

June 17, 2022

Directorate Office

Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street
NE Washington, DC 20549

3 Kings Meadow
Osney Mead
Oxford OX2 0DP
UNITED KINGDOM

Via Email

Dear Secretary Countryman

**Re: Release Nos. 33-11042; 34-94478; File No. S7-10-22
Ensuring the Digital Utility of Climate Disclosures: Responses to Qs 190-193**

The SEC's proposals in relation to enhancing disclosure for climate risks are timely and sought by the investment community. It comes at a time when comparable, high quality, audited, and *digital* disclosures in this field are essential for investors, regulators and policy makers, together with a wide range of other stakeholders. The importance of ensuring that these digital disclosures are suitable for global consumption, for both upstream and downstream use, cannot be overstated.

We are the global not-for-profit standards development organization behind the XBRL standard. Our standards are open and freely licensed and are used across the world¹ to facilitate digital business reporting in a wide range of reporting domains, including by the SEC. We have a specific public interest purpose: to improve the accountability and transparency of business performance globally, by providing an open data exchange standard for business reporting. We are supported by more than 20 independent chapters around the world that focus on digital reporting in their own countries and regions, including [XBRL US](#).

Our comments are fundamentally concerned with maximising the utility of these digital disclosures at a time when Europe, the UK, Japan, China and numerous other jurisdictions seek to introduce mandatory climate and other sustainability disclosures. They will do so utilising tightly connected but not yet identical sustainability disclosure standards being issued by Europe's EFRAG SRB and/or the ISSB. The majority of these jurisdictions have indicated, formally or informally, their intention to also ensure that their mandates oblige issuers to publish their disclosures primarily in Inline XBRL format.

¹ See the XBRL International [Project Directory](#) for a list of current regulatory mandates.

Our response to the proposals are limited to those questions that specifically relate to the digitisation of these disclosures – questions 190-193 inclusive. Please see the annexure for our comments.

In addition we outline a possible approach to ensuring that work done at a policy level by the SEC, ISSB and EFRAG to ensure comparability does not fall at the last (digital) hurdle.

Unless regulators and standards setters implementing the *digital* disclosures work to co-ordinate their activities the ability to compare disclosures across borders, even where the underlying standards/rules align, will be badly impaired.

We are very happy to provide additional information or answer any questions that you might have. You can reach me at [REDACTED] or the email address above.

Thank you for your time and the opportunity to comment.

Sincerely



John Turner
CEO

Annexure: XBRL International Response to Release Nos. 33-11042; 34-94478

190. Should we require registrants to tag the climate-related disclosures, including block text tagging and detail tagging of narrative and quantitative disclosures required by Subpart 1500 of Regulation S-K and Article 14 of Regulation S-X in Inline XBRL, as proposed?

Yes. The Commission should require registrants to tag climate related disclosures for both the Regulation S-K and Regulation S-X aspects of the proposals.

It is important that this relatively rapid shift to mandatory, audited climate disclosures are also digital – that is, prepared in Inline XBRL. US issuers and FPIs are accustomed and increasingly adept at making their disclosures in Inline XBRL. They should all have the software, skills and processes to ensure that this is part of their disclosure controls and procedures.

The benefits to users in providing digitally tagged facts that come directly from public companies far outweigh the costs associated with their preparation. In our estimation, the marginal cost associated with this tagging is likely to be immaterial against the broader costs for issuers associated with the rigorous sourcing, management and control over these disclosures. Failing to ensure that this information is in digital form would greatly reduce the utility of these proposals overall. We know that users will seek to combine and co-mingle data drawn from climate disclosures with corporate financial disclosures, which are already provided in XBRL format for both US issuers and FPIs.

We draw attention (below) to the interconnected nature of these disclosures. For many issuers, the information provided by companies in their SEC filings is likely required by regulators in other jurisdictions and indeed by other companies in their supply chain. The digital nature of these disclosures should simplify these applications, not least as regulators in the EU, Japan and UK have already indicated their expectation that the filings they receive will also be in Inline XBRL and we expect a significant broadening in this area once the ISSB standards are finalised.

The provision of climate disclosures by US issuers and FPIs in digital form will, we are confident, enhance the process of climate analytics by portfolio managers directly, and provide significantly enhanced transparency and “look through” capabilities for the climate-related aspects of ESG ratings. The digital aspects of these proposals should improve, simplify and enhance workflow for analysts and investors, the SEC itself and a range of other stakeholders.

Should we permit custom tags for the climate-related disclosures? *We can see the benefit in constraining aspects of the manner in which certain quantitative metrics are disclosed, for example to enhance comparability of GHG emissions data, which would require that the use of extensions/custom tags be restricted in this area alone.*

However, in terms of strategy, risk and opportunity disclosures, we are of the view that this field is still relatively young and that there is likely to be significant variance in the approach taken by different companies in articulating their thinking. For this reason we would expect that the rules will need to be relatively dynamic, moving forward as common practice and analyst expectations rapidly evolve. That alone would indicate that the use of custom tags in these areas should be permitted, and further, closely analysed. As pools of custom tags accumulate it will be possible to identify common practices and update rule making and standards as necessary. This may be particularly relevant for upstream and downstream custom metrics that are used in disclosures related to Scope 3 reporting – a still developing field.

191. Should we modify the scope of the proposed climate-related disclosures required to be tagged? For example, should we only require tagging of the quantitative climate-related metrics? No. Users are consuming digitally tagged disclosures in different ways, for different reasons and with different appetites. Some do so directly. Some use specialist XBRL-aware tools. Others rely on the digital ingestion capabilities of long-established data providers. Some, it's true, are only interested in a few quantitative metrics. However, we are of the view that more sophisticated investors and their advisors are increasingly relying on digital disclosures to an ever-greater degree. This includes a range of text analytics, semantic comparators, behavioural clustering and sentiment analysis that are used in examining company narratives. This will continue and no doubt get more sophisticated as time moves on and corporate reporting expands to include climate disclosures.

Let's consider even the simplest use of tagged qualitative disclosures: comparing the variability in the text of disclosures made by a peer group of issuers about the role that offsets or RECs play in their overall strategy to reduce corporate net carbon emissions. This is analysis that a wide range of investors might want to do. Equally, issuers may want to understand the disclosures of their competitors in this area. If these narratives are specifically tagged, then it is the work of a moment to query the facts that have been marked up that way across even a very large peer group. The alternative involves manually reviewing each and every filing, hoping that the reader(s) capture the relevant text.

The marginal cost of this type of markup for issuers (who will expend significant time in developing their disclosures) is insignificant compared to the benefits that these types of search provide. The use of narrative markup (acknowledging the still large variations in user habits) is likely to greatly improve investor understanding of issuer activities, facilitating more focussed and more flexible examination of the very significant work that goes into the preparation of these reports.

We note that the Commission's decade long requirements around the use of XBRL and now Inline XBRL based disclosure means that companies have the tools, skills and understanding that they need to expand their existing digital disclosures relatively simply and inexpensively. From a user perspective this is time and money very well spent.

We expect that the main costs associated with carbon-related disclosures for most corporates will be those involved in the rigorous sourcing, workflow, aggregation

and internal elimination of relevant data across the enterprise. These costs will be necessary in order to permit the addition of effective controls, all part of shifting what for many companies has been a communications function to (or within the orbit of) the external reporting team. The comparatively minor costs associated with marking up the resulting final, clean data and narratives with relevant XBRL tags should not be confused with this larger sourcing task.

192. Are there any third-party taxonomies the Commission should look to in connection with the proposed tagging requirements?

Digital comparability is critically important

We are concerned, perhaps primarily, about consistency and comparability in this field. US issuer climate performance needs to be accessible to global markets. US issuers and FPIs will need to disclose what is, in the final analysis, extremely similar (and hopefully further converging) information into other markets, including for the climate components of Europe's CSRD requirements and SFDR reporting. A range of other jurisdictions have indicated their intention to utilise the ISSB standards for disclosures into their own markets.

We would like the Commission to be cognisant of the real risk that even where, for example ISSB, EFRAG and the SEC are utilising the same underlying framework (such as the TCFD), comparability will be lost "at the final hurdle" through the introduction of different XBRL dictionaries². This is true even for the simplest case. Facts disclosed using the two concepts "`sec.ghg-scope1`" and "`efrag.ghg-scope1`" cannot be immediately and automatically compared even if the underlying definitions are word-for-word identical³. Far better, therefore for both environments to use "`tcfd.ghg-scope1`" or "`issb.ghg-scope1`". We understand this requires collaboration, but the benefits are immense. We tentatively suggest a technical alternative (below) which might overcome concerns about the need to maintain comparability whilst preserving links to the SEC's own authoritative literature.

We would therefore strongly encourage the SEC to continue to discuss the possibility of developing agreements and bilateral (trilateral?) mechanisms that would permit the reuse, on a building block basis, of some of the digital dictionaries needed as foundations, to ensure the digital comparability of disclosures across national boundaries where comparison is intended.

This kind of collaboration would greatly simplify the consumption of this information on a global basis and materially lower costs for investors. It is an area in which questions about comparability, including digital comparability, should remain at the forefront of the Commission's thinking. The alternative is the imposition of material and avoidable cost to users of all kinds.

² We are conscious of the unfortunate confusion that the technically accurate term – XBRL taxonomy – may impose in this field, given the rather regrettable decision of the European Commission to label its climate industry classification as the "EU Taxonomy". For that reason, we refer to the XBRL definitions needed to permit digital reporting as a dictionary, or digital dictionary in this letter. These are powerful collections of metadata and vastly more relevant to disclosures than a classification.

³ Note that at a technical level, different architectural decisions can make comparability even more complex. Dimensional vs Non-Dimensional models can be hard to compare, as can different kinds of dimensional models. These are just some of the practical areas in which the SEC can collaborate with its peers at ISSB and EFRAG to ensure that no unnecessary hurdles are imposed on comparison.

Foreign Private Issuers should be able to use ISSB and likely EFRAG ESB standards

It stands to reason that the corollary to the points made above is that the Commission should permit foreign private issuers to use at least the ISSB standards, and ISSB digital dictionary in their disclosures. The Commission should also consider the benefits of permitting the use of ESRs-compliant digital disclosures. Again, the benefits of collaboration to users and registrants alike cannot be overstated.

193. Should we require issuers to use a different structured data language to tag climate related disclosures? If so, what structured data language should we require? Should we leave the structured data language undefined?

The Commission should require the use of Inline XBRL for climate related disclosures, just as it does for the bulk of Regulation SX disclosures today, and as it has proposed, or recently determined it will for (inter alia) Clawbacks, Share Repurchases, certain Rule 10b5-1 disclosures, Pay vs Performance, Cybersecurity Risk and Incident Reporting, Closed End Funds, Variable Products-Summary Prospectus, the Filing Fee Modernization rules, Form 11-F and BDCs.

The Commission's rulemaking in this area has been consistent and issuers now almost universally have software tools, in house skills and external advice (where needed) to be able to provide a range of disclosures in this digital format. These offerings operate in a competitive market and the use of the Inline XBRL standard in this respect provides downward pressure on these costs as the barriers to entry for new software and service providers are nominal. Alternative or proprietary tagging mechanisms would not have these advantages and would adversely impact the quality and utility of the proposed climate-related disclosures.

It may well be that at some point in the future, alternative technology or standards will emerge that will replace the Inline XBRL standard. Indeed, the XBRL standards will be enhanced in the future and those developments may warrant review. We are unaware of anything of that sort at this point for these kinds of disclosures. Until that time, we urge the Commission to simplify these disclosures for issuers, and maximise the manner in which investors and analysts can make use of this data by sticking to this well-established precedent in order to minimise the burden on registrants.

The Commission's recent adoption, via the FASB's US GAAP digital dictionary, of a range of industry data quality rules developed collaboratively by industry experts has further improved the utility of the data available to market participants (directly as well as via data providers that consume the XBRL facts and republish them) as well as the SEC itself. No doubt these can be expanded in due course to cover climate disclosures.

We would reiterate the points made above in the answer to Q190 that the digital disclosure of climate related matters is vitally important to the downstream analysis of relative performance. Furthermore, these digital disclosures should assist the complex – but in the future more transparent and traceable – process of determining certain climate related ESG ratings. These disclosures will also be used in

constructing aggregate portfolio metrics and it is vital that these processes are digital to enable both automation and traceability. The Commission should also bear in mind that US registrants and FPIs alike will be required to make (hopefully consistent) climate related disclosures in other markets in Inline XBRL including in (at least) Europe and the UK, so the SEC should be careful to ensure that the format (as well as the content) is as transportable as possible.

Related: Maintaining Digital Comparability – A Tentative Proposal

We applaud the participation of the SEC in the JWG announced recently by the ISSB and any and all work that is going on to help ensure the comparability of climate related disclosures around the world.

There is, we trust, every chance that a “global baseline” will be adopted by regulators and standards setters that will ensure consistency in disclosure requirements in (at least) this area. Without these kinds of agreements, the costs, complexity and inaccuracy that will be introduced for issuers, regulators and users of all kinds will be immense.

However, assuming, for a moment, that common ground can be found in relation to climate disclosures, there is still the matter of the digital instantiation of these disclosures. For digital disclosure to occur there needs to be a digital dictionary.

There are at least two ways this could go.

If, for example, the SEC is able to agree to utilise a suitably aligned ISSB digital dictionary for climate related disclosures, then (many, perhaps all) digital climate disclosures made under either regime would be comparable. This is because they would use the same dictionary:

- US Issuer AAACME Inc would disclose using the tag “**issb.ghg-scope1**”
- Singapore Issuer SSSUPER Group would also disclose using the tag “**issb.ghg-scope1**”

and comparability would be achieved.

If, however, the SEC is instead merely able to agree with the ISSB that (say) ISSB S2, once finalised, aligns with and is comparable to the SEC’s final rules for climate disclosure, *but that each body will continue to maintain their own legal texts*, then comparability will be more complicated. Under this scenario, the more likely arrangement will be that the SEC will develop its own digital dictionary and the ISSB will develop its own. The intention will be for disclosures to be comparable, but for digital purposes, there will two different dictionaries.

- US Issuer AAACME Inc would disclose using the tag “**sec.ghg-scope1**”
- Singapore Issuer SSSUPER Group would disclose using the tag “**issb.ghg-scope1**”

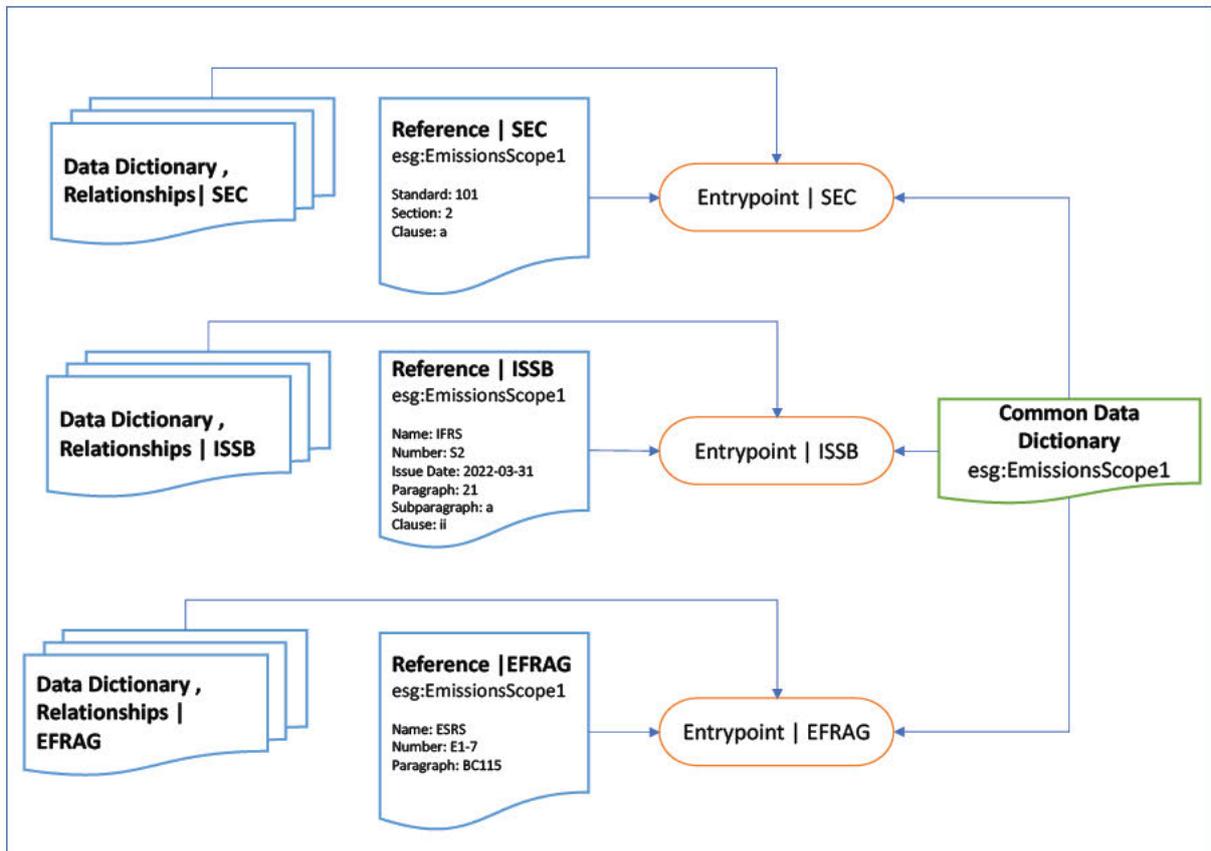
and comparability would not be (automatically) achieved. This is, of course a simple example, but it is what we refer to as “falling at the last hurdle”.

Computers are dumb. While a human reader might grasp at once that the two disclosures can be compared, computers are dreadfully literal. They would need a separate mechanism that asserts that “**sec.ghg-scope1**” IS EQUAL TO “**issb.ghg-scope1**”. An additional “foreign language translation” dictionary, if you like -- technically, a “concordance”. This is certainly possible, but it adds another layer of governance and maintenance into an already complex field.

A tentative proposal

Perhaps a third approach could be considered. In this scenario, a common data dictionary could be agreed that would provide an identical tag (technically, an element name), while each reporting standard/rule would retain its own local language labels and legal references.

This mechanism would look something like this:



In this situation:

- US Issuer AAACME Inc would disclose using the tag “**esg.EmissionsScope1**”
- Singapore Issuer SSSUPER Group would disclose using the tag “**esg.EmissionsScope1**”

However, the legal references to local or adopted rules (e.g: SEC, ISSB or EFRAG) would be retained, while concurrently ensuring comparability.

This approach might provide a practical approach to “baselining” these disclosures in a way that would ensure digital and legal consistency, while maintaining control over these definitions.

This is, as we say, a tentative suggestion but it is something that we would be pleased to work with relevant SEC staff, together with your peers in other standards setters and regulators to prototype and develop examples around.

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