



February 13, 2023

Regulatory Secretariat Division  
General Services Administration  
1800 F Street NW  
Washington, DC 20405

**RE: FAR Case 2021-015**

Dear Madam or Sir:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the proposed *Federal Supplier Climate Risks and Resilience Rule*. We believe this rule represents an important step to enhance and standardize public disclosures related to greenhouse gas (GHG) emissions and climate-related financial risk for federal contractors. We are pleased to provide our perspectives, which are informed by our interactions with investors and companies.<sup>1</sup> Our views also incorporate our experiences as a global business, and our history of engagement and proactive thought leadership on sustainability matters.

Consistent with our belief that climate-related disclosures provide decision-useful information to investors, we support the Federal Government's request for standardized climate-related information from significant and major federal suppliers. We agree that leveraging existing frameworks for reporting climate information and setting emissions reductions targets — including CDP (formerly the Carbon Disclosure Project), the Greenhouse Gas Protocol, the Science-Based Targets initiative (SBTi), and the Task Force on Climate-Related Financial Disclosure (TCFD) — will benefit companies that are already voluntarily reporting some of this information. We have concerns, however, that the rules as proposed are not structured to meet the stated objectives, including understanding and reducing risk and supply chain vulnerabilities as well as increasing efficiency of disclosure through standardization. Our specific concerns include interoperability with other active climate-related disclosure proposals, the applicability of the standard and proposed exemptions, and the consistency and timeliness of reporting.

Our letter highlights our observations on the proposed rule as well as recommendations intended to improve the operability of the changes proposed by the Federal Acquisition Regulatory Council (FAR Council) to the Federal Acquisition Regulation (FAR) in Case 2021-015 to implement the proposed rule.

***Interoperability and equivalence***

In 2022, major sustainability reporting proposals were released in the European Union as part of the Corporate Sustainability Reporting Directive (CSRD), internationally by the International Sustainability Standards Board (ISSB), and in the United States by the Securities and Exchange Commission (SEC). Many companies will be subject to one or more of these “big three” sustainability disclosure proposals, including entities that would also be subject to the proposed federal climate disclosure rules.

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<sup>1</sup> With offices in 152 countries and almost 328,000 people, we are among the leading professional services networks in the world. We help organizations and individuals create the value they are looking for, by delivering quality in assurance, tax and advisory services.



Stated benefits of the proposed federal disclosure rule include “reinforc[ing] existing industry trends toward standardization” around TCFD, SBTi, and CDP.<sup>2</sup> It further states, “The standards and systems required by this rule will thus allow affected companies to develop disclosures that efficiently meet multiple requirements for Federal Procurement (this rule), access to capital markets (investors’ needs), and other existing market requirements (such as ratings and rankings systems).”<sup>3</sup> Indeed, as noted in the proposal, its requirements include similarities with the big three proposals, including leveraging TCFD and the Greenhouse Gas Protocol. For example, all of the proposals and the federal rule would require disclosure of scope 1 and scope 2 greenhouse gas emissions, and the climate disclosure requirements for major contractors are also similar to the other proposals as they are all grounded in TCFD.

There are, however, also notable differences which will increase difficulty for preparers while also reducing comparability for users. For example, the SEC’s proposal makes certain modifications to the Greenhouse Gas Protocol, including with respect to the “organizational boundary” of the entity making the disclosures. Simplistically, the SEC proposal would require a reporting entity to prepare its greenhouse gas emissions disclosures based on the group of entities included in its consolidated financial statements; in contrast, the Greenhouse Gas Protocol allows companies to report emissions using a few different methods, potentially resulting in differences in reporting as well as eroding consistency and data quality. Requiring contractors to develop the appropriate systems and processes to produce accurate emissions data using different organizational boundaries would be both costly for contractors and confusing to users who would have access to both data sets. We support the SEC’s proposed approach to reporting organizational boundaries as the resulting information would be more meaningful for investors, while also satisfying the needs of the other users (including the federal government).

We encourage the FAR Council and the SEC to coordinate and collaborate with each other and global standard setters in developing disclosures and metrics that meet the needs of all users. Enhancing interoperability among *all* of the proposed reporting regimes by aligning proposals where possible will benefit preparers and users of the information.

### *Equivalence*

One method of improving the workability of the rules — with or without achieving full interoperability — would be to permit impacted entities to report under an alternative reporting regime, if deemed to be substantially similar. Given the proliferation of proposed reporting requirements, as noted, many entities will be subject to multiple reporting frameworks. Allowing in scope entities to fulfill their annual emissions disclosure and at least a portion of their annual climate disclosure with reporting prepared under an alternative reporting regime would improve reporting efficiency for preparers without a meaningful impact on the total mix of information provided to the federal government.

The proposed rules would require disclosure of scope 1 and scope 2 emissions, completion of those portions of the CDP Climate Change Questionnaire that align with the TCFD recommendations (including greenhouse gas emissions) and would also require entities to establish science-based targets validated through the SBTi. We recommend that the FAR Council separately assess whether there is equivalency for each of these components. Contractors should be permitted to cross reference equivalent disclosures while providing only any incremental reporting in accordance with the proposed rules in other areas. For example, there is substantial overlap between the information required for the CDP questionnaire and the proposed SEC disclosures. The FAR Council should consider evaluating whether entities could meet the TCFD disclosure requirements through their SEC filings or other required, publicly available

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<sup>2</sup> Department of Defense, General Services Administration, National Aeronautics and Space Administration, Proposed rule, “FAR: Disclosure of Greenhouse Gas Emissions and Climate-Related Financial Risk,” *Federal Register* 78, no. 218 (November 14, 2022): 68320

<sup>3</sup> *Ibid.*



sustainability reporting (e.g., countries including New Zealand, Switzerland, and the United Kingdom have adopted some form of TCFD-aligned disclosures). If those disclosures do not include sufficient information on the company’s targets, that information could be separately reported. Further, the federal rules could require some form of cross-referencing to alternative reporting, if helpful to provide a greater degree of consistency.

### ***Exemptions***

The proposed FAR amendments include numerous exceptions for different categories of qualifying major and significant contractors. For example, the proposal provides exemptions for higher education institutions and nonprofit research entities because of an assertion that “a large majority” are already making sustainability disclosures, “likely” following guidance other than that specified in the proposed rule, or because they are “pass-through entities with minimal Scope 1 and 2 emissions.”<sup>4</sup> It also proposes exemptions for major contractors considered to be a small business or nonprofit organization.

One of the stated benefits of the proposed rule, however, is that it would “give visibility to major annual sources of GHG emissions and climate risks throughout the Federal supply chain [which] could, in turn, provide insights into the entire U.S. economy.”<sup>5</sup> We believe, however, that blanket exceptions such as those proposed limit the impact of the proposed rule on the resilience of the federal supply chain and reduce the ability of federal procurement agencies to compare alternative suppliers. Further, the exemptions are inequitable, failing to recognize that other entities may also be required to provide similar information in alternative forums. For example, corporations may be subject to disclosure under the SEC’s proposed rule, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, or one of the other sustainability disclosure regimes proposed in 2022.

We support the FAR Council’s intent to alleviate the burden on contractors that are making equivalent disclosures under other standards and rules. Instead of broad exemptions, however, we recommend that the proposed FAR amendments include a process for satisfying the requirements by providing copies of or cross-referencing to equivalent disclosures, as discussed above. An equivalence process would afford all significant and major contractors the same opportunity to leverage existing disclosures to satisfy the FAR requirements while also meeting the stated objective of improved transparency.

If no equivalency provision is added, we recommend that the FAR Council expand the list of exemptions to include companies preparing mandatory reporting in accordance with the sustainability disclosures required by the Corporate Sustainability Reporting Directive (CSRD), International Sustainability Standards Board (ISSB), and Securities and Exchange Commission (SEC) to remove the burden of duplicate reporting.

### ***Small contractors and nonprofit organizations***

The proposed rule highlights some of the benefits of the proposed disclosures stating that they “will enable the Federal Government to conduct prudent fiscal management of all major Federal suppliers.”<sup>6</sup> We believe that this objective is best met by consistent disclosures for all major contractors. The proposed rules, however, would reduce the reporting requirements for a major contractor that is either (1) considered a small business for its primary North American Industry Classification System code or (2) a nonprofit organization. These major contractors would not be required to complete annual climate disclosures or set SBTi targets. We believe all entities within the scope of the rule (i.e., those not

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<sup>4</sup> Federal Acquisition Regulation: *Disclosure of Greenhouse Gas Emissions and Climate-Related Financial Risk*, Federal Register, Vol. 87, No. 218, November 14, 2022, 68314

<sup>5</sup> FAR proposed climate disclosure rule, 68318

<sup>6</sup> FAR proposed climate disclosure rule, 68313



specifically exempt) that receive greater than \$50 million in federal contract obligations in a given year should have the same reporting requirements. Specifically, we recommend that all major contractors within the scope of the final rule be required to provide the full set of disclosures.

### ***Timeliness***

One of the stated benefits of the proposed disclosures is to reduce risk and supply chain vulnerabilities. As proposed, however, the reporting will occur in arrears, which reduces its usefulness in making procurement decisions. Although some recurring contractors may have information on file for consideration, under the proposed rules, a contractor would only need to provide the requested climate and emissions information if contract obligations in the prior federal fiscal year exceed the established thresholds. Without access to the climate information at the time a contractor is selected, the contracting officer would have limited ability to make decisions that improve the resilience of the federal supply chain.

Further, although the requirements make multiple references to “annual” disclosures, the disclosure threshold is based on a single year’s contract obligations. A contractor, therefore, may meet the definition of a significant or major contractor in the initial year of grant, but not over the performance years of what may be a long-term contract. And, with respect to major contractors, the proposed reporting structure would require the contractor to make emissions reductions targets validated by SBTi, without any subsequent reporting of progress against those targets. Lack of accountability reduces the benefits of setting targets and the intermittent nature of the proposed reporting is another factor that would impair the federal government’s ability to accurately assess current risks in its supply chain.

To mitigate these risks and better align the proposed rules with the targeted objectives, we recommend requiring the emissions targets and climate disclosures as part of the contracting process, following the proposed \$7.5 million and \$50 million thresholds. In addition, we recommend requiring disclosures of more timely information. As proposed, the information could cover the current or prior fiscal year; thus, the information could be almost 24 months old in some contracting situations. Instead, we recommend requiring initial reporting on the contractor’s most recently completed fiscal year end, unless the submission is within the three months following year end. We also recommend requiring annual reporting as long as the contract is ongoing.

We recognize that the preparation of the required disclosures may be a burden on smaller companies, especially when committing resources to compete for a contract they may not win. If, as we suggest above, small businesses are equally subject to the proposed disclosure requirements, we recommend providing a specific exemption for these companies to complete their first time reporting in arrears. Alternatively, we would highlight the proposal’s provisions to allow a contractor to request a waiver by direct appeal to the senior procurement executive (that may permit an additional year to come into compliance).

### ***Other operational observations***

We identified certain areas where additional clarification would improve the operability of the proposed rules.

#### ***Scope 3 emissions***

We note that the requirement for major contractors refers to disclosure of “relevant” scope 3 emissions.<sup>7</sup> CDP addresses the relevance of scope 3 emissions in its *CDP Technical Note: Relevance of Scope 3 Categories by Sector*, stating “This technical note identifies the relevant and most significant (by size) Scope 3 categories for each of CDP’s high-impact sectors and, where relevant, specific sectoral activities.

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<sup>7</sup> FAR proposed climate disclosure rule, 68331



This technical note signposts the categories of Scope 3 emissions that companies should be measuring and taking action to mitigate.”<sup>8</sup> We recommend that the rules clarify if this technical note is intended to be used by major contractors in identifying scope 3 categories to be disclosed.

#### *CDP Climate Change Questionnaire*

The rules would require major contractors to submit their annual climate disclosures by completing the portions of the CDP Climate Change Questionnaire that align with the recommendations of TCFD. We agree that requiring a standard format will aid in the stated objective of “maximiz[ing] the consistency, comparability, and accessibility of disclosure data.”<sup>9</sup> As previously discussed, however, we believe that the FAR Council should consider permitting compliance through permitting filing of other equivalent disclosures or cross-referencing to such. In addition, the CDP website is only open for a portion of the year, which may disadvantage companies depending on the timing of their reporting. Thus, we recommend that the FAR Council consider providing an alternative form, aligned with the CDP questionnaire but only including those portions aligned to the TCFD. Permitting this alternative would provide additional timing flexibility and may benefit companies that would prefer not to complete the broader form.

In addition, the proposed rules would specifically require companies to prepare climate disclosures that align with the “2017 Recommendations of the Task Force on Climate-Related Financial Disclosures” and the “2021 TCFD Annex: Implementing the Task Force on Climate-related Financial Disclosures.”<sup>10</sup> We recommend, however, that the FAR Council consider updating these requirements to refer instead to “the most recent recommendations of the TCFD” instead of specifying the specific recommendations. This would ensure that the requirements maintain pace with any changes or enhanced recommendations, without requiring specific intervention or modification of the rules.

#### *Greenhouse Gas Protocol*

We support leveraging the Greenhouse Gas Protocol as it is currently the most widely used framework for emissions measurement. We believe, however, that the GHG Protocol should more formally incorporate key elements that support high quality standards, such as establishing formal due process, making amendments for the impact of current accounting standards, and implementing a continuous update process. More formal processes would also help ensure that its principles keep pace with developments in greenhouse gas measurement. The GHG Protocol has started a process to collect stakeholder feedback through four surveys which will close on March 14, 2023.<sup>11</sup> We recommend that the FAR Council monitor developments associated with the GHG Protocol and consider working with other regulators to enhance its usefulness and reliability.

#### *Responsible entity*

We agree that it is appropriate, as proposed, to allow a significant or major contractor to aggregate and report their greenhouse gas emissions and other climate data “through its immediate owner or highest level owner.”<sup>12</sup> In many cases, emissions data and climate risks are managed by, and science-based targets are established and tracked for, the consolidated group. Thus, consolidated reporting would better leverage existing processes, providing efficiency, while also providing greater insight into the broader climate profile of federal suppliers.

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<sup>8</sup> [CDP Technical Note: Relevance of Scope 3 Categories by Sector](#), page 4

<sup>9</sup> FAR proposed climate disclosure rule, 68332

<sup>10</sup> FAR proposed climate disclosure rule, 68328

<sup>11</sup> Greenhouse Gas Protocol, [Survey on Need for GHG Protocol Corporate Standards and Guidance Updates](#)

<sup>12</sup> FAR proposed climate disclosure rule, 68328



We recommend, however, that the rules be clarified to indicate that when reporting information through an immediate owner or highest level owner, the data should be inclusive of the significant or major contractor, as well as other entities in the ownership structure. Piecemeal reporting would negate the usability of the information and fail to achieve the desired transparency. Further, we recommend that the rules clarify that the scope 1 and scope 2 information reported in SAM would be that of the entity completing the inventory.

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We would be pleased to discuss our comments or answer any specific questions. Please contact Heather Horn at [heather.horn@pwc.com](mailto:heather.horn@pwc.com) or Philip Koos at [philip.koos@pwc.com](mailto:philip.koos@pwc.com) regarding our submission.

Sincerely,

*PricewaterhouseCoopers LLP*

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