October 22, 2008

Florence E. Harmon
Acting Secretary
Securities and Exchange Commission
110 F Street, NE
Washington, DC 20549-1090

Re: Comments on Roundtable on Modernizing the SEC's Disclosure System – File No. 4-567

Dear Ms. Harmon:

We submit these comments regarding the SEC's 21st Century Disclosure Initiative in response to the request for comments in File No. 4-567.

As fiduciaries, long-term investors and asset managers, we have been examining the short and long-term risks from climate change to the value and security of our investments for several years. We have found that significant material risks exist, and we have been taking steps to engage companies and reduce climate risks in our portfolios. As a result, more businesses, responding to investor concern, have started to disclose their climate risks and account for the impacts of climate change on their financial performance and competitiveness.

In our activities to improve climate risk disclosure in securities filings, we have engaged in one or more of the following activities to encourage the SEC to address this issue:

- Written or petitioned the Commission to request interpretive guidance on climate risk disclosure in securities filings.
- Met with Commissioners and Corporation Finance staff to discuss these requests.
- Testified before the Senate Banking Committee about the importance of improving climate risk disclosure in securities filings.
- Urged the SEC to consider the implications of climate change and carbon-related regulations before finalizing the new SEC oil and gas reserves reporting requirements.

We now see a need for a deeper engagement with the SEC in order to improve the SEC's disclosure system to meet the needs of investors for improved climate risk disclosure by registrants. The 21st Century Disclosure Initiative provides an ideal venue for such an engagement, because any modernization of the SEC disclosure system should respond to the strong and growing needs of investors for better corporate disclosure of climate risks.

In addition, although our work has emphasized the investment risks and opportunities related to climate change, many of us have also focused on the importance of corporate reporting on material risks posed by other environmental, social and corporate governance (ESG) issues. For reasons described below, we urge the SEC to consider ESG reporting as a key element of the 21st Century Disclosure Project.

I. Climate Risk Disclosure

In response to question II.a.iv. in the request for comments, climate risk information which is not required to be filed with the Commission is increasingly used to make investment decisions. Investors find some climate risk information in SEC filings, but most of this data is available in voluntary corporate reports (often called "sustainability reports" or "corporate responsibility reports"), and in responses to questionnaires from investors. However, there are many companies that do not provide voluntary disclosure of climate risks facing their businesses.

Further, the information that is voluntarily disclosed often lacks the material information required by a reasonable investor to properly assess companies' financial viability. The lack of SEC guidance on a standardized format for climate risk disclosure has resulted in reports with very little consistency in the format or level of detail of information presented. A recent study found that "while almost all companies reported on climate change in their sustainability reports, on closer examination companies reported far more on potential opportunities rather than financial risks for their companies from climate change."[1]

Sustainability reports often include material information on environmental trends and business strategies but they are directed towards a larger audience of environmental interest groups and the general public, in addition to investors.

While sustainability reports provide a solid foundation on which the companies can base the disclosures required under the Commission's existing reporting requirements, they do not provide all of the information investors require. Reporting must be consistent and must support comparisons among companies. The 10-K report is and will remain the gold standard for reporting information to investors, and investors need to know that material information relating to companies' performance and operations will be in those required reports. Given the significance of climate risks for many corporations' financial positions and competitive prospects in a new, carbon-constrained environment, reporting on climate risks is no longer a mere virtue, but a legal obligation and a necessity for investors.

In conclusion, while investors make use of some climate risk information in sustainability reports to make investment decisions, specific guidance on climate risk disclosure for 10-K filings is urgently needed. Any modernization of the SEC's disclosure system should include consistent, comparable standards for disclosure of climate risk information.

II. Full ESG Disclosure

While the case for climate risk as an investment issue has received considerable attention, there is a rapidly growing trend in the U.S. and internationally for companies to disclose—and

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[1] Global Reporting Initiative & KPMG Global Sustainability Services, Reporting the Business Implications of Climate Change in Sustainability Reports (2007).

investors to ask for—information on a broader range of environmental, social and corporate governance (ESG) issues. Corporations measure and manage a significant amount of information beyond strict financial data that is essential to their businesses. Such ESG information can pose material risks that must be disclosed to investors. Examples include but are not limited to environmental issues such as water-related risks and social issues such as labor and supply chain risks. Because ESG information is increasingly of interest to investors and other stakeholders, companies are already disclosing it in their annual reports, in sustainability reports and on their websites.

Just as companies have been modernizing their reporting to include ESG issues, it is incumbent upon the SEC to catch up with these trends in order to provide timely, relevant disclosure and to ensure the competitive position of U.S. investors.

A recent study by the Sustainable Investment Research Analyst Network (SIRAN) showed a marked increase since 2005 in the use of voluntary codes for ESG reporting by S&P 100 companies: more than 80% provide information through sustainability websites; almost half produce a sustainability report; and more than one-third make use of the Global Reporting Initiative (GRI) Guidelines, the international standard for ESG reporting. Globally, 77% of the world's 250 largest companies report using the GRI.

Other countries are modernizing their corporate reporting systems to include ESG factors. A number of regulatory bodies and stock exchanges throughout the world have begun to encourage or require standardized reporting of corporate ESG data. For example:

- The French government requires that corporations report non-financial information.
- The Malaysian stock exchange mandates corporate disclosure of socially responsible activities in annual financial reports.
- The London Stock Exchange requires companies to disclose relevant environmental, social, workplace and community information.
- The Swedish government requires state-owned companies to report annually according to the GRI Guidelines.
- China's Assets Supervision and Administration Commission encourages state-owned businesses to report on corporate responsibility.

For the U.S. disclosure system to remain competitive—and for U.S. investors to be as well informed as investors in other markets—the SEC should integrate reporting of material ESG risks into its new disclosure system. The Commission should note that the GRI Guidelines provide a uniform and comparable system which is essential to operationalize the reporting of ESG data and should thus serve as a model for any future disclosure framework. The SEC's proposed rule introducing an XBRL-based reporting system provides a unique opportunity for the integration of ESG data into the business reporting system. Such integration would re-affirm the SEC's role as the central authority for all business reporting and would discourage the development of yet another parallel reporting system which could be confusing for investors and companies alike.

As mentioned above, we hope that a deeper engagement with investors will help the Commission create a disclosure system to meet our needs for improved disclosure of climate risks and other material ESG issues. Therefore, we encourage the Commission to:

(1) Include the goal of improving climate risk disclosure in SEC filings as part of the Federal Advisory Committee's charter;
(2) Appoint an investment professional as a member of the committee in order to ensure that investor views on these issues are represented; and
(3) Create a subcommittee of the Advisory Committee to consider how material environmental, social and governance (ESG) data can be integrated into registrants' SEC filings.

We appreciate this opportunity to share our views with you, and we would be pleased to provide additional information if helpful.

Sincerely yours,

Anne Stausboll, Interim Chief Investment Officer, California Public Employees' Retirement System
John Chiang, California State Controller
Jack Ehnes, CEO, California State Teachers' Retirement System
Bill Lockyer, California State Treasurer
Mindy S. Lubber, President, Ceres & Director, Investor Network on Climate Risk
Karina Litvack, Director, Head of Governance & Sustainable Investment, F&C Management
Nancy K. Kopp, Maryland State Treasurer
Lance E. Lindblom, President and CEO, The Nathan Cummings Foundation
Orin Kramer, Chair, New Jersey State Investment Council
William C. Thompson, Jr., New York City Comptroller
Thomas P. DiNapoli, New York State Comptroller
Julie Gorte, Senior Vice President for Sustainable Investing, Pax World Management Corporation
Frank T. Caprio, Rhode Island General Treasurer
Jeb Spaulding, Vermont State Treasurer

cc: Christopher Cox, Chairman, Securities and Exchange Commission
Kathleen L. Casey, Commissioner, Securities and Exchange Commission
Elisse B. Walter, Commissioner, Securities and Exchange Commission
Luis A. Aguilar, Commissioner, Securities and Exchange Commission
Troy A. Paredes, Commissioner, Securities and Exchange Commission