Thank you for providing the opportunity to comment on the SEC’s proposed rules on climate change disclosure. Verdani Partners supports the proposed rules.

As a full-service ESG consulting firm specializing in sustainability for commercial real estate portfolios, Verdani Partners is in a unique position to comment on the necessity of the proposed rules from an environmental standpoint and the impact of the rules on the commercial real estate industry.

I. Necessity for the Rules

Climate change is the most critical threat to our way of life that we have ever faced. The latest report from the UN’s Intergovernmental Panel on Climate Change indicates greenhouse gas emissions (GHGs) must peak no later than 2025, and reduce by 43% by 2030, to avoid the most dangerous and irreversible effects of climate change. The catastrophic risks posed by climate change cannot be understated. While countries, companies and private individuals are already making commitments and taking steps to mitigate the risks, these are not sufficient. Strong leadership on this issue from our elected and appointed government officials is vital.

The U.S. lags most developed countries when it comes to regulatory requirements for emissions, decarbonization and climate risks. With these rules, the SEC’s majority proposes to join the EU and the UK in making ESG accounting and reporting a regulatory requirement. Proactively aligning with globally recognized protocols such as the Taskforce for Climate-related Financial Disclosures framework (TCFD) and Greenhouse Gas Protocol will help standardize reporting requirements on a global scale.

We anticipate that regulatory bodies around the world will continue to establish further requirements for climate risks in the years to come. We believe that the proposed SEC rules will help the U.S. join other developed countries that are establishing a foundation to enhance climate risk management processes and accelerate GHG emissions tracking. This will also motivate both public and private companies to address their climate risks more proactively, making them more competitive while creating stakeholder value.

II. Alignment with Global Standards

Moving toward global standardization of ESG disclosure requirements is critical. As the U.S. takes this important step, we recognize the value of aligning the proposed rules with key, globally applicable ESG reporting frameworks, including the TCFD recommendations and the Greenhouse Gas Protocol, both of which are anticipated to align with the forthcoming IFRS Sustainability Disclosure Standards, currently in development by the International Sustainability Standards Board (ISSB). Our clients’ resilience programs are TCFD-aligned and are moving toward alignment with the ISSB framework, both of which are science-based and comprehensive in the areas they address. Key areas of alignment between the SEC’s proposed rules and the ISSB’s climate-related disclosure standards include the following:

- Focus on investor requirements and materiality
- Based on TCFD framework
- Contain similar GHG emissions disclosure standards
- Attention to transition plans/scenario analysis/targets and goals
- Require financial performance disclosures
- Impose a reporting date (same as financial reporting)
III. Emissions Scope

There is no question that reporting on scope 1 and scope 2 emissions will be easier for companies to accomplish than tracking scope 3 emissions; many companies already track scope 1 and 2 emissions. However, tracking scope 3 emissions is essential for understanding a company’s full climate impacts. As the Greenhouse Gas Protocol notes, “Emissions along the value chain often represent a company’s biggest greenhouse gas impacts.” For certain building types, such as industrial properties, scope 1 and 2 emissions might account for only 2% of their total emissions. We note that the proposed rules require disclosure of only “material” scope 3 emissions, however, the definition of “material” is less than clear. For example, while at least some tenant emissions should clearly be considered material for real estate portfolios, it is less clear which emissions from goods, services, and travel associated with property ownership and management should be considered material scope 3 emissions for the landlord. We request that the SEC provide clear guidance on what constitutes material scope 3 emissions.

IV. Industry Challenges Related to Data Tracking

Tracking certain types of downstream and upstream value chain emissions is difficult and often requires a higher level of cooperation from third parties; requiring disclosure of these emissions will create market resistance if not done incrementally. We support the tactic of phasing in the disclosure of scope 3 emissions, as this strategy will make market acceptance in early years easier.

Owners and landlords are often better positioned to make building improvements and reduce emissions; for this reason, we believe that scope 3 emissions from tenant energy use should be considered material. However, owners face additional barriers in the multifamily residential and industrial sectors, where energy use data is often tenant controlled. To make the regulatory requirements fair and achievable, these challenges will need to be addressed so that building owners are not penalized if they are unable to obtain information on emissions that are outside their control.

For successful implementation by the commercial real estate industry, the SEC regulations must be paired with better data access rules. We recommend collaboration with other federal agencies such as the Department of Energy to support a federal mandate requiring utilities to make whole-building data accessible to building owners and managers. Increased data accessibility would be a game changer on a national level, serving to make critical emissions data more available overall. Currently, tracking building-related emissions in jurisdictions with benchmarking laws is much more feasible because building owners can obtain the necessary data directly from the utilities serving their buildings. Ideally, there would be a direct application programming interface between utility companies and ENERGY STAR Portfolio Manager (ESPM) so the data can flow directly to ESPM monthly. Without these requirements, the implementation of scope 3 emissions tracking will be challenging for owners of certain building types like multifamily and industrial facilities.

V. Verdani Partners’ Requests and Recommendations

In summary, Verdani Partners supports the proposed rules and requests that the SEC consider the following in the preparation of the final rules:

- Due to a lack of clarity around what constitutes “material” scope 3 emissions, we request that the SEC provide clearer, industry-specific guidance.
- For the commercial real estate industry, we support a definition of material scope 3 emissions that includes emissions from tenant energy use.
- We recommend the implementation of rules designed to enhance access to tenants’ energy use data, such as a federal mandate requiring utilities to make whole-building data accessible.
to building owners and managers, without which compliance by landlords could be prohibitively difficult.

- We support the phasing in of the disclosure of scope 3 emissions as a method of easing market adoption.

**About Verdani Partners**

Verdani Partners is a leading full-service consulting firm whose team members have over 25 years of experience in real estate, sustainability and ESG. Verdani currently manages ESG programs for 15 national and international commercial real estate firms with over 4,500 equity properties across 1.1 billion square feet of diversified real estate portfolios, representing over $460 billion assets under management or total market capitalization. Our clients consistently rank #1, #2, in the top five and/or in the top ten in their peer groups on GRESB, the leading ESG assessment for real estate, demonstrating leadership in ESG. Serving as an owners’ representative for ESG management, Verdani provides comprehensive ongoing programs employing key strategies such as climate change resilience; net zero and decarbonization; healthy buildings; biodiversity; diversity, equity and inclusion; sustainability program management including data management and cost benefit analysis; ESG framework, regulatory and sustainability reporting; and stakeholder engagement.