June 15, 2022

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

Re: ***Notice Seeking Public Comments on The Enhancement and Standardization of Climate-Related Disclosures for Investors (File No. S7-10-22)***

Dear Ms. Countryman:

On behalf of the Footwear Distributors & Retailers of America (FDRA), we write to provide comments to the Securities and Exchange Commission (SEC or Commission) in response to its proposal on The Enhancement and Standardization of Climate-Related Disclosures for Investors.

FDRA is the footwear industry's trade and business association, representing more than 500 footwear companies and brands across the U.S. This includes the majority of U.S. footwear manufacturers and over 95 percent of the industry. FDRA has served the footwear industry for more than 75 years, and our members include a broad and diverse cross section of the companies that make and sell shoes, from small family-owned businesses to global brands that reach consumers around the world.

FDRA member companies devote significant resources to achieve greater sustainability and reduce our environmental impact. This remains one of the highest priorities for our industry.

The proposed SEC climate-related disclosure rules, however, will negatively impact footwear companies and consumers for the following reasons:

- **The SEC is asking footwear importers to undertake an impossible task**. The rules, as written, would likely require publicly-traded U.S. footwear importers to collect and report intricate environmental data on material suppliers and factories they do not own or control. Footwear companies typically contract with factory partners to source footwear for the U.S. market, with materials and components coming from half a dozen different countries. Footwear production comprises a large part of the value chain and would likely trigger Scope 3 category disclosure requirements under the proposed rules. These emissions are by far the most difficult emissions to gather, measure, and quantify. A typical footwear company imports dozens of product styles for a single season, and the typical bill of materials for just *one* shoe will have *upwards of 70* entries from multiple sources. Each shoe involves a variety of materials and components made in multiple sourcing countries. Importers have limited visibility into the upstream suppliers of certain minor components and materials. They may also have limited ability to force upstream suppliers (with whom they likely have no contractual relationship) to

provide detailed environmental information or even identify their component suppliers. A company may also change both material suppliers and factories through the lifecycle of the product to adjust to costing.

In addition, footwear companies often have direct sourcing operations in countries where data points enabling the calculation of the entire Scope 1 and 2 emissions global footprint of operations may not be available; however no exclusions are permitted under the proposed rules (as SBTi allows).

Footwear companies lack the training and tools to track emissions fully and accurately, and there are currently no uniform standards or methodologies for emission calculations. In the absence of reliable tools and universal standards in this area, the proposed rules place unachievable demands on footwear companies.

- **The cost of the proposed rules would directly impact U.S. consumers and increase inflation**. Children's footwear prices are the highest in 70 years, and U.S. inflation has now reached a 40-year high. As the Administration looks for ways to slow soaring inflation – the President's top domestic policy priority – adding a massive new SEC compliance regime for environmental data would result in huge costs for companies. New technology, systems, and controls will have to be developed for emissions collection and reporting. Importers will need to hire additional employees and devote significant resources to environmental data collection and ensuring compliance with the requirements of the rules and meeting the standards of any required third-party attestation. Over the past two years, the industry has faced numerous challenges – added tariffs, a global pandemic, forced store closures, supply chain disruptions, escalating shipping fees, and now historic inflation. The cost impact of the new rules on these already-strained U.S. companies has not been fully analyzed. These added costs would undoubtedly be passed on to consumers and could drastically increase inflation during a difficult time.

- **The proposed rules do not provide enough time for companies to comply**. The proposed rules would require companies to file emissions information beginning in 2024 and cover a period that goes back to 2021. To comply with the rules, companies will need to start implementing action plans, collecting data, and building out internal controls *immediately*, before the rules are even finalized. Given the significant complexity of footwear supply chains highlighted above, footwear companies need a much longer lead time.

  Along with the short timeframe, the rules add additional burdens on companies by requiring them to submit the data as part of their Annual Report on Form 10-K filing, which subjects disclosures to SOX certifications, and does not provide enough time to fully collect and review the emissions data needed from an extremely complex supply chain.

  FDRA urges the SEC to extend out the date for required compliance with the proposed rules, remove any historical look-back periods, and move all required disclosures to at least 180-days after year-end.

- **The proposed rules reduce the quality of investor information**. The rules mandate company disclosure of an array of highly detailed environmental data. Much of the information reported is not qualified by a materiality standard, and it will be mingled with financial information critical to investor decisions. For example, the proposed Regulation S-X requirements contain a de minimis rather than material standard of 1 percent impact for required disclosure. In addition, there are no uniform standards, practices, and methodology for calculating emissions. Reporting

in this area is highly subjective and not comparable. FDRA believes the breadth of information required will not achieve the goals of providing reliable information to investors. In fact, certain proposed required disclosures are more likely to confuse investors. For example, the proposed rules require the disclosure of methodologies and assumptions used in scenario analyses. However, one key metric used in certain scenario analyses is a company's long-term revenue growth rate, a metric that companies would never disclose otherwise due to its highly speculative nature.

- **The law of unintended consequences from rushed policy is in full effect here: increased workloads, reporting, and costs from rulemaking, without clear guidance and adequate adoption times, will directly harm actual real-life sustainability efforts companies are making toward carbon reduction, environmentally preferred practices, and eco-material transformations**. Companies are investing millions of dollars into transforming their centers and production processes, and investing in new material development, with the goal of reducing their footprint. The cost of innovating requires great capital and focused work. If companies are not provided the proper time to develop strategies and implement programs to ensure compliance success, they will have to decrease funds focused on real ESG programs in order to hire consultants and fund new tools. Until our member companies develop the skills and tools necessary to comply with these complex and burdensome new rules, the workers that are leading real eco-change will be forced to adjust their workloads to focus less on reducing climate change and more on paperwork.

  In addition, the proposed rules required target disclosures that apply to internal, as well as external, targets will serve to squash any efforts towards carbon reduction. Under the proposed rules footwear companies cannot even move towards using more preferred materials in their products, potentially even at the request of customers, without worrying they have now created a new "target or goal" under the proposed rule. Also, "sustainable" lines or brands are likely to become a thing of the past, as large footwear companies look to only disclose larger corporate goals and targets and the rules do not distinguish between the types of goals a company may have. FDRA asks that the SEC clarify that moves toward more "preferred attributes" and "preferred materials" as used throughout the footwear industry do not qualify as "any other climate-related target or goal" under the proposed target disclosure rules. FDRA also asks that the SEC clarify that only targets material to the business on a whole be subject to the proposed rules. The proposed rules required disclosure on transition plans will also likely be an inhibitor to the adoption of such plans and we believe should not be a required disclosure.

Thank you again for the opportunity to provide input on this critical issue.

Sincerely,

Matt Priest
President & CEO
Footwear Distributors and Retailers of America