



June 14, 2021

Re: Public Statement: Public Input Welcomed on Climate Change Disclosures, Acting Chair
Allison Herren Lee, March 15, 2021.

To Chairman Gensler and the Staff of the Securities Exchange Commission,

Nia Impact Capital writes today in support of a rulemaking by the SEC on mandatory climate change disclosures. We believe that there is an urgent need for required climate change related disclosures, alongside other environmental, social and governance topics.

Nia is an investment management firm, based in Oakland, California. “Nia” is Swahili for intention and purpose and we invest in companies working on much needed solutions. At Nia, our core objective is to generate a competitive rate of return, while creating a positive impact for investors and for our planet. Our portfolio holdings range in market cap size, from micro to large and we invest in businesses that fall within sustainability themes addressing global systemic risk; consideration of climate change and its impacts is central to our investment process. Our need for climate change disclosure is not currently being met.

Climate change is shifting global temperatures, introducing volatility and uncertainty into the global economy and investment process. As weather patterns become more erratic, there will be more droughts and wildfires, intense weather events and extreme temperatures; the implications of these changes need to be priced into securities’ analysis. Climate change is now inevitable. However, much can still be done to restrict the extent to which warming may occur. Very significant changes will need to be made across industries in order to reduce greenhouse gases below a 2°C warming scenario. We view climate change as both an environmental and a humanitarian crisis, one that intersects with our investment process across themes including social justice, wealth distribution, human rights and female empowerment, among other themes.



The need to stem the release of greenhouse gases (GHGs), the associated economic transition away from high GHG emitting industries, legislative efforts, along with real-time and anticipated adaption requirements, all have significant investment portfolio implications around which companies should be providing disclosure. Transition to a low carbon economy may impact company cash flows and profits, reduce value on the balance sheet, and “strand assets” whose value are significantly reduced as they are rendered obsolete. The increase in global temperatures is expected to most harm already vulnerable peoples: those with limited current infrastructure and scarce resources. The movement away from fossil fuels will also require what is termed a “just transition,” an approach that enables economic resiliency and addresses the human toll within carbon-dependent regions.

Climate is an established issue, one where all companies can reasonably be expected to have already developed an understanding of the topic and its intersection with its business. Nia’s assessment of company contributions to climate change is actively incorporated into our securities selection and portfolio management process. We seek information on companies’ contributions to climate change, their preparation for adaption, and their ability to adapt their own service offering. The 2010 SEC climate disclosure guidance can be strengthened by requiring companies to move beyond self-determined reporting and disclosures. We have found the current disclosure requirements do not incentivize the release of sufficient information from companies.

Relative to climate change, reporting requirements for all public companies should include, at a minimum:

- data and strategy related to a company’s primary, secondary, and tertiary climate impacts, regardless of industry, and inclusive of financing activities
- data and strategy related to the company’s assessment of adaptation needs and its actions relative to these identified needs



- alignment of corporate policies and practices with the need for corporate climate leadership
- description of the Board's oversight of forward-looking climate strategy, its climate expertise, and incentives the it has put in place for management
- description and quantitative assessment of the extent to which climate change presents a material risk to the company, utilizing a range of warming scenarios.

We believe all companies should have a climate reporting requirement. However, dependent on size and industry, not all companies need report with the same frequency. We believe that existing voluntary standards, such as the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), the Carbon Disclosure Standards Board (CDSB), and the Global Reporting Initiative (GRI) provide a strong base and guidance from which to begin rulemaking. However, voluntary frameworks are insufficient solutions to the current challenge investors face in obtaining sufficient climate change related data. We do not support the SEC delegating reporting authority to these systems and encourage its evaluation of disclosure rules with an eye towards investors' need for consistent, comparable and reliable datasets. We view mandating such climate and other ESG disclosures to sit within the SEC's mission to protect investors, ensure fair, orderly, and efficient markets, and to facilitate capital formation.

The SEC is uniquely positioned to deliver an essential, and currently missing, component of climate reporting; that the data be standardized and comparable across firms within industries. In doing this, the SEC benefits those investors seeking a usable dataset, and also reduces confusion by companies on what data they should disclose. Voluntary disclosures, in contrast, exclude from a comparability analysis the most concerning companies, as they are the ones least likely to release meaningful data. In requiring that the data be included within existing annual and quarterly filing requirements, the SEC is able to introduce a component of efficiency and consistency that voluntary standards also lack. The inclusion within current financial reporting



requirements would also ensure that the data presented was audited, adding much needed confidence in the content being provided.

Nia also does not support the SEC placing a “materiality” burden on the dataset requested, in climate or in relation to other sustainability topics. We view this framing to be counter-productive to the goals of the SEC and our broader capital markets. Materiality assessments are, almost by definition, dependent on backward looking datasets, which are reliant on the existence of a sufficiency of voluntarily reported corporate data. Climate change, as a topic area, took decades of active investor demand for data in order to build toward a “materiality” consensus. Important actions were delayed as investors fought for this data disclosures from companies. We do not want to recreate this error of avoidable delay with other rising issues.

As the Commission reviews the ESG data needed to ensure fair, orderly, and efficient markets, we encourage its consideration of those issue areas where climate change’s impact will exacerbate already challenging conditions including economic development, health care, human rights, and human opportunity. Beyond climate, the Commission would support its mandates to protect investors and ensure fair and efficient markets by bringing forward formal reporting requirements for those topic areas where a consistent majority of investors have supported calls for additional data, such as such as human capital management, workplace diversity, political contributions policy, and pollutants management. Where there is a clear investor demand for increased corporate transparency and intention to use the requested data, the SEC should move quickly to develop standardized reporting expectations.

Sincerely,

Dr. Kristin Hull
Founder and CEO