October 2, 2009

SEC Investor Advisory Committee Members
c/o Elizabeth M. Murphy
Federal Advisory Committee Management Officer
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. 265-25-02, Investor Advisory Committee

Dear Investor Advisory Committee Members:

We are writing to you in your capacity as a member of the U.S. Securities and Exchange Commission's Investor Advisory Committee. As you collaborate with other committee members to discuss how best to protect American investors and set the agenda for the committee's work, we would like to bring your attention to the inadequate state of disclosure of the material environmental, social and governance (ESG) risks that corporations face, especially in connection with climate change. We respectfully request your leadership in promptly advising the Commission to take corrective action by ensuring the disclosure that is the hallmark of a fair marketplace.

Climate change creates financial risks and opportunities for corporations in many ways. The physical changes to the environment accompanying climate change are already underway. More extreme weather events, changes in water supplies, and changes in sea level will impact many companies, depending on where they, their suppliers and their customers do business. Policymakers are responding to the serious effects of a changing climate. The rapidly changing regulatory environment for those companies that emit greenhouse gases will affect corporate performance in both the near term and into the future.

Investors need to know what exposure corporations have to these changes, what opportunities these changes may create, and how corporations plan to manage these changing circumstances. Yet in the absence of clear guidance from the SEC on these issues, corporate disclosure of the financial risks and opportunities associated with climate change and other material environmental issues remains strikingly inadequate.

A coalition of institutional investors representing more than $1.5 trillion in assets, together with Ceres and Environmental Defense Fund, filed an extensive petition with the SEC in September 2007 requesting action. The petition asked the SEC to issue interpretive guidance to clarify that current securities regulations regarding the disclosure of material information in annual reports apply to disclosure of the financial impact of climate change. Petition for Interpretive Guidance on Climate Risk Disclosure, Sept. 18, 2007 available at http://sec.gov/rules/petitions/2007/petn4-547.pdf. The petition also requested SEC guidance to aid registrants in complying with these disclosure obligations.

Since the filing of that petition, the level of investor interest in and need for disclosure of material information regarding the financial impact of climate change on corporations has only become more pressing:

- December 2007: Senate Committee of Jurisdiction calls for action. In a December 6, 2007 letter to then SEC Chairman Christopher Cox, Senate Banking Committee Chair Christopher Dodd and Securities, Insurance and Investment Subcommittee Chair Jack Reed requested that the SEC issue an interpretive release to clarify publicly traded corporations' obligations to disclose material climate risks. The letter followed an October 31st hearing by the Subcommittee on "Climate Disclosure: Measuring Financial Risks and Opportunities."

- March 2009: Insurance Commissioners Impose Mandatory Climate Disclosure.[1] This March, the National Association of Insurance Commissioners approved the nation's first mandatory climate disclosure requirements. The disclosure requirements highlighted concerns about "the potential impact of climate change on insurer solvency and insurance availability and affordability across all major categories of insurance."

- June 2009: The Investor Network on Climate Risk and other leading global investors representing $1.4 trillion in assets called on the SEC to improve disclosure by issuing formal interpretive guidance on material climate change risks, enforcing existing disclosure requirements, recognizing shareholder rights to submit resolutions on ESG issues including climate change, and using the Global Reporting Initiative as a framework for requiring disclosure of material environmental, social, and governance risks such as climate change.

- September 2009: On September 22nd, the U.S. Environmental Protection Agency (EPA) issued a final rule requiring major sources of greenhouse gases to report those emissions each year to EPA, beginning with 2010 emissions. The rule requires the approximately 10,000 facilities that release 25,000 metric tons or more of carbon dioxide equivalent per year to submit annual reports on those emissions to EPA. Several heat-trapping gases are covered by the reporting rules including carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and other fluorinated gases.

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1 See News Release, *Insurance Regulators Adopt Climate Change Risk Disclosure, March 17, 2009, available online at* http://www.naic.org/Releases/2009_docs/climate_change_risk_disclosure_adopted.htm

This important regulatory development at the EPA is a "known trend" within the meaning of Regulation S-K, and triggers the obligation for a company to assess and disclose material emissions data. For the first time, this requirement will make available reliable and cross-comparable data about greenhouse gas emissions to companies and the market, if the data is disclosed in a form that is readily available to the investor community. We have called upon the SEC and EPA to coordinate their efforts to make this data readily available to the financial markets.

Institutional investors agree that information about the financial impacts of climate change is essential to their ability to carry out their responsibilities to assess investments. As expressed by Anne Stausboll, Chief Executive Officer of the California Public Employees' Retirement System:

> Climate change presents bottom-line risks that must be disclosed to ensure a fair and transparent marketplace. The economic case for promptly assessing and disclosing climate risks is clear.
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> As we have recently seen, an emphasis on short-term thinking and a failure of private and public accountability mechanisms, can severely damage investors and financial markets. We need to take a prudent, long-term view to address systemic risks like climate change. Given the significance of climate risks for corporations' financial position in a carbon-constrained economy, reporting on climate issues in SEC filings is a necessity.[2]

As investors have continued to ask for reliable material information about the financial impact of climate change on corporate performance, the corporate response to these demands has been inadequate. Two recent reports that comprehensively review the state of corporate climate risk disclosure in SEC filings show the very slow progress corporations are making toward meaningful disclosure in the absence of SEC guidance:

- ***Climate Risk Disclosure in SEC Filings,*** authored by The Corporate Library for Ceres and EDF, assesses climate risk disclosure in the 10-K and 20-F reports filed in 2008 by 100 global companies in five sectors: electric utilities, coal, oil & gas, transportation and insurance. The study found limited disclosure: 59 of the 100 companies made no mention of their greenhouse gas emissions or public position on climate change; 28 had no discussion of climate-related risks they face; and 52 failed to disclose actions and strategies for addressing climate-related business challenges. Even more telling, the very best disclosure for any of the 100 companies could only be described as "fair," and only a handful of companies achieved this ranking. Available online at

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[2] Anne Stausboll, Foreword to *Climate Risk Disclosure in SEC Filings*, June 2009, available online at http://www.ceres.org/Document.Doc?id=473

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- ***Reclaiming Transparency in a Changing Climate***, by the Center for Energy and Environmental Security at the University of Colorado Law School, Ceres and EDF, reviews over 6,000 SEC filings by S&P 500 companies from 1995 to 2008. While the study finds some modest improvement in climate risk disclosure since 1995, in 2008 75% of annual reports filed by S&P 500 corporations failed to mention climate change, and only 5% articulated a strategy for managing climate-related risks. Available online at http://www.ceres.org/Document.Doc?id=474

As the committee and subcommittees set their priorities, we urge you to include strengthening corporate disclosure of climate risks and other material ESG risks in the agenda of investor protection issues the committee will take up this year. While we understand the Investor Advisory Committee is considering many issues that require your prompt attention, please keep in mind that for the last several years, despite mounting evidence of the materiality of climate risk, the Commission failed to act on requests from investors to issue guidance on risk disclosure. Simultaneously, SEC policy made it difficult for investors to file shareholder resolutions asking for corporate evaluations of ESG risks, often excluding them under the "ordinary business" rule. Therefore, investors were sometimes left with no recourse for ensuring that corporations disclosed to their shareowners information about the financial risks and opportunities they faced.

We stand ready to provide additional information that the committee requires as you consider this issue, and would welcome the opportunity to make a presentation to the committee or appropriate subcommittee on this issue of critical importance to investors and our economy.

Sincerely,

Mindy S. Lubber

Mindy S. Lubber
President, Ceres
Director, Investor Network on Climate Risk

Vickie Patton

Vickie Patton
Deputy General Counsel
Environmental Defense Fund

Ceres is a national coalition of investors, environmental groups and other public interest organizations working with companies to address sustainability challenges such as global climate change. Ceres directs the Investor Network on Climate Risk, a group of more than 80 institutional investors from the US and Europe managing approximately $7 trillion in assets.

Environmental Defense Fund (EDF) is a leading national nonprofit organization representing more than 500,000 members. Since 1967, EDF has linked science, economics and law to create innovative, equitable, and cost-effective solutions to society's most pressing environmental problems.