

**MEMO# 34185**

June 17, 2022

# ICI Letter to SEC on Public Company Climate-Related Disclosure Proposal

[34185]

June 16, 2022

TO: ICI Members

ICI Global Members SUBJECTS: Disclosure

ESG

Fund Accounting & Financial Reporting RE: ICI Letter to SEC on Public Company Climate-Related Disclosure Proposal

The ICI filed its comment letter with the SEC responding to its proposal The Enhancement and Standardization of Climate-Related Disclosures for Investors.[\[1\]](#) The letter is briefly summarized below.

The letter urges the Commission to adopt a final rule that requires a company to file certain climate-risk related information which the company determines is material in annual reports and registration statements (SEC filings) and, to the extent that the company determines this information is not material, to furnish such information and any additional SEC-mandated information in a new climate report (furnished climate report). Under the recommended approach, a company would furnish the climate report to the Commission 120 days after its fiscal year-end. If a company subsequently determines that information included in the furnished climate report (that had not been included in the SEC filings) is actually material, it would incorporate it by reference when making its next SEC filing.

The letter supports key components of the proposal, including that a company be required to disclose Scopes 1 and 2 emissions and narrative disclosure consistent with certain aspects of the TCFD framework. We reason that how to measure and report Scopes 1 and 2 emissions is now sufficiently developed to provide investors, including fund managers, with reliable, consistent and comparable information that can help them make investment decisions in a cost-efficient manner. We also support requiring companies to obtain limited assurance for their Scopes 1 and 2 emissions disclosures to enhance their reliability.

The letter states that a large majority of our members believe that the SEC should not require companies to disclose Scope 3 emissions at this time because of significant data gaps and the absence of agreed-upon measurement methodologies. It also states that there is a minority view among ICI members that the SEC should require larger public companies to disclose Scope 3 emissions if the emissions are material. These members

would prefer to have the opportunity to evaluate any such information as part of their respective investment processes, despite the data gaps and absence of agreed-upon methodologies. In addition, the letter supports the Commission requiring all large accelerated filers and accelerated filers that have publicly announced a target or goal to reduce their Scope 3 emissions to describe the amount and intensity only of those Scope 3 emissions.

Finally, the letter recommends that the Commission should not adopt the proposed amendments to Regulation S-X that would require a company to provide climate-related financial metrics in a footnote to its financial statements. It reasons that investors' information needs will be met more efficiently and effectively through narrative disclosure that discusses whether and how any identified climate risks have affected, or are reasonably likely to affect, the company's consolidated financial statements.

Finally, in an appendix, Materiality-Related Considerations, we explain the importance of the Commission adhering to the materiality standard that underlies the federal securities laws in designing any final rules.

Dorothy M. Donohue  
Deputy General Counsel - Securities Regulation

#### **endnotes**

[1]<https://www.ici.org/system/files/2022-06/22-ici-cl-sec-climate-proposal.pdf>

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