

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

Via email: rule-comments@sec.gov

File Number S7-10-22

June 13, 2022

Dear Ms. Vanessa A. Countryman:

Thank you for the opportunity to comment on the newly proposed SEC Climate Financial Disclosure Rules.

We represent the International Organization for Standardization (ISO) Committee on GHG and Climate Change Management, ISO TC207 SC7. ISO is an independent, non-governmental international standard-setting body composed of representatives from 167 national standards bodies. It was founded in 1947 and through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards that support innovation and provide solutions to global challenges. While ISO offers a diverse range of standards that offer complementary support to the proposed disclosures rules, this submission will focus on those that are directly under the mandate of ISO TC207 SC7.

We agree that the basis of financial reporting standards is the mechanism to determine GHG emissions. These have the potential to drive mitigation and accelerate climate action to address the urgent issue of climate change and its effect on financial risk. ISO's standards serve as foundational instruments in use around the globe. They are clear, consistent, and comparable. We draw your attention firstly to:

ISO 14064-1:2018

Greenhouse gases-Part 1: Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals.

There are many companies and organizations throughout the world that rely on the methodology in the ISO 14064 series for their GHG emissions measurement and reduction tracking. This global reach is already in place through the ISO organization.

We note that the SEC proposal makes frequent mention of the GHG Protocol. ISO 14064-1:2018 is comparable to the GHG Protocol on organizational reporting and we would like to bring to your attention some critical differences:

**DIFFERENCES BETWEEN GHG PROTOCOL AND ISO 14064-1**

There are several differences between ISO 14064-1:2018 and the GHG Protocol.

ISO 14064-1:2018 recommended reporting formats have been designed to mimic financial reporting and appear like a balance sheet with analogue line-item classification (assets = removals, liabilities = emissions, shareholder equity = storage). In addition, ISO demonstrates how to properly report and disclose carbon financial instruments understanding that they are not necessarily fungible units with the inventory or with themselves (e.g., renewable energy certificate (RECs) measured in kWh and Offsets measured in t CO<sub>2</sub>e/a) but affect stakeholders' decisions. The GHG Protocol does not align similarly in structure but rather has a list of reporting categories.

ISO 14064-1:2018 is flexible enough to align with financial reporting requirements; whereas the GHG Protocol, particularly for Scope 3, Category 15 on financial investments is quite prescriptive and may not align with the mandatory financial disclosures. We believe that sound disclosure for GHG accounting will need to align as closely to the financial reporting because many of the indicators that shareholders and stakeholders examine rely on both GHG and financial data. Flexibility is needed to account for the wide variety of organizational structures found in financial reporting.

ISO 14064-1:2018 does not distinguish between Scope 2 and Scope 3 but categorizes both as indirect emissions because from an audit and data management perspective, they present the same challenges in reporting and controls. Instead, ISO 14064-1:2018 uses the approach of establishing a reporting boundary that is relevant to the organization. The GHG Protocol mandates the reporting of certain Scope 3 elements (depending on the industry), which may not be applicable to all organizations. We would recommend great flexibility on the initial SEC requirements with strong guidance to support appropriate disclosure rather than being overly prescriptive in the initial stages.

We recommend that the SEC carefully examine some of these differences between ISO 14064-1:2018 and the GHG Protocol and develop a hybrid approach. The GHG Protocol is not policy neutral and is North American centric. ISO standards must be policy neutral and international in application. The SEC climate change disclosure requirements would benefit from a more holistic approach. We would be delighted to discuss this further.

We would also like to bring your attention to our supporting climate-related standards that the SEC may benefit from:

ISO 14064-2:2019

Greenhouse gases- Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements

ISO 14064-3:2019

Greenhouse gases-Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions

ISO/Technical Report 14069:2013

Greenhouse gases – Quantification and reporting of greenhouse gas emissions for organizations  
– Guidance for the application of ISO 14064-1

ISO 14065:2020

General principles and requirements for bodies validating and verifying environmental information

ISO 14066:2011

Greenhouse gases- Competence requirements for greenhouse gas validation teams and verification teams

ISO 14067:2018

Greenhouse gases —Carbon footprint of products - — Requirements and guidelines for quantification

The GHG Protocol does not address audit and auditor requirements to any great extent. We believe the above ISO standards would be of benefit to the SEC when implementing the climate change-related disclosure requirements.

ISO TC 207/SC7 is host to internationally recognized experts in greenhouse gas management and its relationship to climate change. We are very willing to contribute our expertise to the SEC in any way that would be helpful. Our experts can facilitate consultations or help with training. We can discuss the ISO Standards with the SEC experts at their convenience. We would like to help the SEC meet the objectives they have set for clear, concise, comparable standards for financial reporting of climate data.

Please contact us for any further information you require.

Yours truly,

Sara Jane Snook P.Eng.

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