



June 16, 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

Ms. Countryman:

Seventh Generation Interfaith Inc. (SGI) submits this comment in support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (the "Proposed Rule").

SGI is a coalition of 35 faith-based and values-driven institutional investors representing over \$16 billion in assets under management. We view the management of our investments as a powerful catalyst for social change. SGI's name is derived from the Great Law of the Iroquois to reflect the Native Americans' love of mother earth and all creation. The Iroquois leaders considered the impact of their decisions on the current generation as well as for seven generations into the future. While our members recognize their fiduciary duty to protect and grow their financial resources, they also want to invest in companies that promote sustainable practices and policies based on the practical conviction that businesses who serve the common good are more profitable over the long-term.

SGI members are also members of the Interfaith Center of Corporate Responsibility ([ICCR](#)), a 50-year-old coalition of more than 300 faith- and values-based institutional investors representing over \$4 trillion in assets under management who engage with hundreds of corporations on their environmental and social impacts. SGI is also a member of [Ceres](#), a nonprofit organization transforming the economy to build a just and sustainable future for people and the planet. We are supportive of the comments submitted on the Proposed Rule by both ICCR and Ceres.

Our interest in climate related information lies in the immediate risk climate change poses to our own institutional investments as well as the concerns about broader and long term ramifications on global economic stability. We are appreciative of the Commission and SEC Staff's substantive work leading to this groundbreaking Proposed Rule that will drive standardized disclosures and provide investors with decision-useful climate-related financial information. However, we would like to offer recommendations to strengthen the Proposed Rule to improve the consistency and comprehensiveness of the disclosures.

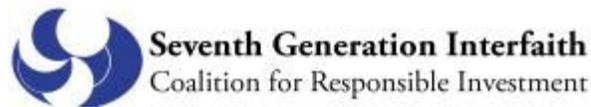
Investor Need of Consistent Climate Risk Disclosure:

SGI members actively engage companies on various climate change topics to improve climate risk mitigation. These topics include GHG emissions associated with their operations, use of clean energy, climate impacts of their supply chain and product use, and the just transition to a low carbon economy. The examples below exhibit the importance of comprehensive climate data to investors as well as company recognition of the materiality of climate risks to their business.

- In 2019, the Sisters of Charity of the Blessed Virgin Mary, an SGI member, filed a shareholder resolution asking Yum! Brands, Inc. (YUM) to study climate change mitigation strategies to reduce the company's GHG emissions and climate change risks. Upon withdrawal of the proposal, YUM committed to developing GHG targets for certification by the Science Based Targets Initiative ([SBTi](#)). YUM's VP of Global Affairs and Sustainability was quoted saying "We remain committed to energy and climate initiatives to minimize the environmental impact of our restaurants and supply chain."¹
- Another SGI member, the Franciscan Sisters of Perpetual Adoration, filed a shareholder resolution with Post Holdings Inc. (POST) asking the company to report on its efforts to reduce its impact on climate change including scope 1, 2, and 3 GHG emissions. The company acknowledged the impact climate change could have on its business and the likelihood of future GHG emission regulation in its 10-K report, but did not disclose how this risk could impact operations or its financials. Upon withdrawal of the proposal, POST set scope 1 and 2 GHG targets and committed to setting a scope 3 target as well as establishing a no-deforestation policy in the near future.
- The Dominican Sisters of Sinsinawa filed a shareholder resolution with MGE Energy, Inc (MGEE) asking the company to disclose how it will reduce material scope 3 emissions related to upstream and downstream emissions that are aligned with the goals of the Paris Agreement. The proposal was withdrawn after the company committed to setting a scope 3 GHG reduction goal in the first quarter of 2023.
- Several SGI members engaged CMS Energy Corporation (CMS) and submitted a shareholder proposal asking the company to set a reduction target for scope 3 emissions. Upon withdrawal of this proposal, the company expanded its net zero target to include scope 3 emissions caused by upstream sourcing of natural gas and downstream burning of gas by their customers.
- A similar proposal was filed at DTE Energy Inc. (DTE), whose net zero target does not incorporate its significant scope 3 emissions associated with its gas distribution business. The company does not report its scope 3 emissions associated with purchased power and customer use of natural gas, which account for over 40 percent of their total emissions.² 28% of DTE shares voted in favor of this proposal.
- A recent shareholder resolution was submitted to Valero Energy Corporation (VLO) by the Sisters of St. Francis of Dubuque and others requested a report disclosing scope 1, 2 and 3 emissions along with near- and long-term GHG reduction targets aligned with the Paris Agreement's goal of maintaining global temperature rise to 1.5 degrees Celsius. 47% of VLO's shareholders voted in favor of the proposal.

¹ <https://www.ceres.org/news-center/press-releases/yum-brands-shows-leadership-among-fast-food-peers>

² https://exchange.iccr.org/system/files/resolutions/03302022/22.DTE_.1%2BDTE%2B-%2BProxy%2BMemo%2B-%2B20220328_WEB.pdf



Our shareholder engagement fosters best practices in mitigating climate risks, but company by company engagement will not produce consistent disclosure at the level needed for the market as a whole. This extensive engagement, research, and resolution process is time consuming and not feasible at every company. Current voluntary disclosure initiatives are unreliable and inconsistent. Lack of regulation has resulted in cherry-picking among companies regarding which metrics and information to disclose, as well as confusion among investors about which disclosures to trust.

Requiring climate-related disclosure in financial statements will allow investors greater accessibility to this information. Currently, investors have to dig for climate related disclosure which may exist within corporate social responsibility reports, separate climate reports, or on voluntary climate reporting platforms. GHG emissions data and climate risk disclosures which can be found through CDP, TCFD, MSCI, S&P Global and other platforms are costly to investors and create barriers to access, especially for our smaller members who have limited assets.

Scope 3 Emissions Disclosure: In reference to Questions 98, 132, 133, 134

We recommend that the Proposed Rule be amended to require scope 3 emissions disclosure for all registrants, regardless of size. Our engagements with large and small companies in various sectors have shown that scope 3 emissions are material and can often make up the majority of their total GHG emissions. SBTi's recent progress report states that 96% of companies with approved science-based targets include targets covering scope 3 emissions, another recognition of materiality.³

The IPCC reported that agriculture, forestry and other types of land use account for 23% of human GHG emissions and urged the world to halt deforestation⁴. Limited disclosure and action to eliminate deforestation from supply chains exposes companies to business risk including supply chain unreliability, brand damage, and failure to meet shifting consumer and market expectations. The Proposed Rule will help identify these risks.

We support the phase in and safe harbor for scope 3 emissions disclosure that are made in good faith and made on a reasonable basis. We recommend that the safe harbor be conditioned upon the use of specific methodologies such as the Partnership for Carbon Accounting Financials (PCAF) Standard if the registrant is a financial institution, or the GHG Protocol for other industry sectors.

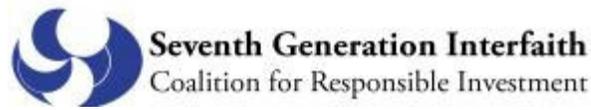
In the event the Proposed Rule is not amended to require scope 3 emissions disclosure by all registrants, it should require registrants to disclose the basis for their determination of materiality.

Responsible Public Policy Advocacy: In reference to Question 170

We support disclosure of climate transition plans describing how the registrants intend to meet its climate related targets. However, the Proposed Rule does not currently address disclosure of registrants' climate lobbying positions or the alignment of these positions with their climate targets. SGI

³ <https://sciencebasedtargets.org/reports/sbti-progress-report-2021>

⁴ https://www.ipcc.ch/2019/08/08/land-is-a-critical-resource_srccl/



members are asking portfolio companies to disclose direct and indirect climate lobbying activities through their lobbyists, trade associations and social welfare and nonprofit organizations and to align these positions with the Paris Climate Agreement goals. We recommend the Proposed Rule be amended to address these issues.

Just Transition:

The Proposed Rule also neglects the social impacts of climate change and the risk these impacts pose to companies. Transition plans should explain how registrants are mitigating material social impacts of the company's climate transition activities (i.e., any significant impacts to workers and affected communities) and the associated business risks. The speed and equity of the decarbonization process and achieving of company climate targets are dependent on integrating the concerns of all the key stakeholders, especially the most vulnerable populations who suffer a disproportionate burden.

Finally, transition plans should explicitly address Indigenous People's rights as it relates to climate risk. This would include disclosures on how Indigenous Peoples' rights are directly or indirectly impacted by listed companies' operations, business model, or transition risk mitigation plans.

Conclusion:

The climate crisis requires immediate action to mitigate the growing threats to financial markets and the economy, and, most importantly, to people. Therefore, we ask the SEC to strengthen the certain elements of the Proposed Rule to ensure investors and companies have uniform, comparable information to best manage such risks, and that the disclosure be filed in financial reports.

We applaud the Commission for its comprehensive efforts on the Proposed Rule, appreciate the opportunity to participate in this rulemaking process, and thank you for your consideration of our comments. For further discussion or questions, please contact: Natalie Wasek, Shareholder Advocacy Manager, at [REDACTED].

Sincerely,

Francis X. Sherman

Francis Sherman
Executive Director
Seventh Generation Interfaith, Inc.