

# **EXHIBIT 7**

## Statement

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# Statement on Proposed Mandatory Climate Risk Disclosures



**Chair Gary Gensler**

**March 21, 2022**

Today, the Commission is considering a proposal to mandate climate risk disclosure by public companies. I am pleased to support today's proposal because, if adopted, it would provide investors with consistent, comparable, and decision-useful information for making their investment decisions and would provide consistent and clear reporting obligations for issuers.

Over the generation, the SEC has stepped in when there's a significant need for the disclosure of information relevant to investors' decisions. Our core bargain from the 1930s is that investors get to decide which risks to take, as long as public companies provide full and fair disclosure and are truthful in those disclosures. That principle applies equally to our environmental-related disclosures, which date back to the 1970s.

Today, investors representing literally ten of trillion of dollars support climate related disclosure because they recognize that climate risks can pose significant financial risks to companies, and investors need reliable information about climate risks to make informed investment decisions. For example, investors with \$130 trillion in assets under management have requested that companies disclose their climate risks.<sup>[1]</sup> Further, the 4,000-plus signatories to the UN Principles for Responsible Investment—a group with a core goal of helping investors protect their portfolios from climate-related risks—manage more than \$120 trillion as of July 2021.<sup>[2]</sup>

Today's proposal would help issuers more efficiently and effectively disclose these risks and meet investor demand, as many issuers already seek to do. One report found that nearly two-thirds of companies in the Russell 1000 Index, and 90 percent of the 500 largest companies in that index, published sustainability reports in 2019 using various third-party standards, which include information about climate risks.<sup>[3]</sup> SEC staff, in reviewing nearly 7,000 annual reports submitted in 2019 and 2020, found that a third included some disclosure related to climate change.

Companies and investors alike would benefit from the clear rules of the road proposed in this release. I believe the SEC has a role to play when there's this level of demand for consistent and comparable information that may affect financial performance. Today's proposal thus is driven by the needs of investors and issuers.

In making decisions about disclosure requirements under the federal securities laws—including decisions about today's climate-related disclosures—I am guided by the concept of materiality. As the Supreme Court has explained, information is material if "there is a substantial likelihood that a reasonable shareholder would consider

it important” in making an investment or voting decision, or if it would have “significantly altered the total mix of information made available.”<sup>[4]</sup>

The proposed rules would require disclosures on Form 10-K about a company’s governance, risk management, and strategy with respect to climate-related risks. Moreover, the proposal would require disclosure of any targets or commitments made by a company, as well as its plan to achieve those targets and its transition plan, if it has them.

To the extent that the proposed disclosures would include some forward-looking statements, such as projections of future risks or plans related to targets or transitions, the forward-looking statement safe harbors pursuant to the Private Securities Litigation Reform Act would apply, assuming certain conditions were met.

The proposed rules also would require a company to disclose “certain disaggregated climate-related financial statement metrics that are mainly derived from existing financial statement line items” in a note to its financial statements. This would include the impact of the climate-related events and transition activities on the company’s consolidated financial statements.

The proposal also addresses disclosure of greenhouse gas emissions. Greenhouse gas emissions data are increasingly being used as a quantitative metric to assess a company’s exposure to—and the potential financial effects of—climate-related transition risks. Those risks could include regulatory, technological, and market risks driven by a transition to a lower greenhouse gas emissions economy, with potential financial impacts on revenues, expenditures, and capital outlays. All filers would disclose their Scope 1 and Scope 2 greenhouse gas emissions—emissions that “result directly or indirectly from facilities owned or activities controlled by a registrant.” Thus, these data should be reasonably available to issuers.

Under the proposed rules, some registrants also would be required to disclose Scope 3 emissions—the emissions from upstream and downstream activities in a company’s value chain—if such emissions were material to investors or if the company had made a commitment that included reference to Scope 3 emissions. As the release notes, Scope 3 disclosure “may be necessary to present investors a complete picture of the climate-related risks—particularly transition risks—that a registrant faces and how [greenhouse gas] emissions from sources in its value chain ... may materially impact a registrant’s business operations and associated financial performance.”

Moreover, the proposal would phase in Scope 3 disclosures after Scopes 1 and 2; a new safe harbor would be available for Scope 3 disclosures; and smaller reporting companies would be exempt from Scope 3 disclosures.

The disclosures themselves would be provided to investors in a comparable manner, via structured data. The core elements of today’s proposal also would apply to international filers on Form 20-F.

Today’s proposal draws on our existing rules and guidance governing climate-related disclosures, as well as from the Task Force on Climate-related Financial Disclosures, an international framework that many companies and countries already have started to adopt, including Brazil, the European Union, Hong Kong, Japan, New Zealand, Singapore, Switzerland, and the United Kingdom.

I encourage issuers and investors to weigh in on each of these potential disclosures. Approximately 600 unique comment letters were submitted in response to then-Acting Chair Allison Herren Lee’s statement on climate disclosures in March 2021. We benefited greatly from those letters, and I know we will continue to learn from comments from issuers and investors.

I am pleased to support today’s proposal and, subject to Commission approval, look forward to the public’s feedback. I’d like to thank the members of the SEC staff who worked on this rule, including:

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[1] See CDP, *Request Environmental Information*, available at <https://www.cdp.net/en/investor/request-environmental-information#d52d69887a88f63e15931b5db2cbe80d>.

[2] See PRI, *CEO quarterly update celebrating 4000 signatories and supporting the evolution of PRI* (July 13, 2021),

available at <https://www.unpri.org/pri-blog/ceo-quarterly-update-celebrating-4000-signatories-and-supporting-the-evolution-of-pri/8033.article>.

[3] See Governance & Accountability Institute, Inc., “2020 Russell 1000 Flash Report,” *available at* <http://www.gai.com/research-reports/flash-reports/2020-russell-1000-flash-report.html>.

[4] *Basic Inc. v. Levinson*, 485 U.S. 224, 231-32 (1988) (quotation marks omitted).