

11 June 2021

Allison Herren Lee
Commissioner
United States Securities and Exchange Commission
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Via e-mail: rule-comments@sec.gov

Re: Request for Input on Climate Change Disclosures

Dear Commissioner Lee:

We appreciate your solicitation of public comments regarding climate change disclosures. Wellington Management Company LLP ("**Wellington Management**") is one of the world's largest independent investment management firms, serving as a trusted adviser to over 2,200 institutional and private clients located in more than 60 countries and actively managing nearly US\$1.3 trillion of assets as of 31 December 2020. With capabilities covering most segments of the global capital markets, our focus is on investment management on behalf of our clients.

We believe climate change will profoundly affect society, economies, and capital markets. Information regarding how issuers are responding to climate change risks is critical to diligent investment management. Indeed, we have established a climate research collaboration with Woodwell Climate Research Center ("**Woodwell**"), a top-rated climate science organization, with whom we study the effects of physical climate change on capital markets.¹ Currently, our ability to assess the risks climate change poses to issuers is limited by the absence of a standard framework for climate risk disclosure, which results in a patchwork of voluntary and inconsistent disclosures. We believe institutional and retail investors – and the markets as a whole – would benefit from a common climate risk disclosure framework that provides market participants with the information necessary to identify and assess the climate-related risks faced by issuers and the steps issuers are taking to mitigate those risks. Specifically, we support the SEC adopting a climate-risk disclosure framework that requires issuers to disclose the following information:

- Location information concerning the issuer's directly operated facilities, supply chains, key outsourced service providers and labor pools;
- Standardized reporting of an issuer's greenhouse gas emissions ("**GHG Emissions**")² consistent with the requirements of the GHG Protocol Corporate Accounting and Reporting Standard ("**GHG Protocol**"), including Scope 1, 2 and 3 GHG Emissions data;
- Standardized reporting of certain other sustainability data and metrics, such as energy consumption and water usage; and

¹ We have also consulted with Woodwell on their response to your solicitation of public comments, and we support the points made in their letter.

² For the purposes our comments, we consider GHG Emissions to include the seven greenhouse gasses covered by the GHG Protocol: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃)

- Qualitative discussion of the issuer's climate risks and associated mitigants, including historical impacts of climate events and discussion of the issuer's transition and adaptation strategies and associated capital allocation.

We also suggest that the SEC ensure that any US climate risk disclosure framework is not inconsistent with emerging global climate disclosure frameworks such as recommendations from the Task Force on Climate-related Financial Disclosures ("TCFD"), the Sustainability Accounting Standards Board ("SASB") and the International Financial Reporting Standards ("IFRS"). Without global coordination with existing frameworks, global issuers of securities will become subject to parallel (and potentially conflicting) disclosure frameworks that would unnecessarily increase issuer costs and dilute the quality of any new disclosures. Ironically, such disclosure requirements would exacerbate the current challenges faced by issuers and investors.

CLIMATE CHANGE IS A MATERIAL RISK TO ISSUERS

Issuers of public securities are required to disclose material risks to investors and potential investors. Based on our climate research, described below, we are convinced that climate change poses material risks to most (if not all) issuers of securities. Indeed, for many issuers, climate change represents a true "enterprise risk" akin to legal, compliance, cybersecurity & worker safety risks. Specifically, issuers are subject to the physical risks of climate change and/or the risks associated with the transition to a decarbonized economy.

Physical Risks

Physical risks of climate change include direct and indirect risks arising from extreme weather events and from longer-term shifts in climate patterns, including, for example, changes in water availability and food security. Physical risks have important implications for many companies' physical facilities, operations, transportation costs, supply chains, and employees. Through our research collaboration with Woodwell, we study the effects of these physical risks across thousands of issuers.

Our climate research indicates that assets highly dependent on fixed locations can be at a disproportionate risk of being negatively affected by extreme climate-related events, and different locations experience varying levels of climate risks. In one example, using location data from a municipal utility issuer, we were able to identify that the issuer's assets were located in areas more prone to wildfires. While our fundamental assessment found that the issuer had ample liquidity and fire insurance, we remained concerned that the issuer failed to sufficiently anticipate the potential for penalties associated with wildfire damage that could be caused by its own operations. As a result of this climate research, we were able to determine that the price of the issuer's securities did not compensate fully for its investment risk.

In another example, location data associated with an issuer constructing wind farms in Asia and the United States provided critical information for our assessment of its resiliency to climate-related risk, specifically for severe storms and hurricanes. Windfarms are susceptible to damage from high windspeeds, and using location data, we were able to conduct a climate-risk analysis that indicated that their offshore wind farms under construction were unlikely to be exposed to catastrophic hurricane-related wind speeds over the next few decades. As a result of this research and through direct engagement with the company, we became more comfortable with the potential risks for the company's North American and Asian assets.

Transition Risk

Transition risks arise from policy, legal, technology, and market changes as the world transitions to a lower-carbon economy, with potential financial or reputational effects on businesses. Climate transition risks, including policies and

regulations, litigation, consumer preferences, and market-related factors, affect the ecosystem in which companies operate. Businesses that effectively mitigate transition risks may accrue competitive advantages and see their cost of capital decline. Because transition factors vary by region and sector, we analyze them through a myriad of lenses, aiming to identify companies bolstering their transition readiness.

GHG Emissions information serves as the starting point for transition risk analysis because it is quantifiable and comparable across companies and industries. Ranking companies within industries based on their GHG Emissions intensity helps us prioritize companies for engagement to better assess transition risk exposure, as well as encourage better management through a climate transition plan and time-bound emissions reductions targets.

For example, most decarbonization scenarios used by the energy industry show fossil fuels losing share to carbon-free energy sources. While some oil and gas companies are aligning their long-term strategies with the energy transition, some have greater alignment with the climate transition than others, and we believe a lack of credible energy transition strategy creates business risk. In one example, by assessing disclosures and public statements made by an oil and gas issuer, our analysts were able to assess the issuer's strategic plan to address declining demand as well as imposing market-leading emissions reduction targets for GHG Emissions. By combining this with a strong message on both the low-carbon energy opportunity ahead and a reiteration of capital discipline to get there, they effectively explained that a "managed decline" strategy for fossil fuel assets and transformation from an international oil company to an international energy company is a viable route to long-term, sustainable value creation. Based, in part, on the issuer's well-articulated strategy to mitigate transition risks, we determined that this issuer was subject to less transition risks than its competitors and reduced holdings in an alternative company lacking a similarly credible strategy.

As another example, we identified a large electric utility issuer which engages in efforts on environmental responsibility and robust disclosure. These efforts mitigate transition risk as energy generation moves towards renewable sources. Specifically, the issuer has developed extensive experience in transitioning to cleaner sources for power production and has demonstrated a commitment to innovation by developing industry-leading expertise in energy storage, electric vehicle charging infrastructure, digitalization and artificial intelligence. It also disclosed a credible strategy to reduce emissions below 1990s levels by 2050. These programs indicated the issuer's awareness of transition risks and its efforts to mitigate these risks, making the issuer an attractive investment.

NEED FOR STANDARD CLIMATE DISCLOSURE FRAMEWORK

As evidenced from the above, climate-related disclosures can reveal material information necessary to assess an issuer's potential performance and its relative attractiveness as an investment. The absence of a climate disclosure framework means that information necessary to evaluate climate risk is not available. Some issuers may not be correctly identifying material climate risks, and other issuers may be correctly identifying climate risks as immaterial on the filing date, but materiality can be dynamic and evolve over time. As long-term investors, risks that will be present in five to ten years are material to our decision to invest (or not invest). As an example, GHG emissions disclosure was first deemed to reflect a company's impact on society rather than as necessarily material to its operations; however, as policy has moved to price this externality in many jurisdictions, GHG Emissions disclosure increasingly helps us measure direct financial impacts - for example in the form of a carbon tax, bringing it squarely into the realm of financially material sustainability disclosure.

Despite our need for climate risk data, however, we have challenges obtaining enough data to conduct a fulsome assessment of most issuers' climate risk and their plans to mitigate this risk. While our current process provides some ability for us to assess climate risk in our investment decisions and portfolio construction, we still lack the information

from issuers to fully assess these risks across all industries. As a result, we spend considerable time developing proxy data from alternative sources, purchasing data from third-party aggregators, and reconciling partial data from data disclosures to generate our own comparable data. While these efforts can provide us with necessary insights, the data they generate is less accurate and much more difficult to develop than what could be produced by issuers themselves.

In addition, as an institutional asset manager, we face demand from our clients who seek investment programs that respond to climate risks. A growing number of our asset owner clients, in an effort to manage their own climate risks, are incorporating investment guidelines for global portfolios using GHG Emissions data. For example, one client account has a target to reduce portfolio GHG Emissions by 33% by 2025 against a 2020 baseline. In response to this target, we have already begun considering emissions intensity in investment decisions for this client, based on a combination of estimated and reported data. If we had more accurate, reported data for the US portion of the portfolio, we could make better investment decisions as we triangulate the risk/return and emissions reduction objectives of this client. To the extent that inaccurate, estimated emissions data is used in index construction, this could also lead to market dislocations and contribute to market inefficiency.

Other clients may seek to limit our ability to invest in issuers with certain GHG Emissions profiles; which could lead to exclusion of issuers who, for example, generate revenue from thermal coal production/utilization. It is notable that utilities with legacy thermal coal exposure could also be some of the largest renewable energy operators, as the generation mix evolves slowly with significant capex required for new plants. With insufficient data on GHG Emissions, we are often required to avoid investing these clients' assets in even the utilities with significant renewables operations because they had legacy coal generation that they had not yet retired. With more robust emissions disclosure from the universe of companies, our analysts could have assessed the overall climate contribution of the generation mix with confidence and more fairly compared the companies in his universe across both fossil fuel and renewable energy sources.

Location Data

With respect to location risks, US-listed companies disclose their principal properties in the "Item 2. Properties" section of their 10-K. The section requires that the "registrant only need furnish a brief description of the material properties of the registrant and its subsidiaries to the extent, in the opinion of the management, necessary to an understanding of the business done by the registrant and its subsidiaries."³ As a result, US-listed companies usually have some level of location disclosure on their directly-operated facilities; however, this disclosure is often insufficient to assess location risk. Based on a review of a sampling of 100 companies from S&P 500 across industries for location disclosure in their 10-K filings, we concluded that over 90% of issuers disclosed insufficient location data for us to fully assess climate risk.

The problem is even more acute for issuers or sectors that outsource key operations or develop physical properties as a business. In particular, there continues to be a dearth of readily-accessible information around the location of physical assets associated with company operations. Outside of certain sectors, such as energy, utilities, and real estate, we have found that comprehensive physical asset location data are rarely available or sufficiently addressed in disclosures, and the granularity and quality of this disclosure – where it exists – varies greatly.

By way of example, the lack of location data of their contractors obstructs us from understanding the climate risk of companies in the textile and clothing industries. Many of these companies disclose the locations of their direct properties but omit specific location information for the many other countries in which their production is located.

³ Form 10-K, Item 2 (Item 102 of Regulation S-K).

Many companies disclose that 50% to more than 75% of their production is located in southeast Asia, an area that is associated with climate risks such as extreme storms, and drought/water-scarcity. However, this broad regional representation of is not helpful as climate change impacts can vary not only from country to country, but also point location to point location. Additional information concerning the specific location of this supply chain is critical to understand the climate risk faced by these issuers, and absent this information investors can only make broad generalizations that may over- or under-estimate the true climate risk of the issuer.

Transition Risk Data

Enhanced GHG Emissions Disclosure – Scope 1 and 2 Data

As noted above, the potential impact of transition risks to an issuer can be objectively evaluated through an analysis of the issuer's GHG Emissions. As the transition to a lower-carbon economy accelerates, fueled by changing consumer preferences, government regulation, tax policy or other factors, issuers with greater GHG Emissions will be more negatively impacted, as the price of the GHG Emissions will increase as the result of more expensive carbon-fuel or direct emissions taxation.

GHG Emissions are currently disclosed voluntarily and audited inconsistently, there is a lack of uniformity from one issuer to another. Estimation methodologies by third parties are imperfect because they are based on assumptions about business operations, peers, and industry averages rather than actual hard data from issuers. The data is further compromised due to the time lag associated with disclosures occurring on a fiscal year (rather than calendar) end basis, creating additional comparability challenges.

Some GHG Emissions data is available from issuers consistent with the requirements of the GHG Protocol. The GHG Protocol sets forth disclosure requirements for GHG emissions based on their scope: Scope 1 emissions are direct GHG Emissions occur from sources that are owned or controlled by the company; Scope 2 emissions accounts for GHG Emissions from the generation of purchased electricity consumed by the company; and Scope 3 emissions include all other indirect emissions, i.e., emissions that are a consequence of the activities of the company, but occur from sources not owned or controlled by the company.

Scope 1 and 2 emissions data is required under GHG Protocol, which makes this information broadly, but not completely available; however without a firm disclosure framework, there is currently significant differentiation in the data we receive about issuers, depending upon the sources. The table below offers an example of the differing figures provided by two (of the numerous providers) of GHG Emissions data:

Source:	MSCI			S&P Trucost		
Index:	Disclosed	Adjusted	Estimated	Disclosed	Adjusted	Estimated
MSCI All Country World	78.9	4.4	16.6	56.4	26.7	15.2
S&P 500	82.1	3.6	14.2	65.1	23.0	11.3
Russell 1000	75.1	3.5	20.8	59.1	21.7	17.6
Russell 3000	70.7	3.4	24.7	55.5	20.7	21.8
MSCI USA	78.4	3.4	18.0	61.7	21.8	15.0

As evidenced by the above chart, the amount of adjusted and estimated information varies considerably from vendor to vendor, which impacts the accuracy and reliability of this data. Ideally, each vendor would be providing 100% of their data based on information disclosed directly from issuers.

Enhanced GHG Emissions Disclosure – Scope 3 Emissions Data

Unlike Scope 1 and 2 emissions information, Scope 3 information is not broadly required, in part because of the challenges associating with collecting it. As a result, fewer issuers provide Scope 3 emissions information. Only about 18% of MSCI ACWI IMI constituent companies currently disclose at least one category of scope 3 emissions. Of the 15 categories defined by the GHG Protocol, the most commonly reported scope 3 category is business travel. Use of sold products, the category responsible for the most emissions in absolute terms, is only disclosed by about 6% of constituent companies.

A broader adoption of Scope 3 emissions information is necessary for us to fully understand the transition risks applicable to an issuer. Disclosure of both overall categories of Scope 3 emissions—upstream and downstream—with context and granularity from companies about the most significant Scope 3 sources, would enhance our ability to evaluate investment risks and opportunities. If the costs of inputs to a production process increase, either due to market dynamics or a policy that levies an effective carbon price on the carbon-intensive input, companies that are relatively inefficient relative to peers could experience lower profit margins. For example, if a consumer staples company is making less efficient use of forest-related commodities (e.g., palm oil) in its production process than its peers, investors would be able to detect such inefficiencies via higher Scope 3 emissions intensity than the industry average. If countries add costs and restrictions to deforestation practices, this company will face increasing input costs. Given the relatively low pricing power in this sector, consumer-facing companies may not be able to pass on these costs and could therefore experience lower margins.

Scope 3 emissions data can also indicate transition risks faced by an issuer relating to its customers and/or products. As more companies globally announce decarbonization plans, demand is growing for products that these entities will want and be expected to use by stakeholders. Companies with more carbon-efficient product line-ups – exhibited through lower Scope 3 emissions intensity – should be better positioned to capture this growing market share, leading to faster top-line growth than peers. By understanding where companies' products fall relative to their peers in this category, investors would also have better data to inform expectations for future capex and R&D spending to improve the efficiency of their product line-up in order to capture this demand.

In the absence of scope 3 disclosure, investors will leverage estimated datasets for their analysis. This is because decarbonization targets from our clients are expected to incorporate Scope 3 emissions within the next few years. The dearth of Scope 3 disclosure makes it difficult to assess the accuracy of the estimation models from the climate data providers. When we compare reported and estimated Scope 3 figures for individual companies, we see significant divergence which can lead to different investment conclusions. For example, we can compare the Scope 3 data provided (in tons CO₂e) for two peer companies in the Building Products GLCS sub-industry:

	Upstream – Reported	Upstream – Estimated	Downstream – Reported	Downstream – Estimated
Company A	4,107,946	3,098,787	246,492	1,115,118
Company B	298,496	1,153,615	1,973,835	232,506

We might expect peer companies to have similar proportions of upstream and downstream emissions. However, we see that Company A's disclosure is skewed toward upstream emissions, while Company B is skewed toward downstream emissions. This could be due to differences in assumptions or genuine differences in procurement and

production processes. On the other hand, the estimated data assumes that upstream emissions are more significant for both companies based on their business activity; this is inconsistent with the disclosure provided by Company B. Without more granular disclosure from companies in line with the GHG Protocol, it is difficult to understand what is driving the footprint and what actions each company should take to lower Scope 3 emissions over time. For example, if Company B focuses on supplier engagement to reduce upstream emissions, this could impact our assumptions about cost of goods and profitability; if Company B focuses on R&D for product innovation to reduce downstream emissions, this could influence our top-line growth assumptions as they capture the market opportunity for highly efficient products.

Other Climate-related Data and Metrics

While GHG Emissions data is important, it does not provide all the material information investors need to fully assess climate risks. Other metrics can also be critical to understanding climate-related and/or transition risks to issuers. Through our climate research with Woodwell, we have seen evidence that unsustainable water use via lenient policies have exacerbated water scarcity issues through impacts like overdrawn aquifers and surface water pollution. For this reason, we think the water use of company operations could be material in the medium-term as water use is increasingly scrutinized and regulated. For example, the manufacturing of semiconductors is extremely water intensive, so companies involved in the manufacturing of semiconductors could also be subject to climate related risks that could only be fully assessed with more information about their water use profile. Location data, as discussed above, is also relevant to this risk analysis, as drought and water scarcity are even greater risks to these companies.

Qualitative Issuer Discussion of Climate Risk

In addition to the above, a disclosure framework should also require a qualitative discussion of an issuer's climate-risk strategy. Because GHG Emissions disclosures are a moment-in-time snapshot, they fail to capture companies' future transition strategy. Issuers that have forward-looking reduction targets may nonetheless seem carbon-intensive today. In the absence of specific disclosure discussing transition strategies, we infer strategies based on multiple metrics, including forward-looking ESG ratings, capital spending plans, and science-based target commitments. Disclosure of the issuer's actual transition strategies would be far more valuable from an investment standpoint.

We would expect fulsome qualitative disclosure to not only include a discussion of the issuer's climate transition strategies, but also any realized impacts from climate risks to the issuer's operations, and the corresponding adaptation strategies taken. In many cases, such disclosure may be as valuable from an investment perspective as disclosure of data alone.

RECOMMENDATION

To alleviate these inconsistencies, we recommend that the SEC establish a climate disclosure framework applicable to all issuers. This data will also ensure that we are not relying on estimated or vendor data for information that can more accurately and readily come from issuers themselves. This will ensure we have a complete picture when making an investment recommendation, and more important, that we do not make decisions to invest (or not to invest) based on bad data. Importantly, markets will benefit from increased disclosure and transparency as absent disclosure, market participants may presume that the company is unprepared for climate-related risks, affecting stock price volatility, cost of capital, confidence in management, and potential litigation.

Location Data

As noted above, enhanced disclosure of issuer location data is critical to a complete climate risk analysis. To that end, we support a disclosure framework that would require issuers to disclose a complete list of all owned, leased, or otherwise operated physical assets in a way that is publicly accessible, and that this disclosure is provided at an

address level. There are various means of relaying this data including corporate websites and sustainability reports but including it in company 10-K filings would provide accessibility and consistency. We believe this disclosure should include the following elements, as applicable:

- Regional revenue exposures;
- Supply chain locations;
- Labor pool locations; and
- Locations of operations.

We also note that we are independently submitting a request to issuers in which we invest to provide increased transparency into their location data. This request includes a description of specific disclosures that we believe are material to our ability to assess an investment in an issuer. A copy of our request letter is attached hereto as Exhibit A.

Transition Risk Data

We further need more information to assess the transitions risks faced by issuers as a result of climate change. Specifically, we believe a disclosure framework should require the following minimum elements:

- GHG Emissions (Scope 1, 2 and 3 emissions data as described in the GHG Protocol);
- Emissions reductions goals; and
- Energy/water usage of operations.

In addition to the above, we also believe investors would benefit from a qualitative disclosure of the physical climate change risks faced by an issuer, including, specifically:

- the historical impact of climate events, if any;
- any revenue changes from climate change impacts; and
- plain English about the issuer's climate risk management and adaptation plans.

A Standardized Framework is Required

We do not believe it is sufficient for the SEC to merely mandate the specific disclosures set forth above. We also believe the SEC should develop a standardized framework through rulemaking and guidance that clarifies how each of the above disclosures should be made and/or requires disclosures of the raw data and assumptions used in developing the disclosures. A disclosure framework is required here, not only to ensure that issuers provide this information to investors, but also to ensure that this information is comparable. Further, because materiality can evolve over time, any disclosure standard setting process should embed the concept of dynamic materiality.

For example, issuers and investors face challenges when foot-printing corporate credit strategies due to lack of standardization with respect to how carbon should be allocated among related corporate entities. It is not always clear how GHG Emissions should be credited among parent and subsidiary issuers. This ambiguity could be resolved by SEC direction to disclose GHG Emissions on an entity-by-entity basis. As another example, we encourage issuers to disclose their gross GHG Emissions (including a breakdown by scope) separately from net GHG Emissions.⁴ In the absence of a standardized framework or specific guidance from the SEC, issuers may make disclosures of inherently incomparable figures, as a proxy for policy-related transition risks, such as carbon pricing. Here, again, specific guidance on disclosing gross or net GHG Emissions would eliminate potential investor confusion.

⁴ 'Gross emissions' represents a company's total GHG emissions, before taking into account any external emission reductions/removals purchased or contracted on a required or voluntary basis (e.g. renewable energy credits, virtual power purchase agreements). This is in contrast to 'net emissions', the result of subtracting external emissions reductions/removals that meet certain quality criteria from gross emissions.

Another area where a full disclosure framework and guidance is necessary is the treatment of carbon offsets. Carbon offsets can be a part of an issuer's GHG Emissions reduction plans, but the use of such offsets may mask inadequate strategic transition planning and/or provide an impression that an issuer is less susceptible to transition risk than it is in reality. To fully assess the impact of carbon offsets, investors need offset disclosure separate from scope 1-3 emissions data and other transition risk disclosure. This offset disclosure should report the nature of offset projects being financed, as this will help investors determine how these offsets should be considered within the long-term strategic plans of the issuer. Specifically, GHG Emissions offset disclosure should include:

- Company GHG Emissions included in the offset program;
- Projects which have been financed by the issuer, e.g., entering into a virtual power purchase agreement or funding reforestation efforts via a third party; and
- Processes or policies for evaluating offset projects, including quality indicators such as additionality and permanence, and practical concerns such as scalability and cost-effectiveness.

We acknowledge that not all industries, regions and issuers will be similarly impacted by climate change risks. As a result, we would also support the SEC adopting a flexible disclosure framework that acknowledged the materiality of climate change risks but offered an alternative disclosure path for issuers who concluded that climate change risk was truly immaterial to their businesses. For these issuers, the SEC could offer the option to explain why climate change risks was not a material risk to their business. This explanation would need provide investors with sufficient information to understand the basis for this conclusion and the data used in reaching it, such that investors would be able to engage with issuers to better understand their perspectives.

Global Coordination

Global coordination with existing frameworks will be crucial to avoid the creation of parallel disclosure frameworks that would exacerbate the current challenges faced by issuers and investors rather than address them. For example, the United Kingdom will require certain companies to improve their climate-risk reporting for reporting periods that begin January 2021. Additionally, broad, economy-wide, climate-risk disclosures in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) framework are expected to be in place in the United Kingdom by 2025. While the SEC should not be beholden to the requirements of other jurisdictions, by harmonizing with these other approaches, the SEC can ensure that consistent and compatible standards of disclosure evolve across the globe.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURE FRAMEWORK

We understand the Commission staff is evaluating a range of disclosure issues under the heading of environmental, social, and governance, or ESG, matters. We encourage the Commission and its staff to consider climate as a part of a broader ESG disclosure framework and to establish a robust standard-setting process, with appropriate governance structures in place, to address other ESG topics material to investors' assessment of the value of securities as they make investment decisions on their clients' behalf. While we acknowledge that climate change is relevant across regions and sectors, as a general principle we believe an industry-specific approach to disclosure is best suited to provide investors with comparable metrics on the range of ESG issues we believe are material to our decision to invest our clients' assets in a particular issuer.

* * *

We appreciate the Commission's initiative in reviewing issuer climate risk disclosure. As discussed above, as institutional investment managers, we see significant need for a common climate risk disclosure framework. We

Commissioner Allison Herren Lee
United States Securities and Exchange Commission
11 June 2021

believe that a properly constructed framework can provide investors with key material information necessary to evaluate their investments and, in the longer term, reduce resource burdens on issuers, as they will be able to build scaled, enterprise functions to generate standardized disclosures, rather than responding to bespoke requests from potential investors. A globally consistent framework will further reduce the burdens while providing even more valuable information to investors.

If you have any questions about our comments or would like any additional information, please contact me at the number above.

Very truly yours,

A handwritten signature in black ink that reads "Jean M. Hynes" followed by a long horizontal flourish.

Jean M. Hynes
Managing Partner
Chief Executive Officer

Cc:
The Honorable Gary Gensler
The Honorable Caroline Crenshaw
The Honorable Hester M. Peirce
The Honorable Elad L. Roisman

Attachments

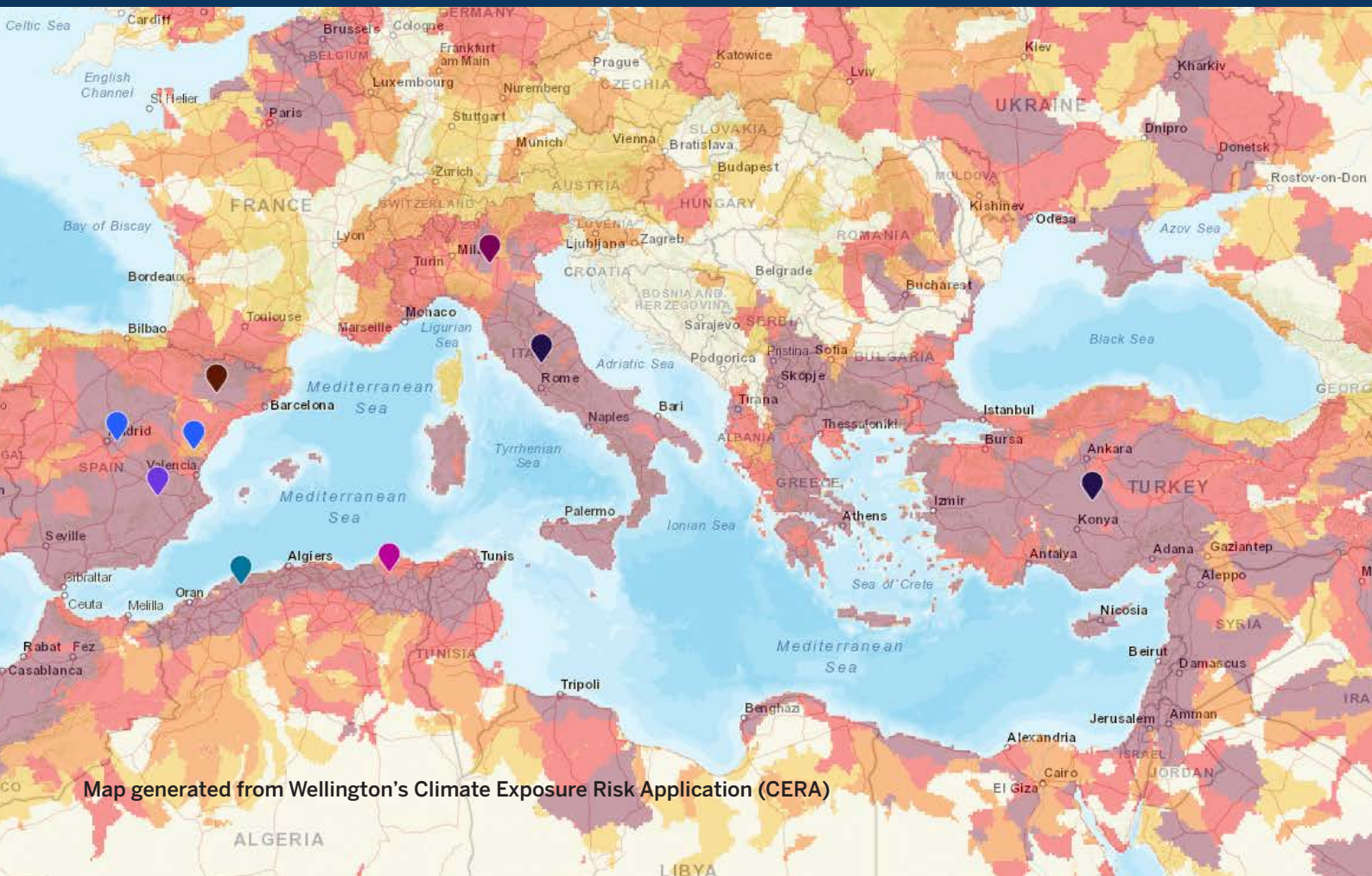
Physical Risks of Climate Change (P-ROCC 2.0)

CALL FOR LOCATION DATA

WELLINGTON
MANAGEMENT®



Woodwell Climate
Research Center



Map generated from Wellington's Climate Exposure Risk Application (CERA)

BACKGROUND

We believe that the [Physical Risks of Climate Change \(P-ROCC\)](#) framework, released in September 2019 as a complement to TCFD reporting and other climate disclosure frameworks, provides a helpful how-to guide for company management teams to integrate climate science-based scenarios into their strategic planning and corporate disclosures. Today, it has become clear that a next logical step for assessing company-level climate risk is through improved access to physical location data. This document outlines how companies can share location data that will enhance transparency and help investors make more informed investment decisions.

For decades, nonprofit organizations such as CDP and Ceres have advocated for enhanced climate disclosure. In recent years, entities such as the Task Force on Climate-related Financial Disclosures, Climate Action 100+, Institutional Investors Group for Climate Change (IIGCC), and others have also sought to promote corporate support for greater transparency around climate exposure and resiliency. In 2020, CDP reported that a record-breaking 9,617 companies disclosed their climate exposures, including physical climate risks. This is a 14% year-over-year increase and a 70% jump since 2015, just prior to the Paris Agreement. While progress is clearly being made, companies comprising approximately half of the global market capitalization have yet to disclose these risks,¹ and even those disclosures that are released lack some very basic data relevant to climate exposure, notably the location of a company's physical assets.

IMPORTANCE OF PHYSICAL LOCATION DATA

Providing physical asset location data is a crucial component of disclosing material climate-related risks. It is also among the simplest — arguably essential — first steps toward promoting climate-risk transparency. Unfortunately, there continues to be a dearth of readily accessible information around the location of physical assets associated with company operations. Outside of certain sectors such as energy, utilities, and real estate investment trusts (REITs), we find that comprehensive asset-location data is unavailable or insufficiently addressed in corporate disclosures. When location data is included, its granularity and quality vary greatly.

Limited and/or incomplete location data poses a challenge for asset owners and asset managers seeking to analyze companies' physical climate risks. Because climate data is inherently geospatial, lack of a standardized, comprehensive method for accessing physical location data makes it difficult to assess the absolute and relative impacts of climate change at the company level. We believe addressing this disclosure gap will enable better management of climate risk and ultimately help mitigate future losses associated with climate change.

PRESSURE FOR CLIMATE DISCLOSURE IS GROWING

Government entities, including regulators and central banks, as well as capital market participants, are seeking more climate-risk disclosure. On November 9, 2020, the UK's chancellor of the Exchequer announced that the UK will require certain companies to improve their climate-risk reporting for reporting periods beginning in January 2021. By 2025, economy-wide climate-risk disclosures in accordance with the TCFD are expected.² In the US, a 2020 report by the Commodity Futures Trading Commission (CFTC) called for publicly traded companies, entities registered with the CFTC, and other regulators and financial institutions to disclose information about material climate-related risks in an adequate and timely manner.³

Central banks, including the Bank of England, the Bank of France, the Australian Prudential Regulation Authority, and the Bank of the Netherlands, have completed or are in the process of launching climate-risk stress tests for banks and insurers. These processes rely on the availability of physical location data, which allows company-level climate risk to be included in portfolio-level risk, and ultimately, systematic climate-risk assessment.

Asset owners, especially those with long or perpetual investment horizons, are likely to follow suit, requiring additional transparency on companies' physical locations, which enables them to better evaluate the potential impact of long-term climate risks on their investments. We believe companies themselves will also benefit from more robust climate disclosure as increased transparency could enhance scenario analysis and transition planning.

1 "The A List 2020: Company scores," CDP, 2020.

2 "Chancellor sets out ambition for future of UK financial services," Gov.UK, 9 November 2020.

3 "Managing Climate Risk in the U.S. Financial System," U.S. Commodity Futures Trading Commission, Market Risk Advisory Committee, Climate-Related Market Risk Subcommittee, 2020.

OUR REQUEST

We ask that companies disclose a complete list of addresses of all owned, leased, or otherwise operated physical assets in a publicly accessible format. Companies could include this data on a corporate website, sustainability reports, 10-K filings, and/or via a third party like CDP.

A sample suggested reporting format is shown below. A basic set of data would include the street address, domicile country, and high-level description of each facility. Ideally, we would like companies to include more detailed data, including whether each facility is owned or leased, its exact location in global coordinates, and a description

of its materiality within the company's operational and financial footprint.

We expect that investors and other stakeholders will appreciate this additional detail. In addition to greater transparency into a company's operations, location data will help companies address existing and pending regulatory expectations. We would like to see privately held companies provide this information as well, as investors increasingly seek to analyze private companies' strategic planning and risk-management approach, as they do with public issuers.

BASIC			DETAILED		
STREET ADDRESS	COUNTRY	TYPE OF FACILITY	OWNERSHIP	COORDINATES	MATERIALITY
123 Main Street, Los Angeles, California 94202	USA	Office building	Leased	40.7 latitude -78.1 longitude	30% of global employees
1234 Center Ave., Edmonton, Alberta	Canada	Gas plant/gas well	Owned	58.5 latitude -117.4 longitude	15% of global population
1234-3 Kamiosatsu, Naka-ku , Nagoya Nagasaki	Japan	Manufacturing plant	25% owned	35 latitude 139.2 longitude	Accounts for less than 20% of global revenues

IN CLOSING

We believe climate change will profoundly affect society, economies, and capital markets. Information regarding how issuers are responding to climate change risks is critical to diligent investment management. Currently, our ability to assess the risks climate change poses to issuers is limited by the absence of a standard framework for climate-risk

disclosures. In our view, a common disclosure framework, including company location data, would provide market participants with the information necessary to identify and assess the climate-related risks facing issuers and the steps issuers are taking to mitigate those risks.

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