January 23, 2023

The Honorable Patrick McHenry Chairman Committee on Financial Services U.S. House of Representatives Washington, DC 20515

The Honorable Maxine Waters Ranking Member Committee on Financial Services U.S. House of Representatives Washington, DC 20515 The Honorable Sherrod Brown Chairman Committee on Banking, Housing, and Urban Affairs U.S. Senate Washington, DC 20510

The Honorable Tim Scott Ranking Member Committee on Banking, Housing, and Urban Affairs U.S. Senate Washington, DC 20510

Dear Chairman McHenry, Chairman Brown, Ranking Member Waters, and Ranking Member Scott:

Manufacturers are leaders in the fight against climate change.

Across the country, manufacturers are developing the products and technologies needed to face this generational challenge—while also taking measurable strides to reduce their own carbon footprint. Moreover, publicly traded manufacturers are working to ensure that their shareholders are fully informed about these critical efforts.

Last year, the SEC proposed a new climate reporting regime that will impose substantial costs on manufacturers and interfere with their efforts to report decision-useful climate information to their investors. The SEC's proposed rule may take effect as soon as this year, despite the fact that it represents a significant departure from companies' existing climate disclosure practices.

The proposed rule would require public companies to institute costly new processes to collect, analyze, and report reams of data that will not actually help investors understand businesses' climate-related risks. Privately held manufacturers would likely get swept into the reporting regime as well, as the SEC's proposed Scope 3 mandate could impose tracking and reporting burdens on small and family-owned businesses.

Manufacturers cannot afford such an impractical and overbroad regulation. Manufacturers believe in the importance of disclosing material information to investors, and the SEC needs to make significant revisions to its proposal so that the required disclosures generate climate-related data that investors can actually use.

Among other changes, the SEC should rescind its proposed mandates related to Scope 3 emissions and financial statement impact analyses. The SEC also should take steps to align its requirements with existing company practices, protect proprietary information, reduce liability, and exempt small and mid-size businesses from the rule. Critically, companies also need more time to comply with such a novel regime: the SEC should delay the effective date of any final rule and, once it becomes effective, allow companies to make annual reports later in the year than the Q1 deadline that has been proposed.

Manufacturers are dedicated to combatting climate change and confronting the enormous challenges it poses for the economy and the world. But the SEC's proposed rule would impose significant costs on our industry, including on small and family-owned businesses—without a corresponding benefit to investors.

On behalf of the more than 12 million people who make things in America, we urge Congress to insist that the SEC protect manufacturers by developing a more tailored, workable, and cost-effective climate disclosures rule.

Sincerely,

American Coatings Association, Inc. American Coke and Coal Chemicals Institute American Composites Manufacturers Association American Forest & Paper Association American Foundry Society American Wood Council Appalachian Hardwood Manufacturers, Inc. Arkansas State Chamber of Commerce/Associated Industries of Arkansas Associated Equipment Distributors Associated Industries of Missouri Business + Institutional Furniture Manufacturers Association Can Manufacturers Institute Composite Panel Association **Connecticut Business & Industry Association Council of Industrial Boiler Owners** First Coast Manufacturers Association Hardwood Federation Idaho Association of Commerce and Industry Illinois Manufacturers' Association INDA. Association of the Nonwoven Fabrics Industry Industrial Fasteners Institute Industrial Packaging Alliance of North America Iowa Association of Business and Industry Leading Builders of America Manufacturers Association of Central Florida Metals Service Center Institute Mississippi Manufacturers Association National Association of Manufacturers National Lime Association New Mexico Business Coalition North American Association of Food Equipment Manufacturers (NAFEM) North Carolina Manufacturers Alliance (NCMA) Northeast PA Manufacturers & Employers Association Ohio Manufacturers' Association **Plumbing Manufacturers International** Precast/Prestressed Concrete Institute **PRINTING United Alliance** Rhode Island Manufacturers Association Sarasota/Manatee Area Manufacturers Association South Carolina Chamber of Commerce

Southeastern Lumber Manufacturers Association Southwest Regional Manufacturers Association Steel Manufacturers Association Tennessee Chamber of Commerce Tennessee Manufacturers Association Texas Association of Manufacturers Textile Care Allied Trades Association The Aluminum Association The Aluminum Association The Sulphur Institute Vinyl Institute Virginia Chamber of Commerce Virginia Manufacturers Association Window & Door Manufacturers Association