MEMORANDUM

To: Comment File - Climate Change Disclosures

From: Mika Morse, Policy Counsel to Chair Gary Gensler, U.S. Securities and Exchange Commission

Date: January 14, 2022

Re: Meeting with a representative of South Pole

On January 6, 2022, staff from the Chair's Office and the Division of Economic and Risk Analysis met telephonically with a representative of South Pole, the director of sustainable finance, Rebecca Self.

During the call, Ms. Self discussed the costs of voluntary greenhouse gas (GHG) emissions accounting and disclosure, as well as the variables that may impact the cost of such accounting and disclosure. During the meeting, Ms. Self presented estimated ranges of costs based on South Pole's experience working with corporations that voluntarily initiate a GHG emissions tracking program. She followed up the meeting by sending an attachment, "SEC materials January 2022," on January 14, 2022 (attachment enclosed).

Indicative summary of GHG footprinting services

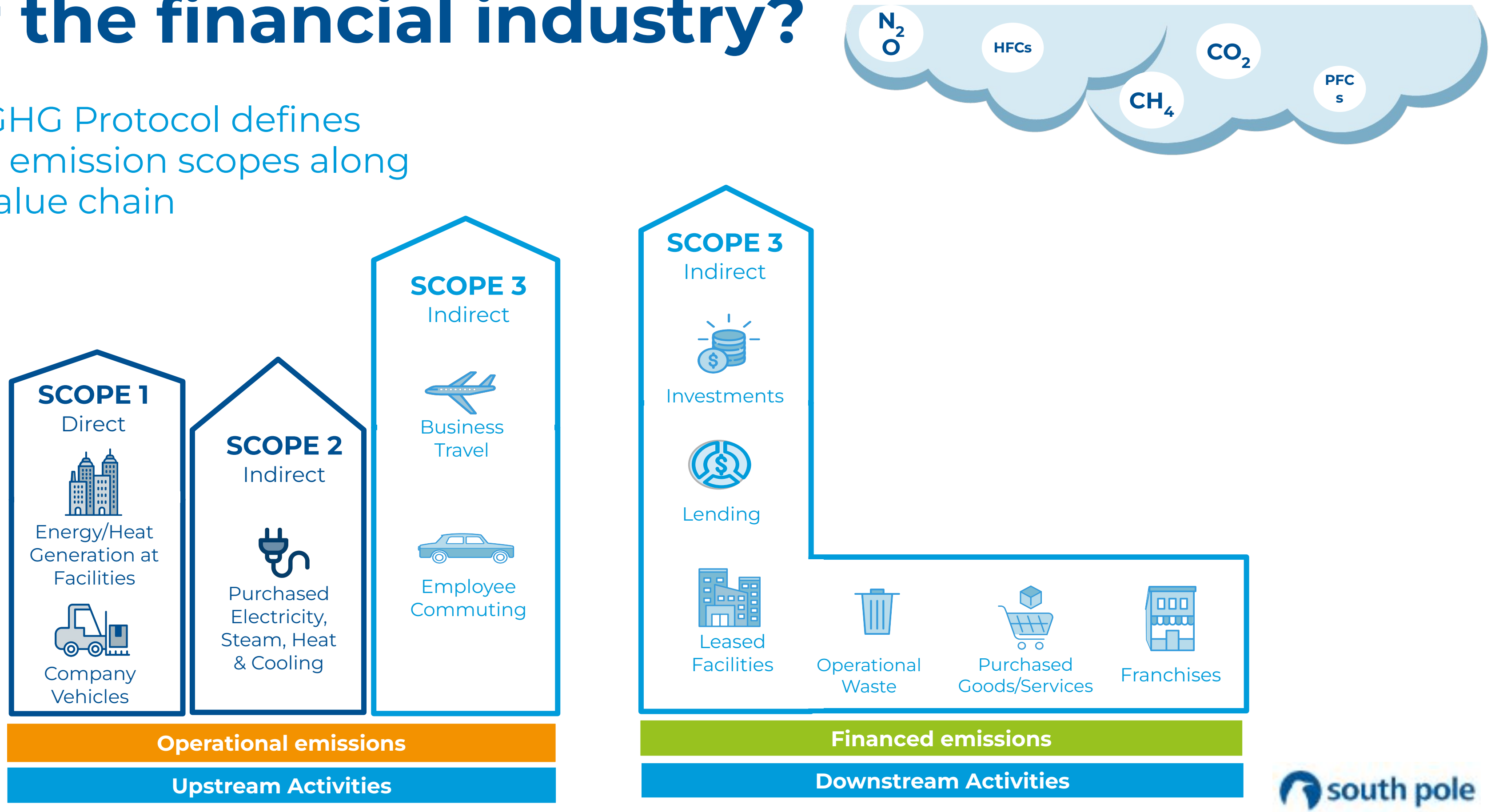
Prepared for Mika Morse and team

January 2022

south pole

What are different sources of emissions for the financial industry?

The GHG Protocol defines three emission scopes along the value chain



Financed emissions - Asset Classes covered

The majority of the financial industries emissions arise from scope 3 lending and investing. South Pole has developed different methodologies to assess as much as possible of the portfolio's exposure from the following asset classes.

- **Listed Equities**
- Corporate and Sovereign Debt
- Corporate / SME Loans
- Project Financing
- Mortgages
- **Private Equity**

Best-In-Industry Practices

South Pole's methodology aligns with guidelines settled by industry-leaders institutions, ensuring a reliable emissions accounting. Emissions inventory follow the GHG Protocol's principles of:

- **Relevance** — Ensure accounting serves decision-makers
- **Completeness** — Account for all GHG emission sources
- **Consistency** — Use consistent methodologies for quantification
- **Transparency** — Keep a clear audit trail
- **Accuracy** — Ensure quantification is neither over nor under actual emissions

GREENHOUSE GAS PROTOCOL CDP PCAF

(Source: World Resources Institute, Washington DC, USA; and World Business Council for Sustainable Development, Geneva, Switzerland).

Financed emissions calculation

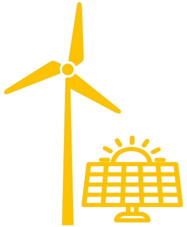
Approach

South Pole provides **two options to obtain an investment portfolio footprint** across a variety of asset classes. Which option is used to calculate an individual footprint is decided based on **data availability.**

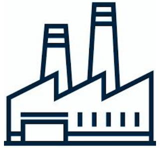
Mortgages

Motor vehicle loans

Commercial real estate



Project finance



Business Loans and Unlisted Equity

Listed equity and corporate bonds

Investment-specific method

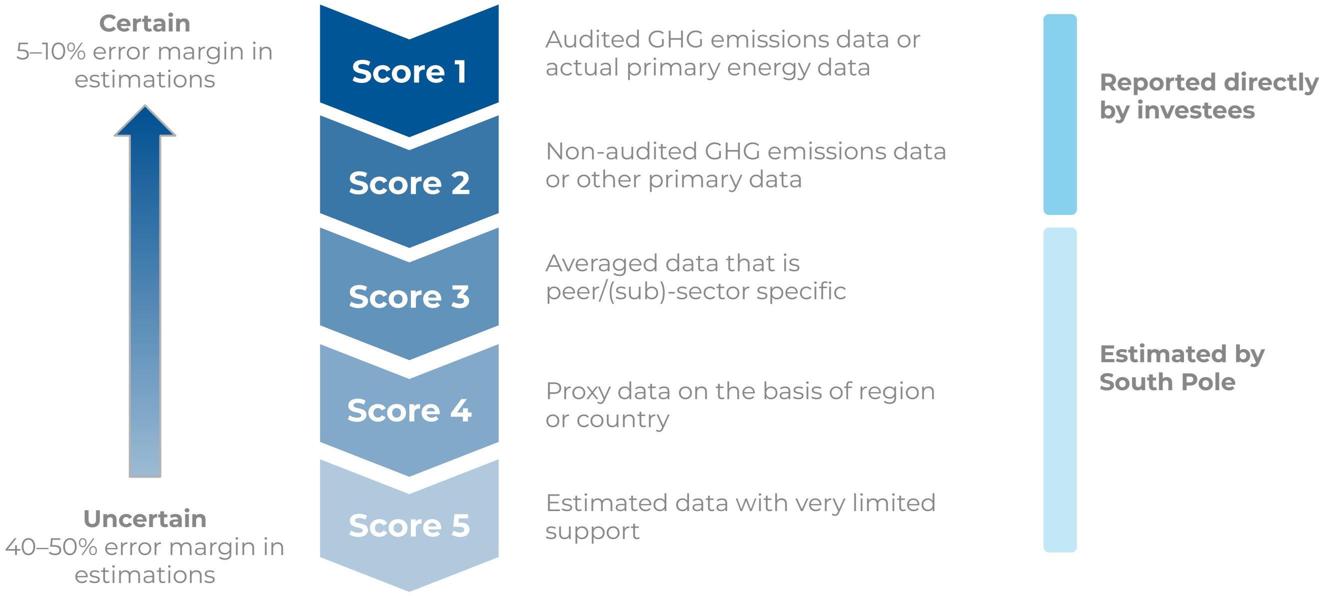
- In-depth carbon footprinting applied through collection of scope 1 and scope 2 emissions data from the investee company or issuer
- Emissions are allocated based on the share of investment.

Average-data method

- Top-down analysis through portfolio-level footprinting
- Estimates of absolute emissions per investment (equity, bond, loan, etc.) is provided based on industry averages

Emissions Data Quality

PCAF provides a data quality hierarchy, intended to encourage financial institutions to report using the highest-quality data available to assess their carbon footprint.



PCAF Partnership for Carbon Accounting Financials (Source: PCAF The Netherlands, report 2019)

Assessment of the financed emissions

Counterparty	Portfolio weight 2019	Portfolio weight 2020	Financed emissions 2019 (tCO_2e/year)	Financed emissions 2020 (tCO_2e/year)	Change 2019 to 2020
FMO – Entrepreneurial Development Bank	1.98%	2.01%	17.82	18.89	+6%
EBRD	3.37%	0.53%	10.02	9.85	-1.7%
CAIDEP	4.72%	4.21%	9.41	8.90	-5.42%
AA1 – Erste Abwicklungsanstalt	4.78%	6.1%	7.1	6.77	-4.65%
Australia & New Zealand Banking Group	1.21%	2.21%	10.04	6.15	-38.75%
Korea Development Bank	4.38%	3.41%	6.31	5.15	-18.38%
National Australia Bank	1.25%	0.62%	4.09	4.0[illegible]	0%

Illustrative example

- The **financed emissions** will be assessed regarding the target years on an individual basis, per asset class, sector, geography, etc.
- Depending on the reporting needs, the development over the target years can be **summarised and presented to the client.**

Reporting

Reporting and footprinting results

During the kick-off call, South Pole and the client decide together on the best way to report its findings. We usually suggest to cover the overall footprint in one combined report.

GHG footprint report section includes:

- Emissions reported as tCO2e
- Diagrams and tables illustrating the emissions for the reporting year
- Explanations concerning boundary settings, assumptions, and extrapolations
- Key figures and data tables relevant to each company.

Operations

Indicative Fees - range based on complexity and business mix

Work package GHG accounting (scope 1,2,3)	Estimated fees (EUR)
PCAF method (top down) for an investment/lending portfolio	10.000 - 30,000
Bottom up for one company	10,000 - 100,000

Additional context

- *On average GHG footprinting takes approximately 1 - 3 months, depending on complexity and availability of data*
- *GHG footprinting is the start of the climate journey, this often include client education and support to enable the client to continue reporting*

Contact person

Rebecca Self

Director of Sustainable Finance, Amsterdam

Based in London, Rebecca is South Pole's Director of Sustainable Finance. With over 20 years experience in the financial sector, she leads the practice in bringing climate science based products and services to the financial sector at scale. Prior to joining South Pole, Rebecca was Chief Financial Officer (CFO) of Sustainable Finance at HSBC Holdings plc based in London. Here she was responsible for the group-wide financials relating to Sustainable Finance products. In addition, Rebecca was responsible for HSBC's external ESG reporting and investor relations activity – including the Task Force on Climate-related Financial Disclosures, CDP questionnaire process and group-wide sustainability risk policies, such as agricultural commodities

About South Pole

south pole

Who we are

South Pole helps clients reduce climate change impacts, mitigating risk and creating value on their sustainability journeys.

Innovative solutions

An award-winning, 14-year history of providing sustainability solutions

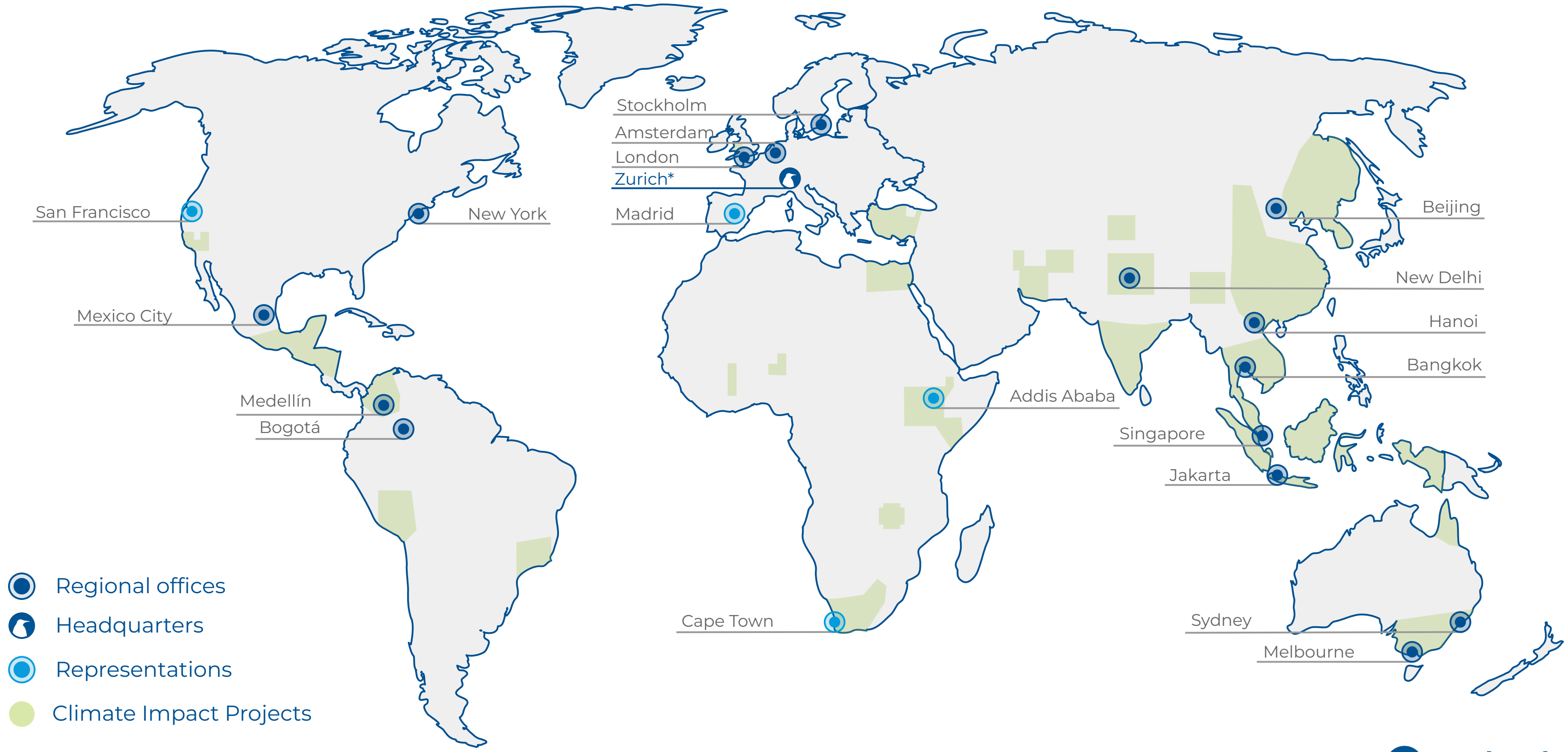
Diverse expertise

Our team of 600+ sustainability advisors, scientists and engineers are leading experts in their fields

Global presence

19 offices and representations around the world

Our global reach



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Our ecosystem of clients & partners

COMPANIES
GOVERNMENTS
FINANCIAL
NON-PROFITS
CARBON PROJECTS

msc
ups
starwood Hotels and Resorts
Hilton
jetBlue
Johnson & Johnson
L'ORÉAL
adidas
SAP
McKinsey & Company
Interface
Tetra Pak
procuenca
Verified Carbon Standard
Gold Standard
Climate, Community & Biodiversity Standards
CarbonGreen AFRICA
THE PARADIGM PROJECT
American Carbon Registry
CLIMATE ACTION RESERVE
CONSERVATION INTERNATIONAL
IUCN
CPIC COALITION FOR PRIVATE INVESTMENT IN CONSERVATION
CDP
CLIMATE COUNCIL
·I·C·L·E·I Local Governments for Sustainability
CLIMATE KIC KNOWLEDGE INNOVATION COMMUNITY AUSTRALIA
USAID FROM THE AMERICAN PEOPLE
eit Climate-KIC
KFW
Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra
Department for International Development
C40 CITIES
IDB
AFD AGENCE FRANÇAISE DE DÉVELOPPEMENT
THE WORLD BANK
ADB ASIAN DEVELOPMENT BANK

Our work

140,000
GWh of renewable energy generated

That's equivalent to **21 million** cars taken off the roads

+2 trillion
in investments screened for climate risk (EUR)

+700
carbon emission reduction projects developed

Over **100,000** jobs created

+170 million
metric tonnes of **carbon dioxide** reduced

€15 billion
invested to advance renewable energy

2 million
hectares of forests protected

Pictured: South Pole's Kariba Forest Protection Project in Zimbabwe

The Corporate Climate Journey

Measure Footprint & risks

Understand your carbon emissions, product impacts and climate change risks

Set roadmap & create targets

Develop sustainability strategies, targets and roadmaps

Reduce footprint

Increase efficiency, procure renewable energy and decarbonise your supply chain

Finance climate action

Finance climate action, e.g. through avoidance and removal of unavoidable emissions or investing in impact funds

Communicate & lead

Engage stakeholders in your sustainability vision and communicate the results

Sustainable Finance Journey

From GHG accounting of your operation to embarking on a journey

Before the SF journey: Baselining operational emissions

Financed emissions

Account for investing and lending portfolio emissions in line with GHG Protocol and PCAF

Education and awareness

Workshops for internal alignment and TCFD, gap analysis

Risks and opportunities

Understand and quantify your alignment to the Paris Agreement

Metrics and targets

Integrate climate into your corporate strategy

We help you Disclose, Communicate & Lead wherever you are on your journey. Typically clients build incrementally over time, recognising the topic expands and evolves.

Sustainable Finance Areas

TCFD advisory

- **TCFD introduction**
  First steps and gap analysis
- **Physical and transition risk**
  Risk and opportunity assessment including scenario analysis
- **Disclosure support**
  CDP Questionnaire for financial services, Climate Stress testing or EU Action Plan on Sustainable Finance support

SDG impact analysis

- **Asset management and Private Equity Funds**
- **Green and sustainability bond and loan**
  Impact assessment and verification
- **Transition bond and loan**
  Impact assessment and verification

Net Zero

- **Scope 3 carbon footprinting**
  For lending and investment portfolios
- **Paris alignment assessment and decarbonisation pathways**
  For lending and investment portfolios