

SEC Proposed Rule: [Enhancement and Standardization of Climate-Related Disclosures](#)

Document prepared by the U.S. Impact Investing Alliance and B Lab - May 2022

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Background

The SEC's proposed corporate climate disclosures represent a historic win for the impact investing community. Climate change poses significant and systemic risks to financial stability and the capital markets, and the SEC is right to ensure that investors are protected by requiring clear and consistent disclosures of those risks. It is critical the impact investing community demonstrate robust support for the SEC's leadership during the public comment period.

Take Action

- Sign on to the [Coalition on Inclusive Economic Growth's letter](#) in support of the proposal
 - Note: This letter has been submitted to the SEC, but we are still accepting signatories through June 17 and will link an updated version of the letter on the Alliance's website. Please contact c.mattingly@impinvalliance.org if you are interested.
- [Submit your own letter to the SEC](#) by June 17, following the instructions below and incorporating the guidance and key messages outlined in this document.

Instructions for Submitting Comments

- Submit comments as an attachment using the SEC's comment form: <https://www.sec.gov/cgi-bin/ruling-comments>
- Or send an email to rule-comments@sec.gov with your comments attached, including **File Number S7-10-22** in the subject line.

Comment Letter Guidance

- **Incorporate data and cite studies** whenever possible to contribute to a robust public record in support of the SEC's direction.
- **Ground your comments in the SEC's mandate** to protect investors, maintain fair and efficient markets and facilitate capital formation. The Commission will be interested in learning from investors why and how disclosure of this information will be useful.
- **Emphasize in your comments which elements of the rule you support** and why they will be helpful to investors and other stakeholders to ensure they remain in the final version. There are likely to be changes from the proposal to the final rule, so be sure to emphasize what should stay.
- **Encourage the SEC to consider where they could improve and strengthen the rule** and offer suggestions for how they could do so.

Suggested Topics for Comments

General Points

- **The proposal aligns with the SEC's mandate to protect investors, maintain fair and efficient markets and facilitate capital formation.**
 - Climate change poses significant and systemic risks to financial stability and the capital markets.
 - Investors are increasingly demanding information about climate-related risks and impacts to better inform their allocation decisions.
- **The benefits of the proposal greatly outweigh any initial costs or burdens.**
 - A cost-benefit analysis conducted by the SEC found that the costs to implement the proposal are "small and reasonable" compared to the significant costs of climate-related risks, since many companies are already tracking and disclosing this information voluntarily as part of their climate-related targets and commitments.
- **The SEC should seek to lay the groundwork for global regulatory convergence around climate disclosure standards.**
 - The SEC should strive to align wherever possible with the climate-related disclosure standards recently proposed by the International Sustainability Standards Board (ISSB) to ensure consistent reporting across different jurisdictions and minimize friction in global financial markets.
 - In particular, the SEC should allow foreign private issuers to adapt the ISSB standard as an alternative reporting method (see question 189 of the proposal).

Provision-Specific Points

- **The SEC is right to mandate reporting on Scope 1, 2 and 3 greenhouse gas emissions, and the Scope 3 provisions should be strengthened.**
 - The SEC should remove the materiality test for Scope 3 to avoid leaving a significant source of decision-useful information for investors up to the discretion of companies.
- **Requiring reasonable assurance for Scope 1 and 2 greenhouse gas emissions disclosures is critical for ensuring investors have access to high-quality, verified data.**
 - The SEC should require independent attestation of Scope 3 disclosures over time.

Ways the SEC Can Build on the Proposal

- **In addition to climate-related disclosures, the SEC should pursue a comprehensive disclosure framework around material environmental, social and governance (ESG) issues.**
 - The anticipated rules around human capital management will be an important start.
 - Additional disclosure requirements related to ESG factors like climate and community-level impacts will also be important for equipping investors with decision-useful data.
- **The SEC should consider how to improve transparency on climate-related risks and impacts across the private markets as well.**
 - The SEC should consider instituting similar reporting requirements for large private companies.
 - This would improve market transparency and ease concerns that disclosure requirements would have a negative effect on companies' willingness to go or stay public.

Overview of the Proposal

- **Requires climate-related disclosures by public companies based on the Task Force on Climate-Related Financial Disclosures' (TCFD) framework**
 - Key elements of TCFD disclosures - governance, strategy, business model, outlook, risk management
- **Disclosures based on Greenhouse Gas Protocol for Scope 1, 2 and 3 emissions**
 - **Scopes 1 and 2 require assurance**, with limited to start, building up to reasonable over time (timing is based on company size, but the soonest is FY 2026 for large accelerated filers)

- **Scope 3** is only required if material or if a company uses Scope 3 for a GHG emissions target or related goal and smaller companies are exempt. There is also a safe harbor for liability
- Disclosure of **climate-related plans based on “if-then” statements**
 - If a company has a net zero or transition plan, they must disclose that plan and annual progress
 - If a company uses scenario analysis, they must disclose the data and methodology used
- Require certain **climate-related impacts in financial statements**
 - Notes to financial statements of any significant impact climate change could have on a line item - “significant impact” defined as a 1% change

Additional Resources

- [SEC Factsheet](#)
- [Coalition on Inclusive Economic Growth Letter](#)
- Alliance and B Lab [Messaging Tracker](#)
- Investors & Indigenous Peoples Working Group (IIPWG) and First Peoples Worldwide [Talking Points: Integrating Indigenous Rights into the SEC’s Proposed Rule for Climate Risk Disclosures](#)