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SEC Proposal on Climate Disclosure

The substantial risks and challenges that climate change presents to our nation's businesses, investors, and economy are undeniable. Although many businesses will have different views on whether the Securities and Exchange Commission's proposal to require climate disclosures should be adopted in its original form or amended to strike a better benefit to cost balance, a consensus exists in corporate America and among investors that climate change is an existential threat that must be addressed. The real question for those who care about our companies and their investors is how we act most cost-effectively to address this critical issue.

It is important that the SEC listen to the views of corporate leaders and investors in coming to a final decision on what climate information should be the subject of required disclosure. At the same time, it is equally important that the SEC's settled and long-standing authority to require disclosures appropriate to protect American investors — including about environmental issues material to companies — be respected by the courts. The shared goal of protecting our economy, our companies, and investors is best achieved if Americans pull together, recognize our common interests, and help the SEC best exercise its clear statutory authority to implement disclosure requirements useful to investors.

To that end, we, along with distinguished colleagues with substantial C-Suite, regulatory, and accounting expertise, have collaborated to submit a comment letter to the Commission, with the goal of helping the SEC shape a final rule that provides investors with high-quality, comparable information about the risks climate poses for public companies, but in a manner that would be less costly to companies and that is intended to better align with emerging international and private sector frameworks, which are already being used by many American public companies. Among other recommendations we make is to limit enforcement of the new rule to the government itself, and not to allow private rights of action, and that certain of the rule's requirements be phased in to allow more time for implementation by small- and mid-cap companies. Likewise, we propose to streamline the rule's requirements for narrative disclosure to be more like the traditional MD&A disclosure framework with which companies are familiar, and to limit requirements for more tenuous and burdensome Scope 3 disclosure or that impose greater reporting burdens on companies engaging in innovative internal efforts to address climate risk.

We hope that the SEC will give important weight to this and similar constructive letters being written by corporations, investors, and corporate governance experts that recognize the SEC's authority to act, and that seek to help the SEC finalize a rule that addresses the economically critical issue of climate change in a manner that is efficient for America's public companies.

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