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

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

Dear Ms. Countryman,

Dana Investment Advisors submits this comment in support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors. We applaud the Commission for this proposed rule and for recognizing that investors need greater and higher-quality climate-related financial information from issuers of public securities. We are deeply appreciative of the Commission and SEC Staff’s substantive work leading to this proposed rule. While companies are increasingly reporting on climate-related data and management already, we feel the proposed rule will result in broader and more consistent disclosures and will improve the available climate-related financial information necessary for investors to make prudent long-term investment decisions.

Dana Investment Advisors is an SEC-registered investment advisor founded in 1980. We advise on $7.4 billion of client assets in portfolios of public securities issued in the U.S. for a wide variety of institutional and individual investor clients. We recognize that risks and opportunities associated with climate deserve consideration when making security-level investment decisions, and have sought relevant information in our analysis for two decades. Dana has long utilized CDP (formerly the Carbon Disclosure Project) as a clearinghouse for company-reported information, and Dana has engaged multiple third-party data vendors for more than 10 years to provide standardized and estimated data on greenhouse gas (GHG) emissions and other climate-related information.

Dana Investment Advisors supports the SEC’s proposed rule because we feel it will provide decision-useful, comparable information related to climate across the full range of companies in which we invest for our clients. We already incorporate information on climate-related risks and opportunities and company management thereof into our security analysis. We are pleased that so many large companies are providing relevant information in increasing measure, but find that the current discretionary reporting and discussion by companies is often incomplete and lacks consistency that would better facilitate the relative assessments that we are making every day. The proposed rule should vastly improve the quality and comparability of information available to investors.

We are advocates for harmonization of various reporting frameworks and are very pleased that the SEC proposal integrates nearly all of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and aligns with the Greenhouse Gas Protocol (GHGP). The GHGP has become a de facto standard for thinking about and reporting on GHG emissions. TCFD recommendations are at the vanguard of global thought on how to report on and evaluate climate-related information.
climate-related risks. Since many of the companies in which we invest operate globally and may have required reporting in multiple jurisdictions, building on these widely supported frameworks should result in efficiencies for reporting entities. We support the SEC’s efforts to align its proposal with developing ISSB climate-risk disclosure standards. We are confident this harmonization will allow us, as investors, to perform more efficient and better analyses.

Dana supports the SEC’s provisions for phasing in of reasonable assurance over time. Reasonable assurance will set a minimum expectation on reporting, increasing consistency, accuracy and relevance of the information we receive from companies. We support the inclusion of some climate-related information in the financial statements, as this should add insight to our understanding of the financial impacts of climate risks and opportunities. And we support the safe-harbor provisions for forward-looking information and Scope 3 emissions to reduce any impediments for a company to provide such information, information we consider important to prudent long-term investment decisions.

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. As investors, we always want more information, even if imperfect. We believe the proposed rule will improve the availability of useful as well as material information while possibly reducing the “noise” from less relevant climate-related information that companies may be eager to provide. For reporting companies, the harmonization of the proposed rule with the direction of other organizations and jurisdictions could potentially ease the burden on reporting companies by eliminating some of the many questionnaires, surveys and other requests that companies receive every year.

Comment on Selected Questions

Comments below briefly address a few of the questions posed by SEC to investors regarding the proposed rule. We begin each section by quoting the question number and (only) the first of typically multiple questions within each numbered question group.

3. Should we model the Commission’s climate-related disclosure framework in part on the framework recommended by the TCFD, as proposed? ....

We believe that modeling the proposed rule on the TCFD framework is very beneficial. We often hear from reporting companies that the multitude of different reporting standards, frameworks and surveys is cumbersome. Having a shared core framework will lead to efficiencies for reporting companies and investors. TCFD is currently the most mature framework for relevant disclosures and is already being used by a large and growing number of public companies.

As investors, we would benefit from a unified core of reporting. Standardizing quantitative metrics will allow us to more efficiently make comparisons between companies. The TCFD recommendations on qualitative topics of governance, strategy, and risk management address critical disclosure which we need to make informed investment decisions.

4. Do our current reporting requirements yield adequate and sufficient information regarding climate-related risks to allow investors to make informed decisions? ....
We do not believe that current reporting requirements yield sufficient information regarding climate-related risks for us to make informed decisions. Many of the companies in which we invest are providing voluntary disclosures. However, these disclosures are incomplete and inconsistent. We believe we will be empowered to make better decisions based on deeper, higher quality, and comparable information as a result of the proposed rule.

24. If a registrant has used carbon offsets or RECs, should we require the registrant to disclose the role that the offsets or RECs play in its overall strategy to reduce its net carbon emissions, as proposed? ….  

We support the requirement of registrants to disclose the role and impact of offsets in its strategy and metrics. We believe (as do many of our clients) that climate risks are systemic, and it is imperative that companies contribute at a macro level. Offsets are useful insofar as they create market incentives to reduce climate-related impacts and risks, but companies should be incented to address impacts and risks internally as much as possible. (In addition, offsets may disproportionately benefit large companies, possibly inhibiting a healthy competitive environment.)

46. If a registrant has adopted a transition plan, should we require the registrant to describe the plan, including the relevant metrics and targets used to identify and manage physical and transition risks, as proposed? ….  

We support the requirement for transition plans to be supported by relevant metrics and targets. Occasionally, we feel companies are making long-term commitments but not giving a clear vision on how these commitments will be met. As investors, we are looking for evidence, or at least a reasonable concrete plan, on which we can evaluate any commitment. This requirement reduces the incentive toward vague commitments that are not supported by adequate thought, strategy and planning.

However, we are concerned that a possible unintended consequence of this portion of the rule would be to discourage companies from setting transition plans or other commitments that trigger additional disclosure. The Commission could add to this part of the rule to require companies without a transition plan to provide a justification for why a transition plan is unnecessary for the company, or to provide a timeline for when a transition plan and supporting disclosures will be forthcoming.

64. Are the proposed requirements for calculating and presenting the financial impact metrics clear? ….  

We support the proposed financial impact metric disclosure which would require a registrant to disclose the financial impacts on the consolidated financial statements unless the aggregated impact of the identified climate-related risks (physical and/or transitional) are less than one percent of the total line item. In addition, we concur that aggregating the absolute value of the positive and negative impacts on a line-by-line basis would better reflect the significance of the impact of the climate-related events and transition activities on a registrant’s financial
performance and position. Providing further disclosure within each category of climate-related risks on an aggregated, line-by-line basis for all negative impacts and, separately, on an aggregated, line-by-line basis for all positive impacts would enhance comparability and consistency among a registrant’s filings over time and among different registrants. We would propose a separate disclosure footnote to disaggregate any category impact if any single identified climate-related risk within an aggregated category was 1% or more of the total line item on its own. Aggregating and disclosing the positive and negative impacts on a line-by-line basis does provide significance of the impact for each category; however, a disaggregation of single identified items contained within an aggregated category consisting of 1% or more of the total line item would provide investors with information to more effectively evaluate their portfolio risk.

Thank you very much for your consideration of our comments. We believe the proposed rule will bring about substantial benefit to our investment decision making.

Sincerely,

Duane Roberts
Director of Equities