MSCI

May 31, 2022

Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission

Submitted via electronic filing: rule-comments@sec.gov

File number: S7-10-22

Dear Ms. Countryman,

Public comment on The Enhancement and Standardization of Climate-Related Disclosures for Investors (RIN 3235-AM87) (File number: S7-10-22) (the "Rule Proposal")

Environmental, Social and Governance (ESG) factors impact risks and opportunities in the U.S. capital market with climate change being the clearest and most pressing illustration. However, without access to consistent, comparable and timely information on climate risks facing companies, capital market participants cannot respond to the challenges presented by climate change.

As a leading provider of climate risk data and analytics to the global investment community, MSCI has collected climate and ESG-related disclosures from thousands of companies globally for over two decades and developed tools to assist investors in their analysis of climate and ESG risk to their portfolios. We continue to encounter practical challenges in accessing climate-related information, stemming from inconsistent and incomparable data to overly broad boilerplate disclosure by companies.

MSCI supports the efforts of the Commission to require companies to report certain climate-related disclosures.

In our letter to the Commission dated June 12, 2021, we highlighted three core objectives for a climate disclosure framework:

1. Climate change data should be consistent, comparable and timely;
2. The most critical core climate data disclosures should be mandatory and include companies' complete carbon emissions footprint, most relevant facility locations and largest suppliers; and
3. Disclosure standards for climate change and ESG should incorporate international standards.

We are pleased that these objectives are reflected in some way in the Rule Proposal which will place the market in a stronger position to assess the impact of climate change on companies.

Furthermore, we welcome the proposed requirement that where a company has set a greenhouse gas (GHG) emissions target that includes Scope 3 emissions, it will be required to disclose the scope of the target, the implementation plan, and the progress against that target. This is an important step in helping the market assess climate-related targets of a company. Currently, about 25% of the MSCI USA Investable Market Index (IMI) disclose some type of climate target.

Of that group, 60% report their target data in line with the Commission's proposal, while 40% provide the full set of information, for example, related to carbon reduction values or emission scope.[1]

MSCI supports the application of the proposed safe harbor to Scope 3 emissions and other forward-looking disclosures.

We understand that one of the goals of the Rule Proposal is to actively encourage climate disclosure by companies wherever that disclosure is material to investors. Companies face numerous challenges in disclosing Scope 3 emissions because the data may be derived from various sources using different methodologies and include estimates. On this basis, companies may be reluctant to disclose Scope 3 emissions if they face material liability and/or regulatory risk. Additionally, although including climate disclosures in Form 10-K may be efficient, given the liability concerns, we could foresee disclosure through other means that would be just as useful and transparent to investors, including a new climate form. Regardless of the form of disclosure, we support the introduction of a safe harbor specifically for Scope 3 emissions, as well as a safe harbor for other forward-looking climate-related disclosures, to encourage proactive, good faith disclosure by companies.

The final rules should introduce a materiality threshold for Scope 3 emissions disclosures rather than rely on individual materiality assessments.

MSCI supports efforts to improve disclosure on Scope 3 emissions. Of the 2,565 companies in the MSCI USA IMI, currently only 28% disclose Scope 1 and 2 emissions, and only 15% disclose some (and not necessarily the most material) Scope 3 emissions.[2] Scope 3 emissions are the biggest sources of total value chain emissions for most of the MSCI USA IMI constituents.[3] However, a number of companies self-identify Scope 3 emissions as immaterial even where our research points to very high materiality, e.g., in the financial sector.[2] As a user of Scope 3 emissions data, it is important to MSCI that Scope 3 emissions disclosure is consistent and comparable, which will not be achieved under an individual company materiality determination. Rather, we propose that the Commission adopts a defined materiality threshold.[4]

We have set out in Annex 1 our detailed responses to selected questions posed in the Rule Proposal. While the request for comment covers a range of issues, we comment only on those matters where MSCI's experience are most relevant.

Please do not hesitate to contact us to discuss our submission.

Yours faithfully,

/s
Linda-Eling Lee
Managing Director, Global Head of ESG Research
MSCI ESG Research LLC.

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[1] SEC Climate Disclosure: Targeting Standardization – MSCI, May 17, 2022.

[2] Companies May Not Be Ready for SEC Climate-Disclosure Rules - MSCI, March 2022.

[3] Which Scope 3 Emissions Will the SEC Deem 'Material'? - MSCI, April 2022.

[4] Based on our Scope 3 estimates, 86% of constituents in the MSCI USA IMI would need to report Scope 3 emissions under a 50% materiality threshold, which increases to 89% under a 25% materiality threshold.

Annex I

MSCI responses to selected questions posed in the Rule Proposal

Proposed TCFD-Based Disclosure Framework and Location of Climate Related risk disclosures

1. Should we add a new subpart to Regulation S-K and a new article to Regulation S-X thatwould 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? 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?

MSCI Response:

MSCI supports the disclosure of climate-related information in a consistent manner that allows for comparability. For this reason, and regardless of the means of disclosure, we support the digital tagging of disclosed information in Inline XBRL (see also response to Questions 191-194).

2. If adopted, how will investors utilize the disclosures contemplated in this release to assess climate-related risks? How will investors use the information to assess the physical effects and related financial impacts from climate-related events? How will investors use the information to assess risks associated with a transition to a lower carbon economy.

MSCI Response:

The proposal by the Commission is responsive to the needs of investors.

Currently, the data required for assessing climate-related risks and opportunities in an investment portfolio is not available to investors at the scale required for, or not available in a format that lends itself to, investment analysis. Of the 2,565 companies in the MSCI USA Investable Market Index (IMI), only 28% disclosed Scope 1 and 2 emissions, and only 15% disclosed some form of Scope 3 emissions (and not necessarily the most material). Where data is reported, it is not readily comparable. For example, it is common for companies to set multiple decarbonization targets, but they are not always comparable, or they cover the same emissions but have different timelines or scopes of emissions, activities or geographies. In other cases, companies use a combination of absolute emissions and emissions intensity targets, which are expressed in different units.[5] Currently, about 25% of the MSCI USA IMI disclose some type of climate target. Of that group, 60% reported their target data in line with the SEC proposal, while 40% of companies were not providing the full set of information.[6]

While assessing current exposure to risk and opportunities is a necessary first step, building a forward-looking view of companies' readiness for a low carbon economy is also crucial to inform

[5] Breaking Down Corporate Net-Zero Climate Target (msci.com)
[6] SEC Climate Disclosure: Targeting Standardization – MSCI, May 17, 2022.

investors' climate risk strategy.[7] This is incorporated in:

- Internal reporting to identify areas of risk and opportunities to inform the development of a climate strategy.
- Portfolio reporting to clients and stakeholders, with a preference to align with emerging standards and frameworks.
- Risk management, by identifying portfolio companies that may be most vulnerable to policy, technological, market and physical risks arising from climate change. This includes climate scenario analysis to inform investment-decision making and climate strategy.
- Portfolio construction, by informing strategies that favor companies that are potentially more resilient to climate change scenarios and/or more likely to gain from innovations in a transitioning economy.
- Stewardship and engagement where consistent, comparable and quantitative data is necessary to assess corporate decarbonization strategies and targets, companies' resilience to climate-related risks and their readiness for a net-zero economy.
- Implementation and monitoring of an investor's net zero target which may build upon the above-mentioned use cases.

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? Are there aspects of the TCFD framework that we should not adopt? Should we instead adopt rules that are based on a different third-party framework? If so, which framework? Should we base the rules on something other than an existing third-party framework

MSCI Response:

We strongly support and encourage aligning with the Task Force on Climate-related Financial Disclosures (TCFD) framework, to promote comparability. The TCFD framework has become a global quasi-standard and is the basis for climate-related financial disclosure by over 2600 companies.[8]

However, although the TCFD framework is beginning to be referenced by policymakers around the world as the baseline for certain disclosure requirements and is integrated into the exposure draft for climate disclosure by the International Sustainability Standards Board (ISSB),[9] there remain inconsistencies because different aspects of the TCFD framework are being adopted in national requirements. Recent MSCI research[10] suggests that national approaches diverge as illustrated in the table below. For example, requirements differ for forward-looking and cross-industry metrics, transition plans, scenario analysis and materiality. There is also inconsistency

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[7] The TCFD has highlighted MSCI's Climate Value-at-Risk model and its research in its 2019 status update as a viable solution that can provide informative metrics and allow institutions to report in a transparent and comparable manner to stakeholders.
[8] 2021 Status Report: Task Force on Climate-related Financial Disclosures - Financial Stability Board (fsb.org)
[9] Exposure Draft IFRS S2 Climate-related Disclosures, p.6, March 2022.
[10] As TCFD Comes of Age, Regulators Take Varied Approach, MSCI Research, April 21, 2022

in the scope of firms captured by national climate disclosure rules.

Figure 1: TCFD-aligned regulations around the world measured against six criteria[11]

By including cross-industry core metrics and by providing specific examples, the TCFD recommendations support consistent, comparable and reliable disclosure for investors. We welcome the approach in the Rule Proposal that includes nearly all of the TCFD cross-industry core metrics and underlines the relevance of a forward-looking approach to climate-related disclosure.

4. Do our current reporting requirements yield adequate and sufficient information regarding climate-related risks to allow investors to make informed decisions? In lieu of, or in addition to the proposed amendments, should we provide updated guidance on how our existing rules may elicit better disclosure about climate-related risks?
5. Should we require a registrant to present the climate-related disclosure in an appropriately captioned, separate part of the registration statement or annual report, as proposed? Should this disclosure instead be presented as part of the registrant's MD&A?
6. *Should we permit a registrant to incorporate by reference some of the climate-related disclosure from other parts of the registration statement or annual report, as proposed? Should we permit a registrant to incorporate by reference climate-related disclosure that appears in a sustainability report if the registrant includes the incorporated by referenced disclosure as an exhibit to the registration statement or annual report? Are there some climate-related disclosure items, such as GHG emissions data, that we should not permit a registrant to incorporate by reference? Would requiring a registrant to include all of the proposed climate-related disclosures in a separate, appropriately captioned section, while precluding a registrant from incorporating by reference some or all of the climate-related disclosures, promote comparability and ease of use of the climate-related information for investors?*

[11] As TCFD Comes of Age, Regulators Take Varied Approach, MSCI Research, April 21, 2022

7. Should we permit a registrant to provide certain of the proposed climate-related disclosures in Commission filings other than the annual report or registration statement? For example, should we permit a registrant to provide information about board and management oversight of climate-related risks in its proxy statement?

MSCI Response to questions 4-7:

Investors are increasingly demanding reliable information on climate change and other ESG-related issues, including the governance and oversight of these areas, to make educated investment and voting decisions. Many companies have responded by voluntarily providing disclosure in their proxy statements and other securities filings.

Information relating to the oversight of climate-related risks and the skills and qualifications of the board and management relating to climate could be permitted to be incorporated by reference from a subsequent filing of a proxy statement or Form 10-K/A (or another new filing such as a climate form), including Part III information as it would allow for a holistic view of how oversight of climate-related risks fits into a company's overall governance and risk oversight frameworks.

Disclosure of Climate Related risks

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, andlong term? What, if any, are the benefits to leaving those terms undefined? What, if any, are theconcerns to leaving those terms undefined? Would the proposed provision requiring a registrant to specify what it means by the short, medium, and long term mitigate any such concerns?*

MSCI Response:

Disclosure of climate-change information and analysis of climate-related risks should cover varying time horizons and not simply the period covered by a relevant filing. Assessments of risk across varying time horizons require determinations of the probability of future events and the impact of those events that are extremely specific to the circumstances of individual companies. The Commission notes in the proposing release that what may be a material risk for one set of companies may not be a material risk for other companies and that materiality determinations are largely fact-specific and require both quantitative and qualitative consideration.[12] We agree

[12] See Release No. 33-10064, Business and Financial Disclosure Required by Regulation S-K (Apr. 13, 2016), [81 FR 23915 (Apr. 22, 2016)] (discussing materiality in the context of, among other matters, restating financial statements). See also Staff Accounting Bulletin No. 99 (Aug. 12, 1999), available at https://www.sec.gov/interps/account/sab99.htm (emphasizing that a registrant or an auditor may not substitute a percentage threshold for a materiality determination that is required by applicable accounting principles). Staff accounting bulletins are not rules or interpretations of the Commission, nor are they published as bearing the Commission's official approval. They represent interpretations and practices followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of the Federal securities laws.

that a company should disclose how it defines short-, medium-, and long-term time horizons rather than the Commission defining the term horizons. However, it is important that companies disclose the specific time horizon, i.e. year ranges, used in the assessment which will provide investors with an understanding as to how the companies evaluate the probability of future impacts.

9. Should we define "climate-related risks" to mean the actual or potential negative impacts of climate-related conditions and events on a registrant's consolidated financial statements, business operations, or value chains, as proposed? Should we define climate-related risks to include both physical and transition risks, as proposed? Should we define physical risks to include both acute and chronic risks and define each of those risks, as proposed? Should we define transition risks, as proposed? Are there any aspects of the definitions of climate-related risks, physical risks, acute risks, chronic risks, and transition risks that we should revise? Are there other distinctions among types of climate-related risks that we should use in our definitions? Are there any risks that we should add to the definition of transition risk? How should we address risks that may involve both physical and transition risks?

MSCI Response:

We agree that the definition of climate-related risks should include the impact of climate-related conditions and events on a company's financial statements, business operations or value chains, as this is in accordance with the TCFD's common set of terminologies. This allows companies and investors to assess the disclosed climate risks in a consistent and comparable way.

As context for what elements of "climate-related" risks investors are already seeking to measure and incorporate, the MSCI Climate Value-at-Risk model is designed to provide forward-looking and return-based valuation assessment by company to measure climate related risks including company value decrease caused by transition or physical risk. The table below shows the building blocks of the Climate Value-at-Risk and how it correlates with some of the disclosure points the Commission is requesting from companies, including the impact of climate risks on the value chain.

Figure 2: Building blocks of the Climate Value-at-Risk

Policy risks	Technology opportunities	Physical risks & opportunities
Cost of Emission Reduction Requirements (Scope 1)	Green Revenues (Clean Tech Revenues)	Extreme Heat (Chronic)
Electricity Pass-through Cost Model (Scope 2)	All Company Patents	Extreme Cold (Chronic)
Value Chain Impacts (Scope 3)	Low Carbon patents	Heavy Precipitation (Chronic)
		Heavy Snowfall (Chronic)
		Wind Gusts (Chronic)

Policy risks	Technology opportunities	Physical risks & opportunities
		Coastal Flooding (Acute)
		Tropical Cyclones (Acute)
		Fluvial Flooding (Acute)
		Wildfire (Acute)
		River Low-flow (from Drought Events, Acute)

11. Some chronic risks might give rise to acute risks, e.g., drought (a chronic risk) that increases acute risks, such as wildfires, or increased temperatures (a chronic risk) that increases acute risks, such as severe storms. Should we require a registrant to discuss how the acute and chronic risks they face may affect one another?

MSCI Response:

In order to help investors assess interactions between different types of climate risks that affect their investments, it is important that companies' disclosures clearly identify which specific risks or hazards were explicitly considered in their disclosure. How those specific risks interact with other risks that are not considered in the disclosure can be evaluated by investors who may hold different views about the climate exposures of their investment portfolio.

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? Is there another location identifier that we should use for all registrants, such as the county, province, municipality or other subnational jurisdiction? Would requiring granular location information, such as ZIP codes, present concerns about competitive harm or the physical security of assets? If so, how can we mitigate those concerns? Are there exceptions or exemptions to a granular location disclosure requirement that we should consider?

MSCI Response:

Unless materiality is pre-defined by the Commission, requiring location disclosure for operations, properties or processes that are subject to material physical risk will be highly subjective and will preclude comparability across companies. We propose requiring disclosure of the precise location of the company's ten largest operations, properties or processes (by asset value or production volume). This would assist investors in assessing the extent to which a company is financially exposed to a range of potential weather and physical hazards. Investors are increasingly aware of the risks from changes in weather and climate conditions that can impact future asset value. For example, MSCI's aggregated Climate Value-at-Risk model is a physical risk model that aims to estimate the asset value gain/loss from changes in extreme heat, extreme cold, precipitation, wind, cyclones, coastal flooding, fluvial flooding, low river flow (impacting utilities) and wildfire. While climate risk modelers and data providers can access a range of academic models as inputs to project these weather-related changes, the accuracy of the resulting risk assessments depends on having granular geographic information on companies' main business operations.

Further, the disclosure of facility locations at zip code level would allow investors to gain a more consistent assessment of risks that their portfolio companies may face, compared to disclosure of companies' overall assessments of their physical risks, as each company could deploy different definitions of scope or model assumptions, which prevent comparability across the portfolio.

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 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?

MSCI Response:

In our response to the Commission's request for public input on Climate Change Disclosures[13], and our response to the TCFD's Proposed Guidance on Climate-related Metrics, Targets, and Transition plans in 2021,[14] MSCI emphasized that disclosure of the precise location of the largest facilities would be important to allow comparability and provide the necessary flexibility for risk assessments as climate science evolves. These data points can be used to evaluate the climate risk exposures that are deemed the most relevant, and allow for different definitions of risk (e.g. flood hazard areas) that may be the most up-to-date at a given point of time, or the most granular for a particular geographic area.

Disclosing the location of the largest facilities, rather than the most "exposed facilities", would also present a lower burden on companies, as many may not be able to evaluate the full scope of climate-related physical hazards to which their facilities are, or will, be exposed.

[13] MSCI response to SEC Climate Change Disclosures
[14] Proposed Guidance on Climate-related Metrics, Targets, and Transition Plans

Finally, if the Commission pursues the approach of seeking location disclosure based on a company's own assessment of a materiality threshold, then we emphasize that this disclosure will only be useful if accompanied by the details of the inputs into that materiality assessment. This would include the value of assets or revenues that are covered for each climate risk assessed, and the source used for the definition of each climate risk. Short of these precise definitions being a part of the disclosure, an overall figure or range disclosed for the percentage of value deemed by a company to be 'at risk' could not be incorporated in models and tools that aim to provide investors with consistent and comparable measures.

14. If a material risk concerns the location of assets in regions of high or extremely high water stress, should we require a registrant to quantify the assets (e.g., book value and as a percentage of total assets) in those regions in addition to their location, as proposed? Should we also require such a registrant to disclose the percentage of its total water usage from water withdrawn in high or extremely high water stressed regions, as proposed? If so, should we include a definition of a "high water stressed region" similar to the definition provided by the World Resource Institute as a region where 40-80 percent of the water available to agricultural, domestic, and industrial users is withdrawn annually? Should we similarly define an "extremely high water stressed area" as a region where more than 80 percent of the water available to agricultural, domestic, and industrial users is withdrawn annually? Are there other definitions of high or extremely high water stressed areas we should use for purposes of this disclosure? Would these items of information help investors assess a registrant's exposure to climate-related risks impacting water availability? Should we require the disclosure of these items of information from all registrants, including those that do not currently consider having assets in high water-stressed areas a material physical risk? Should we require these disclosures from all registrants operating in certain industrial sectors and, if so, which sectors?

MSCI Response:

Many parts of the U.S. are projected to face severe water stress, putting companies at risk of competing with local populations for a scarce resource that is necessary to support their operations. For investors to adequately evaluate the risks of their investments, the most basic data input is the same as for other climate risks, namely, the precise location of the largest facilities. In addition, investors would need to know the amount of water withdrawal and consumption at these assets, reported in standardized units of volume per time.

Without this basic data at the asset level – location plus water withdrawal/consumption – any disclosure at a more aggregate level would be difficult to incorporate due to lack of comparability across companies and assets. Furthermore, disclosure should not be limited to regions that are currently under 'high water-stress' because ongoing climate change and potential growth in water demand may significantly impact water availability and may influence the future materiality of the risk.

There are a range of datasets available from government bodies, NGOs and academics that can be used to determine the most decision-useful definitions of what constitutes a 'high water stress region' from an investment perspective. As climate and related environmental sciences continue to develop rapidly, improved definitions will continue to emerge.

17. Should we include the negative impacts on a registrant's value chain in the definition of climate-related risks, as proposed? Should we define "value chain" to mean the upstream and downstream activities related to a registrant's operations, as proposed? Are there any upstream or downstream activities included in the proposed definition of value chain that we should exclude or revise? Are there any upstream or downstream activities that we should add to the definition of value chain? Are there any upstream or downstream activities currently proposed that should not be included?

MSCI Response:

Yes, the negative impacts on a company's value chain should be included in the definition of climate-related risks. No upstream or downstream activities should be excluded.

18. Should we define climate-related opportunities as proposed? Should we permit a registrant, at its option, to disclose information about any climate-related opportunities that it is pursuing, such as the actual or potential impacts of those opportunities on the registrant, including its business or consolidated financial statements, as proposed? Should we specifically require a registrant to provide disclosure about any climate-related opportunities that have materially impacted or are reasonably likely to impact materially the registrant, including its business or consolidated financial statements? Is there a risk that the disclosure of climate- related opportunities could be misleading and lead to "greenwashing"? If so, how should this risk be addressed?

MSCI Response:

We support the Commission's definition of "climate-related opportunities". Different companies and industries can benefit from the energy transition and from serving the needs in our economy for increased climate resilience and adaptation initiatives. A narrative description of these opportunities could help provide investors with greater context for companies' competitive positioning related to climate risk. However, without a taxonomy for activities that would classify as "climate-related opportunities", disclosure across companies is unlikely to be consistent and comparable.

Disclosure Regarding Climate-Related Impacts on Strategy, Business Model, and Outlook

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?

MSCI Response:

Yes, actual and potential impacts of material climate risks would be helpful in assessing the impact of climate on a company's long-term strategy.

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? 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?

MSCI Response:

Yes, we support the proposed approach on disclosing climate-related impacts through the supply or value chain and activities for the mitigation of those impacts. It is important that the disclosure includes a specification of the time horizon (including specific year ranges), as well as the assumptions, in quantifying potential impacts.

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?

MSCI Response:

Yes, this should be disclosed together with the specific range of years.

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 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?

MSCI Response:

Yes. We welcome efforts to disclose forward-looking information that helps investors assess the exposure and potential mitigation capacity of a company to climate-related risks. This should ideally extend to how exposure and mitigation potential are reflected in a company's business model or strategy. Moreover, investors are interested in understanding how a company's total GHG footprint (Scope 1, 2 and 3 emissions) will develop in the long-term, i.e., whether a company has a transition plan and the details of the plan. This is relevant in understanding a portfolio's emissions trajectory and will allow for a reweighting of assets to achieve investors' own climate-related targets.

Carbon footprint disclosure – picked up by every jurisdiction requiring disclosure building on the TCFD framework - only provides a snapshot of the present. A current high-emitting company (e.g. a steel company) is likely to be penalized on the basis of these carbon footprint disclosures compared to companies in lower-emissions sectors. For instance, the MSCI Implied Temperature Rise model extrapolates the alignment or misalignment of a company's activities with decarbonization pathways into a global warming value. [15] [16] Please also see our response to Question 93.

23. Should we require the disclosures to include how the registrant is using resources to mitigate climate-related risks, as proposed? Should the required discussion also include how any of the metrics or targets referenced in the proposed climate-related disclosure subpart of Regulation S-K or Article 14 of Regulation S-X relate to the registrant's business model or business strategy, as proposed? Should we require additional disclosures if a registrant leverages climate-related financing instruments, such as green bonds or other forms of "sustainable finance" such as "sustainability-linked bonds," "transition bonds," or other financial instruments linked to climate change as part of its strategy to address climate-related risks and opportunities? For example, should we require disclosure of the climate-related projects that the registrant plans to use the green bond proceeds to fund? Should we require disclosure of key performance metrics tied to such financing instruments?

MSCI Response:

Investors and companies are increasingly using climate-related financing instruments to mitigate risks or develop climate-related business opportunities. Hence, disclosures about how a company will use sustainability-linked bond proceeds will provide further clarity on how "green" projects will be funded by the company. This could take the form of:

- Describing projects funded by each climate-related or sustainability-linked bond. Some bonds fund low carbon projects, whereas other bonds fund water-related or air quality related projects and do not have direct climate-related impacts. Disclosure will help investors determine the climate impacts of their bond portfolio.
- Explaining whether the bonds are funding new capital or operational expenditure or refinancing existing projects. This will help investors determine if the bonds are being used primarily for debt management or for funding new "green" projects.
- Providing key performance metrics. Impact reporting is not standardized in the market, and companies should be allowed to make reasonable assumptions so long as they fully specify their assumptions. For example, if a bond funds a passenger transport project, the company should be permitted to make and disclose the reasonable assumptions they used to estimate the number of private vehicles that could be taken off the road due to the passenger transport project and the consequent GHG emissions reduced by the project.

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

[15] In late 2021, less than 10% of MSCI ACWI IMI constituents had an Implied Temperature Rise of 1.5˚C or less. See: Measuring the Temperature of Your Portfolio - MSCI

[16] We measure each company's temperature by starting with its 2°C-aligned carbon budget. Then we project each company's annual emissions through 2070, including any reduction targets, to see how much it is over or under budget. That budget over- or undershoot can be translated into an associated rise in temperature based on how much the global temperature would increase if the entire economy were to over- or undershoot the budget by the same amount as the company. Investors have used this model to produce forward-looking metrics on individual portfolio companies as well as in aggregate to determine the Implied Temperature Rise of an entire portfolio or fund.

impacted its strategy, business model, and outlook?

MSCI Response:

We welcome an inclusion of both quantitative and qualitative information on RECs and carbon offsets, if it enables a better assessment of the quality of the underlying projects. Currently, there is a lack of confidence and clarity among investors about how different types and quality of carbon offsets should be treated in managing their investments' climate risk exposures. Companies should detail which part of their total GHG footprint (Scope 1, 2 or 3) the offsets are intended for; whether the offsets purchased are tied to projects that remove or avoid emissions; the extent to which the emissions removal or emissions are additional (i.e., would not have otherwise occurred without the funding from the offset); and what mechanisms are in place to monitor and attain assurance that the emissions removed or avoided are permanent.

25. Should we require a registrant to provide a narrative discussion of whether and how any of its identified climate-related risks have affected or are reasonably likely to affect its consolidated financial statements, as proposed? Should the discussion include any of the financial statement metrics in proposed 17 CFR 210.14-02 (14-02 of Regulation S-X) that demonstrate that the identified climate-related risks have had a material impact on reported operations, as proposed? Should the discussion include a tabular representation of such metrics?

MSCI Response:

Yes to all questions.

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 CO2e;*
- *The total price;*
- *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 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?*

MSCI Response:

The latest TCFD guidelines[17] have included guidance on the disclosure of an internal carbon price. We support global harmonization of the metrics and methodologies used to determine the internal carbon price.

28. To the extent that disclosure that incorporates or is based on an internal carbon price constitutes forward-looking information, the PSLRA safe harbors would apply. Should we adopt a separate safe harbor for internal carbon price disclosure? If so, what disclosures should such a safe harbor cover and what should the conditions be for such a safe harbor?

17 TCFD – Guidance on Metrics, Targets, and Transition Plans (October 2021)

MSCI Response:

It is in the interest of the global investment community to encourage the disclosure of meaningful information regarding climate-related risks, and not generic or boilerplate language. While the risk of enforcement and civil litigation are important elements in ensuring disclosure, these features can also limit the effectiveness of disclosure by eliciting defensive and generic statements that are ultimately of limited use to investors.

As such, we support the proposal that appropriate safe harbors should apply to all forms of forward-looking climate-related disclosures, to encourage proactive, good faith disclosure by companies.

29. Should we require all registrants to disclose an internal carbon price and prescribe a methodology for determining that price? If so, what corresponding disclosure requirements should we include in connection with such mandated carbon price? What methodology, if any, should we prescribe for calculating a mandatory internal or shadow carbon price? Would a different metric better elicit disclosure that would monetize emissions?

MSCI Response:

Information on the internal carbon price and underlying methodology is useful to better assess the mitigation capacity of a company to transition risks.

In order to understand the financial exposure of a company to mandatory carbon pricing and the extent of the exposure, the draft standard on climate change mitigation and climate change adaptation being developed by the European Financial Reporting Advisory Group (EFRAG) provides helpful direction. It proposes the disclosure of the range of potential financial effects of the EU Emissions Trading System allocation plan over the period 2021-2030, including the number of quotas to be purchased annually on the market (gap between estimated emissions and free allocations) and the estimated yearly cost per ton to be purchased.[18]

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?

MSCI Response:

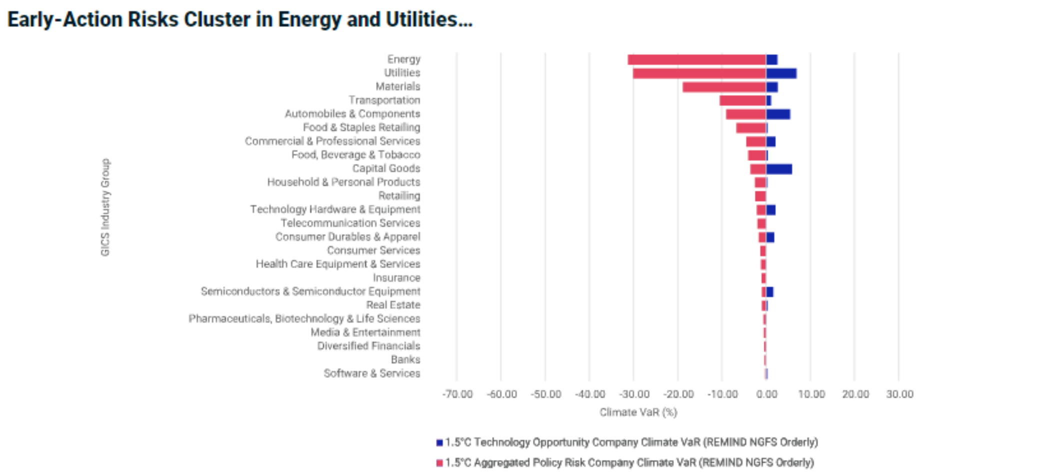
Yes, the most important and useful information is in the form of quantitative metrics. A qualitative overlay to the quantitative disclosures is also important, however "boilerplate statements" should be discouraged in favor of meaningful disclosure that explains how the risks posed by different climate scenarios might be expected to impact the company's financial position and how those risks are being managed as a result.

Scenario-based information is relevant and meaningful for an investor seeking to hedge his portfolio against a range of scenarios to climate change. To show the importance of scenario

[18] ESRS E1, Exposure Draft Climate Change - Download (efrag.org), April 2022, p. 41.

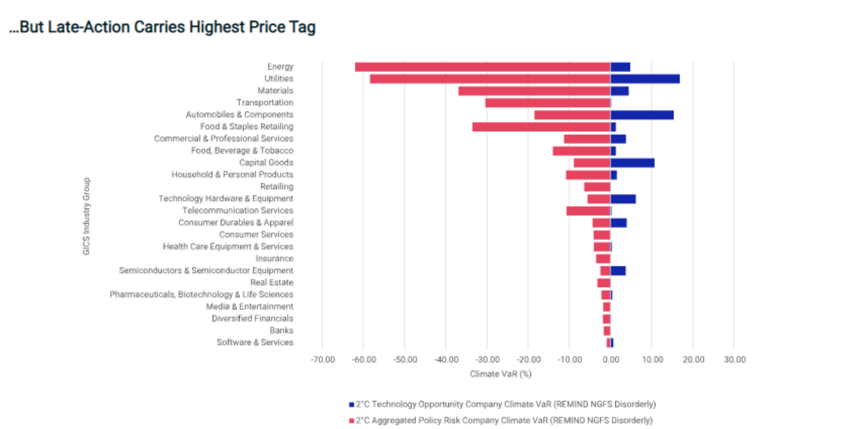
analysis, MSCI illustrated the uneven distribution of climate impacts for different sectors building on scenarios developed by the Network for Greening the Financial System (NGFS).[19] For example, in the NGFS' 1.5°C Net-Zero 2050 scenario, carbon-intensive sectors and industry groups such as energy, utilities and materials carried the highest policy risk, with the average energy company losing around 31% of enterprise value.

Figure 3: Early-Action Risks Cluster in Energy and Utilities



Impact of the transition-risk scenarios on the enterprise value of companies in the MSCI ACWI Index. The impact on the "average" company in each industry group is shown, whereby companies are equally weighted. Based on data as of Sept. 20, 2021. Source: MSCI ESG Research.

Under the NGFS late-action 2°C scenario, the policy risks increase substantially, with the average energy company doubling its loss to enterprise value compared to the 1.5°C scenario (62% vs. 31%, respectively). However, other industry groups would face greater proportionate losses. For example, the average transition risk for food and staples retailing would quintuple to -33.46% in a late-action 2°C scenario from -6.73% in an early-action 1.5°C scenario, with most of the increased risk coming from electricity use (Scope 2).



Impact of the transition-risk scenarios on the enterprise value of companies in the MSCI ACWI Index. The impact on the "average" company in each industry group is shown, whereby companies are equally weighted. Based on data as of Sept. 20, 2021. Source: MSCI ESG Research.

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[19] Stress Testing Portfolios for Climate-Change Risk - MSCI

30. (a) 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?

MSCI Response:

MSCI notes that using different models and scenarios leads to results that are not comparable. While this can give companies some flexibility to choose a model for self-examination, it is important for investors to be able to effectively compare the results of a prescribed scenario analysis. The Commission may find it helpful to provide examples of acceptable Representative Concentration Pathways (RCPs), Integrated Assessment Models (IAMs) and/or Shared Socioeconomic Pathways (SSPs) that firms should utilize during scenario analysis. Further, by prescribing the precise time horizons that the scenario analysis should cover will help with comparability of the scenario analysis. The NGFS has delivered several examples of acceptable climate scenario modelling characteristics. Please also refer Question 29 for an analysis of climate impacts by sector, based on two NGFS scenarios.

30. (b) 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 º, 2 º, or 1.5 ºC 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?

MSCI Response:

Yes, understanding the underlying assumptions of different pathways is critical for understanding company-level risks, impacts, and uncertainties. Differences in assumptions typically make significant differences in company-level impacts.

In the absence of the final rules prescribing scenarios, it will be helpful for investors and other users of this data to understand why a company has used a particular climate scenario and why it believes the analysis derived from that scenario provides all the relevant material information regarding its potential future climate risks.

30. (c) 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?

MSCI Response:

Analysis based on multiple scenarios will provide a more comprehensive coverage of how resilient a company is to a range of potential future scenarios. Other jurisdictions have required firms to consider multiple scenarios when conducting their analysis exercise.[20]

30. (d) Is there a need for us to provide additional guidance regarding scenario analysis?

MSCI Response:

Yes, companies would benefit from additional guidance from the Commission regarding scenario analysis. Please also see our response to Question 30(c).

30. (e) Should we also require a registrant that does not use scenario analysis to disclose that it has not used this analytical tool?

MSCI Response:

Yes.

30. (f) Should we also require a registrant to disclose its reasons for not using scenario analysis?

MSCI Response:

Yes, a comply-or-explain approach to scenario analysis disclosure would help investors understand a company's rationale for not conducting a scenario analysis.

31. Would the PSLRA forward-looking statement safe harbors provide adequate protection for the proposed scenario analysis disclosure? Should we instead adopt a separate safe harbor for scenario analysis disclosure? If so, what disclosures should such a safe harbor cover that would not be covered by the PSLRA safe harbors and what should the conditions be for such a safe harbor?
Should we instead adopt a separate safe harbor for scenario analysis disclosure? If so, what disclosures should such a safe harbor cover that would not be covered by the PSLRA safe harbors and what should the conditions be for such a safe harbor?
32. Should we adopt a provision similar to 17 CFR 229.305(d) that would apply the PSLRA forward-looking statement safe harbor to forward-looking statements made in response to specified climate-related disclosure items, such as proposed Item 1502 and Item 1505 (concerning targets and goals) of Regulation S-K? If so, which proposed items should we specifically include in the safe harbor?
33. As proposed, a registrant may provide disclosure regarding any climate-related opportunities when responding to any of the provisions under proposed 17 CFR 229.1502 (Item 1502). Should we require disclosure of climate-related opportunities under any or all of the proposed Item 1502 provisions?

MSCI Response: Please also see our response to Question 28.

[20] In Europe, the draft EU Sustainability Reporting Standards (ESRS) requires the disclosure of information on how scenario analysis has been used to identify physical and transition risks over the short, medium and long term.

Governance Disclosures

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?

MSCI Response:

As the Commission notes in its proposing release, the TCFD framework recommends that organizations disclose the features of the board's oversight of climate risks and opportunities as well as management's role in assessing and managing such risks and opportunities. We support the proposed disclosure requirements that are based on specific recommendations of the TCFD framework.

Over the last several years, companies have significantly expanded the information they provide to investors regarding the leadership of the company, including the board, its committees and management.[21] Companies regularly include detailed information on the background, qualification and skills of directors and nominees in public disclosure, including annual meeting proxy statements. The current rules elicit adequate disclosure about a board member's or executive officer's expertise relevant to areas of risk, including climate-related risk. However, we encourage the Commission to provide guidance on the attributes required for an individual to be considered to have climate expertise, similar to the guidance provided when designating an individual an audit committee financial expert.

Risk Management Disclosures

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?

[21] See, e.g., 17 CFR 229.401 and 229.407

MSCI Response:

MSCI supports the mandatory disclosure of the risk management factors as set out in the Rule Proposal.

Transition Plan Disclosure

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 thatwe should require it to disclose instead of or in addition to the proposed disclosure items?

MSCI Response:

MSCI supports the mandatory disclosure of the processes for managing climate-related risks.

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?

MSCI Response:

Yes, the Commission's proposed requirement for a company to disclose and describe its transition plan, if one has been adopted, will provide investors with information needed to evaluate if a company has an effective strategy to achieve its climate-related objectives. A credible transition plan goes together with any climate-related or net-zero targets the company has set for itself.

For investors and other users of climate-related disclosures, the ability to compare the transition plans of different companies is important. Companies' transition plans may vary widely in quality and consistency, and they may not include all the data and metrics that investors deem important in assessing the transition plans against net-zero pathways. In requiring those companies that have adopted a transition plan to disclose the relevant information, it would be helpful to investors if the following minimum information is disclosed:

Figure 5: Transition plan elements recommended by the TCFD

Alignment to a global temperature goal, relevant regulatory mandates, and/or sectoral decarbonization strategies
The supporting financial plans, budgets, and related financial targets associated with the transition plan
Industry-specific or organization specific metrics to enable comparability across firms

Incentives such as remuneration which are aligned with the organization's climate goals
Metrics aligned with the cross-industry, climate-related metric categories recommended by the TCFD
Climate related targets and associated metrics used as part of those targets

Source: Table E1, Guidance on Metrics, Targets and Transition Plans, TCFD, October 2021

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 adaption to physical risks that we should specifically require to be disclosed in the description of a registrant's transition plan?

MSCI Response:

Yes, a credible transition plan should include information on actions the company will take to mitigate or adapt to physical risks it has identified as part of its disclosures in section 229.1502 (Item 1502).

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 emissionscaps; 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?*

MSCI Response:

Please see our response to Question 47.

48. (a) Are there any other transition risks that we should specifically identify for disclosure, if applicable, in the transition plan description? Are there any identified transition risks that weshould exclude from the plan description?

MSCI Response:

Yes, companies should disclose how they plan to mitigate or adapt to transition risks arising from technological improvements or innovations. The development and spread of lower-carbon and energy-efficient technologies can have a significant impact on organizations. For example, new and emerging technologies such as battery storage and carbon capture can affect the competitiveness of certain companies and sectors, impact their production and distribution costs, and ultimately determine the demand for their products and services.

49. If a registrant has adopted a transition plan, when describing the plan, should we permit the registrant also to discuss how it plans to achieve any identified climate-related opportunities, including, as proposed:

- *The production of products that facilitate the transition to a lower carbon economy, suchas low emission modes of transportation and supporting infrastructure?*
- *The generation or use of renewable power?*
- *The production or use of low waste, recycled, or environmentally friendly consumerproducts that require less carbon intensive production methods?*
- *The setting of conservation goals and targets that would help reduce GHG emissions?*
- *The provision of services related to any transition to a lower carbon economy?*

Should we require a registrant to discuss how it plans to achieve any of the above, or any other, climate-related opportunities when describing its transition plan?

MSCI Response:

Disclosure as to how a company plans to achieve the climate-rated opportunities it identified as parts of its transition plan is useful information.

50. If a registrant has disclosed its transition plan in a Commission filing, should we require it to update its transition plan disclosure each fiscal year by describing the actions taken during the year to achieve the plan's targets or goals, as proposed?

MSCI Response:

Yes, annual updates on actions companies have taken to meet the objectives outlined in their transition plans would be useful to the market. Including annual updates on transition plans becomes even more important as investors increasingly expect firms to include shorter-term interim targets as part of their strategy. Information from this disclosure allows for accurate and informed judgments on how effective a company has been in implementing its transition plan over a given period of time, and also the potential risks and costs associated with what it still needs to accomplish.

50. (a) Should we require a registrant to provide such an update more frequently, and if so, how frequently?

MSCI Response:

Annual updates of a company's transition plans are sufficient in providing accurate and up-to-date report on progress. The TCFD also recommends that transition plans are updated on an annual basis.

50. (b) Would the proposed updating requirement act as a disincentive to the adoption of a transition plan by the registrant?

MSCI Response:

We would expect that any action taken to support a transition plan would also be included in a company's sustainability report. Since a company must report on target progress, if it has set a target, these two requirements would overlap in parts.

Financial Statement Metrics

53. The proposed rules would specify the basis of calculation for the climate-related financial statement metrics. Is it clear how to apply these accounting principles when calculating the proposed climate-related financial statement metrics, or should we provide additional guidance? Should we require a registrant to report these metrics with reference to its consolidated financial statements, as proposed? If not, how should registrants report these metrics? If we were to establish accounting principles (e.g., the basis for reporting these metrics) in a manner that differs from the principles applicable to the rest of the consolidated financial statements, would the application of those principles to the proposed metrics make climate-related disclosures less clear, helpful, or comparable for investors?

MSCI Response:

We note that a threshold of 1% is a materiality level which is significantly below the threshold currently used elsewhere in the financial statement.

Many of the examples provided in the Rule Proposal are for industries especially impacted by climate change (e.g., utilities and oil and gas) and if the Commission proceeds to introduce a new materiality disclosure threshold, it would be helpful for the Final Rules to include additional examples covering all industries.

Finally, additional guidance may be required to support the comparability and consistency of the disclosures in the following areas:

- For the purposes of determining the disclosure threshold, the Rule Proposal requires companies to aggregate the absolute value of impact on a line-by-line basis to reflect the significance of the impact of the climate related events and transition activities on a company's financial performance and position. Additional clarity from the Commission on the components of the costs that are to be considered for carrying out the said analysis would be helpful.
- When transition costs are incurred in conjunction with other business objectives and activities. For example, a company may relocate its headquarters for several business reasons such as personnel growth and M&A cost synergies. As part of the assessment, climate-related factors may be considered in choosing the property and it would be helpful if the rules provided additional guidance as to how to make the classification as to what would constitute transition costs under such a scenario.
- Components of costs that would require disclosure.

54. Should we also require such metrics to be calculated at a reportable segment level when a registrant has more than one reportable segment (as defined by the FASB ASC Topic 280 Segment Reporting)? In addition, should we require such metrics to be presented by geographic areas that are consistent with the registrant's reporting pursuant to FASB ASC Topic 280-10-50- 41? How would investors use such information?

MSCI Response:

These metrics should be required where a company has set a target at a reportable segment or geographic level.

64. Are the proposed requirements for calculating and presenting the financial impact metrics clear? Should the analysis be performed and disclosed in a manner other than on a line-by-line basis referring to the line items of the registrant's consolidated financial statements?

MSCI Response:

Please see our response to Question 53.

65. We are proposing to allow a registrant to aggregate the absolute value of negative and positive impacts of all climate-related events and, separately, transition activities on a financial statement line item. Should we instead require separate quantitative disclosure of the impact of each climate-related event or transition activity? Should we require separate disclosure of the impact of climate-related opportunities that a registrant chooses to disclose?

MSCI Response:

This level of granularity will likely create significant burden to companies and not provide useful information to the readers of the financial statements.

66. The *proposed financial impact metrics would not require disclosure if the absolute value of the total impact is less than one percent of the total line item for the relevant fiscal year. Is the proposed threshold appropriate? Should we use a different percentage threshold (e.g., three percent, five percent) or use a dollar threshold (e.g., less than or greater than $1 million)? Should we use a combination of a percentage threshold and a dollar threshold? Should we only require disclosure when the financial impact exceeds the threshold, as proposed, or should we also require a determination of whether an impact that falls below the proposed quantitative threshold would be material and should be disclosed?*

MSCI Response:

Please refer to our response to Question 53.

68. Instead of including a quantitative threshold, as proposed, should we require disaggregated disclosure of any impact of climate-related risks on a particular line item of the registrant's consolidated financial statements? Alternatively, should we just use a materiality standard?

MSCI Response:

Please refer to our response to Question 53.

70. We have not proposed defining the term "upstream costs" as used in the proposed examples for the financial impact metrics and elsewhere. Should we define that term or any others? If so, how should we define them?

MSCI Response:

Yes, it would be helpful for the Commission to define "upstream costs" incorporating the actual components of costs, supported with examples.

71. Are the proposed examples in the financial impact metrics helpful for understanding the types of disclosure that would be required? Should we provide different or additional examples or guidance?

MSCI Response:

Please refer to our responses to Questions 53 and 70.

72. Should we require registrants to disclose the expenditure metrics, as proposed? Would presenting the expenditure metrics separately in one location provide decision-useful information to investors? Is there a different type of metric that would result in more useful disclosure of the expense or capitalized costs incurred toward climate-related events and transition activities or toward climate-related risks more generally?

MSCI Response:

Please refer to our responses to Questions 53 and 70.

76. Should we apply the same disclosure threshold to the expenditure metrics and the financial impact metrics? Is the proposed threshold for expenditure metrics appropriate? Should we use a different percentage threshold (e.g., three percent, five percent) or use a dollar threshold (e.g., less than or greater than $1 million)? Should we use a combination of a percentage threshold and a dollar threshold? Should we only require disclosure when the amount of climate-related expenditure exceeds the threshold, as proposed, or should we also require a determination of whether an amount of expenditure that falls below the proposed quantitative threshold would be material and should be disclosed? Should we require separate aggregation of the amount of expense and capitalized costs for purposes of the threshold, as proposed? Should we require separate aggregation of expenditure relating to the climate-related events and transition activities, as proposed?

MSCI Response:

Please refer to our responses to Questions 53 and 70.

78. Are the proposed requirements for calculating and presenting the expenditure metrics clear? Should the analysis be performed and disclosed in a different manner, other than separately based on capitalized costs and amount of expenditure expensed and separately based on the climate-related events and transition activities? Should disclosure of expenditure incurred be required for both the amount of capitalized costs and the amount of expenditure expensed if only one of the two types of expenditure meets the disclosure threshold? Should we require separate disclosure of expenditure incurred toward each climate-related event and transition activity?

MSCI Response:

Please refer to our responses to Questions 53 and 70.

80. Are the proposed terms and examples used in the expenditure metrics helpful for understanding the types of disclosures that would be required? Should we provide different or additional examples?

MSCI Response:

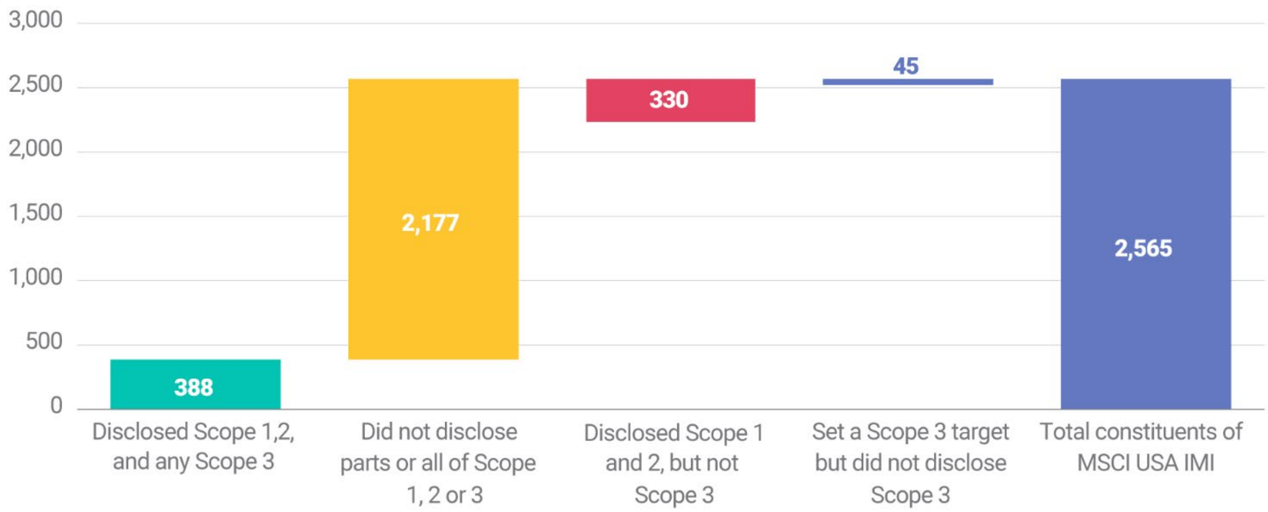
Please refer to our responses to Questions 53 and 70.

93. How would investors use GHG emissions disclosures to inform their investment and voting decisions? How would such disclosures provide insight into a registrant's financial condition, changes in financial condition, and results of operations? How would such disclosures help investors evaluate an issuer's climate risk-related exposure? Would such disclosures enable investors to better assess physical risks associated with climate-related events, transition risks, or both types of risks?

MSCI Response:

Disclosure of Scope 1, 2 and 3 emissions would significantly improve investors' ability to model and assess a company's financial exposure to potential changes in climate policy, to technology displacement and to changes in market demand. As the diagram below shows, companies are currently providing less than the full picture of their GHG emissions. This is especially true for Scope 3 emissions, which form the largest part of many companies' total emissions. Only 15% of constituents of the MSCI USA IMI disclose any (and not necessarily the most material) category of Scope 3 emissions.

Figure 5: Companies are providing less than full picture of their carbon footprint[22]



Data as of March 23, 2022. Total universe includes the 2,565 constituents of MSCI USA Investable Market Index, as of March 22, 2022, with market cap greater than USD 75 million and which are covered by MSCI ESG Research Carbon Metrics. Data includes latest disclosures, as of 2019 or 2020. Source: MSCI ESG Research LLC

Full disclosure of a company's GHG emissions (Scope 1-3) and emission reduction targets would be helpful to provide investors with a portfolio's net zero alignment score and facilitate a deeper understanding of future trajectory. For example, MSCI's portfolio climate alignment metric, Implied Temperature Rise (ITR), provides an indication of how companies and portfolios align with global climate targets.

Company-specific data points required for calculating the Implied Temperature Rise (ITR)	How it's used?
Companies' current emissions across all 3 scopes	Used to project an absolute emissions timeseries for the company until 2070 for Scopes 1, 2 and 3 emissions.
Companies' reported emissions reduction targets	Used to project an absolute emissions timeseries for the company until 2070 for Scopes 1, 2 and 3 emissions.
Companies' revenue	Used to designate the share of global carbon budget for the company.

Using companies' current emissions and reported emissions reduction targets, the ITR projects an estimated carbon budget over-/undershoot, which is then converted to a degree of temperature rise. A more universal coverage of Scope 3 emissions and clearly defined targets

[22] Companies May Not Be Ready for SEC Climate-Disclosure Rules - MSCI, March 2022

and progress reports on targets will reduce the need for estimation methods when calculating investment portfolio alignment tools such as the ITR.

However, GHG emissions disclosure alone does not provide insights on the physical risk exposure of a company, which is determined by the location of its operating sites or supply chain exposures to extreme weather-related disruptions (acute climate risks) or changing climate conditions like sea level rise or drought induced water scarcity (chronic climate risks). Please see our responses to Questions 9, 12 and 13.

94. Should we require a registrant to disclose its GHG emissions both in the aggregate, per scope, and on a disaggregated basis for each type of greenhouse gas that is included in the Commission's proposed definition of "greenhouse gases," as proposed? Should we instead require that a registrant disclose on a disaggregated basis only certain greenhouse gases, such as methane (CH4) or hydrofluorocarbons (HFCs), or only those greenhouse gases that are the most significant to the registrant? Should we require disaggregated disclosure of one or more constituent greenhouse gases only if a registrant is obligated to separately report the individual gases pursuant to another reporting regime, such as the EPA's greenhouse gas reporting regime or any foreign reporting regime? If so, should we specify the reporting regime that would trigger this disclosure? While this is a preferred outcome, given the high difference in warming potential across greenhouse gases, it may not always be feasible in practice.

MSCI Response:

We support a disclosure of those GHG emissions that are most significant to the company.

95. We have proposed defining "greenhouse gases" as a list of specific gases that aligns with the GHG Protocol and the list used by the EPA and other organizations. Should other gases be included in the definition? Should we expand the definition to include any other gases to the extent scientific data establishes a similar impact on climate change with reasonable certainty? Should we require a different standard to be met for other greenhouse gases to be included in the definition?

MSCI Response:

To ensure comparability, we strongly encourage an alignment with the GHG Protocol. Defining "greenhouse gases" to include the GHG Protocol and EPA standards may lead to confusing results.

96. Should we require a registrant to express its emissions data in CO2e, as proposed? If not, is there another common unit of measurement that we should use? Is it important to designate a common unit of measurement for GHG emissions data, as proposed, or should we permit registrants to select and disclose their own unit of measurement?

MSCI Response:

Yes, the use of a single, well-established unit of measurement is critical to allow for data aggregation. This is also the approach pursued by the GHG Protocol.

97. Should we require a registrant to disclose its total Scope 1 emissions and total Scope 2 *emissions separately for its most recently completed fiscal year, as proposed? Are there other approaches that we should consider?*

MSCI Response:

Yes, this is a standard approach pursued by other regulators globally implementing climate-related disclosure requirements for corporates and in line with TCFD recommendations.[23]

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?

MSCI Response:

MSCI supports efforts to improve disclosure on Scope 3 emissions. Of the 2,565 companies in the MSCI USA IMI, only 28% disclosed Scope 1 and 2 emissions, and only 15% disclosed some (and not necessarily the most material) Scope 3 emissions.[24] Scope 3 emissions are the biggest sources of total value chain emissions for most of the MSCI USA IMI constituents.[25] However, a number of companies self-identify Scope 3 emissions as immaterial even where our research points to very high materiality, e.g., in the financial sector.[2] As a user of Scope 3 emissions data, it is important to MSCI that Scope 3 emissions disclosure is consistent and comparable, which will not be achieved under an individual company materiality determination. Rather, we propose that the Commission adopts a defined materiality threshold. Based on our Scope 3 estimates, 86% of constituents in the MSCI USA IMI would need to report Scope 3 emissions under a 50% materiality threshold, which increases to 89% under a 25% materiality threshold.

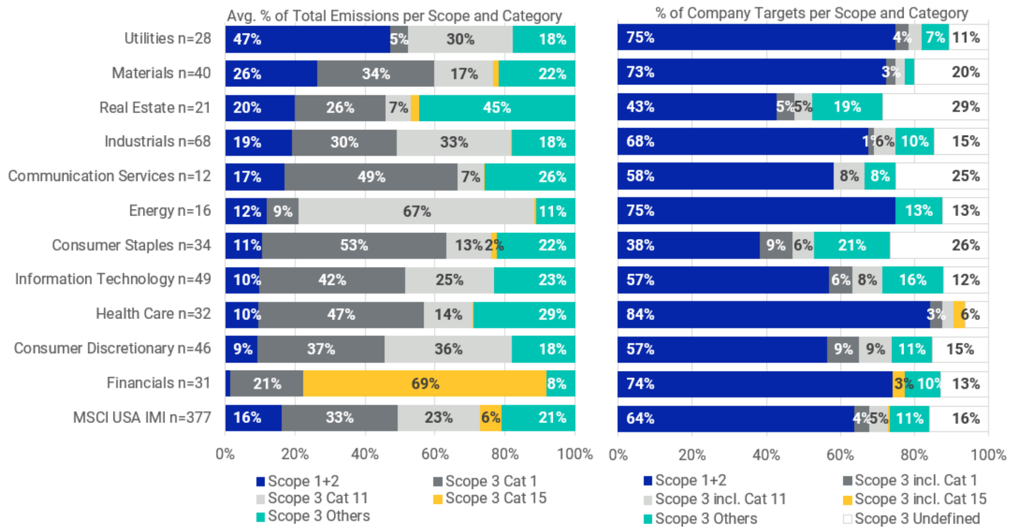
MSCI considered materiality based on (1) self-reported data (which is still incomplete / and only available for a relatively small sample of 377 constituents of the MSCI US IMI) and based on (2) estimates (full set of 2565 constituents).

(1) Analysis of materiality of Scope 3 emissions based on self-reported data

Figure 6 shows that, on average, 84% of total emissions were attributed to Scope 3 emissions, while Scope 1 and 2 emissions contributed on average 16% of total emissions. Specifically, on average, 33% of total emissions were related to Scope 3 category 1, 23% to category 12% to category 15 and 21% to other categories. [26]

[23] As TCFD Comes of Age, Regulators Take a Varied Approach - MSCI
[24] Companies May Not Be Ready for SEC Climate-Disclosure Rules - MSCI, March 2022.
[25] Which Scope 3 Emissions Will the SEC Deem 'Material'? - MSCI, April 2022.
[26] Based on our analysis of 377 constituents of the MSCI USA IMI that set decarbonization targets and reported Scope 3 emissions per category to CDP in 2021.

Figure 6: Average Percentages of Total Emissions per Scope and Category against Scope and Category of Decarbonization Targets per GICS

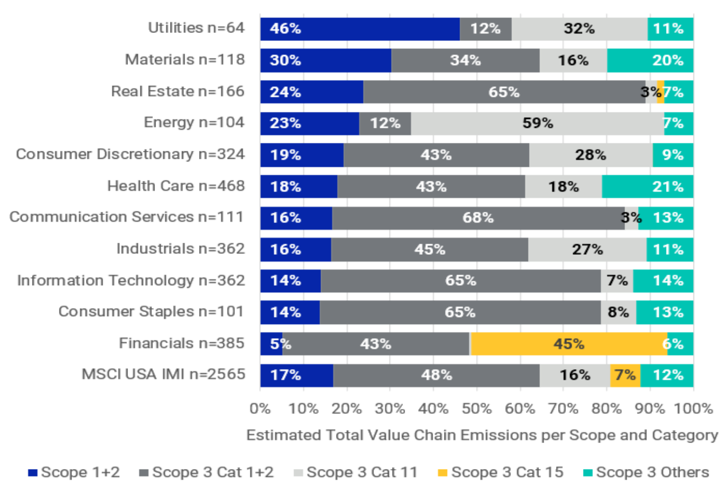


Source: CDP, MSCI ESG Research. March 22, 2022.

(2) Analysis of materiality of Scope 3 emissions based on estimated data

Figure 7 shows that, on average, 83% of total emissions were attributed to Scope 3 emissions, while Scope 1 and 2 emissions contributed on average 17% of total emissions for MSCI USA IMI. Scope 3 Categories 1, 11 and 15 contributed a substantial proportion of total value chain emissions across all the Global Industry Classification System (GICS) sectors. These three categories of Scope 3 emissions contributed an average of over 71% of the total carbon footprint for constituents of the MSCI USA IMI Index.

Figure 7: Estimated Average Percentages of Total Emissions per Scope and Category from MSCI USA IMI Index



Source: MSCI ESG Research, LLC. Notes: Total value chain emissions per scope and category were estimated based on MSCI Scope 3 emissions estimation model for 2,565 MSCI USA IMI constituents with a market cap larger than USD 75 million. Data as of March 22, 2022.

99. Should we require a registrant that has made a GHG emissions reduction commitment that includes Scope 3 emissions to disclose its Scope 3 emissions, as proposed? Should we instead require registrants that have made any GHG emissions reduction commitments, even if those commitments do not extend to Scope 3, to disclose their Scope 3 emissions? Should we only require Scope 3 emissions disclosure if a registrant has made a GHG emissions reduction commitment that includes Scope 3 emissions?

MSCI Response:

As noted in our response to Question 98, disclosure of Scope 1, 2 and 3 emissions based on a uniform materiality threshold would assist in the understanding of the climate risks and opportunities affecting companies.

100. Should Scope 3 emissions disclosure be voluntary? Should we require Scope 3 emissions disclosure in stages, e.g., requiring qualitative disclosure of a registrant's significant categories of upstream and downstream activities that generate Scope 3 emissions upon effectiveness of the proposed rules, and requiring quantitative disclosure of a registrant's Scope 3 emissions at a later date? If so, when should we require quantitative disclosure of a registrant's Scope 3 emissions?

MSCI Response:

Please see our response to Question 98.

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

MSCI Response:

The use of offsets should be excluded from GHG emission reporting, i.e., not netted, and reported separately. This is in line with the standards developed by the Science-Based Target Initiative: "Carbon credits do not count as reductions toward meeting your science-based targets. Companies should only account for reductions that occur within their operations and value chain".[27] To the extent that companies purchase offsets, it is helpful to disclose the amount and nature of those offsets, as described in Question 24.

102. Should we require a registrant to disclose its Scope 3 emissions for each separate significant category of upstream and downstream emissions as well as a total amount of Scope 3 emissions for the fiscal year, as proposed? Should we only require the disclosure of the total amount of Scope 3 emissions for the fiscal year? Should we require the separate disclosure of Scope 3 emissions only for certain categories of emissions and, if so, for which categories?

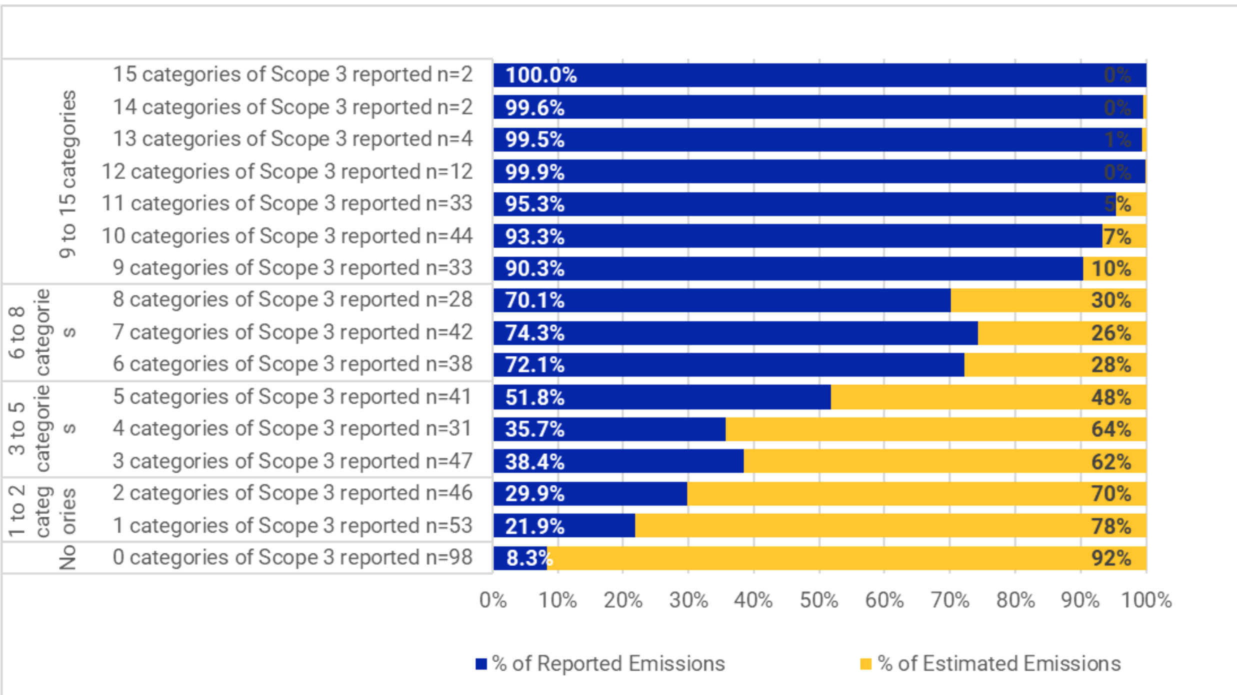
MSCI Response:

MSCI analyzed 554 MSCI USA IMI constituents that reported Scope 3 emissions to CDP 2021

[27] Net-Zero-Standard.pdf (sciencebasedtargets.org)

and integrated our estimated emissions into their reported emissions. We found 130 MSCI USA IMI constituents that reported more than nine categories of Scope 3 emissions to CDP showed over 90% of total value chain emissions on average, indicating they reported the most material categories of Scope 3 emissions. 275 MSCI USA IMI constituents reported only five or fewer Scope 3 categories and showed below 50% of total value chain emissions, indicating a high likelihood that they had not reported the most material categories of Scope 3 emissions.

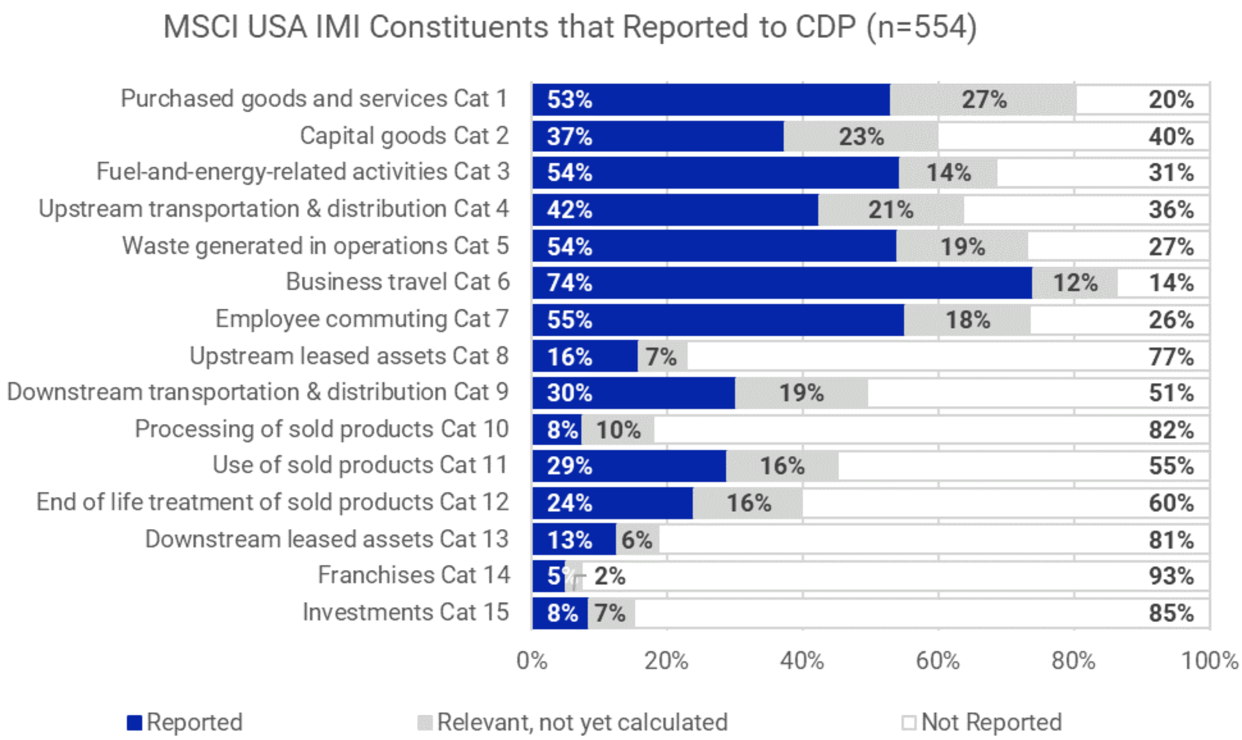
Figure 8: Percentages of Reported Emissions from Total Value Chain Emissions by the Number of Scope 3 Categories Reported by Companies



Source: MSCI ESG Research, CDP 2021 (downloaded on October 2021) as of March 22, 2022

Based on the CDP 2021 database, we found that more than 70% of the 554 MSCI USA IMI constituents reported Scope 3 Categories 1, 5, 6 and 7 (i.e., purchased goods and services, waste generated in operation, business travel, and employee commuting, respectively). None of the financial sector constituents of the MSCI USA IMI reported Scope 3 Category 15 or emissions from investments to the CDP in 2021.

Figure 9: State of Scope 3 emissions disclosure per category per CDP 2021



Source: MSCI ESG Research, CDP 2021 as of March 22nd 2022. Notes: CDP 2021 data was downloaded as of October 2021.

103. Should the proposed rules include a different standard for requiring identification of the categories of upstream and downstream emissions, such as if those categories of emissions are significant to total GHG emissions or total Scope 3 emissions? Are there any other categories of, or ways to categorize, upstream or downstream emissions that a registrant should consider as a source of Scope 3 emissions? For example, should we require a registrant to disclose Scope 3 emissions only for categories of upstream or downstream activities over which it has influence or indirect control, or for which it can quantify emissions with reasonable reliability? Are there any proposed categories of upstream or downstream emissions that we should exclude as sources of Scope 3 emissions?

MSCI Response:

No.

104. Should we, as proposed, allow a registrant to provide their own categories of upstream or downstream activities? Are there additional categories, other than the examples we have identified, that may be significant to a registrant's Scope 3 emissions and that should be listed in the proposed rule? Are there any categories that we should preclude, e.g., because of lack of accepted methodologies or availability of data? Would it be useful to allow registrants to add categories that are particularly significant to them or their industry, such as Scope 3 emissions from land use *change, which is not currently included in the Greenhouse Gas Protocol's Scope 3 categories? Should we specifically add an upstream emissions disclosure category for land use?*

MSCI Response:

No, we encourage the use of the GHG protocol to provide comparability to investors. If all companies published their own scheme, this would significantly diminish the value of disclosure.

105. Should we require the calculation of a registrant's Scope 1, Scope 2, and/or Scope 3 emissions to be as of its fiscal year end, as proposed? Should we instead allow a registrant to provide its GHG emissions disclosures according to a different timeline than the timeline for its Exchange Act annual report? If so, what should that timeline be? For example, should we allow a registrant to calculate its Scope 1, Scope 2, and/or Scope 3 emissions for a 12-month period ending on the latest practicable date in its fiscal year that is no earlier than three months or, alternatively, six months prior to the end of its fiscal year? Would allowing for an earlier calculation date alleviate burdens on a registrant without compromising the value of the disclosure? Should we allow such an earlier calculation date only for a registrant's Scope 3 emissions? Would the fiscal year end calculations required for a registrant to determine if Scope 3 emissions are material eliminate the benefits of an earlier calculation date? Should we instead require a registrant to provide its GHG emissions disclosures for its most recently completed fiscal year one, two, or three months after the due date for its Exchange Act annual report in an amendment to that report?

MSCI Response:

Companies should report as soon as practicable. There is precedent in GAAP when information is not available such as the accounting policy election for recording investor's share of earnings and losses using a lag period as long as the policy is applied consistently.

We understand that emissions reporting for newly acquired businesses or asset acquisitions during the reporting year may be problematic for some companies and the Commission may want to consider transitional measures in such cases, provided that disclosure is made within a specified period of time. To encourage estimates to be reported where the underlying raw data does not exist, an appropriate safe harbor could be considered.

106. *Should we require a registrant that is required to disclose its Scope 3 emissions to describe the data sources used to calculate the Scope 3 emissions, as proposed? Should we require the proposed description to include the use of: (i) emissions reported by parties in the registrant's value chain, and whether such reports were verified or unverified; (ii) data concerning specific activities, as reported by parties in the registrant's value chain; and (iii) data derived from economic studies, published databases, government statistics, industry associations, or other third-party sources outside of a registrant's value chain, including industry averages of emissions, activities, or economic data, as proposed? Are there other sources of data for Scope 3 emissions the use of which we should specifically require to be disclosed? For purposes of our disclosure requirement, should we exclude or prohibit the use of any of the proposed specified data sources when calculating Scope 3 emissions and, if so, which ones?*

MSCI Response:

Reported emission data from the supply chain would be useful information, however, we recognize that the attribution of emissions from suppliers to entities could pose a challenge for companies since it is challenging to attribute the share of emissions from a supplier to the sourced product/service. Therefore, a description of the data sources in the categories proposed should suffice.

107. Should we require a registrant to provide location data for its disclosed sources of Scope 1, Scope 2, and Scope 3 emissions if feasible? If so, should the feasibility of providing location data depend on whether it is known or reasonably available pursuant to the Commission's existing rules (Securities Act Rule 409 and Exchange Act Rule 12b-21)? Would requiring location data, to the extent feasible, assist investors in understanding climate-related risks, and in particular, likely physical risks, associated with a registrant's emissions' sources? Would a requirement to disclose such location data be duplicative of any of the other disclosure requirements that we are proposing?

MSCI Response:

Yes. For Scope 1 and 2 emissions, location data should be easily accessible. Requiring location data in the case of Scope 1 and 2 emissions would aid investors with evaluating jurisdictional transition risk, rather than physical risks.

108. If we require a registrant to provide location data for its GHG emissions, how should that data be presented? Should the emissions data be grouped by zip code separately for each scope? Should the disclosure be presented in a cartographic data display, such as what is commonly known as a "heat map"? If we require a registrant to provide location data for its GHG emissions, should we also require additional disclosure about the source of the emissions?

MSCI Response:

For Scope 1 and 2 emissions, grouping by geography (preferably at ZIP code level) would add useful information. As a consumer of climate data, we would prefer publication in machine-readable format, such as tables with geographic data rather than heat maps where it is harder to retrieve data in an automized manner.

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?

MSCI Response:

Yes, it would be more useful if companies report a separate footprint and intensity per Scope (i.e. Scope 1 and 2 not grouped together). Please also refer to our responses to Questions 110 and 111.

110. Should we require the disclosed GHG intensity to be expressed in terms of metric tons of CO2e per unit of total revenue, as proposed? Should we require a different financial measure of GHG intensity and, if so, which measure? For example, should GHG intensity be expressed in terms of metric tons of CO2e per unit of total assets?

MSCI Response:

Yes, GHG intensity expressed in terms of metric tons of CO2e per unit of total [revenue] would be preferable as a basis of disclosure and is an internationally accepted metric. However, we would replace company revenue with company value which would be more straightforward to calculate and less volatile (e.g. EVIC).[28]

111. Should we require the disclosed GHG intensity to be expressed in terms of metric tons of CO2e per unit of production, as proposed? Would such a requirement facilitate the comparability of the disclosure? Should we require a different economic output measure of GHG intensity and, if so, which measure? For example, should GHG intensity be expressed in terms of metric tons of CO2e per number of employees? Should we require the GHG intensity to be expressed per unit of production relevant to the registrant's business (rather than its industry)? Is further guidance needed on how to comply with the proposed requirement? Would requiring GHG intensity to be expressed in terms of metrics tons of CO2e per unit of production require disclosure of commercially sensitive or competitively harmful information?

MSCI Response:

Expressing GHG intensity in terms of metric tons of Co2e per unit of production (or per company value, e.g., EVIC) would lead to a better comparability within sectors. For example, a luxury car maker has a very low carbon US Dollar intensity because the revenue for each product is much higher compared to other vehicle manufacturers. Units need to be well defined to allow for a comparison of similar products to each other. For example, the definition should avoid a unit being defined in a way that would allow for a comparison between a passenger car and a truck.

112. Should we require a registrant with no revenue or unit of production for a fiscal year to disclose its GHG intensity based on, respectively, another financial measure or measure of economic output, as proposed? Should we require such a registrant to use a particular financial measure, such as total assets, or a particular measure of economic output, such as total number of employees? For registrants who may have minimal revenue, would the proposed calculation result in intensity disclosure that is confusing or not material? Should additional guidance be provided with respect to such instances?

MSCI Response:

Yes. EVIC could be used in this scenario.

113. Should we permit a registrant to disclose other measures of GHG intensity, in addition to the required measures, as long as the registrant explains why it uses the particular measure of GHG intensity and discloses the corresponding calculation methodology used, as proposed?

[28] Enterprise Value Including Cash.

MSCI Response:

Yes.

114. Should we require GHG emissions disclosure for the registrant's most recently completed fiscal year and for the appropriate, corresponding historical fiscal years included in the registrant's consolidated financial statements in the filing, to the extent such historical GHG emissions data is reasonably available, as proposed? Should we instead only require GHG emissions metrics for the most recently completed fiscal year presented in the relevant filing? Would requiring historical GHG emissions metrics provide important or material information to investors, such as information allowing them to analyze trends?

MSCI Response:

In our experience, a company's business model does not change abruptly. Therefore, a lifecycle assessment should not cause material concerns for reporting companies.

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?

MSCI Response:

Yes, we would support the calculation to be based on the methodology adopted by the GHG Protocol. Only where the GHG Protocol does not cover certain emissions, e.g. financed emissions, should alternatives, such as the Partnership for Carbon Accounting Financials be used in disclosures.

116. Should we require a registrant to disclose the organizational boundaries used to calculate its GHG emissions, as proposed? Should we require a registrant to determine its organizational boundaries using the same scope of entities, operations, assets, and other holdings within its business organization as that used in its consolidated financial statements, as proposed? Would prescribing this method of determining organizational boundaries avoid potential investor confusion about the reporting scope used in determining a registrant's GHG emissions and the reporting scope used for the financial statement metrics, which are included in the financial statements? Would prescribing this method of determining organizational boundaries result in *more robust guidance for registrants and enhanced comparability for investors? If, as proposed, the organizational boundaries must be consistent with the scope of the registrant's consolidated financial statements, would requiring separate disclosure of the organizational boundaries be redundant or otherwise unnecessary?*

MSCI Response:

Yes, a company should disclose its organizational boundaries using the same scope of entities, operations, assets, and other holdings within its business organization as that used in its consolidated financial statements. Including the organizational boundaries in its GHG emission disclosure will make the disclosure more explicit, but this can also be done by referring to the financial statement. It is very important to make all assumptions for the GHG reporting transparent, e.g., when carbon emissions are normalized by revenue to compute the carbon intensity for comparing companies of different sizes, it is crucial that organizational boundaries for both financial and GHG disclosures are clearly defined and aligned.

117. Except for calculating Scope 3 emissions, the proposed rules would not require a registrant to disclose the emissions from investments that are not consolidated, proportionately consolidated, or that do not qualify for the equity method of accounting. Should we require such disclosures for Scopes 1 and 2 emissions, and if so, how?

MSCI Response:

Under the equity method of accounting, equity investees are those investees that may own 20-50% of the company's equity and have significant influence but does not own or control the entity. As a result, obtaining emissions information from these investors may be difficult for a company.

119. Alternatively, should we require registrants to use the organizational boundary approaches recommended by the GHG Protocol (e.g., financial control, operational control, or equity share)? Do those approaches provide a clear enough framework for complying with the proposed rules? Would such an approach cause confusion when analyzing information in the context of the consolidated financial statements or diminish comparability? If we permit a registrant to choose one of the three organizational boundary approaches recommended by the GHG Protocol, should we require a reconciliation with the scope of the rest of the registrant's financial reporting to make the disclosure more comparable?

MSCI Response:

Yes, we support alignment with the GHG Protocol which will enable comparability (intensity calculation).

120. Should we require a registrant to disclose its operational boundaries, as proposed? Should we require a registrant to discuss its approach towards the categorization of emissions (e.g., as direct or indirect emissions) and emissions sources (e.g., stationary or mobile) when describing its operational boundaries, as proposed?

MSCI Response:

MSCI supports both disclosure requirements.

123. Should we require a registrant to be consistent in its use of its organizational and operational boundaries once it has set those boundaries, as proposed? Would the proposed requirement help investors to track and compare the registrant's GHG emissions over time?

MSCI Response:

Yes. If boundaries changed over time, the time series of reported emissions become inconsistent.

124. Should we require a registrant to disclose the methodology for calculating the GHG emissions, including any emission factors used and the source of the emission factors, as proposed? Should we require a registrant to use a particular set of emission factors, such as those provided by the EPA or the GHG Protocol?

MSCI Response:

For some companies it might be challenging to publish all emission factors since they may be protected by confidentiality terms of a service provider.

125. Should we permit a registrant to use reasonable estimates when disclosing its GHG emissions as long as it also describes the assumptions underlying, and its reasons for using, the estimates, as proposed? Should we permit the use of estimates for only certain GHG emissions, such as Scope 3 emissions? Should we permit a registrant to use a reasonable estimate of its GHG emissions for its fourth fiscal quarter if no actual reported data is reasonably available, together with actual, determined GHG emissions data for its first three fiscal quarters when disclosing its GHG emissions for its most recently completed fiscal year, as long as the registrant promptly discloses in a subsequent filing any material difference between the estimate used and the actual, determined GHG emissions data for the fourth fiscal quarter, as proposed? If so, should we require a registrant to report any such material difference in its next Form 10-Q if domestic, or in a Form 6-K, if a foreign private issuer? Should we permit a domestic registrant to report any such material difference in a Form 8-K if such form is filed (rather than furnished) with the Commission? Should any such reasonable estimate be subject to conditions to help ensure accuracy and comparability? If so, what conditions should apply?

MSCI Response:

Yes, the use of estimates should be allowed. Not all GHG data can currently be measured and estimates will continue to play an essential part in securing a better understanding of emissions.

126. Should we require a registrant to disclose, to the extent material, any use of third-party data when calculating its GHG emissions, regardless of the particular scope of emissions, as proposed? Should we require the disclosure of the use of third-party data only for certain GHG emissions, such as Scope 3 emissions? Should we require the disclosure of the use of third- party data for Scope 3 emissions, regardless of its materiality to the determination of those emissions? If a registrant *discloses the use of third-party data, should it also be required to identify the source of such data and the process the registrant undertook to obtain and assess the data, as proposed?*

MSCI Response:

Yes, use of third-party data should be disclosed when calculating GHG emissions.

127. Should we require a registrant to disclose any material change to the methodology or assumptions underlying its GHG emissions disclosure from the previous year, as proposed? If so, should we require a registrant to restate its GHG emissions data for the previous year, or for the number of years for which GHG emissions data has been provided in the filing, using the changed methodology or assumptions? If a registrant's organizational or operational boundaries, in addition to methodology or assumptions, change, to what extent should we require such disclosures of the material change, restatements or reconciliations? In these cases, should we require a registrant to apply certain accounting standards or principles, such as FASB ASC Topic 250, as guidance regarding when retrospective disclosure should be required?

MSCI Response:

Yes, material changes to the methodology or assumptions should be disclosed. If any of these factors change, investors may need to adjust their analysis of the company's emissions.

128. Should we require a registrant to disclose, to the extent material, any gaps in the data required to calculate its GHG emissions, as proposed? Should we require the disclosure of data gaps only for certain GHG emissions, such as Scope 3 emissions? If a registrant discloses any data gaps encountered when calculating its Scope 3 emissions or other type of GHG emissions, should it be required to discuss whether it used proxy data or another method to address such gaps, and how its management of any data gaps has affected the accuracy or completeness of its GHG emissions disclosure, as proposed? Are there other disclosure requirements or conditions we should adopt to help investors obtain a reasonably complete understanding of a registrant's exposure to the GHG emissions sourced by each scope of emissions?

MSCI Response:

Yes, data gaps should be disclosed (and not solely for Scope 3 emissions).

129. When determining the materiality of its Scope 3 emissions, or when disclosing those emissions, should a registrant be required to include GHG emissions from outsourced activities that it previously conducted as part of its own operations, as reflected in the financial statements for the periods covered in the filing, in addition to emissions from activities in its value chain, as proposed? Would this requirement help ensure that investors receive a complete picture of a registrant's carbon footprint by precluding the registrant from excluding emissions from activities that are typically conducted as part of operations over which it has ownership or control but that are outsourced in order to reduce its Scopes 1 or 2 emissions? Should a requirement to include outsourced activities be subject to certain conditions or exceptions and, if so, what conditions or exceptions?

MSCI Response:

If a materiality assessment for Scope 3 will be required, these emissions need to be considered.

131. Should we permit a registrant to present its Scope 3 emissions in terms of a range as long as it discloses its reasons for using the range and the underlying assumptions, as proposed? Should we place limits or other parameters regarding the use of a range and, if so, what should those limits or parameters be? For example, should we require a range to be no larger than a certain size? What other conditions or guidance should we provide to help ensure that a range, if used, is not overly broad and is otherwise reasonable?

MSCI Response:

MSCI would prefer that Scope 3 emissions are presented as a single number rather than a range. If a range is given, other users of this data will need to choose a realistic value within this range to be able to integrate this into portfolio management tools.

168. Should we require a registrant to disclose whether it has set any targets related to the reduction of GHG emissions, as proposed?

MSCI Response:

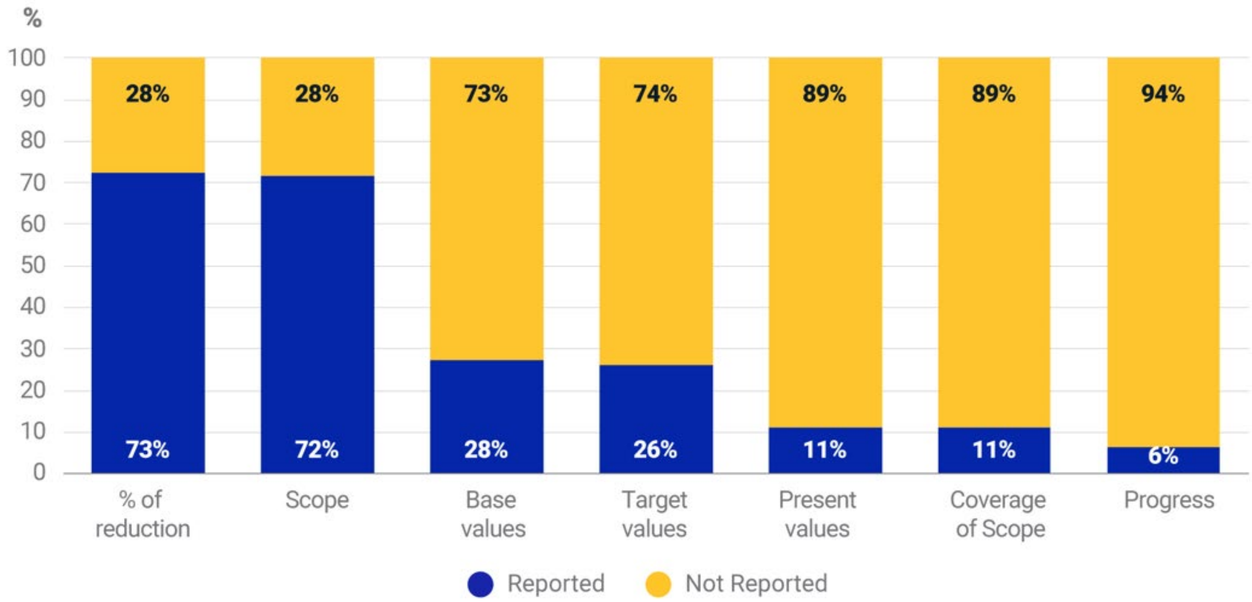
Yes. A company should disclose relevant information about its target.

Corporate climate targets are vastly heterogenous and very difficult to compare or track progress over time. Understanding a company's climate target or commitment, particularly with regards to the planned reduction of GHG emissions and being able to compare different climate targets on a consistent basis are critical for investors seeking to measure or mitigate climate risks in their portfolios.

Currently, about 25% of the US Investable Market Index (IMI) disclose some type of climate target. Of that group, 60% reported their target data in line with the Commission's proposal, while 40% of companies did not provide the full set of information, e.g., related to carbon reduction values or emission scope (see figure 10 for details).[29]

[29] SEC Climate Disclosure: Targeting Standardization – MSCI, May 17 2022.

Figure 10. - Reporting of information related to climate targets



Data as of October 2021. Coverage of scope refers to business activities and geographies covered by the targets. For more information, please refer to: Watanabe, Kenji, and Panagiotopoulos, Antonios. "Breaking Down Corporate Net-Zero Climate Targets." MSCI Research Insight, May 24, 2021. Source: CDP, MSCI ESG Research

MSCI has developed a three-part framework, the Climate Target Scorecard, for assessing the robustness of corporate decarbonization targets that may provide some guidance on what matters for investors (see table below).[30] The framework evaluates a company's climate commitments based on their comprehensiveness, ambitions and feasibility.

Three dimensions for assessing decarbonization targets

Analytical Framework	Descriptions	Key Components
Comprehensiveness:	Does the target focus on the majority of a company's emissions?	Type Unit Target scopes Target coverages Percentage of company footprint covered by the target
Ambition:	How much and how quickly does a target aim to reduce emissions?	Remaining emissions reduction Normalized reduction per year Target year Projected target emissions against net-zero trajectory in 2030

[30] Breaking Down Corporate Net-Zero Climate Targets, MSCI Research, May 2021

Analytical Framework	Descriptions	Key Components
		Projected target emissions against net-zero in 2050
Feasibility:	How feasible is a given target, and how much confidence can investors have in its achievement?	Track record of meeting previous targets Progress on active targets Intention to use carbon offsets Revenue from climate change solutions Decarbonization strategy by scope and category

168. (a) *Should we also require a registrant to disclose whether it has set any other climate-related target or goal, e.g., regarding energy usage, water usage, conservation or ecosystem restoration, or revenues from low-carbon products, in line with anticipated regulatory requirements, market constraints, or other goals, as proposed? If additional targets are set, we would welcome disclosure in a similarly structured fashion. Are there any other climate-related targets or goals that we should specify and, if so, which targets or goals? Is it clear when disclosure under this proposed item would be triggered, or do we need to provide additional guidance? Would our proposal discourage registrants from setting such targets or goals?*

MSCI Response:

A company should disclose whether it has set any climate-related targets or goals, including those related to energy usage, water usage or ecosystem restoration.

169. Should we require a registrant, when disclosing its targets or goals, to disclose:

- *The scope of activities and emissions included in the target;*
- *The unit of measurement, including whether the target is absolute or intensity based;*
- *The defined time horizon by which the target is intended to be achieved, and whether thetime horizon is consistent with one or more goals established by a climate-related treaty,law, regulation, or organization;*
- *The defined baseline time period and baseline emissions against which progress will betracked with a consistent base year set for multiple targets;*
- *Any intervening targets set by the registrant; and*
- *How it intends to meet its targets or goals, each as proposed?*

MSCI Response:

Yes. Comprehensive disclosure as set out in the Rule Proposal will be welcomed. The ability to analyze a company's target is important as more companies start to adopt public climate goals and targets

The Commission may want to consider further ways in which it can encourage greater standardization and comparability across company targets. A more detailed explanation including parameters around timing, scope and measurements will enable investors to better assess the robustness of a company's stated targets and use those parameters as a basis for tracking progress and for like-for-like comparison. Standardized disclosure of a company's decarbonization targets would help investors build an assessment of the company's future emissions pathways and their alignment with climate scenarios. For example, a requirement for GHG reduction targets should specify which emission scopes are included (Scope 1, 2 or 3). Decarbonization targets should refer to Scope 1 and 2 emissions across all operations globally, plus Scope 3 emissions across all categories according to the GHG Protocol.

It is worth noting that according to the Science-Based Target Initiative, carbon offsets cannot be used to count towards net zero targets. Companies should only account for reductions that occur within their operations and value chain. [31]

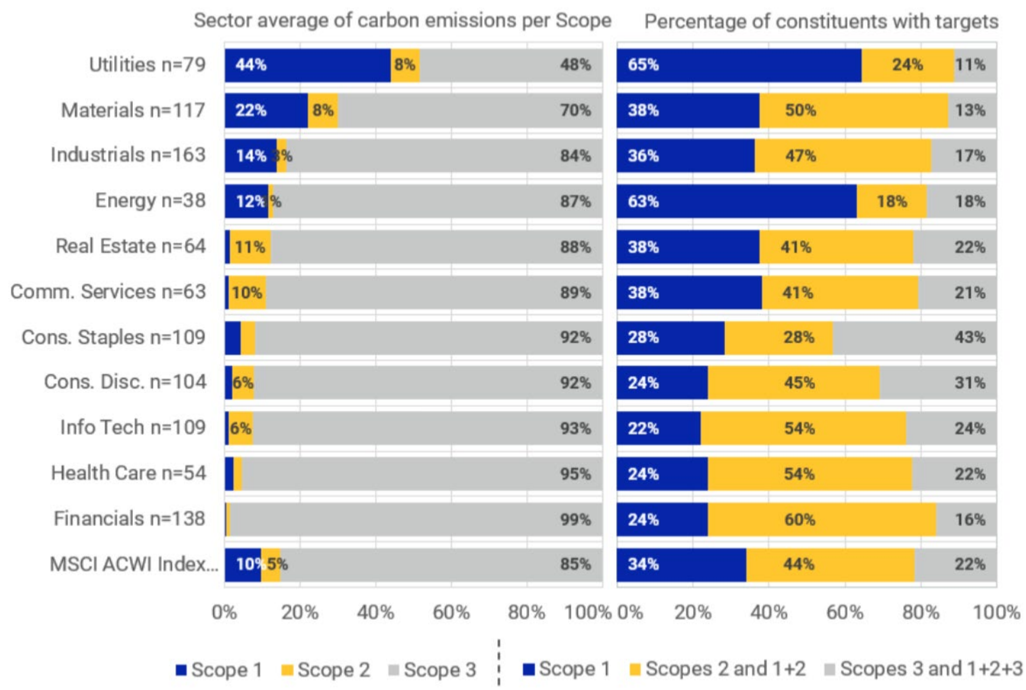
169. (a) Are there any other items of information about a registrant's climate-related targets or goals that we should require to be disclosed, in addition to or instead of these proposed items?

Yes. When companies disclose information about their respective targets, they should ensure that those targets cover their global operations in their geographic boundaries. Targets should cover emissions generated in all countries, not only in one or several locations. This is something which has also been recommended by other U.S. authorities, including the Environmental and Protection Agency (EPA).[32]

For large-accelerated filers who are required to disclose Scope 3 emissions, where material, the Commission may want to consider if these companies should also include Scope 3 emissions in their targets. This will be important for sectors and companies where Scope 3 emissions constitute a large portion of the overall GHG emissions. A recent study from MSCI shows the current misalignment between the scope of emissions and the scope of targets across sectors (see figure 13). For some sectors, such as energy and financial services, Scope 3 emissions account for 87 and 99 percent of total emissions respectively, yet less than 20 percent of targets in those sectors cover Scope 3. If companies from these sectors with high Scope 3 emissions are not required to include Scope 3 emissions in their targets, the credibility of those targets may be questioned. If a company is unable or unwilling to include Scope 3 emissions as part of its target, then it should be required to explain why.

[31] Net-Zero-Standard.pdf (sciencebasedtargets.org)
[32] Environment Protection Agency, *Target Setting*

Figure 11: Misalignment of emissions and targets by scope across sectors[33]



Source: CDP, MSCI ESG Research, as of Jan. 5, 2021. Notes: This research used two-digit codes to define each GICS sector peer set. Total carbon emissions of each sector comprise Scope 1, 2 and 3 emissions. Scope 1 and 2 emissions were reported by the companies or estimated by the MSCI Climate Change Metrics Methodology. Scope 3 emissions were estimated by the MSCI Scope 3 Carbon Emissions Estimation Methodology, which is aligned with the GHG protocol. Scope 2 targets included energy consumption reduction targets. When multiple targets existed, the scope of final target year was represented in the chart.

169. (b) Are there any proposed items regarding such targets or goals that we should exclude from therequired disclosure?

MSCI Response:

No.

170. Should we require a registrant to discuss how it intends to meet its climate-related targets or goals, as proposed?

MSCI Response:

Yes. Disclosure on progress should include data and relevant metrics on how the company intends to meet the target, as this will enable investors to assess the potential likelihood for reaching the declared target.

[33] Breaking Down Corporate Net-Zero Climate Targets, MSCI Research, May 2021

171. Should we require a registrant, when disclosing its targets or goals, to disclose any data that indicates whether the registrant is making progress towards meeting the target and how such progress has been achieved, as proposed?

MSCI Response:

Yes. For investors, it can prove challenging to compare climate targets and track progress among companies. Targets that appear to be similar can turn out to be different when looking at them in detail.[34] For instance, while some targets aim to achieve net-zero emissions across a company's entire carbon footprint, many do not. In fact, some companies are focused on just a minority portion of their carbon footprint.[35] This lack of standardization in climate-related or net-zero targets may pose a challenge for investors when they are looking to align their portfolios with net zero objectives and to track progress.[36]

173. If a registrant has used carbon offsets or RECs, should we require the registrant to disclose the amount of carbon reduction represented by the offsets or the amount of generated renewable energy represented by the RECS, the source of the offsets or RECs, the nature and location of the underlying projects, any registries or other authentication of the offsets or RECs, and the cost of the offsets or RECs, as proposed? Are there other items of information about carbon offsets or RECs that we should specifically require to be disclosed when a registrant describes its targets or goals and the related use of offsets or RECs? Are there proposed items of information that we should exclude from the required disclosure about offsets and RECs?

MSCI Response:

We welcome an inclusion of both quantitative and qualitative information on carbon offsets or RECs. Companies should detail for which part of their emissions footprint (Scope 1, 2 or 3) the offsets are intended. The Institutional Investors Group on Climate Change (IIGCC) recently proposed guidelines[37] for use and disclosure of carbon offsets. Amongst other principles, the IIGCC proposes a framework for use and disclosure of offsets by corporates and investors. These principles include considerations regarding use of proceeds, comparability and a "mitigation hierarchy". We would support the integration of these guidelines rather than the development of an alternative framework.

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? Should we adopt an exception to the PSLRA statutory safe harbors that would extend the safe harbors to climate-related forward- looking disclosures made in an initial public offering registration statement?

MSCI Response:

Please refer our response to Question 28.

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[34] Breaking Down Corporate Net-Zero Climate Targets, MSCI Research, May 2021
[35] Breaking Down Corporate Net-Zero Climate Targets, MSCI Research, May 2021
[36] SEC Climate Disclosure: Targeting Standardization – MSCI, May 17, 2022.
[37] December 2021, "IIGCC Offsetting principles for investors and their portfolio companies"

189. An International Sustainability Standards Board (ISSB) has recently been created, which is expected to issue global sustainability standards, including climate-related disclosure 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?

MSCI Response:

MSCI would encourage the Commission to actively engage with initiatives such as the International Sustainability Standards Board (ISSB) and the International Organization of Securities Commission (IOSCO) to help facilitate a global reporting standard on climate-related risks, as well as engage with the EU and other jurisdictions currently implementing sustainability disclosure frameworks.

190. Should we require registrants to tag the climate-related disclosures, including block text tagging and detail tagging of narrative and quantitative disclosures required by Subpart 1500 of Regulation S-K and Article 14 of Regulation S-X in Inline XBRL, as proposed? Should we permit custom tags for the climate-related disclosures?

MSCI Response:

Yes. We strongly support the proposal requiring companies to tag the climate-related disclosures in Inline XBRL. With the increase in textual data / narrative, the detailed tagging would help in synthesizing varied climate-related disclosures consistently especially for qualitative data. We would support a well-defined list of tags (vs. allowing custom tags) or guidance to define the climate-related tags that is aligned with existing reporting standards and taxonomy to avoid incomparability in the disclosures by different companies.

191. Should we modify the scope of the proposed climate-related disclosures required to be tagged? For example, should we only require tagging of the quantitative climate-related metrics?

MSCI Response:

No. We support the current proposed scope that would require all climate-related disclosures to be tagged. A reduction in scope by, for example, requiring tagging for only quantitative climate-related metrics, would lead to an increase in variability of narrative/ text-based disclosures and subjective interpretation that could be less effective for comparison.

193. Should we require issuers to use a different structured data language to tag climate- related disclosures? If so, what structured data language should we require? Should we leave the structured data language undefined?

MSCI Response:

We would prefer XBRL.

198. Should we provide a compliance date for the proposed Scope 3 emissions disclosure requirements that is one year later than for the other disclosure requirements, as proposed? Should the compliance dates for the Scope 3 emissions disclosure requirements be earlier or later? Should the compliance date for the Scope 3 emissions disclosure requirements depend upon whether the registrant is a large accelerated filer, accelerated filer, or non-accelerated filer?

MSCI Response:

In principle, we agree that the disclosure of emissions could be staggered with Scope 3 emissions required one year later than the disclosures for Scope 1 and 2 emissions. In addition, we note that Scope 3 emissions data for prior years may not be readily available and may be inaccurate.

201. Are there other phase-ins or exemptions regarding any or all of the proposed rules that we should provide?

MSCI Response: Please refer to our response to Question 198.