ELECTRONIC TRANSACTIONS ASSOCIATION
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June 17, 2022

Via Email Submission

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Comments Regarding the Proposed Amendments for Providing Certain Climate-Related Information – File Number S7-10-22

Dear Ms. Countryman:

On behalf of the Electronic Transactions Association ("ETA"), we appreciate the opportunity to share our thoughts on the Securities and Exchange Commission's ("SEC") notice and request for comment on amending its rules under the Securities Act of 1933 and Securities Exchanges Act of 1934 and requiring registrants to provide certain climate-related information in their registration statements and annual reports.

Under the proposal, companies would be required to disclose of a registrant's direct greenhouse gas ("GHG") emissions (Scope 1), indirect emissions from purchased energy (Scope 2), and indirect emissions from activities upstream and downstream in a registrant's "value chain," if material (Scope 3).

Additionally, SEC registrants' registration statements and periodic reports like Form 10-K would be required to disclose: how their boards and managers are overseeing climate-related risks; the material effects of climate-related risks on business plans, strategies and financial statements over various terms; how companies identify and manage climate-related risks; and any transition plans, scenario analyses or internal carbon pricing used by the registrant. There will also be a new requirement to disclose the effect of climate-related severe weather and other conditions within a registrant's financial statements.

Who We Are

ETA is the world's leading advocacy and trade association for the payments industry. Our members span the breadth of significant payments and fintech companies, from the largest incumbent players to the emerging disruptors in the U.S and in more than a dozen countries around the world. ETA members make commerce possible by processing more than $21 trillion in purchases worldwide and deploying payments innovation to merchants and consumers.

ETA's Comments on Proposed Disclosures

In reviewing the proposed rule, ETA's primary concerns relate to the concept of materiality, the disclosure of Scope 3 emissions, and the proposed timeline under which information would need to be reported.

Materiality

As a foundational principle, ETA agrees that material climate risks should be disclosed to investors. We have concerns, however, that the proposed rule deviates from the traditional concept of materiality that has offered commonsense and clarity to investors and covered entities for decades. Specifically, the proposed rule requires covered entities to consider the impact of climate related financials at the 1% level for all line-items in the consolidated, annual, audited financial statements. We oppose this stringent threshold and believe the Supreme Court's[1] traditional standard should continue to be the benchmark that the SEC adheres to for this and other potential future rulemaking.

Scope 3 Emissions

Under the proposed definition, Scope 3 emissions are all indirect GHG emissions not otherwise included in a registrant's Scope 2 emissions, which occur in the upstream and downstream activities of a registrant's value chain. Some examples of upstream and downstream activities include:

- Purchases of goods and services;
- Transportation and distribution of raw materials and purchased goods; and
- Transportation and distribution of sold products and goods.

Due to the lack of clarity around what makes Scope 3 material or not, ETA agrees with the SEC that there will be "difficulties in obtaining the necessary data from third parties and methodological uncertainties as reasons for limiting or not requiring disclosure of Scope 3 emissions."

According to the proposed rule, "[t]o balance the importance of Scope 3 emissions with the potential relative difficulty in data collection and measurement, the proposed rules would require disclosure of Scope 3 emissions only if those emissions are material …" but the proposed rule does not define material on an emission-by-emission basis rather it focuses on Scope 3 emissions in the aggregate.

To counter any confusion and help registrants obtain accurate necessary data, we recommend the SEC define Scope 3 emissions with a narrow, bright line definition so affected registrants could confidently answer if their upstream and downstream activities fall under Scope 3. Lastly, ETA encourages the SEC to implement a safe harbor for climate-related Scope 3 financial disclosures. By providing a safe harbor for disclosures of climate risks, the SEC would be encouraging registrants to disclose their climate risk management processes that limits liability for unintentionally misleading estimates.

[1] TSC Industries Inc v. Northway Inc. 426 US 438 (1976)

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Information Reporting Timelines

Lastly, as a very practical matter, ETA has concerns with the reporting timelines envisioned in the proposed rule as much of the new information would be required in the Form 10-K. The substance of this proposal is complex and for companies operating with a calendar fiscal year, it would be nearly impossible to gather all necessary information and have that information assured in time to include it in the Form 10-K. A more reasonable timeline would allow companies to provide more accurate, more complete information and avoid making potentially difficult decisions around their reporting due to onerous time constraints.

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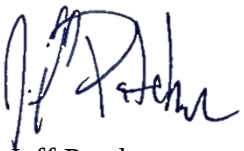
ETA appreciates the opportunity to provide input on this important issue. If you have any questions, please contact me or ETA's Senior Vice President of Government Affairs, Scott Talbott at stalbott@electran.org.

Sincerely,



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