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,

Brown Advisory’s Sustainable Investing business is writing in support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (“the proposed Rule”). We appreciate the SEC’s careful consideration of what constitutes material, climate-related information in terms of corporate disclosures and considerations of reasonable cost in the hopes to allow investors to more holistically understand risks and opportunities.

I. Introduction

Brown Advisory is a global investment and strategic advisory firm that provides investment solutions to individuals, families, and institutions with offices across the United States as well as in Europe and Asia. We have a long history of providing sustainable investing solutions to our clients and we believe integration of environmental, social, and governance (ESG) research builds a more holistic view of investment risks and opportunities.

Brown Advisory’s Sustainable Investment team believes the proposed Rule on climate-related disclosures will enable investment managers to better assess physical and transition climate risks and opportunities that may impact long-term financial performance. As an output, reliable climate-related disclosures will allow us to better report to clients on the environmental impacts of their portfolios.

II. Net Zero

Since October 2021, Brown Advisory has been a signatory to the Net Zero Asset Managers Initiative (NZAMi), which supports the global goal of net zero greenhouse gas emissions by 2050. Climate-related disclosures of companies, among committed assets to NZAMi, are essential for asset managers to achieve interim and 2050 targets. This proposed Rule has implications beyond the decarbonization of registrants and into the decarbonization of financed emissions for investors.
III. TCFD Alignment

The Brown Advisory Sustainable Investment team supports the alignment of the proposed Rule with the Task Force on Climate-Related Financial Disclosures (TCFD) to help elicit climate-related disclosures that are uniform and reliable. TCFD provides high-level guidelines for reporting without being overly prescriptive. This framework is structured enough to provide accountability while still allowing investors to contextualize climate data and reflect proprietary investment philosophy. Finally, the TCFD is aligned with other existing and widely used frameworks, such as the CDP’s questionnaire and the Sustainability Accounting Standards Board (SASB) Standards. Therefore, TCFD alignment has the additional benefit of reducing the reporting burden on companies given its coordination and adoption among other disclosure mechanisms.

IV. The Role of Carbon Credits

In consideration of disclosures, it will be critical to understand how a registrant intends to meet its climate-related targets as proposed. This information is especially meaningful when targets are not approved by the Science Based Targets initiative (SBTi). Consistent with the SBTi criteria and recommendations, we believe the use of Carbon Credits (or Carbon Offsets) should only be used incrementally for residual emissions beyond science-based emission reduction targets. It is important that the use of Carbon Credits be reported specifically.

The quality of the offsets in a registrant’s decarbonization plan is a material aspect of these disclosures. Reporting should address data to help investors assess whether registrants follow the best practice attributes of additionality, permanence, and avoid the misinformation of double counting and overestimation. To contextualize the use of offsets, disclosures should touch on the types of offset projects being purchased (removals vs. reductions), the verification standard of offsets, and the percentage of emissions offset.

V. Labeled Debt

If a registrant were to issue labeled debt instruments (“Green”, “Sustainability”, or “Sustainability—Linked” Bonds or Loans) to finance climate-related projects or initiatives, additional disclosure guidelines would help investors understand how the issuance fits into the company’s broader climate and decarbonization strategy. This would help maintain the credibility of the growing Sustainable Debt Market as a mechanism to finance the carbon transition. The guidance should not be too prescriptive such that it may create an undue burden on companies and stagnate the growth of the labeled sustainable debt market which is providing meaningful contribution to the acceleration of sustainable investments within fixed income markets.
VI. Conclusion

As investment managers offering Sustainable Investing solutions to clients, climate-related disclosures are valuable for us to understand the climate risks and opportunities associated with our investments. In an effort to better serve our clients investing in accordance with our strategies’ sustainable investment philosophies, we support aligning disclosures with TCFD, including disclosures on the role of offsets, and offering additional guidelines on the use of sustainable debt instruments to achieve climate-related objectives.

Thank you for the consideration of our comments.

Sincerely,

Carey Buxton
Head of Sustainable Investing Business
Brown Advisory LLC