SUMMARY OF POSITIONS

Given the length of the Proposal and the resulting response, we provide the following tables (**Tables 1–5**) summarizing our views on the provisions of the Proposed Rule. The tables correlate to the sections within the body of the letter and **Appendix** where greater explanation of how we have arrived at our positions is provided.

Table 1

OVERARCHING CONSIDERATIONS	
TOPIC	**POSITION AND COMMENTS**
Inclusion of Climate Disclosures in Financial Statements: A Step Beyond the Rest of the Globe	▪ Proposal is a step beyond those of Europe or the international standard setter by requiring disclosures within financial statements. ▪ Linkage of the climate-related risks to the financial statements is essential. ▪ See comments in Disclosures Inside Financial Statements section of **Table 4**.
Information Must Be Decision-Useful and Predictive: A Link Is Needed Between Disclosures Inside and Outside Financial Statements	▪ Investors must evaluate the Proposal from whether the information set is decision-useful to financially value-relevant investment decision making. ▪ The information provided must look forward rather than backward to be most decision useful. ▪ The Proposal requires discussion to link climate-risks, GHG metrics, goals and targets and financial statement metrics. This is challenging given non-financial and qualitative information outside the financial statements and backward-looking accrual-based metrics inside the financial statements. ▪ There are challenges with the proposed financial statement metrics due to their preparation on an accrual basis, their meaningfulness, and their cohesiveness. ▪ We suggest a preference for more cash-based metrics and quantitative disclosure of changes in financial estimates and assumptions to improve decision-usefulness. ▪ Disclosures outside the financial statements will include GHG emissions but not necessarily any quantitative information about how reducing them will affect enterprise value as they are non-financial metrics. Additionally, climate-risk disclosures may be more extensive, but they will likely be qualitative. ▪ Disclosures are more suited for sophisticated investors. ▪ A link is needed between disclosures outside and inside the financial statements. As such, we have two proposals: 1) Revise the financial statement metrics as noted above, and 2) include industry-based future-oriented driver metrics as developed by the SASB, to be incorporated in ISSB. ▪ SASB metrics facilitate the discovery of enterprise value and will provide the information for appropriate contextualization, discussion, and analysis that the SEC is seeking thus linking disclosures inside and outside the financial statements. They will also facilitate the emergence of a global baseline with the ISSB. ▪ See **Exhibit 1** illustration in the Overarching Considerations section.
Reference to, or Lack of Reference to, Relevant Frameworks	▪ Discussion of the Proposal refers to the TCFD with respect to risk, governance, and strategy disclosures and the GHG Protocol with respect to the emission disclosures—as standards that have inspired the disclosures in the Proposed Rule. ▪ The Actual Proposed Rule does not reference these frameworks. ▪ Indirect reference to the aforementioned standards/frameworks raises issues regarding whether they meet third-party standard setting criteria, whether the Actual Proposed Rule is sufficiently detailed, and how the standards will be maintained going forward amid increased scrutiny. ▪ SASB industry-based standards, which are the basis for international ISSB standards, are not indirectly or directly referenced in the standards, which results in a lack of industry-based metrics, as noted above, and likely a reduction in global comparability.

	▪ SEC's authority to set accounting versus sustainability standards and legacy challenges in incorporating IFRS may be driving the aforementioned challenges. ▪ We do not support the SEC transferring standard-setting for sustainability standards to the FASB, given the slow due process at FASB.
Climate-Related Definitions	▪ Actual Proposed Rule (17 CFR §229.1500) adds new climate-related definitions to the CFR. ▪ Interpretive issues will likely emerge with the introduction of these terms within Regulation S-K and ultimately into the financial statements through Regulation S-X. ▪ Inclusion of terms within SEC filings—most specifically their use within the financial statements—will bring increased scrutiny and a desire for interpretive guidance ▪ Use of definitions to identify, capture, record and report financial statement amounts will drive the need for very specific interpretations, not previously debated with use in sustainability reports. ▪ Clear interpretations are essential for consistency and comparability of disclosures, their preparation, and any assurance of the metrics. ▪ SEC must consider the challenges of the use of such terminology which may emerge and who will be charged with such interpretive guidance. ▪ The SEC's integration of these definitions in the Proposal and ensuing interpretations of terms will provide greater clarity and benefit investors globally.
Materiality	▪ Many perceive that there are varying levels of application, or no application, of the concept of materiality in the SEC's proposed disclosure requirements in the Proposed Rule. We look across the examples and make observations regarding these materiality assessments and the related requirements. ▪ We note the SEC is requiring disclosures or discussion of how materiality has been determined by management with respect to climate-related risks, which would be a new practice. ▪ We consider the materiality of the Proposal's disclosure requirements in light of Commissioner Lee's speech, *Living in a Material World: Myths and Misconceptions about "Materiality",* and the myths and misconceptions she highlights. We find that such myths apply to the objections of those who perceive different or unique interpretations of materiality in the Proposal. We find within her statement authority for the SEC to make such materiality determinations.
Relevance vs. Reliability	• Investors care deeply about reliability, but perfect reliability should not be a deterrent to the provision of more relevant information. Relevant information is better than perfectly reliable information which informs our support for Scope 3 emission disclosures (i.e., expressed as ranges and without verification), our position on deferring transitioning to reasonable assurance on Scope 1 and Scope 2 emissions, and the need to include information outside the financial statements before including it inside the financials.
Safe Harbors	▪ Support application of the safe harbor provisions of the Private Securities Litigation Reform Act (PSLRA) to key provisions of the Proposed Rule, including scenario analysis, internal carbon prices, transition plans, Scope 3 GHG emissions, and targets and goals. These safe harbors would facilitate the provision of relevant information in a timelier manner to investors. ▪ Recommend that the safe harbors for climate-related forward-looking disclosures be extended to initial public offering registration statements as this is when such information may be most decision-useful.
The Private Company Implications from Emission Disclosures	Scope 3 emissions disclosures for public companies will have the impact of requiring emission disclosures from all public and private companies globally that interact with US public companies.

Discussion in Proposal vs. Actual Rule	▪ Examples highlight the need, more necessary than normal, to reconcile the discussion in the Proposal with the Actual Proposed Rule to understand the exact requirements and nuances on the Proposed Rule's important changes. ▪ It is vital for the provisions of the Actual Proposed Rule to be clear and obvious to stakeholders, so they understand and appreciate the consequences of the Proposed Rule.
Climate Disclosures: Balance Financial Reporting Improvements	▪ Having faced challenges to previous progressive (i.e., controversial) accounting changes, this Proposed Rule will likely garner similar characterization. There are many previous examples for which previously controversial accounting is now commonplace (e.g., defined benefit plan liability recognition, stock compensation, fair value). It may take time for this to be commonplace. These challenges are not unknown to investors. ▪ There are many very important financial reporting improvements needed in addition to climate-related disclosures. ▪ The ability to make such improvements may not be driven by the ability to make new standards but rather by the ability of preparers to implement them. ▪ The Proposal demonstrates the SEC has given a greater relative importance to climate-related disclosures than to other risks faced by registrants. ▪ The SEC must balance the precedent setting nature of some of the disclosure elements of this Proposed Rule—and the speed with which they are being proposed to be implemented—with other financial reporting priorities and consider an evolutionary approach to such disclosures that enables a suite of investor information needs to be met. ▪ The SEC must consider a time horizon or road map to implementation of these disclosures that balances the various priorities over time.
PREFERRED PATH FORWARD	
Evolutionary Approach	See **Table 7** in Proposed Path Forward section of the letter.

Table 2

DISCLOSURES OUTSIDE FINANCIAL STATEMENTS (REGULATION S-K)	
TOPIC	**POSITION AND COMMENTS**
DISCLOSURES OTHER THAN GHG EMISSIONS	
Overall	
Requirements Relative to Existing S-K Requirements	▪ Climate-related risks will have a separate section and include disclosure requirements more extensive than for other risks. Some will likely question relative importance of climate risks as compared to other risk disclosures.
Overview of Climate-Related Reporting Framework	
Based on TCFD	▪ TCFD provides a useful framework for communicating strategy and management of climate-related risks. ▪ Quality—and usefulness—of the disclosures will depend on how they are implemented. Need sufficient company specificity to be decision useful. Enforcement will be important. ▪ TCFD framework is not referenced in the Actual Proposed Rule, but it is "based upon" a snapshot of the TCFD requirements at this time. See Overarching Considerations (Reference to, or Lack of Reference to, Relevant Frameworks and Standards) in **Table 1**. ▪ Snapshot brings with it a number of practical questions regarding the development of the framework (i.e., an independent standard-setting process) and how any evolution will be incorporated in the SEC regulations. ▪ SEC's use of TCFD disclosure framework will make them more consistent and comparable but will result in a higher degree of scrutiny than in the past.
Location: Separate Section	▪ Support the SEC's decision to include climate-related disclosures in a separate section. Supported this approach in previous commentary to SEC.
Disclosure of Climate-Related Risks	
Definitions	▪ See Overarching Considerations (Definitions) in **Table 1** and Disclosures Inside Financial Statements (Definitions, Terminology, and Interpretive Issues) in **Table 4**.
Value Chain Disclosures	▪ Agree with the spirit of making climate-related disclosures within a registrants' value chain. Obtaining such information and verifying its veracity is likely to be challenging. Expands the boundaries of financial reporting.
Physical Risk Disclosures	▪ Support physical risk disclosures. Clarity is needed on several elements of rule. ▪ Need book value or percentage of total assets subject to physical risk—not simply for high-water stress areas. Need book value for flood hazard areas as well. For both, replacement value is likely a more important measure than book value—as well as the impact on financial performance (revenues and expense) of this risk, should it emerge. ▪ Support separating physical and transition risks for purposes of climate-related risk disclosures. May not be easy to parse risks. ▪ Physical risk disclosures will be at a level of disaggregation that investors seek for other information within financial statements.
Transition Risk Disclosures	▪ Support but worry that transition risk disclosures will be qualitative and boilerplate as unlike for physical risks there are no required quantitative disclosures. ▪ Important disclosure is needed regarding changes in legislation or regulations and international accords or agreements that may have differing impacts by geography. Need GHG and transition considerations by geography.
Opportunities	▪ Support discussion of opportunities. ▪ Remain skeptical that many companies will make these disclosures. ▪ Monitoring/enforcement may be necessary to ensure that climate-related opportunities discussed by registrant as part of marketing a company's stock in

	venues, forums, or publications other than SEC filings is not omitted as a disclosure within the company's SEC filings. Consider language that makes the opportunities discussion optional unless included in other public communications.
Other Metrics	▪ See Information Must Be Decision-Useful and Predictive: A Link Is Needed Between Disclosures Inside and Outside Financial Statements within the Overarching Considerations section **Table 1**.
Time Horizons and Materiality Determination	▪ See Overarching Considerations (Materiality) and (Discussion in Proposal vs. Actual Proposed Rule) subsections in **Table 1** regarding materiality application by the SEC and a description of materiality conclusions by the registrant. ▪ SEC should provide guidelines on the definition of short, medium, and long term. ▪ Industries and businesses may have very different business models that necessitate discussion over very different time horizons. ▪ Issuer disclosure of their time horizons (even if guidelines are provided) is important for comparison between years and with competitors. ▪ Support safe harbor provisions.
Disclosures Regarding Climate-Related Impacts on Strategy, Business Model, and Outlook	
Disclosure of Material Impacts	▪ Support, in principle, disclosures of the material impacts of climate-related physical and transition risks describing the actual or potential impacts of these risks on the registrants' strategy, business model, and outlook with an emphasis on doing so with respect to time horizons and giving consideration of how it has impacted strategy, financial planning, and capital allocation. ▪ Concerned that disclosures will remain high-level and qualitative and not quantitative, nor company specific. ▪ Need quantitative and qualitative description of impacts. The only disclosure that might garner a quantitative disclosure is the requirement to disclose research and development expenditures. ▪ Support the spirit of the attempt to link the discussion of climate-related risks to their impact, both current and forward-looking, and to the financial statements, but we believe the non-financial nature of GHG emission metrics—with no required quantification of the cost to reduce them required to be disclosed—combined with mostly backward accrual-based financial statement caption metrics will make such linkage challenging. See Overarching Considerations (Information Must Be Decision-Useful and Predictive: A Link Is Needed Between Disclosures Inside and Outside Financial Statements) in **Table 1**. ▪ Support disclosure regarding how any resources are used to mitigate climate-related risks. ▪ We would not oppose additional disclosures regarding how the registrant leverages climate-related financing instruments.
Carbon Offsets and Renewable Energy Credits	▪ Support disclosure that requires discussion of how carbon offsets or renewable energy credits (REC) have been used in the registrant's climate-related strategy. ▪ See also the Targets and Goals Disclosures portion of **Table 3**.
Internal Carbon Pricing	▪ Support disclosure of internal carbon price, if maintained. ▪ Some companies may simply fail to maintain an internal carbon price to avoid disclosure of potentially negative impacts on enterprise value. ▪ Different methods and prices may result in a lack of comparability and may be too early to require the use of an internal carbon price or a particular carbon-pricing methodology. Carbon markets also may not be sufficiently robust. Investors, however, likely will make their own estimation of price/cost to reduce GHG emissions by obtaining price/cost estimates and applying to GHG emission disclosures.
Scenario Analysis	▪ Lack of a requirement for scenario analysis is disappointing as a registrant simply needs to state they do not perform such scenario analysis to avoid making such disclosure.

	▪ Not clear whether requirement to disclose both quantitative and qualitative information applies only if scenario analysis is disclosed. ▪ Investors have long advocated for better enforcement of sensitivity analysis disclosure requirement for critical estimates because it is decision useful as would be scenario analysis on climate risks. ▪ Lack of scenario analysis provides qualitative evidence that a company's climate-related risk management, governance, and strategy may not be sufficiently robust or effective at assessing the resilience of a company's climate-related risk strategy.
Governance Disclosure	
Board Oversight	Support disclosure requirements. Make observations regarding the following: ▪ quality of compliance, ▪ need for board authorship, ▪ relative importance of these disclosures for climate but no other risks, ▪ false narrative of competitive harm, and ▪ proportionality of needed expertise.
Management Oversight	Support disclosure requirements. Make observations regarding the following: ▪ relative importance of these disclosures for climate but not for other risks; and ▪ the fact that failure to require disclosure of link to compensation is a missing, but important, link to progress.
Risk Management Disclosure	
Processes for Identifying, Assessing, and Managing Climate-Related Disclosures	Support disclosure requirements. Make observations regarding the following: ▪ importance of integration with overall risk management; ▪ risk of boilerplate disclosures unless inclusion of metrics and proper enforcement; ▪ need for regulatory reform disclosures by geography; ▪ relative importance of these disclosures for climate but not for other risks; ▪ precedent-setting nature of requirement to describe materiality conclusions; and ▪ false narrative of competitive harm.

Transition Plan Disclosure	▪ Support the Proposed Rule's requirement that a registrant disclose, if it has adopted, a transition plan as part of its climate-related risk management strategy.
	▪ Support the inclusion of transition plans related to physical and transition risks.
	▪ Agree with the view that disclosures will facilitate investor understanding of whether the company has a plan and whether it may be effective in the short, medium, and long term in achieving such a transition.
	▪ Make observations regarding the need:
	  ▪ to connect transition plan to risk disclosures;
	  ▪ for standardized metrics not simply, those based upon management judgment;
	  ▪ to connect the plan to management compensation; and
	  ▪ to update only annually unless there are significant changes.

Table 3

DISCLOSURES OUTSIDE FINANCIAL STATEMENTS (REGULATION S-K)	
TOPIC	**POSITION AND COMMENTS**
GREENHOUSE GAS EMISSIONS	
GHG Emissions Disclosure Requirements	
GHG Emissions Metrics Disclosure	
Scope 1, 2 and 3 Emission Disclosures	▪ Support Scope 1 and 2 emissions disclosures to better inform investors. ▪ Because investors believe they will be the most significant GHG emissions for many companies, we support Scope 3 emissions disclosures—recognizing the many challenges associated with gathering such information (e.g., supply chain issues, need for non-public company data, estimations, delays in reporting, and materiality application questions). We would be supportive of an industry-based and size of registrant-based transition approach expressed as ranges and with appropriate safe harbors as this value-relevant information is needed for analysis even if the measurement is less than perfectly reliable. Such an approach would likely be agreeable to investors as it would provide for the largest and most significant Scope 3 emitters implementing disclosures first. ▪ GHG emissions may be a non-financial metric—that some perceive as an impact-only metric—but they are a barometer, albeit a blunt instrument, for investors to understand the current transition exposure and how progress can be, or is being, made in reducing emissions—and the cost of reducing such emissions to the enterprise. Amid increasing net-zero commitments and regulatory pressures to reduce GHG emissions, they become more financially relevant. GHG emissions need context (i.e., industry drivers, company strategy, and cost of reduction) to be most meaningful to investors.
Historical Periods and Timing of Reporting	▪ Would not object to the inclusion of current period—only GHG emission metrics, building comparative figures going forward. ▪ Support a reporting period consistent with the registrants' Exchange Act annual report (e.g., 31 December 2022) and a reporting deadline consistent with the registrants' Exchange Act annual report due date (e.g., 60 days after the period end, 1 March 2023). We would not object to a three-month reporting lag or the estimation of the last quarter's emissions.
GHG Definitions	▪ Support definitions of greenhouse gases as CO_2, CH_4, N_2O, NF_3, HFCs, PFCs, and SF_6. ▪ CO_2 equivalent (CO2e) is an appropriate metric to use as it is accepted standard.
Use of GHG Protocol	▪ Support GHG Protocol as the standard used for disclosure, but we have concerns regarding the method of incorporation in the Actual Proposed Rule and use of the standard over the longer term as interpretive issues arise. See the Overarching Considerations (Reference to, or Lack of Reference to, Relevant Frameworks and Standards) section.
Disaggregation of GHG Emission Disclosures	▪ Disaggregated climate data is more useful to investors than aggregated data and should therefore be the standard. Support disaggregation by scope, type of GHG within scope, location, geography, segment, and upstream and downstream category. Support visual display of disaggregation
Scope 3 Emissions: Materiality Assessment	▪ See comments on Scope 3 GHG emission materiality assessment challenges in the Overarching Considerations (Materiality) section.
Scope 3 Emissions: Reduction Commitments	▪ If reduction commitments include Scope 3 GHG emissions, support their disclosure irrespective of materiality. Support their disclosure even if reduction commitment does not explicitly include Scope 3, as likely the most material reduction needed to make commitment meaningful.
Scope 3 Emissions: Voluntary Disclosure	▪ Do not support a voluntary disclosure regime for Scope 3 emissions.

Scope 3 Emissions: Data Sources	▪ Support disclosure of Scope 3 emission data sources.
Scope 3 Emissions: Impact on Non-Public Companies	▪ Recognize the implication of Scope 3 GHG emission disclosures on private/non-public companies. See the Overarching Considerations (Private Company Implications) section.
GHG Emission Offsets	▪ Offsets should be disclosed separately, not part of Scope 1, 2, or 3.
GHG Intensity Metrics	▪ Support disclosure of GHG intensity metrics as metric tons of CO2e per unit of revenue and per unit of production. Industry-based guidance and additional measures of intensity may be necessary to be most meaningful.
GHG Emissions Methodology and Related Instructions	
Methodology	▪ Support disclosure of methodology, inputs, and assumptions to climate calculations. ▪ Proposed Rule may lack sufficient specificity. More guidance, or explicit requirements, may be necessary for disclosures to be meaningful. ▪ Enforcement will be important.
Use of Estimates	▪ Support use of estimates due to the new nature of this disclosure and challenges obtaining data. ▪ Should be used sparingly and within reason and not when actual data exist.
Material Changes	▪ Support disclosure of material changes in methodology, inputs, and assumptions used in climate calculations. ▪ Prior periods should be restated when changes are made.
Scope 3 Emissions: Use of Ranges	▪ Support use of ranges in making disclosures of Scope 3 emissions. ▪ SEC should require disclosures as a range as it more accurately conveys the estimated nature of the metric.
Scope 3 Emissions: Disclosure Standards	▪ Industry-based standards on Scope 3 emission disclosures should be followed, recognizing aforementioned challenge of incorporating standards in Actual Proposed Rule.
Organizational vs. Operational Boundaries *Nonconsolidated Entities*	▪ Support definition of organizational boundaries consistent with US GAAP. ▪ Support disclosure of organizational and operational boundaries. ▪ Without further interpretation, however, we believe there will be confusion regarding the definition of operational boundaries and their relationship to organizational boundaries. ▪ Support consistency of boundary definitions over time; changes should result in restatement of comparative periods. ▪ Nonconsolidated entities GHG emission disclosures should be a separate category of disclosure.
Outsourced Activities	▪ Support newly outsourced activities being included in Scope 3 emission disclosures and prior periods being recast to reflect such change.
Overlaps	▪ Support disclosure of overlaps in emission categories.
Third Party Data Sources & Data Gaps	▪ Support disclosure of third-party data sources and gaps in data.
Scope 3 Emissions Disclosure Safe Harbor and Other Accommodations	
Scope 3 Emissions Disclosure Safe Harbor	▪ Support safe harbor for Scope 3 emission disclosures to encourage disclosures and the evolution of best practices.
Other Accommodations	▪ See Other Matters: Registrants Subject to the Climate-Related Disclosures Rules and Affected Forms, as it relates to the exemption of smaller reporting company (SRCs) from the reporting of Scope 3 emissions. ▪ See Other Matters: Compliance Dates, as it relates to delayed compliance date for the reporting of Scope 3 emissions.

Attestation of GHG Emission Disclosures	
Attestation of Scope 1 and Scope 2 Emissions Disclosure	
Investor Views on Assurance of Sustainability Disclosures: Attestation of Scope 1 and 2 Emissions	▪ Investors support independent verification for sustainability disclosures, by auditors or others, with near split on whether level of assurance should be equivalent to an audit. ▪ Further consultation with investors is needed to determine what level of assurance (limited or reasonable) is supported for Scope 1 and 2 emissions when included in an SEC filing. ▪ The proposed level of assurance would be a higher level of assurance than for any other non-financial metric included in forepart to financial statements in SEC filings. Is this the most important metric outside the financial statements? ▪ Investors are concerned about reliability but will not trade relevance for a perfectly reliable metric that is not decision useful.
Attestation of Scope 3 Emissions	▪ Do not support attestation for Scope 3 emissions given the estimation and subjectivity of Scope 3 metrics.
Applicability & Transition	▪ As a general principle we support attestation requirements and transition periods being applied equally to all registrants. ▪ That said, we have seen support – as it relates to climate disclosures – to provide relief from the attestation requirements for entities other than large accelerated and accelerated filers. ▪ Support a transition period from limited to reasonable assurance but proposed timeframe may be optimistic; a longer phase-in period to the "reasonable assurance" level should be considered.
Expanding or Revising Definition of Assurance	▪ Do not support expanding or revising definition of assurance as will only add confusion.
Management Attestation or Audit of Internal Controls	▪ Attestation by management or audit of internal controls is premature.
Inclusion in Financial Statements	▪ Emissions data should not be included in the financial statements.
GHG Emissions Attestation Provider Requirements	
Industry and Attestation Experience	▪ Attestation providers should have expertise in both attestation and GHG emissions.
Independence & Minimum Professional Standards	▪ Support independence requirements for attestation providers that are equivalent to those of the audit profession. ▪ Support requirement for policies and procedures to ensure providers have appropriately qualified personnel equivalent to those of the audit profession.
Financial Wherewithal Requirement	▪ Support adding a "financial wherewithal" requirement to ensure that providers can withstand any litigation that might ensue from their attestation.
GHG Emissions Attestation Engagement and Report Requirements and Additional Disclosure by the Registrant	
Inclusion of Attestation Report	▪ Support inclusion of attestation report in the separate "Climate-Related Disclosure" section within the annual filings with the SEC.
Equivalence in Engagement and Reporting Requirements Between All Attestation Providers	▪ Engagement and reporting requirements should be the same for auditors and other attestation service providers, as varying requirements will be confusing to investors. ▪ Support use of Public Company Accounting Oversight Board (PCAOB) attestation standards and proposed minimum disclosure requirements similar to the requirements of an independent auditor's report, as this is well-understood by the investment community. ▪ Support industry licensing, accreditation, and oversight requirements similar to PCAOB requirements; this may require a change in laws or regulations to give them governing authority.

Disclosure of Voluntary Attestation May Discourage Registrants from Seeking Such Attestation	
Clarification Required: Inclusion of Report & Attestation Provider Qualifications	▪ Clarity is needed on why an attestation report should be summarized rather than included in a filing. Is the presumption the report cannot be included? ▪ Clarification is needed on whether the proposed requirements presume the attestation provider has not met all the aforementioned criteria for providing attestation services.
Feasibility/Permissibility: Registrant to Provide Commentary on Behalf of Attestation Provider	▪ Is summarization of attestation report feasible or permissible given standardized language and disclosures as well as nature of the engagement? ▪ Can registrant, or would registrant want to, comment on independence of attestation provider and oversight regime based upon information furnished by the attestation provider?
Requirements May Deter Voluntary Attestation	▪ Additional requirements for voluntary attestation may place additional burdens or liability on the registrant or provider and therefore may discourage such voluntary attestation.
TARGETS AND GOALS	
Targets and Goals	▪ Support disclosure of ***any*** targets or goals given that what gets disclosed gets measured and monitored. ▪ Disclosure could discourage setting targets or goals, but the disclosures, more importantly, will reduce virtue signaling (false) targets/goals. ▪ No incremental cost to disclose, as this should follow internal reporting on targets and goals and related progress. ▪ Disclosure regarding progress over time are key to establishing accountability and verifiability over time. Progress should be reported quantitively and qualitatively. ▪ Support disclosures associated with the role carbon offset and renewable energy credits are expected to play and have played in achieving targets. ▪ Prefer disclosures in tabular format with progress reporting tabularly over time. ▪ Support safe harbor protections on such disclosures.

Table 4

DISCLOSURES INSIDE FINANCIAL STATEMENTS (REGULATION S-X)	
TOPIC	**POSITION AND COMMENTS**
Overview	
Contextual Information	▪ Greater specificity is required to ensure information is not boilerplate. ▪ Ambiguity of certain definitions, the relationship between metrics and the impact of climate-related risks needs to be reduced.
Basis of Calculation	▪ Definition and interpretive issues are a more significant issue than calculation mechanics.
Segment Disclosures	▪ Support segment disclosures but geographic disclosures are equally necessary given differing global risks.
Periods Presented	▪ Adoption/transition should not require historical periods. Comparative periods can be developed on a go forward basis.
Definitions, Terminology, and Interpretive Issues	▪ Inclusion of S-K terms in financial statements through S-X will draw greater scrutiny to them given need to identify, capture, record, and report based upon definitions. ▪ Financial impact and expenditure metrics are really financial statement elements not metrics per se. ▪ Most terms used do not currently exist in US GAAP Codification and not all terms exist within 2017 TCFD recommendations report. This will increase need for interpretation as this is there first use related to financial statements. ▪ Expenditure metrics are not cash-flow metrics, and this should be clearer. ▪ The term "opportunities" requires greater clarification in context of its use related to historical financial statements. ▪ XBRL taxonomy maintained by Financial Accounting Standards Board (FASB) will need to be updated for terms even though they do not exist in US GAAP Codification. Not clear whether this will be done by FASB or SEC. ▪ Parsing physical and transition risks will be challenging.
Identifying Climate-Related Impacts from Supplier (Upstream) Costs	▪ Metrics will not include the climate-related impacts from third parties as information will not be reported on invoices from suppliers. ▪ Information is outside bounds of the financial statements. ▪ Given these may be the greatest GHG emissions, the largest impacts will not be captured by metrics and will reduce their usefulness.
Critical Audit Matter	▪ Interpretive issues will result in disclosures to be a critical audit matter (CAM).
US GAAP	▪ Recognize the SEC's authority to establish rule. ▪ No inappropriate reference to US GAAP. ▪ Many important items (e.g., terms) will be omitted from US GAAP. ▪ See Overarching Considerations (Refer to, or Lack of Reference to, Relevant Frameworks or Standards) section in **Table 1**. Do not support FASB establishing sustainability reporting standards due to slow due process.
Financial Impact Metrics	
Linkage to Financials	▪ Linkage of climate-related risks to the financial statements is important for investors because linkage anchors management's statements in forepart to the actual results in future periods and improves the quality of reporting inside and outside financial statements.
1% Disaggregation (Materiality) Threshold	▪ Investors support greater disaggregation within financial statements for many different disclosures—not simply climate. ▪ Some suggest investor support is necessary as will set precedent for other disclosures investors seek at a more disaggregated level. ▪ Disagree with view that, if material, information would already be disclosed.

	▪ Precedent-setting materiality threshold that may not be consistent with SAB 99 theory of quantitative and qualitative measures of materiality. ▪ Acting Chair Lee's 2021 statement on materiality myths and misconceptions likely supports the SEC's basis for this threshold.
Relative Priority of Disaggregation of Climate-Related Risks	▪ We question whether climate disaggregation—at a precedent-setting materiality level—is more important or more feasible than greater disaggregation on the income statement (e.g., expenses by function and by nature), improved segment disclosures, and improved cash flows (e.g., direct method).
May Result in Greater Aggregation Overall	▪ So as not to strike the 1% threshold, registrants may further aggregate financial statement captions—an unintended consequence.
Decision-Usefulness of Information	▪ Metrics are really financial statement elements and are accrual based, including cash, accrual, and estimates and judgments elements. ▪ Metrics are historical, not forward-looking, which are confirmatory but not predictive. They are not as confirmatory as cash metrics. ▪ Aforementioned interpretive issues and lack of inclusion of upstream costs will affect usefulness of metrics. ▪ Balance sheet metrics will be cumulative, income statement metrics will be accrual, and statement of cash-flow metrics related to changes in balance sheet accounts to arrive at operating cash flows will not be very useful. ▪ Cash flows from investing and financing activities likely will be the most useful metrics. ▪ Metrics will be impacted by acquisitions and fair value changes. ▪ See suggested alternative approach in section which follows.
Disclosure of Climate-Related Cost of Capital	▪ Do not support at this time given challenges computing such risk premium.
Expenditure Metrics	
Expenditure Metrics	▪ Not cash-based metrics (accrual-based expenses and capitalized expenses). ▪ Aggregated across financial statement captions. ▪ No linkage to financial statement captions or financial impact metrics. ▪ No cohesion to facilitate understanding of both types of metrics and relationship to financial statements. ▪ See suggested alternative approach in section which follows.
Assumptions and Estimates	
Qualitative Description	▪ Information will be highly qualitative. ▪ Enforcement will be key to making this decision-useful information. ▪ Need quantitative effects of changes in assumptions and estimates. ▪ Need information by financial statement caption to understand linkage to financial statements and ensure cohesiveness of disclosures. ▪ See suggested alternative approach in section which follows.
Inclusion of Climate-Related Metrics in Financial Statements	
Inside Financial Statements	▪ Interpretive issues and lack of cohesiveness of proposed metrics may reduce decision-usefulness. ▪ May be challenging to assemble the story told by proposed metrics. ▪ Support inclusion in financial statements not inclusion in schedule or supplement. Could support initial inclusion outside financials in forepart with migration to inside of financial statements. ▪ Need linkage of information inside and outside financial statements. See Overarching Considerations in **Table 1**. ▪ See suggested alternative approach in section which follows.
Separate Climate Statement	▪ Displaying proposed metrics on separate climate statement would not enhance decision-usefulness. ▪ Separate balance sheet, income statement, and direct statement of cash flows of climate-related effects with rollforwards would be supported.

GHG Emissions in Financial Statements	▪ Do not support inclusion of GHG emission (non-financial metrics) in financial statements as they are non-financial. ▪ Cost of reducing GHG emissions is a missing ingredient in Proposal that leaves estimation of cost of reducing emission impact on enterprise value up to investors to determine.
Auditing Standards	▪ No significant, but some interpretive, changes necessary.
Financial Statements Prepared Under IFRS	▪ It is clear that provisions are applicable to foreign registrants filing on Form 20-F and applying IFRS accounting principles and SEC disclosure requirements. ▪ Audit opinion will need to be modified as requirement is not IFRS. ▪ May want to codify.
Alternative Approach	
Forward-Looking, Decision-Useful and Predictive	▪ Financial statement and expenditure metrics are accrual based and mostly backward-looking. Forward-looking information is more decision-useful and predictive. This is particularly true with climate as transition efforts will occur in the future. ▪ We are proposing an alternative approach for more decision-useful information over time while retaining linkage to financial statements.
Preferred Alternative Disclosures: Cash Metrics	▪ Propose disclosure of climate-related cash flows—a direct method climate-related cash flow—which links climate-related cash flows to income statement captions and highlights investing and financing cash flows. ▪ Propose disclosure of cash flows capitalized and their expected useful life by financial statement caption. ▪ Propose quantitative disclosures of changes in key assumptions and estimates with linkage to financial statement captions. ▪ Support similar definitions and basis of computation as for financial statement and expenditure metrics. ▪ Definitional and interpretive issues would still need to be addressed. ▪ No more expensive than existing proposed metrics. ▪ Demonstrates ability to obtain climate-related cash flows while at the same time demonstrating improvements in income statement disaggregation and cash-flow statement preparation. ▪ Propose including such disclosures outside financial statements to start and transitioning disclosures into financial statements. Evolutionary approach similar to defined benefit pensions and stock-based compensation. ▪ Linkage to climate-related risk impacts outside the financial statements can be more concisely articulated and provide better contextualization. ▪ More decision-useful for investors over time as cash flows will provide confirmatory evidence of previous statements on physical and transition risks. Cash flows can be time series and connected to risks.

Table 5

<table>
<tr><th colspan="2">OTHER MATTERS</th></tr>
<tr><th>TOPIC</th><th>POSITION AND COMMENTS</th></tr>
<tr><td colspan="2">Applicability and Implementation Dates</td></tr>
<tr><td>Applicability and Implementation Dates</td><td>
▪ We generally abide by our long-standing principle that if the SEC believes new disclosures are value-relevant information that they should be provided irrespective of registrant size or state of transition to public company status.
▪ As such, we support application of disclosures to nearly all registrants (excluding Form S-8 and Form 11-K, and, with more study, of application to asset-backed issuers) as need for value-relevant information is not based upon size of registrant.
▪ That said, despite our general principle, we support exempting small reporting entities from Scope 3 emission disclosure requirements.
▪ Do not support the allowance of a plethora of alternative reporting regimes for climate-related disclosures, even if they are required in a foreign private issuer's home country, particularly if domestic issuers are held to a higher standard than foreign issuers. Broadly, we recommend that if foreign private issuers are availing themselves of US markets, they should provide US-style climate-related disclosures—and vice versa. Said differently, foreign private issuers should be subject to at least the same level of disclosure as domestic issuers.
▪ As it relates to the use of ISSB standards in SEC filing documents, we note that foreign private issuers may have industry-based disclosures based upon ISSB standards included within their local filings that are decision-useful to investors, as we discuss in the Overarching Considerations section. We believe those disclosures should be allowed to be included in their US filings with the Commission as they are decision-useful information. Support the inclusion of all ISSB information in foreign filer documents filed with the SEC, supplemented by SEC's proposed requirements that may be additional to the requirements in foreign jurisdiction such as, for example, the inclusion of financial impact metrics within the financial statements that are being proposed in the US but not internationally. Those financial impact metrics should be computed using IFRS-based financial statement information.
▪ Application of proposed financial statement disclosures by foreign private issuers will necessitate a change in foreign filers audit opinions as SEC requirements are not IFRS but will be based upon underlying IFRS information.
▪ Support disclosure in periodic filings of material changes.
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<tr><td colspan="2">Structured Data Requirements</td></tr>
<tr><td>Structured Data</td><td>
▪ All disclosures should be tagged.
▪ Support Inline XBRL for Regulation S-K and S-X disclosures.
▪ Generally, we do not support custom tags as it belies the point of a standard taxonomy, so we do not support custom tags on disclosures that should be highly standardized, but we recognize that some custom tagging may be necessary given the evolving nature of climate-related disclosures.
▪ Concern about consistency and comparability among climate disclosures given differing standard-setting internationally (ISSB), in the United States (SEC), and in Europe (EC/EFRAG) and the use of similar terms with different meanings. This would be made worse through different third-party taxonomies. Support bilateral or trilateral agreements to ensure consistency.
▪ We do not support a different structured data language.
▪ SEC creation of S-X rules and US GAAP will necessitate consideration of how such terms, not in US GAAP Codification and Taxonomy, are included or made consistent.
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Treatment for Purposes of Securities Act and Exchange Act	
Furnished vs. Filed	We support filed over furnished disclosures.
Compliance Date	
Compliance Dates: Likely Optimistic	▪ As a rule, we do not generally support staggered adoption dates given that value-relevant information improvements that enhance decision-usefulness should be made as soon as possible irrespective of size of registrant. ▪ In the case of climate disclosures, however, we support the staggering of compliance dates – especially as it relates to Scope 3 emissions. ▪ Adoption/compliance dates are quite aggressive and likely optimistic. ▪ We would not oppose extending compliance dates by one year. ▪ See Preferred Path Forward section.

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