



June 11, 2021

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Submitted online via <https://www.sec.gov/cgi-bin/ruling-comments>

RE: Request for Input on Climate Change Disclosure

Dear Ms. Countryman:

BlackRock, Inc. (together with its subsidiaries, “BlackRock”) respectfully submits the following response to the [Request for Input](#) (“RFI”) on Climate Change Disclosure issued by then-Acting Chair Allison Herren Lee on March 15, 2021. We commend Commissioner Lee for taking this step, and we encourage the Securities and Exchange Commission (“SEC” or “Commission”) to mandate climate-related disclosure for corporate issuers in order to build a climate disclosure framework that will help investors better integrate climate risks and opportunities into their portfolios.

Our views on mandatory climate-related disclosure, a subset of sustainability disclosures, can be summarized as follows:

- Because more comparable and consistent climate-related disclosures are in issuers’ as well as investors’ interests, BlackRock supports the SEC mandating climate-related disclosures.¹
- We believe that mandatory disclosure should be aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) and sector-specific metrics, such as those identified by the Sustainability Accounting Standards Board (“SASB”).
- Recognizing that a more limited set of requirements might be incorporated into an initial rulemaking, we request that the SEC issue guidance

¹ We commend Chairman Gary Gensler’s recognition of how consistent and comparable mandatory climate-related disclosure may inform investors’ decision making in his [Nomination Hearing Q&A](#) before the Senate Committee on Banking, Housing and Urban Affairs (March 2, 2021) and of investors’ demands for more consistency and comparability in climate-related disclosure during the House Financial Services Committee Hearing [“Game Stopped? Who Wins and Loses When Short Sellers, Social Media, and Retail Investors Collide, Part III”](#) (May 6, 2021).

encouraging issuers to continue to produce information aligned with the TCFD framework, supplemented by sector-specific metrics, even if doing so goes beyond what is formally required under an initial rulemaking.

- We acknowledge that continued market and regulatory developments, as well as lack of methodological uniformity, would raise issuer concerns at this stage; hence, we support the SEC pairing any disclosure mandate with a phased approach and a safe harbor that, at a minimum, would cover any quantitative disclosures where methodologies are still emerging. Such a safe harbor provision would incentivize issuers to provide data without penalty for issues such as unavailability or unreliability due to factors outside of the issuer’s control and that proper due diligence could not prevent.
- We recommend GHG emissions as an appropriate starting point for issuers to provide mandatory quantitative disclosure, recognizing that Scope 3 and any other quantitative disclosures may require a phased approach and appropriate safe harbor where data and methodologies are still developing. However, we support the SEC mandating disclosure of these additional metrics as soon as practicable.
- We believe that for a climate-related disclosure framework to be truly effective in building understanding of climate-related investment factors in the market and avoiding regulatory arbitrage, disclosure cannot be limited to the public markets but must also include private markets.
- We strongly support moving to a single global set of standards for sustainability disclosures, which will help enable investors to make more informed decisions about how to achieve durable long-term returns. Therefore, the SEC should continue to monitor international developments in this area to support the establishment of, and align with, globally applicable standards for climate-related reporting. We endorse global efforts to move, over time, to a uniform set of standards under the International Financial Reporting Standards (“IFRS”) Foundation, which intends to draw on the existing work of TCFD and the five private sector sustainability reporting initiatives.²

As a publicly traded asset management firm, we write this letter from the perspective of a fiduciary to our investment clients committed to helping more and more people experience financial well-being – including through the advancement of sustainable investing – as well as from the perspective of a corporate issuer. We invest on behalf of clients with a variety of long-term financial objectives, and core to serving these clients is an investment process that weighs a variety of investment factors, risks, and opportunities, including those related to climate.

² The five private sector initiatives are SASB, the Global Reporting Initiative (“GRI”), the International Integrated Reporting Council (“IIRC”), the CDP (formerly the Carbon Disclosure Project), and the Carbon Disclosure Standards Board (“CDSB”).

As a fiduciary, we advocate on behalf of our clients, the asset owners, for issuers to disclose their governance, strategy, risk management practices (including for physical, liability, and transition risks), and metrics and targets related to climate change. We advocate for disclosures aligned with the TCFD framework, supplemented by sector-specific metrics, as these highly complementary disclosures provide investors with comparable and consistent information to assess issuers' long-term transition plans and near-term actions to mitigate sustainability risks, and to ultimately make better informed asset allocation decisions. Such aligned disclosure would be doubly beneficial as many US issuers have already expended considerable efforts and costs to produce such reports.

Moreover, as a publicly traded issuer, BlackRock is committed to providing meaningful sustainability information to all of our stakeholders. Our climate-related reporting aligned to the recommendations of the TCFD can be found in [BlackRock's 2020 TCFD Report](#). Further, our [2020 Sustainability Disclosure](#) includes reporting aligned to the SASB Standards for Asset Management & Custody Activities, as well as reporting on additional sustainability topics that matter most to our stakeholders.³

Introduction

BlackRock believes climate risk is investment risk. It is our conviction that integrating assessment of climate-related considerations into our investment processes will result in better long-term risk-adjusted returns for our clients. Comparable and consistent climate-related disclosure by corporate issuers is essential to accurately integrating climate into investment decision-making processes. While there has been significant progress in expanding climate-related disclosure over the last decade, at present the sustainability disclosure landscape is hampered by inconsistent frameworks across and within industries and jurisdictions. **We believe it is essential to work towards a single, globally applicable, mandatory disclosure framework and set of standards. This should be aligned with the TCFD framework and sector-specific metrics.** Importantly, this will further drive standardization around data, metrics, and methodological assumptions and build on the industry-led progress to date to facilitate adoption across industries and regional jurisdictions.

SEC action in this space would be complementary to similar initiatives elsewhere in the world. To realize the aim of a single global set of standards, US leadership alongside players in other jurisdictions pursuing standard setting is critical.

³ The SASB Standards provides a roadmap for reporting to investors focused on achieving disclosure that is useful, cost-effective, industry-specific, evidence-based, and informed by market practitioners. We see the TCFD Recommendations and the SASB Standards as complementary. TCFD has four pillars – governance, strategy, risk management, and metrics and targets. The SASB Standards can provide the content, principally for the metrics pillar, in certain sectors. One of the key advantages of TCFD and SASB from an investor's perspective is that each is grounded in the language of business planning and operations. For more information, see our Investment Stewardship Commentary: [Sustainability Reporting: Convergence to Accelerate Progress](#).

Disclosure Content

In order to be useful to investors, climate risks, opportunities, and other related factors need to be disclosed in a comparable and consistent manner. BlackRock believes climate risk is broadly composed of both physical risks (i.e., the increased risk to an issuer's assets and activities caused by the direct impact of changing weather patterns and extreme weather events) and transition risks (i.e., the impact of the transition to a low-carbon economy on an issuer's long-term profitability due to policy, technological innovation, changing consumer preferences, and liability or reputational concerns). Other relevant issuer-specific information includes the governance structures and corporate strategy established in response to climate-related issues.

BlackRock believes climate disclosure should be TCFD-aligned and should include qualitative and quantitative disclosure items modeled on those of the TCFD framework, as well as sector-specific metrics, such as those identified by SASB. In our view, to be considered TCFD-aligned, reporting should be made across the four pillars of the framework (Governance, Strategy, Risk Management, and Metrics and Targets) and aim to eventually cover each of the eleven recommendations, taking into consideration relevant supplementary guidance provided by TCFD. Today, many issuers – particularly those with the most value at risk – are already voluntarily providing detailed reports of their transition plans, GHG emissions and reduction targets, and scenario analyses.⁴ Yet, other issuers are at the very beginning of their corporate sustainability disclosure journey. As the SEC moves towards mandatory disclosure, we believe that a more limited set of information should be incorporated through an initial rulemaking and further believe that doing so would catalyze more issuers to make climate-related disclosures for the first time.

However, we request that the SEC issue guidance encouraging issuers to continue to produce information aligned with the TCFD framework, supplemented by sector-specific metrics, even if doing so goes beyond what is formally required under an initial rulemaking. These reports would supplement any initial mandatory disclosure by providing the most comprehensive, useful account of issuers' climate risks and opportunities until future rulemaking efforts could incorporate the remaining pieces of these frameworks into official disclosures. **The ultimate goal should be to require mandatory qualitative and quantitative reporting across all issuers as soon as practicable.**

Quantitative Disclosures

We support the inclusion of select quantitative disclosures in connection with the SEC's adoption of any rules.⁵ **We recommend that the SEC look to GHG**

⁴ See Taskforce for Climate-related Financial Disclosures 2020 [Status Report](#) for more information on uptake of issuer TCFD disclosure.

⁵ Where the SEC provides leeway for quantitative disclosure to be presented in a variety of formats, BlackRock encourages the SEC to also include, within the rulemaking or supplementary guidance, illustrative examples (e.g., recommended tabular disclosure) of formats that would be compliant,

emissions data as an appropriate starting point for mandated quantitative disclosures. However, we recognize that Scope 3 and any other quantitative disclosures may require a phased approach and appropriate safe harbor where data and methodologies are still emerging. We further request that the SEC issue guidance encouraging issuers to continue to produce quantitative information (including but not limited to comprehensive emissions disclosures) aligned with the TCFD framework, supplemented by sector-specific metrics, even if doing so goes beyond what is formally required under an initial rulemaking. These emissions disclosures would provide investors and other stakeholders with necessary information to assess issuers' climate risk and GHG footprint. When determining how to phase in these new disclosure requirements, the SEC should consider the magnitude and impact of Scope 1, 2, and 3 emissions for specific industries, and sectors should include detail on the time periods that disclosures should cover as part of this exercise.⁶

Importantly, disclosure on forward-looking targets is useful for investors in order to better understand how issuers will meet goals of the energy transition, and through our investment stewardship activities we have encouraged issuers to disclose information about their targets.⁷ To the extent such forward-looking disclosure is incorporated into mandatory reporting requirements, it should be afforded the same safe harbor provided, at a minimum, to other quantitative disclosures; targets are not a guarantee of future performance, and many factors may affect an issuer's ability to achieve their targets. This information is critically important in investment decision making and providing these protections will encourage more issuers to disclose this information at this time. To ensure that any disclosure mandate keeps pace with market developments, we suggest the SEC undertake a staff study to revisit the appropriateness of this safe harbor within a reasonable time period, or when accounting of climate-related factors has been further standardized. This information is critically important in investment decision making and providing these protections will encourage more issuers to disclose this information at this time.

Moreover, we support the inclusion of a high-level discussion of management's assessment of an issuer's resilience to climate-related risks, which would serve to phase in scenario analyses as issuers build the rigor and consistency of

as it has done for similar disclosure regimes. We believe doing so would encourage standardized and easily comparable disclosure. We would also recommend the SEC specify whether or not metrics should, or can, be accompanied by footnotes.

⁶ Issuers from more carbon-intensive industries are more likely to have higher levels of Scope 1, 2, and 3 emissions and, consequently, pose greater climate-related investment risks than issuers from less carbon-intensive industries. Investors have a more urgent need to access comparable, and consistent disclosures from such issuers; in order to expedite access to their emissions data, we recommend the SEC prioritize phasing in disclosure of emissions beginning with issuers and industries that produce certain levels of Scope 1, 2, and 3 emissions. The TCFD provides such guidance.

⁷ For further detail on our investment stewardship activities related to climate risk and the transition to a low-carbon economy, see our Investment Stewardship Commentary: [Climate risk and the transition to a low-carbon economy](#).

metrics to do so. Internal evaluations of transition and physical climate-related risk vary in underlying scenarios, data, and methodology used to arrive at climate metrics. Alignment across market participants, investors, and regulators will drive increased adoption of climate risk management processes and climate-based investment decisions. **With this in mind, we request the SEC provide guidance encouraging issuers to disclose the specific scenarios and assumptions used in their climate scenario and transition pathway alignment analyses.**⁸

Method of Disclosure

As the SEC implements this new disclosure framework, we wish to provide some recommendations for the implementation of mandatory climate-related disclosure.

- We believe it would be sufficient for issuers to provide such disclosures annually, as opposed to quarterly, as disclosures generally reflect long-term considerations that are less likely to change meaningfully between quarters. However, we believe that quarterly updates would be appropriate where there have been material changes to an issuer's climate related strategy, governance framework, or risk profile that are not otherwise disclosed in the issuer's quarterly reports.
- When considering the timing of climate-related disclosure, we suggest that the SEC consider the informational needs of stakeholders as well as the ability of issuers to provide the information in a timely manner. In that regard, we believe that the timing should be reasonably aligned with that of annual shareholder meetings.
- Any new disclosure requirements should not supersede, obviate, or diminish a filer's obligation to include climate-related disclosures under the SEC's current rules governing periodic, quarterly, and annual reports.⁹
- As noted above, we request the SEC issue guidance encouraging issuers to continue to produce information aligned with the TCFD framework, supplemented by sector-specific metrics, even if doing so goes beyond what is formally required under an initial rulemaking.
- To achieve the goal of comparable and consistent disclosure for investors, the SEC should consider requirements that would promote consistent presentations.

⁸ Examples of widely used transition scenarios include the Network for Greening the Financial System ("NGFS") and the International Energy Agency ("IEA") scenarios. The Intergovernmental Panel on Climate Change ("IPCC") has published physical risk scenarios ranging from "no climate action" to "decisive action", which enable investors to better assess the extent to which potential physical risks are priced in by markets. And the Science Based Targets initiative ("SBTi") has put together definitions and best practices for science-based corporate transition target setting.

⁹ An example of such an existing obligation is the obligation for an issuer to include in their financial statement any material loss or audit issue arising as a result of climate change-related matters during a given period.

- The SEC should consider the magnitude and impact of Scope 1, 2, and 3 emissions for specific industries and sectors when considering how to phase in new disclosure requirements and should include detail on the time periods that disclosures should cover as part of this exercise.¹⁰ Doing so is essential to having consistent and actionable information that investors can incorporate into investment processes. In addition, in determining an effective date for any future rule, the SEC should take into consideration that filers may require lead-time to develop and test their compliance and internal controls frameworks.

Private Issuer Disclosure

At present, climate-related information with respect to private issuers is lacking in comparison to what is increasingly available from public issuers. To avoid regulatory arbitrage between public and private market climate-related disclosures, we believe that climate-related disclosure mandates should not be limited to public issuers.

Therefore, we encourage the SEC to explore its existing regulatory authority to mandate climate-related disclosures with respect to large private market issuers. Improving and standardizing climate disclosures across public and private issuers would benefit institutional investors (by increasing information for climate-related assessments), issuers (by avoiding multiple nuanced requests for information from various investors)¹¹ and asset owners (by expanding transparency and reporting). As an investor in both public and private issuers, this equalized transparency would help us make more informed investment decisions with respect to climate-related issues in both markets.

Coordination with International Standard Setters

We believe the development of a single set of global standards for sustainability reporting, including on the energy transition and climate risk, advantages investors by providing consistent inputs into valuation assessments such as risk premia. A baseline global standard supports investors and other stakeholders, including policy makers, in comparing climate-related issues facing issuers in different jurisdictions. This is paramount in a world where investors seek diversification across geographic regions. It would also reduce the reporting burden on issuers, particularly those operating in multiple markets globally. However, we understand that different jurisdictions have different levels of popular support for disclosure mandates of varying breadths.

¹⁰ See *supra* note 6.

¹¹ Currently, private market investors *individually* encourage climate-related disclosures to supplement their existing climate-related due diligence efforts (which are often more detailed and “hands on” than in public markets investing). Largely, investors are developing their own questionnaires or mechanisms by which to capture this information from private issuers. This is inefficient and costly for private issuers.

Given that investors are increasingly requesting more comparable and consistent climate-related disclosures, and depending on the scope of any rules enacted, BlackRock recommends that the SEC continue to monitor international developments in the area in an effort to support the establishment of and alignment with a globally applicable standard for climate-related reporting. Such a standard could form the foundation for future standalone SEC reporting requirements if deemed necessary.

We would like to see the SEC take a leading role in adopting a mandatory disclosure framework aligned with the work of the TCFD and supplemented by sector-specific metrics and then be a voice for the convergence of standards put forth by a global standard setter such as the IFRS Foundation.

BlackRock strongly supports the SEC leveraging existing standards and frameworks, particularly the TCFD framework supplemented by sector-specific metrics, which have achieved significant uptake voluntarily from US corporate issuers. As the SEC is aware, several of the private sector groups that have developed sustainability reporting standards are looking to converge and build on the work done to date. In time, this international work may proceed under the auspices of the IFRS Foundation, which is proposing to establish an International Sustainability Standards Board. We believe the SEC could benefit from close involvement in that effort and could usefully help shape its output to ensure it is relevant in the US. This is important given the depth and breadth of US capital markets and their role in the global economy.

We encourage the SEC to consider the four pillars of the TCFD framework, as well as the Carbon Disclosure Standards Board (“CDSB”) for climate-related disclosure, in addition to sector-specific metrics, where applicable.

There has been significant convergence on standard setting globally over the past nine months. Some examples include:

- In December 2020, the five private sector sustainability reporting initiatives – SASB, CDSP, GRI, IIRC, and CDP – proposed a [prototype Climate-Related Financial Disclosures Standard](#), including a Disclosure Presentation Standard based on the TCFD recommendations in combination with content from the aforementioned five initiatives. The prototype standard was illustrated using the International Accounting Standards Board (“IASB”) conceptual framework and intended as input for the Trustees of the IFRS Foundation. We understand that the prototype is being developed further by the IFRS Foundation as a priority project as it moves to scope its plans to establish an international Sustainability Standards Board (“ISSB”), following its [September 2020 consultation on the role for the IFRS Foundation in global sustainability reporting](#). BlackRock responded to the [consultation](#) to encourage the IFRS Foundation to take the lead in establishing a set of baseline global sustainability reporting standards, including one on climate reporting. We appreciate that the SEC will need to evaluate how US-based

standards should align to this global standard.

- We believe that this climate reporting standard prototype can be utilized as a starting point from which to build a formal regulatory process. The prototype provides the conceptual framework of TCFD mapped to elements and specific metrics of the other frameworks, which may provide a stronger base for third-party assurance.
- TCFD, SASB and the other private sector framework and standard setters mentioned above indicated their willingness to work with regulatory bodies in a [joint statement released in September 2020](#).
- Finally, following a series of roundtables attended by senior representatives from a wide range of stakeholder groups (including BlackRock), the International Organization of Securities Commissions (“IOSCO”) confirmed that there is “broad support for the key elements of its vision for an ISSB under the IFRS Foundation and a clear willingness among participants from all stakeholder constituencies to work collaboratively with IOSCO and the IFRS Foundation to deliver this vision.” IOSCO also reported that there is “broad-based agreement that, building on existing initiatives, the ISSB would be able to deliver high-quality international sustainability-related reporting standards to address the priority needs of capital market participants on a reasonable timeframe.”¹²

We believe that the most effective near-term approach the SEC could take to regulate, monitor, and review sustainability reporting and climate-related disclosures is by working closely in partnership with TCFD, IOSCO, and private sector initiatives that have made considerable progress to date on sustainability reporting.

Conclusion

We believe our recommendations as set forth above represent the most effective path to ensuring investors have useful information in a timely, globally consistent manner that considers the concerns of issuers and recognizes the reality of the evolving state of climate-related disclosure metrics and methodologies. These views are undergirded by the fundamental premise that climate risk is investment risk, and that integrating these risks, as well as opportunities, into our clients’ portfolios is essential to delivering on our fiduciary duty to our clients.

We thank you for taking the time to review our input and are happy to be of further assistance as this endeavor proceeds. Should you have any questions about our views, please reach out to Robert Dunbar (robert.dunbar@blackrock.com).

¹² See IOSCO Media Release: “[IOSCO see strong support for its vision for an International Sustainability Standards Board under the IFRS Foundation](#)” (May 10, 2021)

Sincerely,

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