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The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Chair Gensler,

World Wildlife Fund (WWF) welcomes the opportunity to respond to SEC's call for public input on climate change disclosures. We commend the SEC for taking swift action on President Biden's May 20 Executive Order on Climate-Related Financial Risk. American leadership inspires an international response at the speed and scale needed to meet the gravity of the climate crisis. A critical part of that response should be mandatory climate-related financial disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures, which has now also been endorsed by the G7 Leaders.

As the world's largest science-based conservation organization, WWF stands ready to support the Commission. The mission of WWF is to build a future in which people live in harmony with nature. To deliver this mission as a civil society organization, we work to conserve and restore biodiversity, the web that supports all life on Earth; to reduce humanity's environmental footprint; and to ensure the sustainable use of natural resources to support current and future generations. WWF works across 100 countries and enjoys the support of 6 million members, 16 million activists and more than 30 million followers on social media platforms.

Given the dual challenges of climate change and nature loss, it is essential for companies to step up their actions to address the risks to their businesses and to society. WWF has extensive experience working with companies to set and scale climate ambition and implement innovative approaches to conservation. For 30 years, WWF has been helping companies to set targets, transform supply chains, develop responsible sourcing policies and industry standards, identify and mitigate sourcing risks, share best practices, and reduce the private sector's environmental footprint. Today we are striving to activate new lines of accountability in investors, governments, and employees to accelerate the change we need, and expanded disclosure of climate-related risk is an important step forward to internalizing climate considerations in corporate and financial decision making.

What we support

Corporate disclosures on environmental impacts and risks have been fragmented and not widely useful, in part due to the array of competing concepts and frameworks for understanding the financial materiality of climate change and nature loss, two interdependent sources of risk to companies. WWF supports government regulatory standards that create accountability around the environment-related information that companies disclose. The US market needs clear, consistent disclosure on the most meaningful environmental information.

Regulatory standards should aim to increase transparency by making corporate disclosures more understandable by stakeholders including investors, customers, and the public. Standards should send a strong signal to companies to act now to address long-term risks from climate change and natural resource loss. Across our global network, WWF collaborates closely with businesses, financial institutions, central banks and financial supervisors, and policymakers to translate climate and nature commitments into action. In our work with financial institutions and regulators, we have seen considerable increase in the desire to better understand their climate and nature-related risks. These stakeholders currently get little information, virtually none of which is comparable across companies or sectors. Disclosure frameworks should encourage companies to conduct science-based assessments and develop management responses to climate-related and environmental financial risks and impacts; and to work toward harmonization of best business and environmental practice.

Transparency: First Step toward Better Business and Environmental Performance

Through our work with the private sector, WWF has found that greater transparency and communication with the market complements our agenda of environmental conservation. Corporate disclosure on environmental risks and impacts is necessary as these are material to the economy, and to business, and should be science-based. Corporate disclosure on environmental risks is also a powerful way to bring rigor and structure to solutions for climate change and nature loss.

Climate-related risk and nature-related risk are inseparable; the loss of nature decreases both climate mitigation and resilience, while climate change exacerbates drivers of nature loss. As concluded by the IPBES-IPCC Co-Sponsored Workshop Report on Biodiversity and Climate Change, “neither climate change nor biodiversity loss will be resolved unless both are tackled together.” It is increasingly clear that the current Paris commitments will fail to keep us under 2˚ Celsius, with all the consequences that failure brings. Even with significant mitigation efforts, up to one-fifth of wild species are at risk of extinction this century due to climate change alone, with some of the highest rates of loss anticipated in biodiversity hotspots. Last year’s Living Planet Index showed an 84% decline of the world’s freshwater species over the past 50 years. In the US and Canada we’ve lost over 3 billion birds (fully 30% of the total population) since 1970. We see growing trends of the inexorable chipping away of the ecosystems that sustain life on Earth.

These twin emergencies of climate change and nature loss are costly to US and global society. In 2021, the top 5 risks from the World Economic Forum's Global Risk Report are all related to disruptions in the environment – extreme weather, climate change, human-environmental damage, infectious diseases, biodiversity loss. Over half of the world's GDP, $44 trillion of economic value, is at moderate or severe risk due to nature loss, with $2.1 trillion of the US economy being dependent on nature. Many companies and investors are beginning to understand that the financial materiality of climate change and nature loss is systemic, i.e., degrading the biosphere weakens the economy because all business depends on it, therefore environmental degradation decreases value for the private sector overall. Unfortunately, in the US, climate emissions and related financial materiality has been confined to firm-focused risk. Given the magnitude of the challenges ahead, we need to address both firm-level financial risks and systemic risks of climate change and nature degradation that impact every company. American businesses stand strongly to benefit from government regulation that helps them translate and navigate broader systemic environmental issues to firm-level risk.

This process begins with clear and consistent disclosure and reporting on impacts, risks, and areas of financial materiality. WWF sees a cascading effect of raised expectations and actions from investors and consumers, improved board governance and management incentives, increased financial flows toward nature positive investments, and leadership in engaging both government and communities, which all together promise greater speed and accountability in solving the climate crisis. We encourage the financial sector to direct financial flows towards nature-positive investments and activities. Now is the time to accelerate the transition towards future-fit regulatory conditions that help systematically mobilize green capital.

Evidence shows that companies with larger environmental intensity have lower stock returns, higher volatility, and higher systematic risk, and investors and banks that provide capital are ready to incentivize better sustainability performance and penalize low performers. US climate-related risk disclosure requirements will advance, in pace and rigor, the implementation of climate change and nature loss solutions and help US companies to step up to meet new global standards and expectations. More transparency, better disclosure, and subsequent improved environmental performance will maintain competitiveness of US corporations on the global market.

US Alignment to Global Initiatives

Science-based measurement and disclosure frameworks help ensure that disclosure requirements provide decision-relevant information. US regulatory standards for disclosure should align to existing science-based initiatives for companies and investors. When considering what to track and report, companies should follow the methodologies developed by the Science-Based Targets initiative (SBTi) for climate emissions and developing methodologies from the Science-Based Targets Network (SBTN) for nature-related impacts. The structured assessment and target-setting process helps companies define a clear pathway to ensure they are doing enough across their value chains to address their climate impacts and dependencies on nature.

US disclosure standards that align to SBTi and SBTN methodologies will streamline reporting and ensure consistency for year-over-year comparison of environmental performance that is decision-relevant and actionable to corporate managers, board directors, and investors alike. Environmental performance is one input into Taskforce on Climate-related Financial Disclosures (TCFD) and the recently launched Taskforce on Nature-related Financial Disclosures (TNFD). These analysis and reporting frameworks on climate- and nature-related dependencies (which generate financial risks) and impacts (which generate risks to biodiversity, the economy and human well-being, as well as financial and reputational risks) will reduce systemic financial risks and steer financial flows toward outcomes that are nature-positive and in alignment with global goals including the Paris Agreement, the Convention on Biological Diversity (CBD) Post-2020 global biodiversity framework, and the United Nations' Sustainable Development Goals (UN SDGs).

Science-based climate disclosure requirements will help prepare US companies to remain competitive and nimble in a changing natural world and a more demanding global market that expects them to set targets and take action on climate change and nature loss. Globally, the financial sector is setting standards, goals, and strategy with the aim of transforming financial portfolios and catalyzing companies to take action on their long-term risks related to climate change. Among those are the United Nations-convened Net Zero Asset Owners Alliance, a group of 42 institutional investors aiming to transition their investment portfolios to net-zero GHG emissions by 2050, the recently launched Glasgow Financial Alliance for Net Zero (GFANZ), which comprises $70 trillion in assets and over 160 firms including 43 banks from 23 countries, and the Central Banks and Supervisors Network for Greening the Financial System (NGFS), a group of central banks and financial regulators from about 90 countries – including the US, EU, China, and nearly all of the G20.

WWF is grateful for the opportunity to share our perspective based on decades of experience working side-by-side with the corporate and financial sectors. We encourage the SEC to act swiftly to require science-based, climate-related disclosures. WWF welcomes further dialogues to explore this dynamic and important issue and support the SEC's and President Biden's whole-of-government approach to addressing climate change and its impact on nature and people.

Sincerely,

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