

October 7, 2022



Christopher Kirkpatrick  
Secretary of the Commission  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street NW  
Washington, DC 20581

1345 Avenue of the Americas  
27<sup>th</sup> Floor c/o AICPA  
New York, NY 10105  
(202) 448 - 1985

Dear Mr. Kirkpatrick:

RE: Climate-Related Financial Risk RFI

We appreciate the opportunity to comment on the Request for Information on Climate-Related Financial Risk. XBRL US is a nonprofit standards organization, with a mission to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of business reporting standards. XBRL US is a jurisdiction of XBRL International, the nonprofit consortium responsible for developing and maintaining the technical specification for XBRL.

XBRL (eXtensible Business Reporting Language) is a free and open data standard widely used in the United States, and in over 200 implementations worldwide<sup>1</sup>, for reporting by public and private companies, as well as government agencies. We support the goals of the RFI to better understand and conduct oversight of climate-related financial risk by the Commodity Futures Trading Commission (CFTC). Climate-related financial risks that affect market participants and commodities will inevitably affect the derivatives on which they are based. Buyers and sellers of derivatives should be protected from these risks just as those that may invest directly in the underlying asset.

This letter addresses those questions in the RFI where our expertise as a standards organization can provide assistance.

*RFI Question 2. Would it help the Commission, registered entities, registrants, market participants and/or the public to understand and/or to manage climate-related financial risk if Commission reporting requirements included information about climate-related aspects of listed derivatives products, reported transactions, and/or open positions? Are there data standards or definitions that the Commission should consider incorporating into any such reporting?*

Some derivatives are directly correlated to the environment, for example weather derivatives or catastrophe derivatives related to natural disasters. These derivatives are used to mitigate risks associated with weather conditions or unexpected events and may be commonly used in the

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<sup>1</sup> XBRL Project Directory: <https://www.xbrl.org/the-standard/why/xbrl-project-directory/>

agriculture or food industry. Other derivatives affected by the environment may be renewable energy, fuel, or other ESG-related derivatives.

Derivatives based on physical commodities such as corn, wheat or cattle are affected by climate because the underlying asset is likely to be affected by climate-related concerns like natural disasters or weather conditions. Derivatives based on financial assets can also be affected by climate-related factors, for example, credit default swaps based on the cash flows from insurance companies located in Florida or Puerto Rico take on the risk of natural disasters that may be more likely in those regions. Investors, the Commission, and others with a stake in the derivatives market should have access to timely, consistent data that helps them understand associated climate risks.

Efforts are underway to develop globally available open data standards to represent climate-related data. The International Financial Reporting Standards (IFRS) Foundation, which governs global accounting standards, has established the International Sustainability Standards Board (ISSB) which is currently standing up global baseline reporting standards for sustainability, based on the work of the TCFD, the Sustainability Accounting Standards Board (SASB) and other voluntary standard setters.

Separately, the European Financial Reporting Advisory Group (EFRAG) is developing climate-related standards for Europe. Both EFRAG and ISSB are developing data standard taxonomies built using the XBRL data standard and are looking to coordinate their efforts with a goal towards finding common ground. The Commission should harmonize its efforts with the work of these organizations to ensure that all participants, regardless of jurisdiction, are able to leverage the same standards.

Standards adopted to support the identification of climate-related financial risk must be flexible enough to adapt to change over time as more risks are identified. Standards selected should also be able to handle different data types and provide sufficient descriptive information (metadata) to unambiguously describe climate-related data. Both ISSB and EFRAG have opted to use the XBRL data standard as the vehicle to render climate data machine-readable, because it has these characteristics.

The figure below shows how the XBRL standard can definitively render ESG-related facts in a financial report created by Hilton Hotels using the SASB XBRL taxonomy. The fact 53.8 has associated metadata embedded in it to explain that it represents percent of grid electricity energy from renewables for Hilton Hotels for 2019. The metadata highlighted in red is transported along with the value itself so that when it is received by a computer, it is immediately understood and can be automatically ingested.

## SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

Hilton

We seek to provide material, decision-useful sustainability information to our investors in line with the recommendations of the Sustainability Accounting Standards Board (SASB). We considered SASB's Hotel & Lodging and Restaurant Standards in developing the following table of key sustainability metrics for our managed, owned and leased properties. We also report selected SASB data in our [2019 10-K](#).

### SASB TABLE

SASB CODE	METRIC	2019	2018	2017
Energy Management				
SV-HL-130a1	Total energy consumed, in gigajoules per square meter	103	106	106
	Total energy consumed, in million gigajoules <sup>®</sup>	24.6	24.2	23.1
	Percent total energy from grid electricity	53.8	54.0	48.8
	Percent total energy from renewables	1.4	1.2	2.1

Reporting Entity = Hilton Hotels

Period = 2019

### SASB XBRL Taxonomy

- Services - Hotels & Lodging (SV-HL)
  - Hotels And Lodging Industry [Abstract]
    - Hotels And Lodging Industry, Accounting Metrics [Abstract]
      - Energy Management Disclosure [Abstract]
        - Energy Management Disclosure [Text Block]
          - SV-HL-130a.1 [Abstract]
            - Energy Consumed, Percentage [Table]
              - Energy Source [Axis]
                - Energy Source [Domain]
                  - Grid Electricity [Member]
                  - Renewable Energy [Member]
                - Energy Consumed, Percentage [Line Items]
                  - Energy Consumed, Percentage

The Commission should opt for a standard like XBRL that is flexible enough to easily adapt over time. Today, we are early in the process of collecting and understanding climate-related risk. The final reporting framework will change potentially significantly as more is learned, and as risks change with time.

*RFI Question 3. What steps should the Commission consider to better inform the public of its efforts to assess and address climate-related financial risks? What information could the Commission publish that would be useful in this regard? What steps should the Commission consider to make climate-related data more available to registrants, registered entities, other market participants, and/or the public (as appropriate and subject to any applicable data confidentiality requirements) in order to help understand and/or manage climate-related financial risk?*

Climate-related data should be made publicly accessible, to ensure that complete, transparent data is available not only for regulatory oversight, but also for research and analysis by all stakeholders. Data should be provided in machine-readable format so that climate data can be efficiently merged with financial performance data for banks, public companies, and utilities so that researchers and analysts can understand the impact of climate factors on financial performance.

This RFI references the Financial Stability Oversight Council (FSOC) 2021 Report on Climate-Related Financial Risk<sup>2</sup> which indicates that the Office of Financial Research has launched a Climate Data and Analytics Hub pilot program. The report states, “*The Hub will allow participants to integrate wildfire, crop condition, precipitation, and other climate-related data with financial data for a more precise view of the relationship between climate change and financial stability risk.*”

We urge the FSOC to provide this data in machine-readable (XBRL) format and to make it publicly and freely available so that regulators, businesses, and the public have access to the same information from which to conduct analysis and draw conclusions. Making the data publicly

<sup>2</sup> Financial Stability Oversight Council 2021 Report on Climate-Related Financial Risk fact sheet: [https://home.treasury.gov/system/files/261/FSOC\\_20220728\\_Factsheet\\_Climate-Related\\_Financial\\_Risk.pdf](https://home.treasury.gov/system/files/261/FSOC_20220728_Factsheet_Climate-Related_Financial_Risk.pdf)

available will encourage greater transparency and leverage the commercial marketplace to enable the building of databases and analytical tools to further distribute climate data so that all can benefit.

*RFI Question 16. Are there any standardized data formats, such as structured data, that the Commission should consider for public climate-related data disclosures? Would the use of complementary protocols, where applicable, be helpful for comparability across other regulatory agencies?*

As noted earlier, structured, machine-readable ESG data formatted in XBRL is being implemented by the ISSB and by EFRAG, and it is expected that the Securities and Exchange Commission (SEC) will follow suit with a final rule later this month. The SEC rule proposal on climate disclosures was published on March 21, 2022. The proposal, [The Enhancement and Standardization of Climate-Related Disclosures for Investors](#), calls for XBRL tagging of narrative and quantitative climate-related disclosures.

Given these many local and global efforts, it makes sense for data collected by the CFTC to be formatted in XBRL as well. Agencies should ensure that they coordinate efforts so that reporting entities leverage the same standardized data elements, structured in the same manner, regardless of the agency to which they report. Many entities report to more than one regulator - agency coordination to adopt the same standards will reduce the burden on issuers of duplicative reporting and will guard against market confusion when data is reported.

*RFI Question 28. What mechanism(s), if any, would be useful for the Commission to employ to foster public-private partnerships to address climate-related financial risk within the derivatives markets?*

When establishing data standards, regulators should look to the ESG standard setters that are commonly followed in the markets, such as TCFD and SASB. These nonprofit standard setters have experience working with the market to understand what data is needed.

Separately, adopting open, nonproprietary standards will stimulate engagement by the commercial marketplace as all can participate. Open-source and commercial tools can adapt to the standard structure to prepare, collect, extract, and analyze data regardless of the reporting entity or collecting agency. When climate-related data is provided in structured, machine-readable (XBRL) format, it can be automated (which makes it available faster), and the data can be easily commingled with other data sets. Interoperability makes data more shareable, more easily inventoried and cataloged, and allows for more robust research and analysis. Because data in standardized format can be leveraged through open-source and commercial tools, competitive pressures ensure that the cost of data reporting, processing and analysis is low.

*RFI Question 34. How should the Commission coordinate its efforts with international groups and other regulatory bodies and supervisors? Are there standards, definitions, or metrics that could facilitate the sharing of relevant climate-related information amongst regulatory bodies and*

*supervisors, and/or their analyses and aggregation of climate-related data? Are there specific steps that could be taken to enhance global coordination and regulatory comity?*

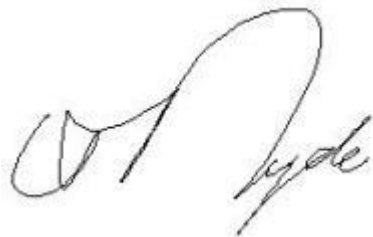
Global efforts are underway with EFRAG, the ISSB, and soon the SEC will be publishing its climate-related disclosure final rule. CFTC has a seat at the table and should get involved to provide its input to these global efforts.

We support requiring climate-related data for derivatives as important for market participants to fully understand risks. We also support requiring that this data be provided in machine-readable, structured format to ensure consistency and usability.

We urge the Commission to opt for the XBRL data standard. XBRL is open and nonproprietary, can capture the complexity of climate data, and has the flexibility to adapt to the inevitable changes we will see with climate data over time. XBRL is already being adopted by other local and global regulators for climate-related data and is in widespread use for financial performance data as well.

We would welcome the opportunity to discuss our feedback further, or to respond to any questions that you may have. I can be reached at (917) 582 - 6159 or [campbell.pryde@xbrl.us](mailto:campbell.pryde@xbrl.us).

Respectfully,

A handwritten signature in black ink, appearing to read "Campbell Pryde". The signature is fluid and cursive, with the first name being more prominent.

Campbell Pryde,  
President and CEO