June 15, 2022

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

Re: File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman:

Church Investment Group (CIG) welcomes the opportunity to respond on File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors ("Proposed Rule"). We commend the Commission for its Proposed Rule aimed at providing investors with climate-related financial information from issuers of public securities.

The Church Investment Group is a 501(c)(3) non-profit which works with Episcopal Church endowments to implement full-time, institutional investment management. CIG uses an Outsourced Chief Investment Officer (OCIO) who in turn selects various investment managers across asset classes. CIG and our OCIO see climate transition risk as one of the key risks to corporations and in turn to CIG’s investments in different asset classes.

To address specifically what kinds of data CIG is seeking and how it is used, we have responded to two of the SEC’s specific questions:

2: If adopted, how will investors utilize the disclosures contemplated in this release to assess climate-related risks? How will investors use the information to assess the physical effects and related financial impacts from climate-related events? How will investors use the information to assess risks associated with a transition to a lower carbon economy?

CIG works with Impact Cubed, a London-based organization, to measure data including emissions information and to manage the real-world impact of that information on CIG’s portfolio holdings. To understand the nature of CIG’s portfolios’ risks, Impact Cubed summarizes for CIG the carbon efficiency of its equity holdings by measuring the tons of GHG (Scope 1&2) emissions per $1 million in revenue and assesses how CIG’s portfolios compares to the benchmark. As this time, for CIG’s portfolio, Impact Cubed lacks sufficient data and needs to estimate 24% of the information in the benchmark and 42% of the more detailed information that CIG seeks on specific corporate holdings.

Impact Cubed also estimates the tons of GHG emissions for related Scope 3 emissions. Impact Cubed has indicated to CIG that it needs to estimate 44% of the benchmark data and 71% of the data for CIG’s specific holdings. Impact Cubed tracks the percentage of data that was not reported by corporations for calculating a specific indicator (with the focus of our comments here on tons of GHG emissions data). If the data is not provided, Impacted Cubed then is required to use a proprietary model to estimate the missing data. From CIG’s perspective as an investor, we are looking to have the most accurate assessment of the risk and exposures faced by CIG’s corporate holdings. CIG and Impact Cubed seek to not have to estimate data, as well as to obtain transparent and comparable data. CIG supports the SEC’s implementing the proposed climate disclosure rule so that we have reliable data.

CIG uses this data to assess how its corporate holdings are adapting to generating revenue in a more climate responsive and efficient manner. CIG also uses the information generated by Impact Cubed to assess how our corporate investments are transitioning to a lower carbon consuming economy. CIG seeks to invest across a broad spectrum of industries and does not limit its investments to more carbon efficient sectors. CIG’s OCIO employs active management and has structured CIG’s investment holdings to be more emissions efficient than benchmark holdings.
CIG has made more progress to date on assessing the impact of emissions efficiency than assessing physical risks. Anecdotally, CIG would note as an example of the real-world impact of climate change damage, that after repeated hurricane damage, Hewlett Packard Enterprises rebuilt its Houston headquarters on higher ground and moved a manufacturing facility.

The Church Investment Group, as one of the Taskforce on Climate-Related Financial Disclosures’ (TCFD) 2,600 supporters globally, uses the TCFD recommendations. CIG views TCFD as important framework but insufficient. CIG believes the adoption of “the Scope 3 when material” framework of TCFD is ultimately a wasteful and unnecessary distinction, and that the TCFD adoption of materiality in this context gives inadequate consideration to the unique circumstances of US legal frameworks, under which longer-term impacts may not be deemed material by US companies. In particular, CIG would highlight that TCFD “cautions organizations against prematurely concluding that climate-related risks and opportunities are not material based on perceptions of the longer-term nature of some climate-related risks.”

We also note that regulators have begun mandating TCFD-aligned reporting in the UK, Brazil, the EU, Hong Kong, Japan, New Zealand, Singapore, and Switzerland. The Proposal aligns with recommendations by the TCFD and the Greenhouse Gas Protocol to ensure market efficiencies, a key focus for investors.

93. How would investors use GHG emissions disclosures to inform their investment and voting decisions? How would such disclosures provide insight into a registrant’s financial condition, changes in financial condition, and results of operations? How would such disclosures help investors evaluate an issuer’s climate risk-related exposure? Would such disclosures enable investors to better assess physical risks associated with climate-related events, transition risks, or both types of risks?

CIG has discussed above how we use GHG emission data in investment decisions. CIG has structured its investments so that it can vote its proxies. CIG votes in favor of proxy proposals which seek to address CIG’s investments’ ability and preparedness to respond to climate transition. Knowledge about the companies’ GHG emissions is critical to understanding and assessing such proxy proposals. CIG also votes in favor of proposals that ask companies to disclose their lobbying in relation to climate disclosure and regulation, and proposals that ask corporations to align their trade association activities and lobbying with their corporate climate transition efforts. It is important that trade associations not undermine a company’s espoused climate policy and commitments.

To comment more broadly, the Commission’s Proposed Rule marks a change in the quality and comparability of climate disclosures that is essential to an efficient market response to climate factors and risks. While most companies report sustainability information in some form, the content and type of disclosures vary significantly. To better interpret and utilize climate-related information, consistent, reliable, and comparable disclosures by companies are a top priority for Episcopal Church endowments, other endowments, institutional and retail investors. In the absence of standardized disclosures, investors and their investment managers seeking climate-related information have had to collect this data from numerous sources, including companies’ voluntary disclosures that are unverified and often difficult to compare.

Therefore, we support the SEC’s Proposed Rule requiring all public companies to file climate-related financial information with the Commission, to have this information appear alongside financial information, and to present narrative and quantitative information in XBRL tagged form. This will make climate-related financial information more useful to investors seeking to understand the risks and opportunities presented by climate change. CIG is supportive of the proposal’s inclusion of disclosures on companies’ Scope 1, 2 and 3 greenhouse gas emissions, all of which are necessary for investors to understand the full extent of a company’s exposure to climate risks. The inclusion of climate-related disclosures in the financial statements (Reg S-X) and in accompanying Reg S-K disclosures regarding company strategies, financial impacts, risk management, and GHG emissions data will offer greater accessibility and assurance of this information for our investment assessments.

CIG supports universal disclosure for Scope 3 GHG reporting within 3-5 years of the final rule, regardless of whether companies have stated commitments or internal carbon prices at the time of the Rule. This will
ensure fair, orderly, and efficient information sharing for investors to understand and manage risk. The Rule should seek to avoid punishing companies that have been proactive in setting targets and tracking Scope 3 emissions by requiring them to report while not requiring those companies that have been slower to act in this regard to do so. Instead, the Rule should seek to set a level playing field where all companies are required to report on Scope 3 after a set time period (3-5 years) that is long enough for companies to prepare, but short enough to be useful given the urgency of the climate crisis.

An SEC’s decision to mandate climate-related financial disclosures by US public companies will help companies prepare and plan for the transition to a low-carbon economy and protect investors and US competitiveness in the economies of the future. It is important for investors to understand how companies are managing climate risks and following through on public statements via action towards set goals. The Proposed Rule also includes safe harbor provisions for forward-looking information and Scope 3 emissions, and a reporting phase-in period based on the registrant’s filer status, which aims to address issuers’ concerns about compliance. The Proposed Rule could also ease the burden on companies that are currently providing this information in numerous formats in response to various investor questionnaires on climate information and shareholder proposals calling for this information. In our opinion, the Proposed Rule strikes the right balance between investors’ needs for climate-related information and issuers’ ability to collect and report this information.

For further discussion or questions, please contact:

JoAnn Hanson, President, Church Investment Group

Regards,

JoAnn Hanson
President
Church Investment Group