

June 15, 2022

ATTN: Secretary Vanessa Countryman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-1090

Re: Public Comment on Enhancement and Standardization of Climate-Related Disclosures for Investors Proposed Rule—Release Nos. 33-11042; 34-94478; File No. S7-10-22

Dear Secretary Countryman and Colleagues,

It is with great enthusiasm for my civic duty that I welcome the opportunity to respond to the U.S. Security and Exchange Commission's (SEC) request for public comment on its Enhancement and Standardization of Climate-Related Disclosures for Investors proposed rule (the "Proposed Rule").

Climate change poses an existential threat to companies' financial performance and, by extension, the financial wellbeing of their investors. It poses a demonstrable threat to the financial, health, and social outcomes of the general public, whose undisrupted market participation is a fundamental determinant of capital markets stability.

Authoritative evidence proves these assertions. Their import to U.S. and global capital markets is increasingly salient. The number of issuers voluntarily and, in some markets, compulsorily self-reporting Environmental, Social, and Governance (ESG) performance data, as well as the number of investors using these data to inform their sustainable investment approaches, are growing rapidly.

As the founder and CEO of [Benchmark ESG | Gensuite](#) (Benchmark), a leading provider of cloud-based enterprise ESG performance data management and reporting solutions with [a global footprint](#), I have witnessed the genesis, entrenchment, and ongoing evolution of these practices. I know well the challenges companies face in collecting, using, and disclosing [ESG performance data that is decision-useful to investors](#). I am versed in the practices and technologies organizational leaders can leverage to execute these processes. And I can attest to the myriad, financially material advantages organizations can expect from executing these processes successfully.

Accordingly, I commend the SEC for its Proposed Rule. In effect, the Proposed Rule would, as currently written, be a great benefit to both issuers and investors. For issuers, it would [level the playing field](#) with regard to the metrics and methods they use for measuring and disclosing the financial outcomes of their climate-risk mitigation and adaptation efforts. For investors, the Proposed Rule will establish a new baseline level of comparability among issuers' climate-related financial disclosures, bringing efficiency and effectiveness to their climate-aligned investment approaches.

Still, I recommend that the SEC go further with its Proposed Rule. The rule can be more comprehensive and demand greater precision without unduly burdening businesses. Technological advances in measurement and reporting have made it far less burdensome to collect and report data complying with many reporting frameworks.

Without more prescriptive rules, there will be substantial inaccuracies reported to the market, most notably “double counting” of Scope 3 emissions.

In its current form, the Proposed Rule is ambiguous at points and occasionally equivocates with regard to what climate-related information issuers must consider financially material. It does not go far enough to take into account the nuanced climate-related circumstances of distinct industries or entities. **Failing to account for these variances risks incurring three opportunity costs:**

1. Without clearer direction, issuers will disclose *incomplete* climate risk information
2. Without clearer direction, issuers may not unlock all the financially material advantages of a compulsory climate risk and impact accounting effort
3. Without the most complete and precise depictions of companies' climate risks and impacts, their corresponding financial implications, and the effectiveness of companies' efforts to manage those climate issues, investors will be left to rely on third-party assessments, proprietary estimation techniques, and other imperfect stopgaps to adequately inform their sustainable investment decisions

To commit capital with confidence, investors need companies to self-report climate-related information that is investment-grade, or data that is:

- **Accurate**, i.e., exact; whereby asset-level climate-risk exposures and operational emissions are calculated using primary data wherever possible, as opposed to using broad-based estimation methodologies
- **Complete**, i.e., comprehensive; whereby the data enclosed in companies' climate-risk disclosures encompasses the complete portfolio of financially relevant climate risks and impacts—across their full value chain
- **Contemporary**, i.e., continuous; whereby the data enclosed in companies' climate-risk disclosures includes both up-to-date information and a specified range of historical data, which will enable investors to study companies' progress in managing their climate risks and impacts toward various benchmarks, including toward companies' public climate commitments
- **Verifiable**, i.e., auditable; whereby the data sources, data, and methodologies that companies use to conduct assessments of their climate risk and impact management performance, as well as their corresponding financial outcomes, are included in companies' climate-risk disclosures

- **Decision-useful**, i.e., comparable; whereby disclosures are issued in machine-readable formats that enable seamless analysis of companies' climate risk and impact management performance

Admittedly, there are rumblings of discontent among the business community over the Proposed Rule, namely that it will exacerbate the cost of regulatory compliance that SEC Registrants already face. While [recent analyses](#) may lend some credence to these grievances, many of which have been formally submitted as comments to the Proposed Rule, the benefits of compliance with the Proposed Rule will outweigh the costs.

New and emerging advancements in ESG data management and reporting software, as well as dedicated carbon accounting and climate risk assessment solutions, are proven capable of enabling companies to satisfy their climate-risk disclosure obligations in a manner that advances their operational and financial performance outcomes. These systems are cost-effective.

There are many lifecycle financial performance advantages that companies can capture by leveraging digital platforms. Chief among them is the degree of data-driven insight with which these platforms equip their users, enabling them to reliably balance climate risk management-related operational interventions and investments with more conventional financial performance considerations.

Specifically regarding the fulfillment of the new regulatory compliance obligations of the Proposed Rule, the operational efficiency and, in turn, cost-savings advantages of today's commercially available ESG performance measurement, management, and reporting software solutions are made possible by their many functions including, among others:

- **Automated collection** of the user's climate risk and impact management data through dedicated Application Programming Interfaces (APIs);
 - This enables their users to **minimize the costs** associated with the person-hours that would otherwise be needed to assemble and collate disclosure-relevant data
- **Automated monitoring** of alignment between the user's *actual* climate risk and impact management outcomes with self-determined targets and other benchmarks;
 - This enables their users to **minimize the costs** associated with the person-hours and third-party support that would otherwise be needed to analyze the effectiveness of climate risk-related management interventions
- **Automated cloud-based storage** of climate risk and impact management performance data in centralized, remotely accessible data repositories;
 - This enables their users to **minimize the costs** associated with the person-hours, technological infrastructure (i.e., computer hardware), and third-party support that would otherwise be needed to retrieve the historical data to fulfill disclosure requirements, ensure data provenance for disclosure assurance, and support more accurate forecasts of the outcomes that climate risk and impact management interventions will yield

- **Seamless packaging and reporting** of historical and contemporary climate risk and impact management performance data to satisfy voluntary and mandatory data disclosure obligations, as well as inform internal climate risk and impact management-related decisions
 - This enables their users to **minimize the costs** associated with the person-hours and stakeholder engagement efforts that would otherwise be needed to manually retrieve, collate, clean, format, and disseminate disclosure-relevant data to internal teams, investors, regulators, and other parties

Regardless of these commercially available solutions, the net-benefit to issuers and investors promised by the Proposed Rule can be substantially increased. Specifically, as alluded earlier in this comment, the SEC should set clear standards for investment-grade ESG performance data, particularly as they relate to:

- The financial materiality definitions and/or determination methodologies that companies employ to identify their disclosure-relevant climate risks and impacts
- The metrics and, to the extent possible, the methodologies that companies use to:
 - Quantify their financially material climate risks and impacts under present circumstances (i.e., BAU)
 - Quantify the financial consequences of their financially material climate risks and impacts under BAU
 - Quantify the climate risk- and impact-related outcomes of their efforts to manage their financially material climate issues
 - Quantify the financial consequences of their efforts to manage their financially material climate issues
- The completeness, provenance, and format of the data enclosed in climate risk disclosures

To best ensure that these standards avoid the Proposed Rule's three aforementioned opportunity costs, however, the SEC must be bold. **Specifically, I recommend the SEC use its rulemaking to establish prescriptive, industry-specific standards and implementation approaches for companies to use in determining the following disclosure inputs, among others that would otherwise be highly variable across issuers:**

- The financial materiality of their climate risks and impacts
- The appropriate measurement methodologies for their financially material climate risks and impacts

- The components of an appropriate climate risk and impact mitigation plan (i.e., transition plan)

Further, the SEC should explicitly exclude CO2 emissions from the “Use of Sold Products” and “Purchased Goods and Services” categories. These calculations would be highly variable and difficult to predict, and lend themselves to “double counting” of CO2 emissions. Rather, the Proposed Rule should include a prescriptive model for determining Scope 3 emissions, both in terms of what is material to report and how to calculate the emissions. A prescriptive, uniform system is the best system to avoid double counting. As companies’ Scope 3 emissions are usually larger than their Scope 1 and Scope 2 emissions combined, even minor instances of double counting or methodological variance could create substantial inaccuracies in reporting.

I am grateful that the SEC is both aware of the opportunities to take stronger action in its rulemaking and is seeking industry feedback to its proposed requirements. To that end, I, on behalf of Benchmark, ask the SEC to consider the following responses to the below selection of RFCs found in the [Proposed Rule](#). As detailed in these responses, minimizing the three aforementioned opportunity costs of the Proposed Rule will require the SEC to be prescriptive in its rulemaking, and its climate-related disclosure rule must be comprehensive in scope.

Moreover, the SEC should not be discouraged over meritless concerns that making such prescriptive, widely-scoped disclosure requirements would impose an undue compliance burden on issuers. Today’s commercially available ESG software equips their users with the data management, analysis, and reporting capabilities needed to comply with even the most exacting standards for investment-grade disclosures—all while strengthening their bottom lines and, by extension, returns for their investors.

We welcome the opportunity to engage in consultative discussion should the Commissioners require further input or clarification of these recommendations. You may reach us at donavan.hornsby@benchmarkdigital.com.

We look forward to your correspondence and otherwise wish you the best of luck in this necessary endeavor.

Sincerely,

R. Mukund

Founder & CEO of [Benchmark ESG | Gensuite](#)

Responses to specific RFCs:

1. **RFC 1; p. 53:** Benchmark recommends the SEC adopt a standalone regulation for climate-related disclosure, and that the SEC should use the XBRL Taxonomies developed by independent ESG standards organizations.
2. **RFC 3; p. 53:** Benchmark recommends that the SEC model its climate-related disclosure framework on the framework recommended by Task Force on Climate-Related Financial Disclosures (TCFD), as proposed. This recommendation is on the grounds that the TCFD already recommends that companies implementing its disclosure framework use the industry-specific climate-related disclosure topics and associated metrics developed by the Sustainability Accounting Standards Board (SASB), a practice

already widely adopted.

3. **RFC 17; p. 71:** Benchmark recommends that the SEC maintain its inclusion of negative impacts on the value chain in the definition of climate-related risks as proposed. There are a number of ESG and climate-related data reporting frameworks with commonly accepted standards for the measurement of value chain climate risks and impacts, as well as the measurement of value chain climate risks and impacts management outcomes. The SEC should align with these established standards where possible.
4. **RFCs 23-24; p. 89:** Benchmark recommends that the SEC require companies to disclose their use of climate-related financing instruments, such as green bonds, including how those instruments affect their climate issues management performance, financial performance, and transition plans. The number of companies using these emerging alternative financing instruments to underwrite their climate issues management goals is growing; and with the functionality of today's ESG software, green bond issuers are capable of continuously tracking project performance.
5. **RFCs 26-27; 29; p. 90-91:** Benchmark recommends that the SEC require the disclosure of an internal carbon price by companies that have implemented such an accounting mechanism. These are supremely impactful, increasingly popular tools for not only measuring climate-related spend and climate-risk exposures in understandable financial terms, but they are capable of being easily integrated into modern enterprise data management platforms.
6. **RFC 30; p. 91-92:** Benchmark supports the requirement for companies to report their usage of analytical tools, such as climate-related scenario analysis, to assess the anticipated impact of climate-related risks on its assets, operations, investments, and other financially material elements of the business. Should this requirement be maintained, we recommend that the SEC model it after its TCFD analog. However, Benchmark considers the use of broad-based climate scenario analysis to be a less precise mechanism for climate-risk exposure assessments than bespoke, entity-specific extrapolations of climate risk assessments from companies' ESG performance data.

RFC 46; p. 108: Benchmark supports the requirement for companies to adopt a climate risk management plan (i.e., transition plan) if those companies have adopted and/or made public a such a plan. Transition plans are critical, forward-looking benchmarks against which climate issues management and corresponding financial performance data will be compared by investors. In short, ambition is a material input for investors.