosure requirements for all registrants, as described in our disclosure proposal in response to question 2. Climate change has become such a cross-cutting issue that the information listed in our recommendation should, in our view, be required for all registrants, whatever the industry considered. Indeed, although some industries have a higher impact on climate change than others, those minimum disclosure requirements would enable investors to have a much more precise understanding of an issuer's positioning on climate-related issues, confirming or disconfirming investors' assumptions on the risks and opportunities that can be expected from each issuer in this regard.

If the minimum disclosure requirements respect the two principles of comprehensiveness (risk/ opportunities and life-cycle analysis), they will ensure consistent disclosure whatever the sector. While the granularity of disclosure and the calculation methodologies may vary from one sector or issuer to another, if those principles are respected investors should obtain meaningful disclosure.

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?

The overall climate-related question to be tackled is the same for all sectors of activities: is a company's business model impacting climate change in a positive or negative way and generating opportunities and/or risks for investors?

Answering this question requires methodologies that are overall the same for all industries (see the reporting principles that we support) to provide appropriate information, even though the severity of climate-related issues may vary greatly from one issuer/or industry to another.

In our experience, although more details could be requested to the most climate-sensitive industries, a common basis of disclosure is indispensable for all sectors in our experience, as per our recommendation in response to question 2. High carbon stakes sectors could disclose more detailed and more sophisticated information, but the reporting principles and set of minimum guidance should be the same for all. We have identified in our question 2 answer the principles and minimum set of indicators that seem for us necessary. We see more added value

in the SEC promoting a common principles-based disclosure framework than mandating very specific industry-focused standards.

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?

We very much favor a maximum level of convergence and coherence of disclosure frameworks. However, our focus is less on having a limited number of frameworks, but rather to ensure that all frameworks in place converge in a way that enables investors to obtain the information they need to fully integrate the issue of climate change, as described in our proposals in response to question 2 (disclosure principles and climate-related disclosure recommendation).

We can provide a few comments on some of the existing frameworks listed in the question, on the basis of our investor experience. In most cases, they are a good basis to provide guidelines for climate-reporting. However, the main issues that we encounter with existing frameworks are related to their level of coverage: all sectors are not requested to disclose information on all the items that we deem important whatever the sector (as per our climate-disclosure-recommendation in question 2), i.e., the impact of issuer's business model, products and services across the entire value chain. In our view, this approach is too narrow as it does not enable a real understanding of an issuer's comprehensive impact on climate change and it does not reflect all the risks and opportunities that stem from an issuer's business model in this regard. This information is all the more important in a context where investors are increasingly active on the climate strategy of companies (for example, on climate - Climate 100+ - climate ambition), which increasingly requires a comprehensive picture of how a company positions its products and services with respect to the issue of climate change, across the entire value chain/life cycle.

- **TCFD**

We have always supported the TCFD initiative, and Mirova Paris is listed as a TCFD member. The TCFD guidelines have the great merit to have imposed the issue of climate-related disclosure on the international agenda, both for financial and non-financial players. The guidelines integrate a lot of useful indicators on the strategy, governance and risks management of climate change. However, in some aspects the TCFD seems to us excessively complex for issuers (it has, for instance, many requirements on scenario analysis that do not seem realistic and require issuers to combine the complexity of climate scenarios modelling with the complexity of business-strategy scenarios modelling). In addition, the TCFD is aimed at enabling investors to limit the impact of climate risks on their portfolio, but it is not, in our view, sufficiently comprehensive. It does not take into account issuers' overall impact on climate change (positive and negative), and doesn't require disclosure of the share of an issuer's revenues contributing positively or negatively to climate change. TCFD does not fully integrate

the climate-impact of issuers' products and services across the value chain. Under TCFD, scope 3 emissions reporting is not recommended for all sectors, and avoided emissions, that would provide investors on the level of investment opportunity, is also missing.

- **SASB**

SASB's approach is also interesting, with many indicators that are overall well-constructed and an approach that is quite prescriptive. However, under SASB's "relevance" criteria, GHG emissions is considered not relevant for certain sectors, because climate change is not considered financially material to their activities. This is the case, for instance, for the consumer goods, financials and services sectors under the SASB framework. This illustrates our point above on the tragedy of horizons. In the mid- and long-term, all sectors of our economies will be impacted by climate change – and all have already had an impact on the pace of climate change. This includes impact on services and financials when the analysis is not limited to scopes 1 and 2 but instead analyses the whole value chain. Finance for instance is not neutral, it plays a role through its financing and investment choices, that contribute to support the changes of our economies.

- **European Union SFDR and CSRD**

In Europe, the EU corporate sustainability disclosure framework is currently under review (the Non-Financial Reporting Directive that now is being renamed Corporate Sustainability Reporting Directive (CSRD)). The objective is to align disclosure requirements for corporates with disclosure obligations for Financial Market Participants (FMPs) that have been recently implemented under the new Taxonomy and Sustainable Finance Reporting Regulations. While these frameworks aimed at FPMs reporting are complex, with many poorly adapted reporting requirements from the perspective of investors, the tryptic of regulations (Taxonomy, SFDR, and upcoming CSRD) have the merit of attempting to provide a comprehensive and coherent framework for corporates and investors on both sustainability risks and opportunities. The indicators and data to be provided by non-financial market players are still to be defined. We hope that for climate-related issues, a set of minimum disclosure requirements will be established for all issuers.

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?

Disclosure requirements will need to be reviewed over time, but we urge the Commission to ensure that the core milestones of climate and potentially ESG disclosure are put in place within a two-year period of time. The climate-disclosure framework that we have outlined in our response to question 2 is for us a minimum. We applaud the SEC's openness to putting the

issue on its agenda and soliciting public comment and we encourage the SEC to move quickly to establish a formal set of guidelines.

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?

We would favor a regulation fully dedicated to climate risks, opportunities and impact. This approach would have the double advantage of creating a coherent and transparent framework while tackling the climate issue on an appropriate scope (risks, opportunities and impacts).

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?

We support disclosure of the integration of sustainability issues in executive and employee compensation, including of course climate change. This is in line with our proxy voting policy.

In addition to compensation and to internal organization, another important aspect is disclosure of internal competencies on climate. As investors, we need to understand how an issuer gives itself the means to understand and fully tackle the impacts, risks and opportunities of climate change on its business.

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?

As investors operate in international markets and in all world geographies, having material variations in terms of the level of disclosure between the different regions is an issue: having a very comprehensive framework in one jurisdiction, and not framework at all in another can create distortions in our analysis and, consequently, in our investments. We therefore very much support the establishment of a minimum level of climate-related disclosure in all jurisdictions. While having a set of global standards would be ideal, however, we are not optimistic that such a framework is practicable given political realities. Approaches of

disclosure vary greatly from one jurisdiction to another, and it will take years before direct comparability of data will be possible.

As noted above, if an international agreement and a global framework were established, we would recommend that the framework focus on disclosure *principles*, such as those described in our response to question 2. This would enable a progressive convergence of frameworks and ensure that a minimum set of coherent information is established, while leaving some flexibility to regulators and issuers to adapt disclosure requirements to the specificities of their market.

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?

At a minimum, we support a requirement that issuers be fully transparent with respect to the methodologies used for disclosure. Audit could be integrated over time if too burdensome for issuers initially, or on the contrary be requested rapidly to facilitate issuers' disclosure. While imposing some burden on issuers, requiring an audit could prove reassuring for issuers, since a clean audit would provide a vote of confidence in an issuer's disclosure methodology.

As noted above, however, the role of auditors with respect to climate and ESG reporting (if any) should evolve and differ from financial reporting. For sustainability disclosure, and for climate-disclosure in particular, data accuracy is important, but it is less important than disclosure that captures the right order of magnitude on a relevant scope of reporting. The SEC should not let the perfect be enemy of the good when it comes to climate and ESG reporting. Auditors should also provide their evaluation on the relevance and meaningfulness of the climate information communicated. The need to increase knowledge and competencies on climate-related issues is also crucial for auditors.

Additionally, an evaluation by a stakeholders committee of the climate and sustainability issues that are relevant for the issuer would prove useful for issuers and ensure that a wide range of potential impacts are being considered.

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?

Yes, management's annual report on internal control over financial reporting and related requirements should be updated to ensure a sufficient level of analysis and controls around

climate reporting. The top-management should be involved in that process, as well as all the major internal departments and functions within the company.

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?

The comply or explain approach has been implemented in France and to a certain extent in the EU on ESG-reporting aspects. In theory, there are many advantages in the "comply or explain" approach: it provides time for stakeholders to adapt, it enables to test and experiment how to disclose on new/innovative issues, etc.

In practice however, we have observed that this leads to discrepancies and more heterogeneous interpretations of regulatory requirements – resulting in the production of a lot of useless information. For example, issuers have proven to be quite creative in their ability to disclose on non-meaningful scopes, crowding out useful information. The risk of the “comply or explain” approach is therefore to miss the goal and create a reporting obligation that does not provide investors with the information they need. On climate-related issues, we consider that there is now sufficient maturity and background experience to enable regulators to have at least a minimum set of mandatory disclosure requirements for all sectors. No issuer should be exempt from disclosure obligations under the argument that the climate issue is not relevant for its business; the issue is now relevant for all businesses.

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?

We praise the Commission for asking this question. Enabling meaningful discussion of the registrant’s views on climate risks, opportunities and overall impact is our key objective. See our proposal in response to question 2 on disclosure principles to ensure that disclosure is meaningful and therefore useful for investors.

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?

Private/non-listed companies are often smaller in size and have fewer resources to comply with complex disclosure requirements than public/listed companies. Information requirements

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might be adapted with, for instance, less granularity or more time to adapt, but the reporting principles should be the same.

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?

Yes, climate-related requirements should be one component of a broader ESG disclosure framework. Climate is key, but it is not the only sustainability area for which investors need more information. Increasingly, our clients expect their investments to have a positive impact with respect to a wide range of sustainability metrics. The SEC should help investors ensure a maximum level of coherence between the development of new products with strong ESG components and the actual strategy of issuers. In other regulations, national market authorities have already started to control the link between the level of ESG impact communicated to end clients and the materiality of the approach developed at the financial product level (in France this is the case of the French Market Authority, for instance).

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We appreciate the opportunity to provide comments on climate change and ESG disclosure and hope that the SEC will move forward to create a comprehensive, mandatory disclosure framework. If you have any questions, please contact me at [redacted] or [redacted].

Sincerely,

Jens Peers
CEO of Mirova US LLC

cc: The Honorable Gary Gensler
The Honorable Allison Herren Lee
The Honorable Hester M. Peirce
The Honorable Elad L. Roisman
The Honorable Caroline A. Crenshaw