# CONSULTATION RESPONSE

## SECURITIES AND EXCHANGE COMMISSION FILE NO. S7-10-22: THE ENHANCEMENT AND STANDARDIZATION OF CLIMATE-RELATED DISCLOSURES FOR INVESTORS

**17 June 2022**

## INTRODUCTION

The Principles for Responsible Investment (PRI) is the world's leading initiative on responsible investment. The PRI has now over 4,900 signatories (pension funds, insurers, investment managers and service providers) to the PRI's six principles with approximately US$121 trillion in assets under management.[1]

The PRI supports its international network of signatories in implementing the Principles. As long-term investors acting in the best interests of their beneficiaries and clients, our signatories work to understand the contribution that environmental, social and governance (ESG) factors make to investment performance, the role that investment plays in broader financial markets and the impact that those investments have on the environment and society as a whole.

The PRI works to achieve this sustainable global financial system by encouraging adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures, and regulation. The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research.

The PRI welcomes the opportunity to respond to the SEC's proposed rulemaking on climate-related disclosures.

[1] Principles for Responsible Investment (May 2022), available at https://www.unpri.org/signatories/signatory-resources/signatory-directory.

# ABOUT THIS CONSULTATION

This document responds to the US Securities and Exchange Commission's ("SEC" or "The Commission") File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors ("Proposal" or "Proposed Rule"). The Commission seeks input from market participants on proposed rules that would require registrants to disclose climate-related information in annual fillings to the Commission. Since the 2010 Climate Change Guidance was issued, "investor demand for, and company disclosure of information about, climate change risks, impacts, and opportunities has grown dramatically. Consequently, questions arise about whether climate change disclosures adequately inform investors about known risks, uncertainties, impacts and opportunities, and whether greater consistency could be achieved".[2]

The PRI submitted a response to the SEC's Request for Comment on Climate Change Disclosures in June 2021 as well as a sign-on letter with signatories representing USD$11.6trn in AUM, supporting standardized, mandatory disclosure of climate and environmental, social and governance (ESG) information, and commending the Commission for seeking public input.[3]

As an investor-focused organization, the PRI's response is grounded in the perspective of a reasonable investor and evidence-based policy research. The PRI seeks to provide insight to the Commission on what climate-related information would be most useful to a broad group of investors who rely on corporate disclosure information as a primary source of information for investment decision-making.

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[2] Allison Herren Lee (March 15, 2021), *Public Input Welcomed on Climate Change Disclosures*, available at https://www.sec.gov/news/public-statement/lee-climate-change-disclosures#_ftn2.

[3] Principles for Responsible Investment (June 11, 2021), *Consultation Response Securities and Exchange Commission: Request for Comment on Climate Disclosure* available at https://www.unpri.org/download?ac=15678.

## SUMMARY OF THE PRI'S POSITION

The PRI supports the Securities and Exchange Commission in taking this vitally important action in line with its mission to protect investors and ensure fair, orderly and efficient markets. The SEC has the broad authority to require disclosures that are "necessary or appropriate in the public interest or for the protection of investors".[4]

The PRI consistently hears from investors that lack of consistent, comparable and reliable climate-related information is a leading barrier to fully considering potential risks and opportunities in line with their fiduciary duties. It is extremely important that the final rule from the Commission aids in generating comprehensive, comparable and decision-useful data about current and forward-looking climate-related risks, implemented with an appropriate long-term governance structure with third-party verification for investors.[5] Climate-related risks have present financial consequences that investors in public companies consider in making investment and voting decisions and implications for the company's future performance and alignment with long-term investor goals.

The current voluntary approach to climate-related disclosure continues to produce some needed information. However, a lack of consistency between company reports year-over-year, and comparability amongst related issuers, prevents many investors from gaining the necessary insight to fully understand the related risks and opportunities.

The SEC's requirements for issuer disclosure should reflect the information needs of the typical investor, who is broadly invested in the economy and considers climate information as part of their decision-making on strategic asset allocation, portfolio composition and individual investment decisions. As climate change is a global issue requiring systemic change, the transition to adapt to and mitigate climate-related risks can lead to market volatility at an unprecedented scope and scale and inevitably means investors cannot diversify away this risk to their investments. Investors increasingly require access to comprehensive climate-related data that is necessary for an understanding of broader market conditions.

Therefore, the PRI supports the following aspects of the Proposal:

- Amendments to Regulations S-K & S-X requiring climate disclosures to be submitted to the SEC in annual forms and financial statements, like the 10-K and 20-F.
- Disclosures aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)[6], including oversight and governance, risk management, and incorporation into business strategy.
- Disclosure of detailed information if a company has set a climate-related target/goal, uses scenario analysis, or an internal cost of carbon.
- XBRL tagging to enhance usability for investors and market participants with machine-readable and human-readable information.
- Disclosure of transition and physical risks, including location disclosure of physical assets.
- A disclosure phase-in based on size (public float) of company up to 2028, allowing for gradual learning and competence building over time.

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[4] Proposal at 7.

[5] Principles for Responsible Investment (March 2021), *U.S. Policy Briefing: Considerations for U.S. Regulators to Enhance Investors' abilities to Identify, Assess and Take Action on ESG-Related Risks and Opportunities,* available at https://www.unpri.org/download?ac=14793.

[6] Task Force on Climate-Related Financial Disclosures (TCFD), available at: https://www.fsb-tcfd.org/.

- Disclosure and assurance, phased in from limited to reasonable, of Scope 1 & Scope 2 greenhouse gas emissions, disaggregated, as defined by the Kyoto Protocol.

## KEY RECOMMENDATIONS

The PRI recommends the Commission make the following changes to the proposed rule in order to garner necessary decision-useful disclosure more efficiently for investors:

- **Require disclosure of Scope 3 emissions, when it is a significant portion of an issuer's total emissions or when included in targets, goals and transition plans, with appropriate phase in periods and safe harbors.** [7]
- **Align disclosure with the seven cross-industry categories of metrics that the TCFD proposed in its updated guidance in 2021**.[8] The PRI recommends the Commission make changes throughout the rule to more closely align with the TCFD recommendations to provide the most consistent, comparable, investor-useful baseline data and create market efficiencies for issuers and users of climate-related disclosures.
- **Provide guidance on best practice for representation of climate metric reporting.** To help support issuer understanding and disclosure readability, the PRI recommends providing guidance for issuers to consolidate climate-related metrics into a single section of reporting via standard formatting. The TCFD's cross-industry categories of metrics provide a structure for reporting the Commission could use as an example.
- **Require more targeted transition plan disclosures.** A climate transition plan is a time-bound action to achieve a particular climate target. Therefore, investors require specific disclosure to make these transition plans comparable, over time and across companies, and decision useful.
- **Balance transition and physical risk disclosure requirements.** Sections of the proposed rule focus more on transition rather than physical risk related disclosure. The PRI recommends where the proposal can be clarified to present a more balanced disclosure of both transition and physical risk included in the items list for risk management presented in response to Question 43.
- **Revise the SEC's example climate scenarios of 1.5c, 2c, and 3c to three families of scenarios**: Orderly, measured transition; Abrupt, disorderly transition; No transition.

[7] Science Based Targets initiative's (SBTi's) paper SBTi Criteria and Recommendations, Version 4.2, April 2021, Section V, p. 10 available at: https://sciencebasedtargets.org/resources/files/SBTi-criteria-legacy.pdf. The SEC could consider the SBTi's recommendation that if a company's Scope 3 emissions is 40% or more of its total emissions then a Scope 3 target is required.

[8] Task Force on Climate-related Financial Disclosures (October 2021), *Guidance on Metrics, Targets, and Transition Plans,* available at https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf.

## DETAILED RESPONSE TO SEC QUESTIONS

### LOCATION OF DISCLOSURE

**Question 1. Should we add a new subpart to Regulation S-K and a new article to Regulation S-X that would require a registrant to disclose certain climate-related information, as proposed? Would including the climate-related disclosure in Regulation S-K and Regulation S-X facilitate the presentation of climate information as part of a registrant's regular business reporting?**

**Yes, revising Regulation S-X and S-K to require incorporation of climate-related financial information in annual 10-K reports represents the least disruptive and most accessible place for investors to receive information from issuers to the public domain.** Investors increasingly view numerous points of climate-related data as decision-useful alongside, and in the same way as, currently disclosed financial information in Regulations S-X and S-K to consider investment risk and opportunities. Climate-related information merits the same level of assurance and accountability currently provided to similarly considered financial information.

Sections of Regulation S-K already require certain climate reporting, however limited in scope, comparability and enforcement. In comments to the Commission in 2019 on proposed changes to Regulation S-K Items 101, 103 and 105, the PRI supported a combination of line-item, quantitative disclosures provided pursuant to prescriptive requirements supplemented by principles-based disclosures.[9]

As the PRI noted in our response to the Commission's Request for Comment,[10] climate-related financial information should be:

- Integrated within corporate processes and controls for compiling and assuring annual financial disclosures, and climate and ESG performance analyzed and explained against corporate strategy and targets within standard Management Discussion & Analysis or a similar reporting structure that allows for management commentary.
- Published in corporate annual reports alongside financial indicators, under the supervision of the board and linked to companies' business models, their corporate strategy (including financial and sustainability objectives and thresholds) and risk factors.
- Made accessible to all investors (available in a timely manner, free of charge and online).

Therefore, the PRI supports the Commission's presentation of the proposed disclosures, including requiring disclosure in sections of the annual reports, in a note to the financial statements and filed, not furnished, with the Commission.[11]

In a survey of PRI signatories, the majority of signatories noted less than half of issuer information on environmental, social and governance (ESG) factors used in investment decision-making can be found in standardized annual disclosures. In fact, 30% of respondents said that less than 10% of this information was available in annual disclosures, and another 25% said that only 10-30% of needed information can be found in standard financial reports.[12]

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[9] Principles for Responsible Investment (October 30, 2019), File Number S7-11-19: *Modernization of Regulation S-K Items 101, 103 and 105*, available at https://unpri.org/Uploads/k/a/a/seccommissionproposedchangestoregulationsk_828859.pdf.

[10] Principles for Responsible Investment (June 11, 2021), *Consultation Response Securities and Exchange Commission: Request for Comment on Climate Disclosure,* available at https://www.unpri.org/download?ac=15678.

[11] Proposal at 43.

[12] Principles for Responsible Investment (June 2021), *US PRI Signatories Support Mandatory Climate & ESG Disclosure*, available at https://www.unpri.org/pri-blog/us-pri-signatories-support-mandatory-climate-and-esg-disclosure/7849.article.

Investors frequently cite data limitations, including that available data is incomplete, inconsistent across metrics, and often includes only boilerplate, low quality disclosure.[13][14] The lack of standardization increases costs for investors, requiring additional time spent gathering, decoding and analyzing this information, as well as ensuring its accuracy, so it can be used in investment decision-making. Notably, those respondents who do not find voluntary disclosure sufficient also believe that they are currently mispricing climate risks and suggest that mandatory disclosure could allow them to price these risks more efficiently.[15]

Inefficiencies also impact issuers. The Commission's proposal to require climate-related disclosures in financial filings could also reduce the burden on issuers from investor requests for information. The SEC's Investor-as-Owner Subcommittee of the SEC Investor Advisory Committee noted that, "companies are inundated with requests for ESG information from multiple data providers compounding the burden to sometimes-geometric proportions".[16]

Indeed, the TCFD states that including climate-related financial information "in mainstream financial filings will foster broader utilization of such disclosures, promoting an informed understanding of climate-related issues by investors and others, and support shareholder engagement".[17]

**Should we instead place the climate-related disclosure requirements in a new regulation or report? Are there certain proposed provisions, such as GHG emissions disclosure requirements, that would be more appropriate under Regulation S-X than Regulation S-K?**

**No, the PRI would not recommend allowing this information to be furnished in another report or separate from financial information.**

The creation of a new regulation to require climate information to be reported in a separate way or in a separate, specific report other than the annual financial statement would inherently judge this information as unequal to other issuer information. Currently, issuers that voluntarily provide climate-related disclosures through sustainability reports often include a disclaimer that it is non-GAAP information that is requested by shareholders.[18] Allowing climate-related disclosures outside of financial regulations could create divergence in how this information is treated by issuers and therefore, requiring this information to be treated differently than information reported in statements filed with the Commission.[19]

For example, the European Union's 2014 Non-Financial Reporting Directive (NFRD) allowed sustainability information to be reported separately from financial information and on a six-month delay. The high-level principles of the NFRD covered a wide range of climate and ESG issues, however, in practice, the framework remained vague and open to interpretation, resulting in corporate

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[13] World Resources Institute (February 2019), *What Investors Want from Sustainability Data*, available at https://wriorg.s3.amazonaws.com/s3fs-public/wri-commentary-what-investors-want-sustainability-data.pdf.

[14] US Government Accountability Office (July 2020), *Public Companies: Disclosure of Environmental, Social, and Governance Factors and Options to Enhance Them*, available at https://www.gao.gov/products/gao-20-530.

[15] White & Case (August 2020), *ESG Disclosure Trends in SEC Filings*, available at https://www.whitecase.com/publications/alert/esg-disclosure-trends-sec-filings (p.4).

[16] SEC Investor Advisory Committee Relating to ESG Disclosure (May 14, 2020), *Recommendation from the Investor-as-Owner Subcommittee of the SEC Investor Advisory Committee Relating to ESG Disclosure*, available at https://www.sec.gov/spotlight/investoradvisory-committee-2012/recommendation-of-the-investor-as-owner-subcommittee-on-esg-disclosure.pdf.

[17] Task Force on Climate-Related Financial Disclosures (June 2017), *Recommendations of the Task Force on Climate-Related Financial Disclosures*, available at https://assets.bbhub.io/company/sites/60/2020/10/FINAL-2017-TCFD-Report-11052018.pdf.

[18] ExxonMobil (April 2021), *Updated 2021 Energy & Carbon Summary,* available at: https://corporate.exxonmobil.com/-/media/Global/Files/energy-and-carbon-summary/Energy-and-carbon-summary.pdf/

[19] Principles for Responsible Investment, *Public Signatory Reports*, available at https://www.unpri.org/signatories/reporting-and-assessment/public-signatory-reports.

disclosures which did not adequately respond to the needs of investors.[20] After only three years, the EU has proposed to amend this regulation to integrate reporting, after finding the original regulations did not address the needs of data users.

[20] Principles for Responsible Investment (June 2020), *Consultation Response: Review of the Non-Financial Reporting Directive*, available at https://unpri.org/Uploads/h/u/v/priresponsenfrd_final_43419.pdf.

## TCFD-BASED DISCLOSURE

**Question 3. Should we model the Commission's climate-related disclosure framework in part on the framework recommended by the TCFD, as proposed? Would alignment with the TCFD help elicit climate-related disclosures that are consistent, comparable, and reliable for investors? Would alignment with the TCFD framework help mitigate the reporting burden for issuers and facilitate understanding of climate-related information by investors because the framework is widely used by companies in the United States and around the world?**

**Yes, the PRI agrees that the Commission's climate-related disclosure framework should seek to model the TCFD recommendations and new guidance to ensure consistency, comparability, and reliability for investors.**

Over the past few years, market practice on climate-related disclosure has evolved, and efforts to converge global standards and improve comparability of climate-related metrics, targets and transition plans have strengthened. TCFD guidance is common practice, and it provides a clear and consistent framework for issuers and investors to report on climate risks and opportunities. It is widely used and well-respected internationally by governments, corporations and investors.

- More than 2,000 companies and organizations have endorsed the TCFD recommendations.[21]
- Over 2,000 PRI signatories are required to disclose against the TCFD Framework.[22]
- The UK Financial Conduct Authority requires corporations to disclose against TCFD, having strengthened disclosure requirements and increasing the level of comparability in April 2022. By 2025, TCFD-aligned disclosure will be mandatory for listed commercial companies, UK-registered large private companies, banks, UK-authorized asset managers and more. For some, disclosure will be mandatory as early as 2023.[23]
- The European Commission is expected to finalize their first set of European Sustainability Reporting Standards, which will include climate metrics (likely to be aligned with TCFD), in 2023.[24] Companies within the scope of the Corporate Sustainability Reporting Directive (CSRD) will most likely be required to report against these standards from 1st January 2025.

**By aligning with the TCFD framework, the SEC could also facilitate higher levels of comparability and consistency globally as the world's largest capital market.**

From a user's perspective, improving the comparability of climate metrics and targets is a high priority. As noted in the PRI's response to the SEC's Request for Comment, the lack of standardization increases costs for investors through additional time spent gathering, decoding and analyzing this information so it can be used in investment decision-making.[25][26] Therefore, aligning SEC rules with the TCFD could reduce the burden on issuers and increase the consistency and comparability of climate disclosures.

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[21] TCFD (2021), *2021 TCFD Status Report,* available at: https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Status_Report.pdf .

[22] Principles for Responsible Investment, *FAQ On Mandatory Climate Reporting for PRI Signatories*, available at https://www.unpri.org/reporting-and-assessment/faq-on-mandatory-climate-reporting-for-pri-signatories/5356.article.

[23] Financial Conduct Authority (FCA) (December 17, 2021), *Climate-related reporting requirements*, available at: https://www.fca.org.uk/firms/climate-change-sustainable-finance/reporting-requirements.

[24] EFRAG (April 2022), *Exposure Draft ESRS E1 Climate Change*, available at https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FED_ESRS_E1.pdf .

[25] Principles for Responsible Investment (June 11, 2021), *Consultation Response Securities and Exchange Commission: Request for Comment on Climate Disclosure,* available at https://www.unpri.org/download?ac=15678.

[26] ERM (2022), *Cost of Climate Disclosure Survey Factsheet*, available at: https://www.sustainability.com/globalassets/sustainability.com/thinking/pdfs/2022/climate-disclosure-survey_fact-sheet-april-2022.pdf

## DEFINITIONS OF CLIMATE-RELATED RISKS & OPPORTUNITIES

**Question 8. Should we require a registrant to disclose any climate-related risks that are reasonably likely to have a material impact on the registrant, including on its business or consolidated financial statements, which may manifest over the short, medium, and long term, as proposed?**

**If so, should we specify a particular time period, or minimum or maximum range of years, for "short," "medium," and "long term?" For example, should we define short term as 1 year, 1-3 years, or 1-5 years? Should we define medium term as 5-10 years, 5-15 years, or 5-20 years? Should we define long-term as 10-20 years, 20-30 years, or 30-50 years? Are there other possible years or ranges of years that we should consider as the definitions of short, medium, and long term?**

**Yes, the proposed requirements to disclose material impacts over the short-, medium- and long-term are aligned with the latest draft standards by the IFRS Foundation's International Sustainability Standards Board (ISSB) and the TCFD recommendations.** It is important that climate-related risks are assessed over several time periods, especially as natural disasters continue to increase in frequency and severity. In addition to time horizons, some investors use temperature rise scenarios, or price per ton of CO2 to manage climate risks in their portfolio.[27] The TCFD does not define what the timeframes for short-, medium- and long-term time periods should be, and instead has preparers decide based on the useful life of their assets, risks, sectors, geographies. The PRI suggests the Commission consider requiring companies to disclose what ranges are used for short-, medium- and long-term to provide investors with context. The Commission could look at the recommendations of the ISSB, as noted in Question 21.

**Question 12. For the location of its business operations, properties or processes subject to an identified material physical risk, should we require a registrant to provide the ZIP code of the location or, if located in a jurisdiction that does not use ZIP codes, a similar subnational postal zone or geographic location, as proposed?**

**Yes, the PRI recommends the Commission require a registrant to provide ZIP code location or similar postal zone or geographic location of material operations.** Disclosure of ZIP code data from companies is a simple solution to address the lack of readily accessible and comparable location data that has made it difficult for investors to determine the level of physical risks from climate change on public and private companies.[28]

**Question 13. If a registrant determines that the flooding of its buildings, plants, or properties is a material risk, should we require it to disclose the percentage of those assets that are in flood hazard areas in addition to their location, as proposed? Would such disclosure help investors evaluate the registrant's exposure to physical risks related to floods? Should we require this disclosure from all registrants, including those that do not currently consider exposure to flooding to be a material physical risk? Should we require this disclosure from all registrants operating in certain industrial sectors and, if so, which sectors? Should we define "flood**

[27] Capital Group, *Climate Transparency Report 2020*, available at https://reporting.unpri.org/Download.aspx?id=A94CD0DB-D0BD4DCE-B750-12D723BAFAAA. "We look at 2-degree, 4-degree and 6-degree temperature rise scenarios using our in-house framework and analyze the impact on economic and market outcomes. We also look at the implications of incorporating carbon emissions cost into stationary power generation based on a few scenarios: $0 per ton CO2, $10 per ton CO2, $50 per ton CO2, 10% fuel increase and 100% fuel increase. These could help analysts and portfolio managers identify and assess material climate related risks and opportunities and factor them into investment decisions as part of their fundamental research process". Signatory transparency reports are publicly available at https://www.unpri.org/signatories/reporting-and-assessment/public-signatory-reports.

[28] Wellington Management and Woodwell Climate Research Center (June 2021), *Physical Risks of Climate Change (P-ROCC 2.0) Call for Location Data,* available at *https://www.wellington.com/uploads/2021/09/b70a7647260a2e03435427ab390a16cf/10061_procc_bro_v13.pdf;* Woodwell Climate Research Center (June 2021), *Comment letter to the SEC Request for Comment on Climate Change Disclosures* available at https://www.sec.gov/comments/climate-disclosure/cll12-8911746-244391.pdf.

**hazard area" or provide examples of such areas? If we should define the term, should we define it similar to a related definition by the Federal Emergency Management Agency ("FEMA") as an area having flood, mudflow or flood-related erosion hazards, as depicted on a flood hazard boundary map or a flood insurance rate map? Should we require a registrant to disclose how it has defined "flood hazard area" or whether it has used particular maps or software tools when determining whether its buildings, plants, or properties are located in flood hazard areas? Should we recommend that certain maps be used to promote comparability? Should we require disclosure of whether a registrant's assets are located in zones that are subject to other physical risks, such as in locations subject to wildfire risk?**

**Yes, the PRI recommends the Commission require a registrant to disclose flood risk information if the registrant has determined there is a physical risk to their assets.** The SEC could also consider requiring disclosure of a registrant's assets in areas that are subject to droughts, heat waves and subsequently, wildfire risk, as the intensity and frequency of wildfires continues to increase. Wildfires pose material risks to physical assets, investment portfolios and insurance business models.[29]

Wellington Asset Management's climate research used location data from a municipal utility issuer to assess wildfire risk: "While our fundamental assessment found that the issuer had ample liquidity and fire insurance, we remained concerned that the issuer failed to sufficiently anticipate the potential for penalties associated with wildfire damage that could be caused by its own operations. As a result of this climate research, we were able to determine that the price of the issuer's securities did not compensate fully for its investment risk".[30]

The PRI agrees that using FEMA's terminology and maps for flood risk information would help reduce the burden of this requirement for issuers and increase clarity for investors.

Another option, if issuers are not required to disclose areas that are subject to flood risk but are required to disclose ZIP code information of physical assets, the Commission could provide guidance for investors to use existing tools in the market to determine this risk, such as the World Resources Institute's Water Risk Atlas.[31] Investors could use the ZIP code data of an issuer in conjunction with similar tools to assess flood risk where and when they deem appropriate.

**Question 15. Are there other specific metrics that would provide investors with a better understanding of the physical and transition risks facing registrants? How would investors benefit from the disclosure of any additional metrics that would not necessarily be disclosed or disclosed in a consistent manner by the proposed climate risk disclosures? What, if any, additional burdens would registrants face if they were required to disclose additional climate risk metrics?**

**The PRI recommends the Commission amend the proposal to include the seven cross-industry categories of metrics that the TCFD proposed in its updated guidance in 2021.** These cross-industry metrics have been chosen by TCFD, and endorsed by the PRI, as they represent the information most useful for investors to inform investment decision-making considering the growth of climate-related risks and opportunities. Further, these climate metrics categories focus on the data

[29] Sean Hecht and Ted Lamm, (December 2019) California *Climate Risk: Insurance-Based Approaches to Mitigation and Adaptation, UCLA School of Law and UC Berkeley School of Law*, available at https://www.law.berkeley.edu/wp-content/uploads/2019/12/California-Climate-Risk-Dec-2019.pdf.

[30] Wellington Management Company LLP (June 11, 2021), *Comment Letter Request for Input on Climate Change Disclosures,* available at https://www.sec.gov/comments/climate-disclosure/cll12-8944103-245735.pdf.

[31] Aqueduct, *Water Risk Atlas*, available at https://www.wri.org/applications/aqueduct/water-risk-atlas/#/?advanced=false&basemap=hydro&indicator=w_awr_def_tot_cat&lat=30&lng=-80&mapMode=view&month=1&opacity=0.5&ponderation=DEF&predefined=false&projection=absolute&scenario=optimistic&scope=baseline&threshold&timeScale=annual&year=baseline&zoom=3.

outputs, rather than process, allowing for flexibility as growth as the practice of climate metrics evolve to become more sophisticated over time.

To help support issuer understanding and readability, the PRI recommends providing guidance to support disclosure formatted in a consolidated and consistent way, such as the structure provided by the TCFD. A common set of metric categories could bring greater consistency of disclosure and therefore comparability and usability by investors.

### Cross-industry categories of metrics (static examples)[32]

| Categories of metric | Example unit of measure | Implementation examples |
|---|---|---|
| GHG emissions. Absolute scope 1, 2 and 3; emissions intensity | MT of Co2e | - Absolute scope 1, 2 and 3 emissions. Scope 3 separated by upstream downstream, also separated by GHG emissions and estimated / measured / assured<br>- GHG emission intensities<br>- WACI<br>- |
| Transition risks<br>Amount and extent of assets or business activities vulnerable to transition risk | Amount or percentage | - Percentage of turnover exposed to high carbon products or services |
| Physical risk*<br>Amount and extent of assets or business activities vulnerable to physical risk | Location, amount or percentage | - Asset location data (zip code) of company's main facilities and their leading suppliers' main facilities<br>- Consideration of physical climate risk in business interruption plans<br>- Operational losses from extreme weather events. |
| Climate-related opportunities<br>Proportion of revenue, assets, or other business activities aligned with climate-related opportunities | Amount or percentage | - Revenues from products or services sold that support the transition to a net- zero carbon economy () |
| Capital deployment<br>Amount of capital expenditure financing or investment deployed towards climate-related opportunities | Reporting currency | - Percentage of capex invested in zero carbon and high carbon products and services<br>- Investments in climate adaptation |
| Internal carbon prices<br>Price on each ton of GHG emissions used internally by an organization | Price in reported currency, per MT of CO2e | - Shadow carbon price, range & by geography |
| Remuneration<br>The proportion of executive pay linked to climate considerations | Percentage, weighting or description | - The weighing of climate goals on long-term incentives for executive directors |

[32] Example metrics for physical climate risk were adapted in accordance with research by IIGCC available at https://www.iigcc.org/resource/understanding-physical-climate-risks-and-opportunities-a-guide-for-investors/ and the UK Climate Financial Risk Forum's report on data and metrics available at https://www.fca.org.uk/transparency/climate-financial-risk-forum.

While the proposed rule has significant overlap with the TCFD recommendations, the PRI encourages the Commission to adapt its required disclosure to match the TCFD metric categories more closely to support efficiency for both issuers and users of disclosures.

The table below includes the cross-industry metrics recommended, the section where this information is presented in the proposed rule, and the PRI's conforming recommendation. Items highlighted in green represent metrics already required by the proposed rule; items highlighted in yellow represent metrics that are optional, required only by some issuers or framed differently in the proposed rule; items highlighted in red represent metrics that are not currently required by the proposed rule. The PRI recommends the Commission amend the scope of required metrics to fully align with the TCFD recommendations:

| Categories of metric | Section Inclusion | Recommended amendment |
|---|---|---|
| GHG emissions. Absolute scope 1, 2 and 3; emissions intensity | 229.1504 | PRI recommends the require disclosure of Scope 3 emissions when it is a significant portion of an issuer's total emissions. |
| Transition risks<br>Amount and extent of assets or business activities vulnerable to transition risk | 229.1502 | The PRI recommends the Commission require issuers responding to Item 1502 Paragraph (b) to distinguish between transition and physical risk, and in following related sections. PRI further recommends adding a requirement to Item 1502 Paragraph (d) for issuers to estimate, to the best of their ability the "amount and extent of assets or business activities vulnerable to transition and physical risk, separately, in line with their previously set boundaries and time horizons." As methodologies continue to evolve on this metric, the Commission could consider a "comply or explain" option for this metric. |
| Physical risk*<br>Amount and extent of assets or business activities vulnerable to physical risk | 229.1502 | The PRI recommends the Commission require issuers responding to Item 1502 Paragraph (b) to distinguish between transition and physical risk, and in following related sections. PRI further recommends adding a requirement to Item 1502 Paragraph (d) for issuers to estimate, to the best of their ability the "amount and extent of assets or business activities vulnerable to transition and physical risk, separately, in line with their previously set boundaries and time horizons." As methodologies continue to evolve on this metric, the Commission could consider a "comply or explain" option for this metric. |
| Climate-related opportunities<br>Proportion of revenue, assets, or other business activities aligned with climate-related opportunities | 229.1502 | The PRI recommends the Commission add a provision in Item 1502 allowing issuers to disclosure the "proportion of revenue, assets or other business activities aligned with climate-related opportunities." This statement could potentially fit into existing Paragraphs (c) or (f). |
| Capital deployment<br>Amount of capital expenditure financing or investment deployed towards climate-related opportunities | 210.14 | Part 210.14-02 paragraphs (f) and (j) can be interpreted to produce the recommended disclosure. PRI recommend the Commission consider providing the above-mentioned examples of relevant disclosure in the final rule. |
| Internal carbon prices<br>Price on each ton of GHG emissions used internally by an organization | 229.1502 | Detailed disclosure is required in the proposed rule for any issuer utilizing an internal carbon price. The PRI supports maintenance of the conditional aspect of this disclosure. |

| | | |
|---|---|---|
| Remuneration<br>The proportion of executive pay linked to climate considerations | 229.1501 | The PRI recommends the Commission require the disclosure of any connection between executive remuneration and the achievement of climate-related targets, including as a proportion of total executive pay. See response to Question 40 for additional detail. |

The Commission should additionally require issuer disclosure of underlying assumptions and methodologies used in developing the reported metrics and to track and manage climate-related risk.

Further, while the PRI does not recommend the Commission require additional disclosure of forward-looking implementation metrics, the metrics recommended above can easily be linked to forward-looking metrics. This provides issuers and investors alike an understanding of how changes over time connect back to the static metrics. The table below includes examples of forward-looking uses for the recommended metric categories. The Commission could consider requiring disclosure of any relevant forward-looking metrics used by issuers in their transition plans or where companies have set climate targets.

### Cross industry categories of metrics (forward looking examples)

| Cross-industry metric category | Implementation examples forward looking metrics |
|---|---|
| **GHG emissions.** Absolute scope 1, 2 and 3; emissions intensity | - Reduce net scope 1, 2 & 3 emissions to zero by 2050, with an interim target of 70% reduction by 2035 on a 201X baseline |
| **Transition risks**<br>Amount and extent of assets or business activities vulnerable to transition risk | - Reduce the percentage of assets exposed to transition risk by 30%, relative to the 2019 baseline |
| **Physical risk**<br>Amount and extent of assets or business activities vulnerable to transition risk | - Ensure at least 60% of flood exposed assets have risk mitigation plans in place in line with the 2060 1:100 flood risks |
| **Climate-related opportunities**<br>The proportion of revenue, assets, or other business activities aligned with climate-related opportunities | - Increase net renewable energy capacity so it comprises of 85% of capacity by 2035 |
| **Capital deployment**<br>Amount of capital expenditure financing or investment deployed towards climate-related opportunities | - Invest at least 25% of annual capacity expenditure into clean energy solutions<br>- Capex plans on upgrading existing assets and energy efficiency<br>- Asset retirement provisioning |
| **Internal carbon prices**<br>Price on each ton of GHG emissions used internally by an organization | - Assess capex plans against a rising carbon price ($100 by 2030). |
| **Remuneration**<br>The proportion of executive pay linked to climate considerations | - Increase the amount of executive remuneration impacted by climate considerations by 10% by 2025 |

In addition, relevance of certain metrics varies by industry. The Value Reporting Foundation (VRF) has developed industry metrics which are the basis for ISSB's industry-based disclosure requirements.[33] For example, some firms may develop metrics and targets related to supply chain management (e.g., regarding the percentage of agricultural inputs sourced from water-stressed regions) while others might focus on new business development (e.g., the market share of an energy-

[33] IFRS, *Exposure Draft IFRS S2 Climate-Related Disclosures* (March 31, 2022), available at https://www.ifrs.org/projects/work-plan/climate-related-disclosures/#published-documents, (p.49).

efficient product). Therefore, the PRI recommends the Commission consider requiring disclosure of any industry-specific metrics used by issuers related to climate risk and opportunities.

## DISCLOSURE OF MATERIAL IMPACTS & TIME HORIZON

**Question 19. Should we require a registrant to describe the actual and potential impacts of its material climate-related risks on its strategy, business model, and outlook, as proposed? Should we require a registrant to disclose impacts from climate-related risks on, or any resulting significant changes made to, its business operations, including the types and locations of its operations, as proposed?**

**Yes. As the TCFD has clarified, companies are facing policy, legal, technology, market and reputation-related transition risks from climate change, as well as acute and chronic physical risks.** Climate change also presents opportunities related to resource efficiency, energy services and resilience-related products and services. Both these risks and opportunities may affect companies' revenues, expenditures, assets and liabilities and capital and financing. Disclosure of these risks, opportunities and corporate responses to them are therefore of great relevance to investors in the valuation of securities of public companies.

**Question 20. Should we require a registrant to disclose climate-related impacts on, or any resulting significant changes made to, its products or services, supply chain or value chain, activities to mitigate or adapt to climate-related risks, including adoption of new technologies or processes, expenditure for research and development, and any other significant changes or impacts, as proposed? Are there any other aspects of a registrant's business operations, strategy, or business model that we should specify as being subject to this disclosure requirement to the extent they may be impacted by climate-related factors?**

**Yes, these are specific examples of the impacts on "strategy, business model and outlook" listed in Question 19 and should indeed be subject to disclosure in alignment with the recommendations of the TCFD and emerging best practice in the global business community.** Investors could use the information to inform investment decisions in the short-, medium- and long-term.

**Question 21. Should we require a registrant to specify the time horizon applied when assessing its climate-related impacts (i.e., in the short, medium, or long term), as proposed?**

**Yes, this proposal would enhance the understandability and transparency of reporting on climate-related risks and risk management.** For investors to effectively factor climate-related risks of a registrant into investment decisions, they must know how the registrant considers risk changing over time, including whether the registrant has excluded certain periods in its assessment of these risks.

The ISSB exposure draft on climate related disclosures requires issuers to report on: "(i) how it defines the three time periods [9-b]; (ii) how these "definitions are linked to the entity's strategic planning horizons and capital allocation plans" [9-b]; and (iii) whether the risks identified are physical risks or transition risks [9-c]".[34] The Commission could add a similar requirement which would provide a level of transparency and allow investors to better assess the time horizons utilized. However, variability of issuer time horizons would still require investors and service providers to make the necessary adjustments to normalize the data.[35]

**Question 22. Should we require a registrant to discuss whether and how it considers any of the described impacts as part of its business strategy, financial planning, and capital allocation, as proposed? Should we require a registrant to provide both current and forward-looking disclosures to facilitate an understanding of whether the implications of the identified**

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[34] Principles for Responsible Investment (February 2022), *PRI Draft Position Paper: Prototype Climate and General Disclosure Requirements Developed by the Technical Readiness Working Group (TRWG) for Consideration by the International Sustainability Standards Board (ISSB)*, available at https://www.unpri.org/download?ac=15754.

[35] Ibid.

**climate- related risks have been integrated into the registrant's business model or strategy, as proposed? Would any of the proposed disclosures present competitive concerns for registrants? If so, how can we mitigate such concerns?**

**Yes, this requirement is aligned with the TCFD recommendations.** See also answers to Questions 19 and 20.

## DISCLOSURE OF CARBON OFFSETS & RECS

**Question 24. If a registrant has used carbon offsets or RECs, should we require the registrant to disclose the role that the offsets or RECs play in its overall strategy to reduce its net carbon emissions, as proposed? Should the proposed definitions of carbon offsets and RECs be clarified or expanded in any way? Are there specific considerations about the use of carbon offsets or RECs that we should require to be disclosed in a registrant's discussion regarding how climate- related factors have impacted its strategy, business model, and outlook?**

**Yes, the PRI agrees that the registrant should be required to disclose the role that offsets or RECS play in its overall strategy to reduce net carbon emissions.** As RECs or carbon offsets do not reflect, nor alter, the absolute emissions physically associated with or caused by the registrant, it is the PRI's view that disclosure of their use is important for accurate carbon accounting and emissions reductions.

## DISCLOSURE OF PRICE ON CARBON

**Question 26. Should we require registrants to disclose information about an internal carbon price if they maintain one, as proposed? If so, should we require that the registrant disclose:**

- **The price in units of the registrant's reporting currency per metric ton of $CO_2e$;**
- **The total price;**
- **The boundaries for measurement of overall $CO_2e$ on which the total price is based if different from the GHG emission organizational boundary required pursuant to 17 CFR 210.14-03(d)(4); and**
- **The rationale for selecting the internal or shadow carbon price applied, as proposed?**

**Should we also require registrants to describe the methodology used to calculate its internal carbon price?**

**Yes, the PRI is supportive of the proposed rule to require registrants to disclose information about an internal carbon price (ICP) if it is used.** ICP can help investors better assess carbon-related risks and identify opportunities to shift capital from high-carbon to low-carbon investment and lending, decarbonize their portfolios and increase their resilience in a low-carbon transition. It can also help formulate long-term strategy through company engagement and portfolio management. According to a paper on internal carbon pricing, "ICP can help facilitate the discussion with investees on the low-carbon transition by illustrating how future carbon costs can affect a company's financial resilience".[36]

According to the World Bank Group, companies' internal carbon-pricing initiatives are already affecting 22% of global greenhouse gas emissions, up from 15% in 2017.[37] However, the pricing thresholds currently being used are lower than those needed to account for possible negative externalities from carbon emissions. **The PRI supports the disclosure of methodologies, including price in units, total price, boundaries of measurement of overall $CO_2e$ and rationale of selecting certain price points, to improve the transparency in disclosed methodologies, and publication of price levels used by different companies.**

[36] CDP (July 2019), *Internal Carbon Pricing for Low-Carbon Finance,* available at: https://cdn.cdp.net/cdp-production/cms/reports/documents/000/004/655/original/carbon_pricing_unlocked_internal_carbon_pricing_low-carbon_finance.pdf?1563353352.

[37] World Bank (2020), *State and Trends of Carbon Pricing 2020*, available at https://openknowledge.worldbank.org/handle/10986/33809.

## DISCLOSURE OF SCENARIO ANALYSIS

**30. Should we require a registrant to disclose analytical tools, such as scenario analysis, that it uses to assess the impact of climate-related risks on its business and consolidated financial statements, and to support the resilience of its strategy and business model, as proposed? What other analytical tools do registrants use for these purposes, and should we require disclosure of these other tools? Are there other situations in which some registrants should be required to conduct and provide disclosure of scenario analysis? Alternatively, should we require all registrants to provide scenario analysis disclosure? If a registrant does provide scenario analysis disclosure, should we require it to follow certain publicly available scenario models, such as those published by the IPCC, the IEA, or NGFS and, if so, which scenarios? Should we require a registrant providing scenario analysis disclosure to include the scenarios considered (e.g., an increase of global temperature of no greater than 3 degree, 2 degree, or 1.5 degree C above pre-industrial levels), the parameters, assumptions, and analytical choices, and the projected principal financial impacts on the registrant's business strategy under each scenario, as proposed? Are there any other aspects of scenario analysis that we should require registrants to disclose? For example, should we require a registrant using scenario analysis to consider a scenario that assumes a disorderly transition? Is there a need for us to provide additional guidance regarding scenario analysis?**

**Are there any aspects of scenario analysis in our proposed required disclosure that we should exclude? Should we also require a registrant that does not use scenario analysis to disclose that it has not used this analytical tool? Should we also require a registrant to disclose its reasons for not using scenario analysis? Will requiring disclosure of scenario analysis if and when a registrant performs scenario analysis discourage registrants from conducting scenario analysis? If so, and to the extent scenario analysis is a useful tool for building strategic resilience, how could our regulations prevent such consequences?**

**The PRI recommends that the SEC require all registrants to disclose whether (and if so, how) they have considered the impact on their business of a range of possible future scenarios for the potential future development of climate change.** Forward looking as well as static disclosures, such as emissions data, are needed by investors since climate change is a risk that will grow over time. Therefore, sole reliance on historical data provides a partial and misleading view of a company's position in relation to this business issue. Companies and investors naturally have a view of the future with respect to market trends, key risks and growth opportunities. The function of climate-related scenario analysis is to provide means for incorporating climate change into existing views and assessing the resilience of the business strategy to a range of plausible future scenarios.

Further, disclosure on climate scenarios is important to investment and voting decisions as it demonstrates the degree of attention by companies to the issue and an understanding that the importance of climate change will not be static. For disclosure on scenario analysis to be useful for investor decision-making, at a minimum companies reporting to be conducting climate scenario analysis should disclose:

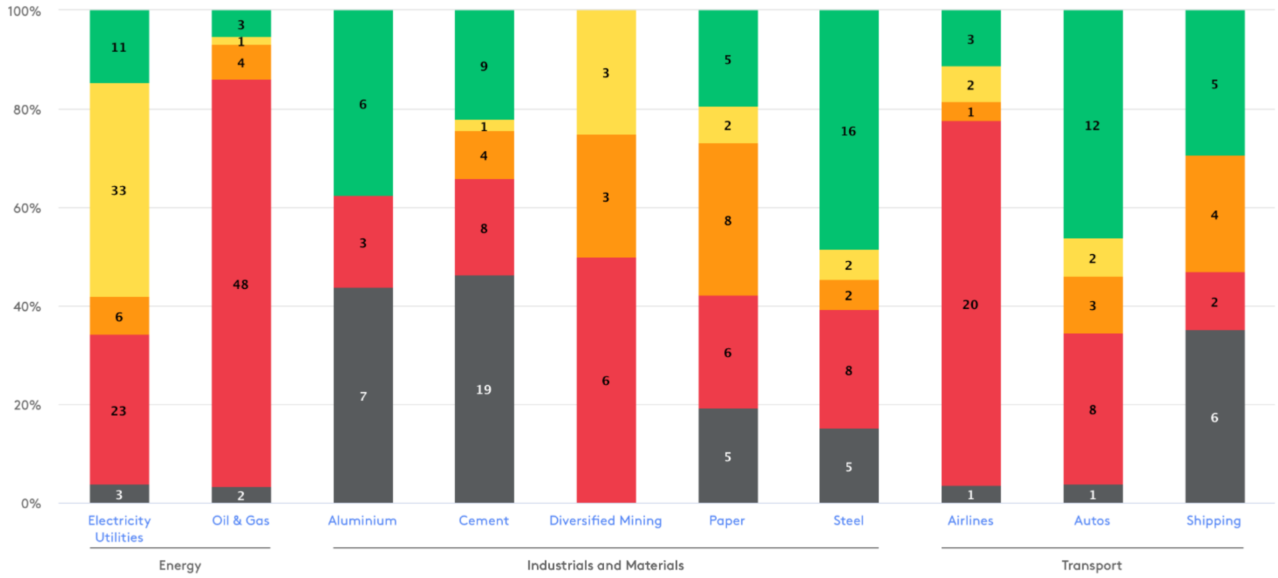
- how a company assessed its potential climate-related future(s) and the insights it gleaned from scenario analysis;
- what changes, if any, the company may be considering to its business model in response to its scenario analysis;
- how resilient management believes the company's strategy is to various future climate states; and

- where the uncertainties are regarding the company's strategy and its resilience to climate- related risks and opportunities.[38]

Therefore, disclosure from climate scenario analysis is not necessarily a quantitative exercise but could be narrative based and to set in motion a learning process to build understanding of how climate-related risks and opportunities could evolve over time. As issuers gain experience, the use of more quantitative information with greater rigor and sophistication may be warranted.

Examples of the application of data from scenario analysis for tools used by investors to assess climate-related risks in companies include the Transition Pathway Initiative, which assesses the management quality and carbon performance of 478 publicly listed companies.[39]

**Transition Pathway Initiative: Carbon performance of 478 listed companies in 2050[40]**




**Legend:** green = 1.5c aligned, yellow = below 2 degrees, orange = national country pledges, red = not aligned, black = no or unsuitable disclosure

This analysis, which relies on disclosure from listed company disclosures, provides the analytical baseline for portfolio company engagement by investors through Climate Action 100+, an initiative of 700 investors with USD$68trn in assets engaging the largest emitting companies. It has also been used to design an index fund. US investors such as CalSTRS and Wespath have taken similar approaches in the design of strategies and exchange traded products. [41][42]

With climate scenario analysis, it is important to understand relevant climate scenarios. What is material for financial markets is not only the temperature outcome of a particular climate scenario, but also whether the path to this outcome is orderly or disorderly. To address this, the PRI recommends

[38] TCFD (October 2020), TCFD Guidance on Climate Scenario Analysis for non-Financial Companies, available at: https://assets.bbhub.io/company/sites/60/2020/09/2020-TCFD_Guidance-Scenario-Analysis-Guidance.pdf.

[39] Transition Pathway Initiative, available at: https://www.transitionpathwayinitiative.org/.

[40] Transition Pathway Initiative, *Carbon Performance in 2050: All sectors, available at: https://www.transitionpathwayinitiative.org/sectors*.

[41] CalSTRS, *CalSTRS announces new low carbon transition readiness investment in global equity markets,* available at: https://www.calstrs.com/calstrs-announces-new-low-carbon-transition-readiness-investment-in-global-equity-markets.

[42] Wespath, *Wespath 'Transition Ready' Strategy— Investing for a Low-Carbon Future,* available at: https://www.wespath.org/assets/1/7/5398.pdf.

the Commission amend its example scenarios (1.5c, 2c and 3c) referenced throughout the rule to the following family of climate scenarios which are relevant to both companies and investors:

1) **A measured, orderly transition** takes place with climate policies being introduced early and becoming increasingly more stringent, in line with the US NDC and 2030 emission reduction target and a net-zero US economy by 2050.

2) **A sudden, disorderly transition** takes place with climate policies and wider action on climate change not happening until late (for example, introduced around 2030). This scenario gets towards, but does not achieve, the climate goals set out in the Paris Agreement and is characterized by a higher level of transition and physical risk than in an orderly transition.

3) **"No transition"** assumes only currently implemented policies are preserved, current commitments are not met, and emissions continue to rise (i.e., a 4°C or higher climate scenario). This would mean climate goals are missed and physical risks are high, accompanying severe social and economic disruption.

On the "No transition" scenario, the PRI notes that the IPCC's central projection for temperature rise this century is now 3.2°C, and therefore, a 3°C scenario would not be sufficient to assess the resilience of an issuer to physical climate risk.

The cost and challenge of undertaking climate scenario analysis has been reduced by the growing number of off-the-shelf online tools and guides. In particular, the PRI recommends the SEC highlight the following tools in the final rules and implementation guidance:

- The Climate Scenario Catalogue v1.0: an online and free-to-use tool published by the World Business Council for Sustainable Development (WBCSD) that collates and expands a range of selected scenarios and variables to help companies meet the reporting requirements of the TCFD. [43]
- The Transition Pathway Initiative (TPI): sector-level analysis of companies' preparation for the transition to a low-carbon economy by evaluating and tracking the quality of companies' management of GHG emissions and of risks and opportunities related to the low-carbon transition. TPI uses company-disclosed data.[44]
- Carbon Tracker Report, 2 Degrees of Separation: in-depth company and sector-level analysis of the oil and gas companies' upstream exposure to climate transition risks, using asset-level data to examine whether supply options of the largest publicly traded oil and gas producers are aligned with demand levels consistent with a 2-degree carbon budget.[45]
- The Fourth National Climate Assessment published in 2018, which assesses the present day and future impacts of climate change on the United States.[46]

[43] WBSCD, *Climate Scenario Catalogue 1.0 powered by WBCSD with analysis from Vivid Economics,* available at: https://climate-scenario-catalogue.shinyapps.io/final/.

[44] Transition Pathway Initiative, *All Sectors*, available at: https://www.transitionpathwayinitiative.org/sectors.

[45] Carbon Tracker, PRI (2017), *2 Degrees of Separation - Transition Risk for oil and gas in a low carbon world,* available at: https://carbontracker.org/reports/2-degrees-of-separation-transition-risk-for-oil-and-gas-in-a-low-carbon-world-2/.

[46] Fourth National Climate Assessment (2018), *Fourth National Climate Assessment Volume II: Impacts, Risks and Adaptation in the United States,* available at: https://nca2018.globalchange.gov/.

## GOVERNANCE DISCLOSURE AND BOARD AND MANAGEMENT OVERSIGHT

**Question 34. Should we require a registrant to describe, as applicable, the board's oversight of climate- related risks, as proposed? Should the required disclosure include whether any board member has expertise in climate-related risks and, if so, a description of the nature of the expertise, as proposed? Should we also require a registrant to identify the board members or board committee responsible for the oversight of climate-related risks, as proposed? Do our current rules, which require a registrant to provide the business experience of its board members, elicit adequate disclosure about a board member's or executive officer's expertise relevant to the oversight of climate-related risks?**

**The PRI supports all proposed disclosure on board and management climate risk management and expertise. Furthermore, the PRI encourages the SEC to include disclosure on executive renumeration tied to the achievement of climate-related targets.**

Board member expertise on climate-related matters is an important aspect of managing climate-related risks and opportunities.[47] The PRI supports the proposed disclosure on board member expertise on climate-related risks, a description of said expertise and identification of any board members responsible for climate-risk oversight. This information will allow investors to better understand the depth and nature of expertise, as well as the company commitment to managing climate-related risks from the board level perspective. The inclusion of this disclosure requirement, which aligns with the TCFD recommendations, will aid global alignment and make disclosure easier for companies that are already reporting against the TCFD recommendations.

The disclosure of board expertise on climate-related risks is well established and one that investors care about. For example, Climate Action 100+ assesses board competency with respect to climate risks. Additionally, CDP reporting includes a requirement to disclose details on the board's oversight of and competence in climate related issues.[48] In 2021, more than 13,000 companies reported environmental data utilizing the CDP framework.[49] The SEC's reporting requirement would further this practice and provide investors with the standardized and comparable disclosure they need.

**Question 35. Should we require a registrant to disclose the processes and frequency by which the board or board committee discusses climate-related risks, as proposed?**

**Question 36. Should we require a registrant to disclose whether and how the board or board committee considers climate-related risks as part of its business strategy, risk management, and financial oversight, as proposed? Would the proposed disclosure raise competitive harm concerns? If so, how could we address those concerns while requiring additional information for investors about how a registrant's board oversees climate-related risks?**

**Question 37. Should we require a registrant to disclose whether and how the board sets climate-related targets or goals, as proposed? Should the required disclosure include how the board oversees progress against those targets or goals, including whether it establishes any interim targets or goals, as proposed? Would the proposed disclosure raise competitive harm concerns? If so, how could we address those concerns while requiring additional information**

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[47] The Principles of Responsible Investment (February 2021), *Consultation Response EU Sustainable Corporate Governance Consultation,* available at https://unpri.org/Uploads/u/h/j/eusustainablecorporategovernanceconsultation08_02_21finalversion_135745.pdf .

48 CDP, *Climate Change 2022 Question-level Guidance Indicator C1.1b*, available at https://guidance.cdp.net/en/guidance?cid=C1.1b&ctype=ExternalRef&idtype=RecordExternalRef&incchild=1&microsite=1&otype=ORS&page=1&tags=.

49 CDP (December 2021), *2% of Companies Worldwide Worth $12 trillion named on CDP's A List of Environmental Leaders,* available at https://www.cdp.net/en/articles/media/2-percent-of-companies-worldwide-worth-12-trillion-named-on-cdps-a-list-of-environmental-leaders.

**for investors about how a registrant's board oversees the setting of any climate-related targets or goals?**

**Question 38. Should we require a registrant to describe, as applicable, management's role in assessing and managing climate-related risks, as proposed? Should the required disclosure include whether certain management positions or committees are responsible for assessing and managing climate-related risks and, if so, the identity of such positions or committees, and the relevant expertise of the position holders or members in such detail as necessary to fully describe the nature of the expertise, as proposed? Should we require a registrant to identify the executive officer(s) occupying such position(s)? Or do our current rules, which require a registrant to provide the business experience of its executive officers, elicit adequate disclosure about management's expertise relevant to the oversight of climate-related risks?**

**Question 39. Should we require a registrant to describe the processes by which the management positions or committees responsible for climate-related risks are informed about and monitor climate-related risks, as proposed? Should we also require a registrant to disclose whether and how frequently such positions or committees report to the board or a committee of the board on climate-related risks, as proposed?**

**Yes, the disclosures listed in Questions 35-39 should be required to provide investors with a holistic view of how boards work to understand and consider climate-related information and utilize it in decision-making.**

**Question 40. Should we specifically require a registrant to disclose any connection between executive remuneration and the achievement of climate-related targets and goals? Is there a need for such a requirement in addition to the executive compensation disclosure required by 17 CFR 229.402(b)?**

**Yes, the Commission should require the disclosure of any connection between executive remuneration and the achievement of climate-related targets, including as a proportion of total executive pay.** The PRI has recommended that investors adopt a formal position in favor of substantive links between ESG-related factors and pay, encourage investee companies to link these measures to executive pay and engage with companies that either do not consider ESG measures in their executive pay packages, or fail to do so in a meaningful way.[50] Further, the PRI has long called for better reporting by companies on climate-related targets, performance against those targets and actual impact on pay.[51] The use of climate metrics in executive remuneration is also included in the TCFD recommendations. Requiring disclosure of links between remuneration and climate-related targets and goals would significantly aid investor efforts to determine the role climate information plays in executive remuneration.

Example metrics from the TCFD include:

| | | |
|---|---|---|
| **Remuneration**<br>Proportion of executive management remuneration linked to climate considerations** | Percentage, weighting, description, or amount in reporting currency | • Portion of employee's annual discretionary bonus linked to investments in climate-related products<br>• Weighting of climate goals on long-term incentive scorecards for Executive Directors<br>• Weighting of performance against operational emissions' targets for remuneration scorecard |

[52]

[50] Principles for Responsible Investment (June 2021), *ESG linked pay: recommendations for investors,* available at https://www.unpri.org/executive-pay/esg-linked-pay-recommendations-for-investors/7864.article?adredir=1
[51] Principles for Responsible Investment, *Integrating ESG Issues Into Executive Pay*, available at https://www.unpri.org/governance-issues/integrating-esg-issues-into-executive-pay/556.article
[52] Task Force on Climate-Related Financial Disclosures (October 2021), *Guidance on Metrics, Targets, and Transition Plans*, available at https://www.fsb.org/wp-content/uploads/P141021-2.pdf, (p.17).

While existing compensation disclosures can be consulted to gain an understanding of the overall methods being used to incentivize corporate leadership, these often-lengthy disclosures do not always specify every metric used. For example, when compensation committees retain discretion over bonuses, or when a performance scorecard covers environmental and social issues in general.

Therefore, the PRI supports requiring a clear description of the relationship between the disclosed measures and executive compensation. In general, insights on the underlying methodology for calculating performance measures, their definition and how progress on these performance metrics is measured are key for investor understanding of executive pay. Only with this information can investors fully evaluate whether pay is appropriately tied to performance. Allowing for generalized disclosure from issuers presents challenges for investors in lacking consistency, perhaps across years, and comparability, across companies.

Furthermore, the Commission should clarify that should remuneration be tied to set goals and targets, then progress toward those goals should be updated in annual filings similar to other climate-related goals.

**Question 41. As proposed, a registrant may disclose the board's oversight of, and management's role in assessing and managing, climate-related opportunities. Should we require a registrant to disclose these items?**

**Yes, the PRI recommends the registrant disclose management's role in assessing and managing climate-related opportunities, if any, as well as disclose the board's oversight of management's activities.**

## DISCLOSURE OF PROCESSES FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE RELATED RISKS, TRANSITION PLANS

**Question 43. When describing the processes for identifying and assessing climate-related risks, should we require a registrant to disclose, as applicable, as proposed:**

- **How the registrant determines the relative significance of climate-related risks compared to other risks?**
- **How it considers existing or likely regulatory requirements or policies, such as emissions limits, when identifying climate-related risks?**
- **How it considers shifts in customer or counterparty preferences, technological changes, or changes in market prices in assessing potential transition risks?**
- **How the registrant determines the materiality of climate-related risks, including how it assesses the potential size and scope of an identified climate-related risk?**

**Are there other items relevant to a registrant's identification and assessment of climate-related risks that we should require it to disclose instead of or in addition to the proposed disclosure items?**

**Yes, the SEC should require issuers to describe and disclose the processes used for identifying, assessing and managing climate-related risks.** These disclosures would provide investors with important information about how the company thinks about and addresses risks that are significant to the successful execution of its business objectives and strategy. Specifically, requiring disclosure of how a company determines the importance of climate-related risks is useful to investors as this determination stands as the foundation for all other climate-related considerations and actions taken by a company. This determination will then go on to dictate how management and the board consider climate-related risks as part of governance, whether management sets climate-related targets or uses other tools such as scenario analysis.

**Given the importance of this disclosure, the PRI recommends, along with the existing list of risk management disclosure items, the SEC add items recently proposed by the IFRS:**[53]

1. **How the registrant assesses the likelihood and effects associated with such risks (such as the qualitative factors, quantitative thresholds and other criteria used).**
2. **The input parameters it uses (for example, data sources, the scope of operations covered, and the detail used in assumptions).**
3. **Whether it has changed the processes used compared to the prior reporting period.**

These items will help better balance disclosure between physical risk and transition risk, add items on input parameters and whether processes used have changed compared to previous years.

**Question 44. When describing the processes for managing climate-related risks, should we require a registrant to disclose, as applicable, as proposed:**

- **How it decides whether to mitigate, accept, or adapt to a particular risk?**
- **How it prioritizes climate-related risks?**
- **How it determines to mitigate a high priority risk?**

**Are there other items relevant to a registrant's management of climate-related risks that we should require it to disclose instead of or in addition to the proposed disclosure items?**

**Yes, it is the PRI's view that a registrant should be required to disclose their processes for managing climate-related risks, including any associated goals and related outcomes of actions taken in response.**

**Question 45. Should we require a registrant to disclose whether and how the processes described in response to proposed 17 CFR 229.1503(a) are integrated into the registrant's**

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[53] IFRS (March 31, 2022), *Exposure Draft IFRS S2 Climate-Related Disclosures*, available at https://www.ifrs.org/projects/work-plan/climate-related-disclosures/#published-documents.

**overall risk management system or processes, as proposed? Should we specify any particular aspect of this arrangement that a registrant should disclose, such as any interaction between, and corresponding roles of, the board or any management committee responsible for assessing climate-related risks, if there is a separate and distinct committee of the board or management, and the registrant's committee in charge, generally, of risk assessment and management?**

**Yes. Understanding the extent to which the risk management disclosure on climate-related issues is integrated into the company's overall risk management process is essential for investors.** The PRI would also agree that in the event that a separate committee is responsible for climate-related issues, the company should describe the relationship this committee has with the board or equivalent function.

**Question 46. If a registrant has adopted a transition plan, should we require the registrant to describe the plan, including the relevant metrics and targets used to identify and manage physical and transition risks, as proposed? Would this proposed disclosure requirement raise any competitive harm concerns and, if so, how can we mitigate such concerns? Would any of the proposed disclosure requirements for a registrant's transition plan act as a disincentive to the adoption of such a plan by the registrant?**

**Yes, this is an increasingly important area of climate disclosure for investors and the PRI strongly supports its inclusion in the proposed rule.** In other markets, the PRI has supported mandatory establishment and disclosure of transition plans for large and medium companies, as is the trend internationally.[54] However, the PRI supports the SEC's requirement of contingent transition plan disclosure as proposed in the draft rule.

A transition plan sets out how an organization will adapt as the world transitions towards a net zero economy and is decision-useful information for investors. The most useful transition plans for investors include an issuer setting out a) high-level targets the organization is using to mitigate climate risk, including greenhouse gas reduction targets (e.g., a net zero commitment), b) interim milestones, and c) actionable steps the organization plans to take to hit those targets, as referenced in Question 48.

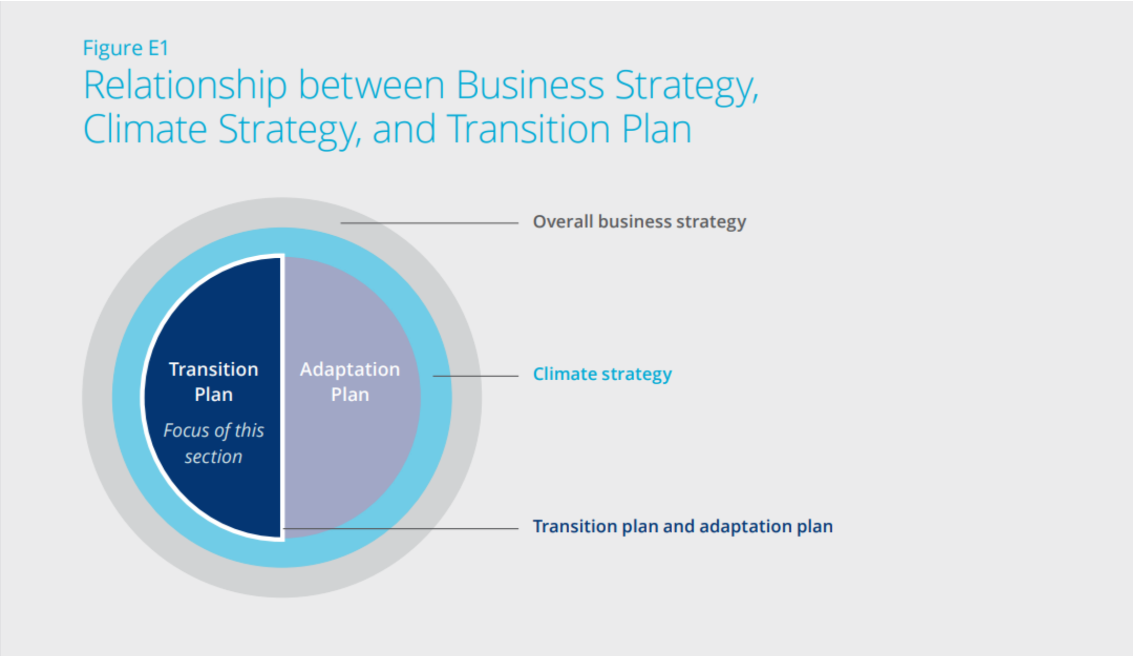
Sole reliance on historical data to provide a description of the future is to assume that future conditions will stay constant. This will not produce adequate disclosure of the financial risks and opportunities of climate change; a business issue that is a predictable problem and will grow over time. Exclusive reliance on static backward-looking disclosures is not suitable nor sufficient to describe how climate change will affect the financial performance and business strategy of the company.

**Question 47. If a registrant has adopted a transition plan, should we require it, when describing the plan, to disclose, as applicable, how the registrant plans to mitigate or adapt to any identified physical risks, including but not limited to those concerning energy, land, or water use and management, as proposed? Are there any other aspects or considerations related to the mitigation or adaptation to physical risks that we should specifically require to be disclosed in the description of a registrant's transition plan?**

**No. As per the TCFD's updated guidance on metrics, targets and transition plans, disclosure of adaptation measures would be outside the scope of a "transition plan".** However, these disclosures could still be made within a climate report in the strategy, metrics and target sections. They could also be part of an "adaptation plan". Retaining a focus on transition risks for the "transition

[54] Reuters (April 24, 2022), *Britain Moves Ahead with Mandatory Climate Plans for Companies,* available at https://www.reuters.com/world/uk/britain-moves-ahead-with-mandatory-climate-plans-companies-2022-04-24/.

plan" disclosure is recommended. Adaptation measures are inherently context dependent and should be disclosed under the organization's strategy, risk management, metrics and target sections.




**Source: TCFD guidance on metrics, targets and transition plans [https://www.fsb-tcfd.org/publications/](https://www.fsb-tcfd.org/publications/)**

**Question 48. If a registrant has adopted a transition plan, should we require it to disclose, if applicable, how it plans to mitigate or adapt to any identified transition risks, including the following, as proposed:**

- **Laws, regulations, or policies that:**
  - **Restrict GHG emissions or products with high GHG footprints, including emissions caps; or**
  - **Require the protection of high conservation value land or natural assets?**
- **Imposition of a carbon price?**
- **Changing demands or preferences of consumers, investors, employees, and business counterparts?**

**The PRI recommends that the proposed disclosure items for transition plans be revised.** A company's climate transition plan is a time-bound action plan that outlines how the organization will pivot its existing assets, operations and entire business model towards a trajectory that is aligned with a fixed, defined target, such as the Paris Agreement. Therefore, investors require specific disclosure for transition plans to be decision-useful, including requiring comparability both within and without. At present, we are not certain that the information required to be disclosed regarding transition plans would elicit the appropriate information for investors to determine the credibility and accountability of transition plans.

As defined by the TCFD, a credible transition plan should include disclosures that:

- Describe the strategy of the organization to pivot towards a net-zero future with near term (every five years) science-based targets consistent with the long-term objective of net zero by 2050, as has become the global standard;
- Contain verifiable and quantifiable Key Performance Indicators (KPIs) which measure the success of an organization's climate transition strategy and track progress; and,
- Provide accountability. The plan has clearly defined roles and responsibilities, including an effective governance mechanism. An organization's plan should be reviewed and updated regularly through the annual reporting cycle.

We encourage the Commission to consider how they can design disclosure of certain transition-related information that would provide investors the information necessary to distinguish effective transition plans, as defined by the TCFD, compared to those that are less comprehensive and actionable.

| SEC Transition Plan Suggested Disclosure | TCFD "Effective" Transition Disclosure |
|---|---|
| ▪ Describe the plan, including relevant metrics and targets used to identify and manage any physical and transition risks.<br>▪ Update disclosure about the plan each fiscal year by describing actions taken during the year to achieve the plan's targets or goals.<br>▪ Discuss plans to mitigate or adapt to physical risks and transition risks.<br>▪ If applicable, describe plans to achieve any identified related opportunities. | 1. Disclosure of the time bound climate targets the organization is using to mitigate climate risk, including greenhouse gas reduction targets (e.g. net zero by 2050, increase investment in clean energy solutions by XX% by 2025),<br>2. Disclosure of interim milestones and quantitative KPIs to measure and track progress. For example:<br>a. - Interim targets covering absolute emissions (scope 1, 2, & 3) as well as emission intensities in 5 and 10 years;<br>b. - Capital expenditure plans aligned with these targets.<br>3. Description of the business strategy to achieve these milestones.<br>4. Agreed actions to deliver on this strategy.<br>5. The individuals and governance structures responsible for successfully implementing this plan. |

Furthermore, the proposed disclosure item to "require the protection of high conservation value land or natural assets" risk posing interpretation challenges for companies to determine what are "high conservation value land or natural assets". As noted above, a transition plan is not a tool for addressing physical risks, and disclosures on how an organization would address, manage and reduce the impact of physical risks should be disclosed under the risk management or targets sections.

## FINANCIAL STATEMENT METRICS

The PRI recommends the SEC clarify and enforce existing financial statement rules that require material climate-related risks be taken into account. Financial statement assumptions that are quantitatively and/or qualitatively material should be disclosed, and those assumptions should be consistent with statements made elsewhere in a registrant's annual report on Form 10-K (or similar). Even though both the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) note that the existing standards are applicable to climate risk,[55] issuers are not appropriately reporting how climate risk affects their financial statements.[56]

Annual financial statements that appropriately incorporate consideration of climate-related risk and provide corresponding disclosure of material climate-related information are a necessary underpinning for the proposed new disclosures. The proposed quantitative footnote disclosure of climate impact metrics would rely on these underlying assumptions to provide additional detail in a structured (line-by-line) manner. The proposed climate-related disclosure outside of the financial statements, such as climate risk assessments and scenario analysis, would then correspond with information on how climate is considered within the financial statements, creating coherent picture of climate-related risk across issuer statements necessary for investor consideration.

**Question 59. Should we require registrants to disclose the financial impact metrics, as proposed? Would presenting climate-specific financial information on a separate basis based on climate- related events (severe weather events and other natural conditions and identified physical risks) and transition activities (including identified transition risks) elicit decision-useful or material information for investors? Are there different metrics that would result in disclosure of more useful information about the impact of climate-related risks and climate-related opportunities on the registrant's financial performance and position?**

**The PRI supports requiring climate-related impacts to financial statement line items be disclosed in a note to the registrant's audited financial statement.** We see this provision as an important update to climate-related risk reporting and strongly encourage its inclusion in a final rulemaking.

We encourage the Commission to issue guidance in the coming years to ensure issuers are complying with this provision and to update requirements as impact accounting evolves. Furthermore, providing investors with a value, accompanied by calculation methodologies and assumptions used to derive this, is necessary for investors to: a) verify the suitability with which this was assessed; and b) normalize and adjust this figure based on their own valuation models. To facilitate disclosure and ensure that these figures are robust and comparable across registrants, the SEC should specify methodologies and (where relevant) scenarios to be used in estimating changes to financial performance, and any aspects of the financial statement that are priorities for the assessment.

**The PRI further supports the proposed set of financial impact metrics, which are drawn from the TCFD recommendations and guidance.** To make informed decisions, investors need to understand the actual and potential impacts of climate-related risks and opportunities on the organization's financial performance and its financial position. The ISSB's exposure draft on climate

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[55] Financial Accounting Standards Board (FASB) (March 19, 2021), *FASB Staff ESG Educational Paper,* available at: https://fasb.org/page/ShowPdf?path=FASB_Staff_ESG_Educational_Paper_FINAL.pdf ..

IFRS Foundation (November 20, 2020), *Educational Material: the effects of climate-related matters on financial statements prepared applying IFRS Standards,* available at: https://www.ifrs.org/news-and-events/news/2020/11/educational-material-on-the-effects-of-climate-related-matters/.

[56] Carbon Tracker Initiative (September 16, 2021), *Flying blind: The glaring absence of climate risks in financial reporting,* available at: https://carbontracker.org/flying-blind-pr/.

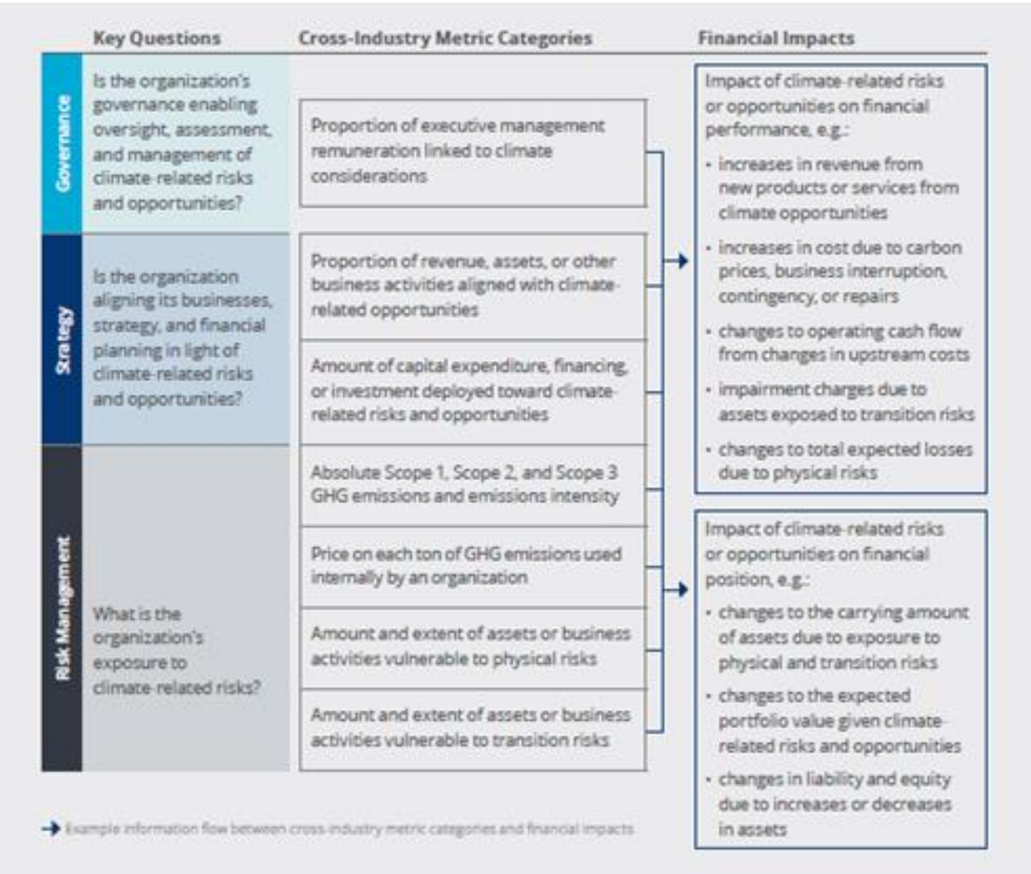
related disclosure includes similar, concise language on impact metrics that the Commission could consider as an alternative to better align and enable market efficiencies.[57]

It is worth noting that registrants will likely face some difficulties in disclosing such impact metrics, given the level of uncertainty in calculation and potential reliance on scenarios to derive impacts on asset and liability valuations. Furthermore, given the lack of guidance on calculating such metrics within existing voluntary reporting standards such as TCFD Guidance, most registrants will have limited experience producing them. Therefore, we encourage the Commission to consider phasing in this requirement in a similar way to other phase-ins within the proposal, seeking the appropriate balance of immediate investor demand and issuer compliance needs.

As stated in response to question 15, the PRI recommends that the Commission take a more integrated approach to metrics in its rulemaking, more closely mirroring the approach proposed by the TCFD in its updated 2021 guidance on metrics, targets and transition plans. Consolidated reporting from climate-related metrics, targets and transition plans can then be more efficiently used as inputs for estimating financial impacts as well as considerations for disclosing financial performance and position.

The static and forward-looking categories of metrics provided in response to Question 15 can also provide input into the calculation of financial impact metrics.

### Relationship between cross industry metrics and financial impacts (TCFD 2021)




Source: TCFD guidance on metrics, targets and transition plans https://www.fsb-tcfd.org/publications/

[57] Principles for Responsible Investment (February 2022), *PRI Draft Position Paper: Prototype Climate and General Disclosure Requirements Developed by the Technical Readiness Working Group (TRWG) for Consideration by the International Sustainability Standards Board (ISSB)*, available at https://www.unpri.org/download?ac=15754.

As highlighted in the response to Question 59, these cross-industry categories of metrics can be used to provide inputs into financial impact metrics summarized in the table above. This way, the alignment of metrics with the TCFD will better facilitate issuer ability to translate climate-related metrics into impacts on the financial statement. As methodology continues to evolve, the PRI believes that consolidation within the metrics will better support the development of accurate considerations of climate impacts on financial statements.

**Question 77. Instead of including a quantitative threshold, as proposed, should we require disaggregated disclosure of any amount of expense and capitalized costs incurred toward the climate-related events and transition activities, during the periods presented? Alternatively, should we just use a materiality standard?**

**The SEC should require disaggregated disclosures of expenses and capitalized costs incurred toward climate-related events and transition activities during the reporting period.** The materiality of these disclosures is not uniquely contingent upon the percentage of expenditure towards addressing climate-related risks and opportunities. Such information helps investors to evaluate a registrant's strategy to address its climate-related risks and pursue climate-related opportunities, and by extension its overall resilience.

In addition, such disclosures would provide investors with relevant information on a registrant's progress against targets or strategic commitments to address its climate-related risks and opportunities as outlined in Section 1502 of the proposal.

Finally, requiring this metric without a limiting threshold is similar to the proposed requirements from the TCFD as one of its seven cross-sector metrics. The ISSB Exposure Draft on climate-related disclosures similarly includes language requiring "the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities".[58]

[58] IFRS (March 31, 2022), *Exposure Draft IFRS S2 Climate-Related Disclosures*, available at https://www.ifrs.org/projects/work-plan/climate-related-disclosures/#published-documents.

## GHG EMISSIONS METRICS DISCLOSURE

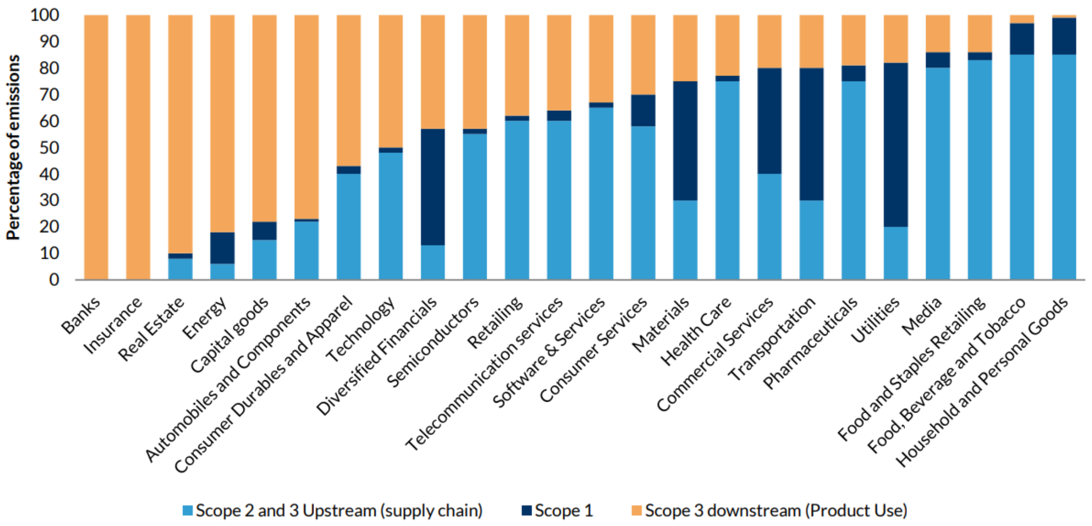
### Question 98. Should we require a registrant to disclose its Scope 3 emissions for the fiscal year if material, as proposed? Should we instead require the disclosure of Scope 3 emissions for all registrants, regardless of materiality? Should we use a quantitative threshold, such as a percentage of total GHG emissions (e.g., 25%, 40%, 50%) to require the disclosure of Scope 3 emissions? If so, is there any data supporting the use of a particular percentage threshold? Should we require registrants in particular industries, for which Scope 3 emissions are a high percentage of total GHG emissions, to disclose Scope 3 emissions?

**The PRI recommends the Commission require disclosure of Scope 3 emissions when it is a significant portion of an issuer's total emissions for investors, or when included in targets, goals and transition plans.** Scope 3 information is increasingly important to investors, the primary audience for disclosure, to understand exposure to climate-related risk across companies, industries and portfolios. Investors increasingly deem all Scope 3 emissions relevant to investment decision-making. The Commission should require Scope 3 emissions reporting for all public companies, excepting those companies where Scope 3 emissions represent a de minimus value, such as for professional services firms or certain Smaller Reporting Companies (SRCs). While a percentage of total emissions could be an efficient means of the Commission providing clear guidance, we recognize that finding a single quantitative threshold that would be appropriate across all industries will be difficult. While the Science-Based Targets Initiative (SBTi) has set a threshold of 40% of total emissions, this threshold is specifically designed for target setting and does not apply to all companies involved in the sale or distribution of fossil fuels.[59] Further, such a percentage threshold could exempt some industries with significant absolute emissions profiles, such as utilities (see chart below). Therefore, if the Commission chooses to use a quantitative threshold, the PRI recommends a significantly lower threshold.

It has been argued that Scope 3 emissions may be more difficult than others to report, since consensus has not yet been reached on a methodology for their calculation. However, tools and methodologies continue to improve, and emissions disclosure could still be informative to stakeholders if accompanied by a methodological explanation of the underlying calculations used. For this reason, the PRI supports the Commission allowing estimates and assumptions to be used in Scope 3 reporting if associated assumptions and methodologies are disclosed alongside the reported data.

[59] Science-Based Targets Initiative (October 2021), *SBTi Criteria and Recommendations, Version 5.0*, available at: https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf.

**Chart 5: Scope 3 – it matters!**




Source: Kepler Cheuvreux Transition Research (November 23, 2015), *Carbon Compass*, available at https://iasj.org/wp-content/uploads/investor-guide-to-carbon-footprinting.pdf, page 20.

**Question 101. Should we require a registrant to exclude any use of purchased or generated offsets when disclosing its Scope 1, Scope 2, and Scope 3 emissions, as proposed? Should we require a registrant to disclose both a total amount with, and a total amount without, the use of offsets for each scope of emissions?**

**Yes, it is the PRI's view that offsets should not be included when an issuer discloses its Scope 1, 2 and 3 emissions.** If the Commission decided to have a registrant disclose offset emissions, the PRI would recommend the proposed disclosure of Scopes 1, 2, and 3 with and without offsets.

**Question 109. Should we require a registrant to disclose the intensity of its GHG emissions for the fiscal year, with separate calculations for (i) the sum of Scope 1 and Scope 2 emissions and, if applicable (ii) its Scope 3 emissions (separately from Scopes 1 and 2), as proposed? Should we define GHG intensity, as proposed? Is there a different definition we should use for this purpose?**

**Yes, the PRI agrees that a registrant should be required to disclose the intensity of GHG emissions with separate calculations.** This is aligned with the TCFD recommendations for Cross-Industry, Climate-related Metric Categories.[60]

[60] Task Force on Climate-Related Financial Disclosures (October 2021), *Guidance on Metrics, Targets, and Transition Plans*, available at https://www.fsb.org/wp-content/uploads/P141021-2.pdf, (p.18).

## METHODOLOGY

**Question 115. Should we require a registrant to disclose the methodology, significant inputs, and significant assumptions used to calculate its GHG emissions metrics, as proposed? Should we require a registrant to use a particular methodology for determining its GHG emission metrics? If so, should the required methodology be pursuant to the GHG Protocol's Corporate Accounting and Reporting Standard and related standards and guidance? Is there another methodology that we should require a registrant to follow when determining its GHG emissions? Should we base our climate disclosure rules on certain concepts developed by the GHG Protocol without requiring a registrant to follow the GHG Protocol in all respects, as proposed? Would this provide flexibility for registrants to choose certain methods and approaches in connection with GHG emissions determination that meet the particular circumstances of their industry or business or that emerge along with developments in GHG emissions methodology as long as they are transparent about the methods and underlying assumptions used? Are there adjustments that should be made to the proposed methodology disclosure requirements that would provide flexibility for registrants while providing sufficient comparability for investors?**

**Yes, the PRI agrees with the Commission's proposal to require issuers to disclose the methodology, inputs and assumptions used to calculate GHG metrics.** This information will help contextualize the data provided from issuers and increase its usability. As noted in the PRI's previous work, investment company disclosure should be consistent and align with corporate disclosures to reduce implementation costs and improve the ability to collect and aggregate data.[61]

[61] Principles for Responsible Investment (March 2021), *U.S. Policy Briefing: Considerations for U.S. Regulators to Enhance Investors' Abilities to Identify, Assess and Take Action on ESG-Related Risks and Opportunities,* available at https://www.unpri.org/download?ac=14793.

## SAFE HARBOR

### Question 133. Should we provide a safe harbor for Scope 3 emissions disclosure, as proposed? Is the scope of the proposed safe harbor clear and appropriate?

**The PRI supports the proposal limiting liability with respect to forward-looking statements regarding registrant's Scope 3 emissions.** Such a safe harbor would address some concerns relating to registrants' potential liability for information that would be collected largely from third parties in a registrant's value chain, considering the accuracy of climate data and the complexities of extracting and assessing such data. Furthermore, such a safe harbor is likely to encourage issuers to provide more robust disclosures, quantitative metrics and analysis, and enhance dialogue between registrants and investors to strengthen reporting.

The Commission could consider providing a non-enforcement period of two years on Scope 3 emissions. This would allow registrants time to collect, verify and analyze the information collected, allowing them to appropriately integrate and implement systems to generate quality data. Further, this time would allow methodologies and tools to more accurately and efficiently measure emissions data to continue to improve.

### For example, should we require the use of a particular methodology for calculating and reporting Scope 3 emissions, such as the PCAF Standard if the registrant is a financial institution, or the GHG Protocol Scope 3 Accounting and Reporting Standard for other types of registrants?

**To provide more consistent, comparable and reliable information for investors, the Commission should consider highlighting best practice or recommending issuers look to coalesce around one methodology for calculating and reporting Scope 3 emissions.** However, the PRI acknowledges there are a variety of issuers, and that any universal adoption of a single methodology could present a challenge for some registrants, considering the lack of staff and operational resources.

### Should we clarify the scope of persons covered by the language "by or on behalf of a registrant" by including language about outside reviewers retained by the registrant or others?

**Yes, the Commission should consider clarifying the scope of persons covered by the language "by or on behalf of a registrant" in the safe harbor provision.** Considering that several registrants will seek consulting services to assist them with the Scope 3 emissions disclosures, the PRI believes that such clarity will enhance the effort of the Commission to mitigate litigation risks faced by registrants and thus, encourage them to engage in fulsome disclosure in this area. If the Commission looks to clarify or define such a definition, it should consider including language about outside reviewers, third-party climate consultants, GHG accounting services, auditors and other consultants.

### Should the safe harbor apply indefinitely, or should we include a sunset provision that would eliminate the safe harbor some number of years, (e.g., five years) after the effective date or applicable compliance date?

**While the safe harbor would alleviate widespread event-driven securities litigation in relation to climate-related disclosures, the PRI believes that in the long-term, rigorous liability would provide incentives that promote reliable disclosures, considering that registrants would have gained the necessary experience and expertise for this type of reporting.** Therefore, the Commission should consider including a sunset provision for the safe harbor once market practice evolves to such a point where accurate data, methodology and tools are available, accessible and useable by all issuers. The Commission could further consider a phased sunset based on size of issuer in the same way it proposed phasing in reporting requirements.

### Question 174. Should we apply the PSLRA statutory safe harbors as they currently exist to forward-looking statements involving climate-related targets and goals, or other climate-

**related forward-looking information? Should we instead create a separate safe harbor for forward-looking climate-related information, including targets and goals?**

**With respect to forward-looking statements involving climate-related targets and goals, it is expected that the Private Securities Litigation Reform Act of 1995 (PSLRA) safe harbors would apply to such statements, assuming all other statutory requirements for those safe harbors are met.** Considering the broad coverage provided under such safe harbors, it is the PRI's view that creating a separate safe harbor for forward-looking climate-related information would be unnecessary. The PRI believes that strict liability would provide incentives that promote reliable disclosures; thus, it is crucial to strike the right balance between providing robust climate-related disclosure and the need to alleviate the registrants' burden.

However, in an effort to clarify the scope of the proposed safe harbor and considering that PSLRA does not limit the Commission's ability to bring enforcement actions against registrants, the Commission should consider providing interpretive guidance with respect to private rights of action and Commission investigations and enforcement actions for climate-related disclosures or omissions.

## ATTESTATION

**In general, the PRI recommends using accounting firms and existing assurance systems to complete attestation reports.** The current system of auditing and assurance will need to be updated, through a Staff Accounting Bulletin or other guidance, to clarify the need and appropriately account for climate-related information.[62] The PRI encourages the SEC to provide robust guidance to the Public Company Accounting Oversight Board (PCAOB) and auditors on the need for a rapid growth in processes and procedures to systematically account for climate-related factors.[63] Auditors will need to expand their protocols and practices around incorporating this information into existing practices in order for climate-related information to be reliable and useful to investors.

**Question 135. Should we require accelerated filers and large accelerated filers to obtain an attestation report covering their Scope 1 and Scope 2 emissions disclosure, as proposed? Should we require accelerated filers and large accelerated filers to obtain an attestation report covering other aspects of their climate-related disclosures beyond Scope 1 and 2 emissions? For example, should we also require the attestation of GHG intensity metrics, or of Scope 3 emissions, if disclosed? Conversely, should we require accelerated filers and large accelerated filers to obtain assurance covering only Scope 1 emissions disclosure? Should any voluntary assurance obtained by these filers after limited assurance is required be required to follow the same attestation requirements of Item 1505(b)–(d), as proposed?**

**It is the PRI's view that climate-related information that is used for investment decision-making needs to be accurate and reliable.** External assurance can play an important role in upholding the quality of reporting, providing comfort to users that the standards used have been satisfied. Lack of external audit and assurance allows firms with negative environmental and climate impacts to conceal or convolute negative information, leading to incomplete or inaccurate disclosures from issuers and can "increase information processing costs of the recipient".[64]

One analysis found that while 95% of the S&P 500 companies had "detailed ESG information publicly available", only 6% utilized external assurance for that information.[65] For S&P 100 companies, another analysis found that "auditors already provide independent assurance for more than 10% of S&P 100 companies' ESG reports".[66] The Commission's proposed requirements for the type of data, its location and its assurance would improve the usability and consistency of this information for investors.

The methodologies used by issuers to calculate both GHG intensity metrics and Scope 3 emissions can vary, and assurance of climate-related disclosures beyond emissions reporting remains at an early stage.[67] To help investors understand the context of the information, if issuers disclose their Scope 3 emissions and GHG intensity metrics as proposed, the SEC should require the disclosure of methodologies and assumptions issuers used in that calculation. As noted in Question 115, establishing accepted methodologies and providing guidance for calculating GHG emissions will

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[62] Samantha Ross (March 1, 2021), *The Role of Accounting and Auditing in Addressing Climate Change,* available at https://www.americanprogress.org/issues/economy/reports/2021/03/01/496290/role-accounting-auditing-addressing-climate-change/.

[63] Principles for Responsible Investment (June 11, 2021), *Consultation Response: Securities and Exchange Commission: Request for Comment on Climate Disclosure,* available at https://www.unpri.org/download?ac=15678.

[64] Fabrizio, Kira R., and Eun-Hee Kim (2019), "Reluctant Disclosure and Transparency: Evidence from Environmental Disclosures", available at Organization Science 30 (6): 1207–31.

[65] Center for Audit Quality (August 9, 2021), *S&P 500 and ESG Reporting*, available at https://www.thecaq.org/sp-500-and-esg-reporting/.

[66] Center for Audit Quality, *Auditors & ESG Information*, available at *https://www.thecaq.org/collections/auditors-and-esg/*.

[67] Principles for Responsible Investment (September 23, 2021), *Investor Statement in Support of EU Corporate Sustainability Reporting Directive,* available at https://unpri.org/Uploads/z/h/n/priinvestorstatementofsupportforeucorporatesustainabilityreportingdirective_998287.pdf.

better support the accuracy and comparability of the information for investors. This will not only help to codify terminology (for greater consistency), it can also create market efficiencies and level the playing field on existing disclosure best practices by rewarding first movers and best performers.

**Question 140. Should we provide the same transition periods (from the Scopes 1 and 2 emissions disclosure compliance date) for accelerated filers and large accelerated filers, as proposed? Instead, should different transition periods apply to accelerated filers and large accelerated filers? Should we provide transition periods with different lengths than those proposed? Should we require the attestation to be at a reasonable assurance level without having a transition period where only limited assurance is required? Should we instead impose assurance requirements to coincide with reporting compliance periods?**

**Yes, the PRI agrees with the Commission's proposal to have the same transition periods for Scopes 1 and 2 emissions, with a transition from limited to reasonable assurance as proposed.** It is the PRI's view that the Commission took a balanced approach in establishing requirements for investors needs for data with the ability of issuers to provide that data. This is similar to actions globally, including the European Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD). The CSRD proposes limited assurance of reported information, with an option to move towards a reasonable assurance requirement at a later stage.[68]

[68] European Commission (2021), *Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014*, available at https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0189; European Commission (April 21, 2021), *Questions and Answers: Corporate Sustainability Reporting Directive Proposal*, available at https://ec.europa.eu/commission/presscorner/detail/en/QANDA_21_1806.

## INTERNATIONAL ALIGNMENT

**Question 189. An International Sustainability Standards Board (ISSB) has recently been created, which is expected to issue global sustainability standards, including climate-related disclosure 296 standards. If we adopt an alternative reporting provision, should that provision be structured to encompass reports made pursuant to criteria developed by a global sustainability standards body, such as the ISSB? If so, should such alternative reporting be limited to foreign private issuers, or should we extend this option to all registrants? What conditions, if any, should we place on a registrant's use of alternative reporting provisions based on the ISSB or a similar body?**

**The PRI welcomes the Exposure Draft IFRS S2 Climate-related Disclosures from the IFRS Foundation's International Sustainability Standards Board (ISSB).**[69][70] The PRI supports globally comparable, consistent and high-quality corporate disclosure to enable investors to incorporate climate issues and assess the sustainability performance of corporate entities efficiently across jurisdictions. Investors often report to the PRI that this is a particular concern and that a lack of consistent and comparable climate data is a substantial barrier to their responsible investment practice.

The SEC's proposed climate-related disclosure rule is directly in line with other national and international actions being taken to better manage climate-related information. For example, development of the ISSB and its proposed climate standard, along with country specific climate disclosure requirements all utilize the recommendations of the TCFD, for example in the UK, New Zealand and the European Union. These disclosure rules and standards are being developed on near identical timelines to the SEC's efforts, representing a global alignment on the emerging need for better management of climate-related data for investors and markets.

The PRI has conducted a gap analysis comparing the SEC's proposal with the TCFD recommendations and the latest draft proposed climate-related disclosure standards from the ISSB.[71] There is significant alignment of these three leading disclosure regimes, as well as gaps between the TCFD recommendations and the SEC.

The particular alignment of these disclosure rules and standards point to global general agreement from investors – the primary users of issuer information – on the core climate-related information they require to uphold their fiduciary duty. Along with providing for global efficiencies in issuer reporting and investor understanding, the SEC's proposal has a clear mandate from the global investor community to provide organized, standardized disclosures of climate-related information.

The PRI recognizes the Commission's commitment to global standard setting and its support for a single set of high-quality globally accepted accounting standards, which will benefit US investors. Therefore, the PRI supports allowing foreign filers to utilize the ISSB disclosure standards in place of the SEC's proposed rule.

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[69] IFRS (March 31, 2022), *Exposure Draft IFRS S2 Climate-Related Disclosures*, available at https://www.ifrs.org/projects/work-plan/climate-related-disclosures/#published-documents.

[70] Principles for Responsible Investment (February 2022), *PRI Draft Position Paper: Prototype Climate and General Disclosure Requirements Developed by the Technical Readiness Working Group (TRWG) for Consideration by the International Sustainability Standards Board (ISSB)*, available at https://www.unpri.org/download?ac=15754.

[71] Appendix A includes a comparison of the Proposal, ISSB Exposure Draft IFRS S2 Climate-related Disclosures and TCFD Framework.

## COST BENEFIT ANALYSIS

Globally, several countries have conducted cost benefit analyses in light of mandatory climate disclosure regulations. For example, New Zealand's analysis of the Financial Market Conduct Act of 2013 included a cost benefit analysis.[72] Similarly, the United Kingdom's Financial Conduct Authority (FCA) mandated TCFD-based disclosure and conducted a cost benefit analysis as part of this rulemaking.[73] Finally, the European Commission has conducted several impact assessments throughout the process of implementing the Non-Financial Reporting Directive (NFRD) and the Corporate Sustainability Reporting Directive (CSRD).[74] Each of these jurisdictions concurrently moved to implement a mandatory climate-related disclosure regime.

The TCFD reported that "42 percent of companies with a market capitalization greater than $10 billion disclosed at least some information in line with each TCFD recommendation in 2019."[75] One study from Oxford Net Zero found that 21% of the 2,000 largest publicly traded companies had made some form of net-zero commitment, and the majority of those commitments included some coverage of Scope 3 emissions.[76] Fulfilling these corporate pledges will entail some form of data-gathering on greenhouse gas emissions—data-gathering that would still occur in the absence of the proposed climate risk disclosure rule.[77]

Any analysis of the costs and benefits of the proposed rule should reflect that it is not only companies that face costs. The absence of consistent and comparable company reporting on climate change imposes costs on investors. These include the direct costs of sourcing providers of this information to estimate or consolidate data into a usable form, stewardship decision costs that are burdensome for both companies and investors like direct company engagement to understand and interpret data to inform voting and steering activities, and opportunity costs from investors invested in the US financial markets that make allocation decisions that may have had different outcomes, if data was more consistent or reliable.

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[72] New Zealand Ministry of Business (July 2020), *Innovation and Employment and Ministry for the Environment, Coversheet: Climate-related Financial Disclosures*, available at https://environment.govt.nz/assets/Publications/REDACTED-CRFD-Regulatory-Impact-Assessment-July-2020.pdf.

[73] Financial Conduct Authority (June 2021), *Enhancing Climate-related Disclosures by Standard Listed Companies and Seeking Views of ESG Topics in Capital Markets,* available at https://www.fca.org.uk/publication/consultation/cp21-18.pdf.

[74] European Commission (2013), *Commission Staff Working Document Impact Assessment*, available at https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013SC0127; European Commission (November 2020), *Study on the Non-Financial Reporting Directive*, available at https://op.europa.eu/en/publication-detail/-/publication/1ef8fe0e-98e1-11eb-b85c-01aa75ed71a1/language-en; European Commission (2021), *Commission Staff Working Document Impact Assessment*, available at https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021SC0150&from=EN.

[75] Task Force on Climate-Related Financial Disclosures (2020), *2020 Status Report 8*, available at https://perma.cc/55QE-4RFL.

[76] Richard Black et al. (2021), Energy & Climate Intelligence Unit & Oxford Net Zero, *Taking Stock: A Global Assessment of Net Zero Targets* 19, 22 fig 5.b, available at https://perma.cc/9SK4-MP5H.

[77] See Lee Reiners & Mario Olczykowski (Aug. 9, 2021), *Where the Rubber Meets the Road: How Can an SEC Climate Risk Disclosure Rule Survive Cost-Benefit Analysis?,* available at https://perma.cc/HR69-5UML ( "[S]everal large banks have made net-zero commitments that can only be measured and assessed if they ask for, and receive, climate information from their customers, i.e. borrowers.").

We note the research by ERM which found that investors spend an average of $1,333,000 annually to collect, analyze and report climate data to inform their investment decisions.[78] The three largest cost categories for investors are:

- External ESG ratings, data providers and consultants ($466,000 average annual cost for those reporting spend in this category).
- In-house, outside counsel and proxy solicitor analysis of shareholder voting for ballot items ($397,000 average annual cost for those reporting spend in this category).
- Internal climate-related investment analysis ($335,000 average annual cost for those reporting spend in this category).

Moreover, the SEC's consideration of cost and benefits should not only examine the impacts at an organizational level, but also those on the US economy more broadly – including the costs of inaction on climate risk disclosure. Climate change is already having a financial impact in the US. In the past decade extreme weather events in the US have cost $800 billion in disaster-related damages.[79] This is a risk factor that will grow over time, threatening the long-term health of investment portfolios.

There is a growing body of research estimating the potential economic impacts of climate change. Among the most recent is a Deloitte study projecting US financial losses from unchecked climate change of $14.5 trillion over the next fifty years in present-value terms.[80] In addition, a series of studies by the Office of Management and Budget (OMB) projects that US annual GDP could decline by as much as 10% by the end of the century, resulting in a yearly loss of $2 trillion of federal revenue per year in today's dollars.[81] Moreover, evidence suggests that organizations that invest in activities that may not be viable in the longer term or subject to transition risks may be less resilient to a lower-carbon economy; their investors will likely experience lower returns.[82]

As climate change continues, these trends are expected to disrupt global supply chains that impose costs on companies, necessitating investments in resilience. The proposed rules would be a catalyst for investors in understanding which companies are the best stewards of their capital under these challenging conditions. A standard disclosure framework from the Commission can save time and money of both issuers and investors in creating a single language and benchmark of disclosures of the most important climate-related information, rather than an ad hoc system that continually requires different variations and additions.

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[78] ERM (2022), *Cost of Climate Disclosure Survey Factsheet*, available at: https://www.sustainability.com/globalassets/sustainability.com/thinking/pdfs/2022/climate-disclosure-survey_fact-sheet-april-2022.pdf

[79] NOAA Climate.gov (2021), *2010-2019:A landmark decade of U.S. billion-dollar weather and climate disasters,* available at: https://www.climate.gov/news-features/blogs/beyond-data/2010-2019-landmark-decade-us-billion-dollar-weather-and-climate.

[80] Deloitte (January 2022), *The turning point: A new economic climate in the United States*, available at https://www2.deloitte.com/content/dam/Deloitte/us/Documents/about-deloitte/us-the-turning-point-a-new-economic-climate-in-the-united-states-january-2022.pdf.

[81] The White House (April 4, 2022), *Quantifying Risks to the Federal Budget from Climate Change*, available at https://www.whitehouse.gov/omb/briefing-room/2022/04/04/quantifying-risks-to-the-federal-budget-from-climate-change/.

[82] Task Force on Climate-Related Financial Disclosures (June 2017), *Final Report*, available at https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf (p.iii).

Disclaimer

*The PRI has experience of public policy on sustainable finance policies and responsible investment across multiple markets and stands ready to further support the work of SEC to improve ESG disclosure and issuer accountability in United States.*

*Any questions or comments can be sent to policy@unpri.org.*

## APPENDIX A

Comparison of SEC Proposed Climate-related Disclosures, ISSB Exposure Draft IFRS S2 Climate-related Disclosures, and the TCFD Framework

## Gap analysis

**Climate disclosures under TCFD, SEC Proposed Rules and ISSB Exposure Drafts**

**1. Publications reviewed**

| Title | Date | Organisation |
|---|---|---|
| Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures | 2021 | Task Force on Climate-related Financial Disclosures (TCFD) |
| TCFD Guidance on Metrics, Targets and Transition Plans | 2021 | Task Force on Climate-related Financial Disclosures (TCFD) |
| Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors | 2022 | US Securities and Exchange Commission (SEC) |
| [Draft] IFRS S2 Climate-related Disclosures | 2022 | IFRS International Sustainability Standards Board (ISSB) |

**2. Approach**

Collected and organised provisions from each document by theme, and in a way that illustrates the similarities and differences between these documents

The main fous of this exercise is on required disclosures where material (in the case of SEC / ISSB) or elements that entities should be disclosing as per TCFD Guidance

Note that ISSB and SEC documents are draft proposals and are therefore subject to change. In the case of ISSB, final standards could also be subject to change at jurisdiction-level within countries that choose to adopt these

The SEC proposal is the only document currently undergoing regulatory consultation. We acknowledge specificities related to the US regulatory environment as a factor behind certain differences to TCFD/ISSB suggested disclosures

The analysis uses TCFD Guidance as the baseline, and allows users to see: a) what the differences are with respect to ISSB / SEC proposals; and b) differences in the ISSB and SEC approaches

This document does not capture implementation timelines, scope of companies covered, clarifications and calculation methodologies provided, or aspects that the documents note should be considered (but not disclosed)

**For TCFD, the Recommendation document is the main source referenced in each tab. Where relevant, text from TCFD Guidance is also included (in italics)**

**3. Reading key**

| | |
|---|---|
| | Aligned with TCFD or goes further |
| | Gap against TCFD or notable gap against another initiative |
| | Optional disclosure as indicated by the relevant document |

| Governance | Implementing the Recommendations of the TCFD<br>Page 17 (unless otherwise indicated) | SEC consultation on climate-related disclosure requirements<br>Pages 462-463 | [Draft] IFRS S2 Climate-related Disclosures<br>Pages 32-33 |
|---|---|---|---|
| **Governance body or bodies' oversight of climate-related risks and opportunities** | | The identity of any board members or board committee responsible for the oversight of climate-related risks | The identity of the body or individual within a body responsible for climate-related risks and opportunities. This can include a board, committee or equivalent body charged with governance |
| | | | How the body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies |
| | How the board monitors and oversees progress against goals and targets for addressing climate related issues | Whether and how the board of directors sets climate-related targets or goals, and how it oversees progress against those targets or goals, including the establishment of any interim targets or goals | How the body and its committees oversees the setting of targets related to significant climate-related risks and opportunities, and monitor progress towards them |
| | Whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures | Whether and how the board of directors or board committee considers climate-related risks as part of its business strategy, risk management, and financial oversight | How the body and its committees consider climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions, and its risk management policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required |
| | Processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate related issues | The processes by which the board of directors or board committee discusses climate-related risks, including how the board is informed about climate-related risks, and the frequency of such discussion | How and how often the body and its committees are informed about climate-related risks and opportunities |
| | | Whether any member of the board of directors has expertise in climate-related risks, with disclosure in such detail as necessary to fully describe the nature of the expertise | |
| | | | How the governance body ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to climate-related risks and opportunities |
| **Management responsibilities** | In describing management's role related to the assessment and management of climaterelated issues, organizations should consider including the following information:<br>* Whether the organization has assigned climate related responsibilities to management level positions or committees<br>* How management (through specific positions and/or management committees) monitors climate-related issues | Describe management's role in assessing and managing climate related risks, including (where applicable)<br>* Whether certain management positions or committees are responsible for assessing and managing climate-related risks and, if so, the identity of such positions or committees and the relevant expertise of the position holders or members in such detail as necessary to fully describe the nature of the expertise | A description of management's role in assessing and managing climate-related risks and opportunities, including whether that role is delegated to a specific management-level position or committee |
| | * Whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues<br>* A description of the associated organizational structure(s) | * Whether and how frequently management positions or committees report to the board or a committee of the board on climate-related risks | Would be covered by disclosures on reporting to the Board |
| | * Processes by which management is informed about climate-related issues | * The processes by which management positions or committees are informed about and monitor climate-related risks | |
| | | | How oversight is exercised over the management position or committee responsible for assessing and managing climate-related risks and opportunities. The description shall include information about whether dedicated controls and procedures are applied to management of climate-related risks and opportunities and, if so, how they are integrated with other internal functions |
| **Climate-related reumeration** | Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies [p21] | | Whether and how climate-related performance metrics are included in remuneration policies<br><br>Description of how climate-related considerations are factored into executive remuneration |
| | Proportion of executive management remuneration linked to climate considerations [p80] | | Percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations |

| | |
|---|---|
| | Aligned with TCFD or goes further |
| | Gap against TCFD or notable gap against another initiative |
| | Optional disclosure |

| Strategy | Implementing the Recommendations of the TCFD<br>Pages 18-19 | SEC consultation on climate-related disclosure requirements | [Draft] IFRS S2 Climate-related Disclosures |
|---|---|---|---|
| Description of climate-related risks and opportunities | Description of the specific climate related issues potentially arising in each time horizon (short, medium, and long term) that could have a material financial impact on the organization | Discuss any climate-related risks reasonably likely to have a material impact on the registrant, including on its own business or consolidated financial statements, which may manifest over the short, medium and long term, specifying whether they are physical or transition risks and the nature of the risks presented [p463]<br><br>Describe the actual and potential impacts of any climate-related risks (likely to have a material impact on the registrant) on the registrant’s strategy, business model, and outlook, including impacts on the registrants:<br>* Business operations, including the types and locations of its operations;<br>* Products or services;<br>* Suppliers and other parties in its value chain;<br>* Activities to mitigate or adapt to climate-related risks, including adoption of new technologies or processes<br>* Expenditure for research and development<br>* Any other significant changes or impacts [p464] | Description of signifiicant climate-related risks and opportunities (including whether these are physical or transition risks) [p34]<br><br>A description of the current and anticipated effects of significant climate-related risks and opportunities on its value chain [p35] |
| | | For physical risks, describe the nature of the risk, including if it may be categorized as an acute or chronic risk, and the location and nature of the properties, processes, or operations subject to the physical risk.<br>* If a risk concerns the flooding of buildings, plants, or properties located in flood hazard areas, disclose the percentage of those assets (square meters or acres) that are located in flood hazard areas in addition to their location.<br>* If a risk concerns the location of assets in regions of high or extremely high water stress, disclose the amount of assets (e.g., book value and as a percentage of total assets) located in those regions in addition to their location. Also disclose the percentage of the registrant’s total water usage from water withdrawn in those regions [p463] | |
| | | For transition risks, describe the nature of the risk, including whether it relates to regulatory, technological, market (including changing consumer, business counterparty, and investor preferences), liability, reputational, or other transition-related factors, and how those factors impact the registrant [p464] | |
| | | Time horizon of actual and potential climate-related risks (likely to have a material impact on the registrant (i.e., in the short, medium, or long term) [p464] | Time horizon over which significant climate-related risks and opportunities are reasonably expected to affect the entity's business model, strategy and cash flows, its access to finance and its cost of capital over the short, medium or long term [p34] |
| | Description of what they consider to be the relevant short, medium, and longterm time horizons, taking into consideration the useful life of the organization’s assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms | Describe how the registrant defines short-, medium-, and long-term time horizons, including how it takes into account or reassesses the expected useful life of the registrant’s assets and the time horizons for the registrant’s climate-related planning processes and goals [p464] | How the entity defines short, medium, and long termand how these definitions are linked to the the entity’s strategic planning horizons and capital allocation plans [p34] |

| | | | |
|---|---|---|---|
| | | | Where in its value chain significant climate-related risks and opportunities are concentrated (for example, geographical areas, facilities or types of assets, inputs, outputs or distribution channels) [p35] |
| **Impact of significant climate-related risks and opportunities on management's strategy and decision making, including its transition plans** | How identified climate-related issues have affected their businesses, strategy, and financial planning. Organizations should consider including the impact on their businesses, strategy, and financial planning in the following areas: products / services, supply / value chain, adaptation and mitigation activities, investment in R&D, operations, acquisitions or divestments and access to capital.<br><br>How climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritized.<br><br>If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described. | Discuss whether and how any impacts described are considered as part of the registrant's business strategy, financial planning, and capital allocation. Provide both current and forward-looking disclosures that facilitate an understanding of whether the implications of the identified climate-related risks have been integrated into the registrant's business model or strategy, including how any resources are being used to mitigate climate-related risks. Include in this discussion how any climate-related metrics referenced in § 210.14-02 and § 229.1504 or any of the targets referenced in § 229.1506 relate to the registrant's business model or business strategy. If applicable, include in this discussion the role that carbon offsets or RECs play in the registrant's climate-related business strategy [p481]<br><br>How the registrant intends to meet its climate-related targets or goals [p480]<br><br>Actions taken during the year to achieve its climate-related targets or goals [p481] | How the entity is responding to significant climate-related risks and opportunities including how it plans to achieve any climate related targets it has set ('**transition plans**'). This shall include:<br>* Information about current and anticipated changes to its business model, including about changes the entity is making in strategy and resource allocation to address risks and opportunities (including relevant expenditure, acquisitions and divestments, and plans and critical assumptions for legacy assets), direct adaptation and mitigation efforts it is undertaking (e.g. changes in production processes), and indirect adaptation and mitigation efforts it is undertaking (e.g. working with the supply chain) [p35]<br><br>Quantitative and qualitative information about the progress of plans disclosed in prior reporting periods [p36] |

| | | | |
|---|---|---|---|
| | Amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities [p21] | Disclose the aggregate amount of expenditure expensed (or capitalised costs incurred) if such amount is one percent or more of the total expenditure expensed or total capitalised costs incurred, respectively, for the relevant fiscal year [p453]<br>* Aggregate amount of expenditure expensed and the aggregate amount of capitalised costs incurred during the fiscal years presented to mitigate the risks from severe weather events and other natural conditions (e.g. flooding / drought) [p454]<br>* Aggregate amount of expenditure expensed and the aggregate amount of capitalised costs incurred during the fiscal years presented to reduce GHG emissions or otherwise mitigate exposure to transition risks [p455] | Amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities [p42]<br><br>How current and anticipated changes to its business model will be resourced [p35] |
| **Transition plans** | *Organisations that have made GHG emissions reduction commitments, operate in jurisdictions that have set commitments, or have agreedto meet investor expecations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy ('transition plans'):*<br>** Impact on businesses, strategy and financial planning from a low-carbon transition*<br>** Actions and activities to support the transition, including GHG emissions reduction targets (and scope and coverage of these) and planned changes to business and strategies [p43]*<br>** Specific initiatives and actions the organization will undertake to effectively execute the transition plan, including regular milestones [p41]* | If the registrant has adopted a transition plan as part of its climate-related risk management strategy, describe the plan, including the relevant metrics and targets used to identify and manage any physical and transition risks. To allow for an understanding of the registrant's progress to meet the plan's targets or goals over time, a registrant must update its disclosure about the transition plan each fiscal year by describing the actions taken during the year to achieve the plan's targets or goals.<br><br>If the registrant has adopted a transition plan, discuss, as applicable:<br>* How the registrant plans to mitigate or adapt to any identified physical risks, including but not limited to those concerning energy, land, or water use and management<br>* How the registrant plans to mitigate or adapt to any identified transition risks, including the following:<br>- Laws, regulations, or policies that (i) restrict GHG emissions or products with high GHG footprints, including emissions caps; and (ii) require the protection of high conservation value land or natural assets [p483]<br>* Imposition of a carbon price<br>* Changing demands or preferences of consumers, investors, employees, and business counterparties<br><br>If applicable, a registrant that has adopted a transition plan as part of its climate-related risk management strategy may also describe how it plans to achieve any identified climate-related opportunities [p468] | How the entity is responding to significant climate-related risks and opportunities including how it plans to achieve any climate related targets it has set ('transition plans'). This shall include:<br>* Information about current and anticipated changes to its business model, including about changes the entity is making in strategy and resource allocation to address risks and opportunities (including relevant expenditure, acquisitions and divestments, and plans and critical assumptions for legacy assets), direct adaptation and mitigation efforts it is undertaking (e.g. changes in production processes), and indirect adaptation and mitigation efforts it is undertaking (e.g. working with the supply chain) [p35] |
| | ** The organisation's current capabilities, technologies, transition pathways and financial plan [p41]*<br>** Assumptions, uncertainties and key methodologies associated with their transition plans [p43]* | | |
| | ** Annual progress and comparisons of completed actions to planned actions in the prior reporting period [p41 and 43]* | | Quantitative and qualitative information about the progress of plans (including 'transition plans') disclosed in prior reporting periods [p36] |

| | | | |
|---|---|---|---|
| **Impact of climate-related risks and opportunities on the entity's current financial position and performance and the potential impact over the short, medium and long term** | Impact of climate-related issues on their financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities)<br><br>*Actual or potential changes to income and cash flow statements, or other appropriate financial performance measures, as a result of climate-related risks and opportunities [p49]*<br><br>*Changes to the balance sheet statement as a result of climate-related risks and opportunities [p51]* | Provide a narrative discussion of whether and how climate-related risks have affected or are reasonably likely to affect the registrant's consolidated financial statements. The discussion should include any of the climate-related metrics referenced in § 210.14-02 that demonstrate that the identified climate-related risks have had a material impact on reported financial condition or operations [p465] | How significant climate-related risks and opportunities have affected its most recently reported financial position, financial performance and cash flows [14-a]. Entiies would need to provide quantitive information, or if they cannot do this provide qualitative information [14]<br><br>Exposure to physical / transition risks and opportunities is further covered in the Metrics tab |
| | | | How the entity expects its financial position to change over time in line with its strategy to address significant climate-related risks and opportunities, reflecting:<br>* the entity's current and committed capital allocation plans and their anticipated impact on the financial position (for example, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements)<br>* the entity's planned sources of funding to implement the strategies [p37] |
| | | | How the entity expects its financial performance to change over time given its strategy to address significant climate-related risks and opportunities (for example, increased revenue from or costs of products and services aligned with a lower-carbon economy, consistent with the latest international agreement on climate change; physical damage to assets from climate events; and the total costs of climate adaptation or mitigation) [p37] |
| | | | Information about the climate-related risks and opportunities identified for which there is a significant risk that there will be a material adjustment to the carrying amounts of assets and liabilities reported in the financial statements within the next financial year [p37] |
| | | Disclose the financial impact on a line item of the registrant's consolidated financial statements, if the sum of the absolute values of all impacts on the line item is one percent or more of the total line item for the relevant fiscal year [p452]<br>* Financial impact of any efforts to reduce GHG emissions or otherwise mitigate exposure to transition risk on any relevant line items in the registrant's consolidated financial statements during the fiscal years presented [p453]<br>* Financial impact of severe weather events and other natural conditions (e.g. flooding / drought) on any relevant line items in the registrant's consolidated financial statements during the fiscal years presented [p454] | |
| | | Disclose whether the estimates and assumptions the registrant used to produce the consolidated financial statements were impacted by exposures to risks and uncertainties associated with, or known impacts from, severe weather events and other natural conditions, such as flooding, drought, wildfires, extreme temperatures, and sea level rise. If yes, provide a qualitative description of how the development of such estimates and assumptions were impacted by such events [p455]<br><br>Disclose whether the estimates and assumptions the registrant used to produce the consolidated financial statements were impacted by risks and uncertainties associated with, or known impacts from, a potential transition to a lower carbon economy or any climate-related targets disclosed by the registrant. If yes, provide a qualitative description of how the development of such estimates and assumptions were impacted by such a potential transition or the registrant's disclosed climate-related targets. [p455] | |

| | | | |
|---|---|---|---|
| | | Impact of any climate-related risks (separately by physical and transition risks) and opportunities on any of the financial statement metrics disclosed in this section [p456] | |
| **Analysis of the resilience of the entity's business model, strategy, and cashflows to climate-related risks associated with the physical impacts of climate change and the transition to a lower-carbon economy** | Organizations should describe how resilient their strategies are to climate-related risks<br>and opportunities, taking into consideration a transition to a low-carbon economy<br>consistent with a 2°C or lower scenario and, where relevant to the organization,<br>scenarios consistent with increased physical climate-related risks.<br>Organizations should consider discussing:<br>* The climate-related scenarios and associated time horizon(s) considered. | Describe any analytical tools, such as scenario analysis, that the registrant uses to assess the impact of climate-related risks on its business and consolidated financial statements, and to support the resilience of its strategy and business model.<br><br>If the registrant uses scenario analysis to assess the resilience of its business strategy to climate-related risks, disclose the scenarios considered (e.g., an increase of no greater than 3 ºC, 2 ºC, or 1.5 ºC above pre-industrial levels), including parameters, assumptions, and analytical choices [p466] | How climate-related scenario analysis (if used to assess resilience) has been conducted, including:<br>* which scenarios were used for the assessment and the sources of the scenarios used;<br>* whether the analysis has been conducted by comparing a diverse range of climate-related scenarios;<br>* whether the scenarios used are associated with transition risks or increased physical risks;<br>* whether the entity has used, among its scenarios, a scenario aligned with the latest international agreement on climate change;<br>* an explanation of why the entity has decided that its chosen scenarios are relevant to assessing its resilience to climate-related risks and opportunities;<br>* the time horizons used in the analysis;<br>* the inputs used in the analysis, including—but not limited to—the scope of risks (for example, the scope of physical risks included in the scenario analysis), the scope of<br><br>When climate-related scenario analysis is not used to assess resilience, but a resilience analysis has been undertaken:<br>* an explanation of the methods or techniques used to assess the entity's climate resilience (for example, single-point forecasts, sensitivity analysis or qualitative analysis);<br>* the climate-related assumptions used in the analysis including whether it includes a range of hypothetical outcomes;<br>* an explanation of why the entity has decided that the chosen climate-related assumptions are relevant to assessing its resilience to climate-related risks and opportunities;<br>* the time horizons used in the analysis;<br>* the inputs used in the analysis, including—but not limited to—the scope of risks (for example, the scope of physical risks included in the analysis), the scope of operations |
| | * Where they believe their strategies may be affected by climate-related risks and<br>opportunities<br>* The potential impact of climate-related issues on financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities) | Describe the resilience of the registrant's business strategy in light of potential future changes in climate-related risks [p466]<br><br>Disclose the projected principal financial impacts on the registrant's business strategy under each scenario. The disclosure should include both qualitative and quantitative information [p466] | Results of the analysis of climate resilience enabling users to understand:<br>* Implications, if any, of the entity's findings for its strategy, including how it would need to respond to the effects identified<br>* Significant areas of uncertainty considered in the analysis of climate resilience [p37] |
| | * How their strategies might change to address such potential risks and opportunities | | * The entity's capacity to adjust or adapt its strategy and business model over the short, medium and long term to climate developments in terms of:<br>- the availability of, and flexibility in, existing financial resources, including capital, to address climate-related risks, and/or to be redirected to take advantage of climate-related opportunities;<br>- the ability to redeploy, repurpose, upgrade or decommission existing assets; and<br>- the effect of current or planned investments in climate-related mitigation, adaptation or opportunities for climate resilience [p37] |

| | |
|---|---|
| | Aligned with TCFD or goes further |
| | Gap against TCFD or notable gap against another initiative |
| | Optional disclosure |

| Risk management | Implementing the Recommendations of the TCFD<br>Page 20 (unless indicated otherwise) | SEC consultation on climate-related disclosure requirements<br>Pages 467-468 | [Draft] IFRS S2 Climate-related Disclosures<br>Pages 39-40 |
|---|---|---|---|
| Processes for identifying and assessing climate-related risks | Description of the processes for identifying and assessing climate-related risks<br><br>Describe whether they consider existinand emerging regulatory requirements related to climate change, as well as other factors considered<br><br>Consider disclosing processes for assessing the potential size and scope of identified cliamte-related risks, and definitions of risk terminology used or references to existing risk classificaiton frameworks used | Describe any processes in place for idenfying climate-related risks, including how the registrant:<br>* Considers existing or likely regulatory requirements or policies, such as GHG emissions limits, when identifying climate-related risks<br>* Considers shifts in customer or counterparty preferences, technological changes, or changes in market prices in assessing potential transition risks | Process(es) used to identify climate-related risks |
| | Description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organisation [p18] | * Determines the materiality of climate-related risks, including how it assesses the potential scope and impact of an identified climate related risk | How it assesses the likelihood and effects associated with such risks (such as the qualitative factors, quantitative thresholds and other criteria used) |
| | | | The input parameters it uses to assess climate-related risks for risk management purposes (for example, data sources, the scope of operations covered and the detail used in assumptions) |
| | Describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations | * Determines the relative significance of climate-related risks compared to other risks | How it prioritises climate-related risks relative to other types of risks, including its use of risk-assessment tools (for example, science-based risk-assessment tools) |
| | | | Whether the entity has changed the processes it uses to identify climate-related risks for risk management purposes compared to the prior reporting period |
| Climate risk management / mitigation | Describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks | Describe any processes in place for managing climate-related risks, including how the registrant:<br>* Decides whether to mitigate, accept, or adapt to a particular risk<br>* Prioritizes whether to address climate-related risks<br>* Determines how to mitigate any high priority risks | Process(es) used to monitor and manage climate-related risks and opportunities, including related policies |
| | How processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management | Disclose whether and how climate risk identification / assessment / management processes are integrated into the registrant's overall risk management system or processes. If a separate board or management committee is responsible for assessing and managing climate related risks, a registrant should disclose how that committee interacts with the registrant's board or management committee governing risks [p483] | * The extent to which and how the climate-related risk identification, assessment and management process, or processes, are integrated into the entity's overall risk management process<br>* The extent to which and how the climate-related opportunity identification, assessment and management process, or processes, are integrated into the entity's overall management process |
| Opportunities | | If applicable, a registrant may also describe any processes for identifying, assessing and managing climate-related opportunities when responding to any provisions in this section | The process(es) used to identify, assess and prioritise climate-related opportunities |

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| | Aligned with TCFD or goes further |
| | Gap against TCFD or notable gap against another initiative |

Optional disclosure

| Metrics | Implementing the Recommendations of the TCFD<br>Page 21 | SEC consultation on climate-related disclosure requirements | [Draft] IFRS S2 Climate-related Disclosures<br>Pages 41-42 |
|---|---|---|---|
| GHG emissions | Organisations should disclose Scope 1 and Scope 2 GHG emissions (independent of a materiality assessment) | Absolute Scope 1 and Scope 2 emissions, disaggregated by each constituent greenhouse gas and in aggregate [p469], to the extent such historical GHG emissions data is reasonably available | Absolute Scope 1 and Scope 2, GHG emissions (mtCO2e) generated during the reporting period, measured in accordance with the Greenhouse Gas Protocol Corporate Standard |
| | | | Scope 1 and Scope 2 emissions disclosed separately for: a) the consolidated accounting group (the parent and its subsidiaries); and b) associates, joint ventures, unconsolidated subsidiaries or affiliates not included in (a), along with the approach used to include emissions for these entities and why this approach was chosen |
| | Organisations should consider disclosing Scope 3 emissions | Absolute Scope 3 emissions, if material or if the registrant has set a GHG emissions reduction targer or goal that includes its Scope 3 emissions (and the entity is not a 'Smaller Reporting Company'), disaggregated by each constituent greenhouse gas and in aggregate [p470-471] | Absolute Scope 3 GHG emissions (mtCO2e) generated during the reporting period, measured in accordance with the Greenhouse Gas Protocol Corporate Standard |
| | *GHG emissions split out by the seven gases covered by the Kyoto Protocol [p20]* | | For Scope 3 emissions, an entity shall disclose:<br>* Upstream and downstream emissions in its measure of Scope 3 emissions<br>* Categories included within its measure of Scope 3 emissions |
| | | | * When the entity's measure of Scope 3 emissions includes information provided by entities in its value chain, it shall explain the basis for that measurement<br>* When the entity's measure of Scope 3 emissions excludes GHG emissions from entities in its value chain, it shall state the reason for omitting them (e.g. because it is unable to obtain a faithful measure) |
| | *GHG emissions by relevant business line [p20]* | | |
| | | * Methodology (including emissions factors), significant inputs and significant assumptions used to calculate GHG emissions [p472-473] | Scope 3 GHG emissions should measured in accordance with the Greenhouse Gas Protocol Corporate Standard |
| | | An attestation report covering Scope 1 and Scope 2 emissions disclosure [p490]. The report and verifier preparing this report would need to meet the criteria set out by the Commission [p490-493], and the registrant would need to provide underlyinginformation about the attestation provider and report methodology and results [p474]<br><br>This would initially consitute limited assurance, and be scaled up to reasonable assurance two reporting years later [p224, 239] | |
| | *GHG emissions intensity [p20]* | GHG emissions intensity for Scope 1 and Scope 2 [p471] | GHG emissions intensity for each of Scope 1 and Scope 2 emissions (mtCO2e per unit of physical or economic outpt) |
| | | | GHG emissions intensity for Scope 3 emissions (mtCO2e per unit of physical or economic outpt) |

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| **Financial exposure** | Amount and extent of assets or business activities vulnerable to transition risks | The proposed rules contain measures of financial impact of physical / transition risks, but these are slightly different to the indicators under TCFD guidance and the ISSB exposure draft (see the 'Strategy' tab) | Amount and percentage of assets or business activities vulnerable to transition risks |
| | Amount and extent of assets or business activities vulnerable to physical risks | | Amount and percentage of assets or business activities vulnerable to physical risks |
| | Proportion of revenue, assets, or other business activities aligned with climate-related opportunities | | Amount and percentage of assets or business activities aligned with climate-related opportunities |
| **Internal carbon pricing** | Price on each ton of GHG emissions used internally by an organization | If a registrant maintains an internal carbon price, disclose:<br>* The price in units of the registrant's reporting currency per metric ton of CO2e [p465] | Whether and (if so) how internal carbon pricing schemes are applied, including:<br>* The price for each metric tonne of greenhouse gas emissions that the entity uses to assess the costs of its emissions |
| | *How internal carbon prices are used within the organisation, for example when making investment or strategic planning decisions [p60]* | * How the registrant uses any internal carbon price to evaluate and manage climate-related risks [p466] | * How the entity is applying the carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis) |
| | *• Methodology used to develop internal carbon price(s)*<br>** Whether the organization's internal carbon price reflects a proxy of the all-in implicit cost of various climate policies or an explicit cost of GHG emissions*<br>** Ttype and proportion of the organization's GHG emissions covered by carbon pricing*<br>** Assumptions about how the organization's internal carbon price might change over time in response to declining carbon budgets, changing policy, and changing emissions projections*<br>*• The scope of implementation of internal carbon prices (e.g., geographic, business lines)*<br>** Whether the carbon price would apply only at the margin or as a base cost*<br>** Whether the organization uses a common carbon price or differentiated carbon prices [p60]* | * The total price, including how the total price is estimated to change over time, if applicable<br>* The boundaries for measurement of overall CO2e on which the total price is based if different from the GHG emission organizational boundary required pursuant to § 229.1504(e)(2);<br>* The rationale for selecting the internal carbon price applied.<br>* If a registrant uses more than one internal carbon price, it must provide the disclosures required by this section for each internal carbon price, and disclose its reasons for using different prices [p466] | |
| **Industry-specific metrics** | | | Industry-specific metrics [p49] |

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| | Aligned with TCFD or goes further |
| | Gap against TCFD or notable gap against another initiative |
| | Optional disclosure |

| Targets | [Implementing the Recommendations of the TCFD](#)<br>[Page 22](#) | [SEC consultation on climate-related disclosure requirements](#)<br>[Pages 480-481](#) | [[Draft] IFRS S2 Climate-related Disclosures](#)<br>[Page 43 (unless indicated otherwise)](#) |
|---|---|---|---|
| **Underlying information on climate-related targets** | For each climate-related target: | Any targets or goals related to the reduction of GHG emissions, or any other climate-related target or goal | The specific target the entity has set for addressing climate-related risks and opportunities |
| | Whether the target is absolute or intensity-based | Whether the target is absolute or intensity-based | Whether the target is an absolute target or an intensity target |
| | Objective | Objective | The objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives) |
| | KPIs used to assess performance against targets and strategic goals. | Unit of measurement | Metrics used to assess progress towards reaching the target and achieving its strategic goals |
| | Interim targets in aggregate or by buisness line, where available | Any interim targets | Any milestones or interim targets |
| | Time frames over which the target applies | The defined time horizon by which the target is intended to be achieved | The period over which the target applies |
| | Base year from which progress is measured | The defined baseline time period and baseline emissions against which progress will be tracked | The base year period which progress is measured |
| | Where not apparent, description of the methodologies used to calculate targets and measures | | |
| | *Short-, medium-, and long-term time horizons should be consistent across an organization's targets and, if feasible, consistent with key dates tracked by key international organizations, such as the Intergovernmental Panel on Climate Change (IPCC), or regulators [p34]* | Whether the time horizon is consistent with one or more goals established by a climate-related treaty, law, regulation, policy, or organization<br><br>This does not capture full alignment with established climate goals (just alignment in terms of time horizon) | How the target compares with those created in the latest international agreement on climate change |
| | | | Whether the target has been validated by a third party |
| | | | Whether the target was derived using a sectoral decarbonisation approach |
| | Performance against these targets | Disclose relevant data to indicate whether the registrant is making progress toward meeting the target or goal and how such progress has been achieved | Progress towards targets it has set [p41] |