NRDC

October 12, 2023

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

Via SEC.gov

Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors [Release No. 33-11042; File No. S7-10-22]

Dear Ms. Countryman:

We write with respect to the proposed climate disclosure rule[1] from the U.S. Securities and Exchange Commission (Commission) and to reiterate our support for including complete disclosures of greenhouse gas emissions in the final rule.

In September, the Department of the Treasury released its "Principles for Net-Zero Financing and Investment," which sets forth nine principles for successful net-zero commitments from financial institutions, focused "on financial institutions' scope 3 financed and facilitated greenhouse gas emissions."[2] The ninth principle, transparency about climate commitments and progress toward them, stresses the importance of "[t]ransparency of quantitative information that reflects progress towards targets (e.g., the measurement of financed emissions)," and providing investors with "[s]ufficient information . . . such that targets and progress towards them can be reasonably compared to what is disclosed by other firms and needed by stakeholders to assess a financial institution's overall progress towards its commitment."[3] While these Principles are non-binding, they reinforce that investors care

[1] *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, 87 Fed. Reg. 21,334 (Apr. 11, 2022).
[2] Department of the Treasury, *Principles for Net-Zero Financing and Investment* at 1, https://home.treasury.gov/system/files/136/NetZeroPrinciples.pdf.
[3] *Id.* at 13.

about how financial institutions are managing climate-related risk, including greenhouse gas emissions.

The (largely concluded) 2023 proxy season also reinforced the materiality of climate risks to investors and the importance of disclosures of greenhouse gas emissions. According to Ceres, 79 of the 256 climate-related shareholder proposals they tracked were withdrawn after investors negotiated agreements "with nearly 70 companies."[4] Forty-five of those 79 agreements "focused on either setting emissions targets, issuing transition plans for reaching those targets, offsetting emissions, or a combination of these actions."[5] Both the New York State Comptroller[6] and the Seattle City Employees' Retirement System,[7] among other investors, pursued shareholder proposals related to climate change that resulted in agreements with a company.

Investors need access to reliable data to track how well companies are following through on their climate transition plans and greenhouse gas reduction targets. As the United Nations' High-Level Expert Group on the Net-Zero Commitments of Non-State Entities noted, voluntary initiatives "have imperfect systems for tracking the progress of their own members and few have clear mechanisms for removing members who fail to meet their commitments, while many non-state actors outside of such initiatives do not make much, if any, information available."[8] Standardized disclosure requirements for public companies would

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[4] Rob Berridge, "Comment: Why climate agreements are the untold story of the 2023 proxy season," Reuters (June 28, 2023), https://www.reuters.com/sustainability/boards-policy-regulation/comment-why-climate-agreements-are-untold-story-2023-proxy-season-2023-06-28/.

[5] *Id.*

[6] Press Release: Office of the New York State Comptroller, *DiNapoli: State Pension Fund Reaches Agreements with Companies to Evaluate and Set Greenhouse Gas Emissions Reduction Targets* (May 9, 2023), https://www.osc.state.ny.us/press/releases/2023/05/dinapoli-state-pension-fund-reaches-agreements-companies-evaluate-and-set-greenhouse-gas-emissions.

[7] Berridge, *supra* note 4.

[8] United Nations High-Level Expert Group on the Net-Zero Commitments of Non-State Entities, *Integrity Matters: Net-Zero Commitments by Businesses, Financial Institutions, Cities and Regions* at 28, https://www.un.org/sites/un2.un.org/files/high-level_expert_group_n7b.pdf.

protect investors from corporate greenwashing, ensure that investors can align their portfolios with their appetite for climate-related financial risk, and allow investors to hold corporate management accountable for meeting climate-related targets.

Congress gave the Commission the legal authority to require these disclosures.[9] Information that investors need to track management's performance on public commitments advances investor protection and furthers efficiency, competition, and capital formation. And where companies have publicly announced transition plans or greenhouse gas emission reduction plans embracing Scope 3 emissions, management has identified Scope 3 as a relevant source of climate-related risk that the company should track and manage, and shareholders are invited to rely on this information. As such, the Commission would not be creating unjustified reporting burdens. Rather, the Commission would be doing precisely what Congress empowered it to do – ensuring that investors have the information they need to monitor the company's performance on a commitment with significant financial implications.

Finally, California Senate Bill 253, known as the Climate Corporate Data Accountability Act, recently passed both branches of the state's legislature with strong support and was signed into law by Governor Newsom. The Act will require both public and private U.S. businesses with more than $1 billion in annual revenues, that operate in California, to publicly report their Scope 1, 2, and 3 greenhouse gas emissions on an annual basis. It also will require reporting companies to obtain independent third-party assurance of their disclosures. The requirements of the Act will reduce the marginal cost of compliance with a federal emissions disclosure requirement for large U.S. businesses operating in California.

We encourage the Commission to issue a final rule with robust disclosure requirements for climate-related financial risks, including complete greenhouse gas emissions disclosures.

We thank the Commission for its consideration of our comments.

[9] 15 U.S.C. § 77g(a)(1); 15 U.S.C. § 78*l*; *see also* 15 U.S.C. §§ 78m, 78o.

Sincerely,

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