SIERRA CLUB
FOUNDATION

THE FOUNDATION FOR A HEALTHY PLANET.

June 3, 2021

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

Dear Chair Gensler,

The Sierra Club Foundation welcomes the opportunity to respond to the request for public comment on climate change disclosures by the Securities and Exchange Commissions (SEC).

The mission of the Sierra Club Foundation (Foundation) is to promote efforts to educate and empower people to protect and improve the natural and human environment. The Foundation primarily fulfills its mission through fiscal sponsorship of Sierra Club's charitable programs. The Foundation has total assets of $250 million.

ESG integration and active ownership are part of our fiduciary duty
We believe our fiduciary duty includes a responsibility to manage our assets in a manner consistent with our mission and values. As a result, environmental, social, and governance (ESG) considerations are fully integrated into how the Foundation manages its assets. We are achieving superior long-term performance while moderating risk through mission-aligned ESG investing. The Foundation has managed its assets according to ESG criteria since 2010, resulting in our investment returns consistently exceeding the performance of standard benchmarks such as the Russell 3000. More information about our investment returns can be found in the Appendix to this letter.

As part of our fiduciary duty we also believe that we have a responsibility to actively engage with issuers when shareholder value is at risk, especially when it comes to environmental and climate risks. Active shareholder engagement is a key strategy through which the Foundation enhances the long-term value of its assets. We engage with issuers through various means including dialogue, letter writing, joint investor statements, proxy voting and shareholder resolutions.

Standardized climate and ESG disclosures are needed to meet fiduciary obligations
Climate change and ESG disclosures are critical for us to be able to manage the Foundation assets in a manner consistent with our mission and values. Decision-useful disclosures allow us to prudently manage climate change risks, opportunities and impacts and to effectively engage with issuers on their climate and ESG performance.

We believe climate change and ESG disclosures should be mandatory, focused on financially material risks, opportunities and impacts, consistent and comparable, and incorporated into the financial reporting of issuers.

Effective climate change and ESG disclosures should allow investors to assess issuers on:
- Strategy and plans for managing material ESG risks, opportunities and impacts

- Performance on material ESG issues including relative to internal targets and industry peers
- Governance and management processes for material ESG issues
- Alignment of business operations and strategies with international and national climate agreements and goals

Issuers in carbon-intensive industries should be subject to more detailed reporting requirements.

Climate risk disclosures need to be embedded within a broader ESG disclosure framework
We believe the transition toward a climate-safe economy will fail unless the benefits and burdens of the transition are shared equitably and fairly. Even if issuers follow a net zero pathway, their actions will negatively rebound on them and their investors if they do so in a manner that harms society.

Climate risk disclosures need to be included in a broader framework of ESG disclosures to ensure that issuers' response to climate change considers impacts on workers, customers and communities. While social impacts are sometimes harder to measure, we believe that their inclusion in standardized climate change risk and ESG disclosures represents an important recognition that any progress toward a climate-safe economy will fail unless the transition has its own "social license to operate."

Standardized climate and ESG disclosures will have market-wide benefits
Additional disclosure requirements will create significant benefits that should be considered when assessing the additional costs that issuers will incur from them.

Standardized climate change risk and ESG disclosures will lead to improved understanding and pricing of climate and other ESG risks, a benefit to all investors whether they employ ESG investment strategies or not. Standardized climate change and ESG risk disclosures will also help ensure that sufficient funding is available for the transition to a climate-safe economy by facilitating allocation of investor capital to issuers whose businesses are best aligned with international and national climate change agreements and goals.

Climate change is a systemic risk that affects all industries and issuers, although the impact varies across sectors and companies. By making climate change and ESG disclosures mandatory and a part of issuers' regular financial reporting, the SEC would send a strong signal about the importance of climate change risks, opportunities and impacts to the entire market and economy.

New disclosure rules should be implemented as soon as possible
The Foundation strongly supports the SEC's efforts to create mandatory standardized corporate disclosures on climate change risk and ESG matters. We encourage the SEC to act with a sense of urgency. The sooner we have greater transparency on how issuers are managing their material climate risk and ESG issues, the faster investors can take action to help accelerate our response to the climate crisis.

We look forward to working with you.

Sincerely,

Dan Chu
Executive Director

Appendix

As can be seen in the graph below, our mission-aligned investment returns have consistently exceeded the performance of standard benchmarks such as the Russell 3000. The trailing returns, net of fees, are for the long-term investment portfolios of the Foundation, which are invested for total return to preserve the purchasing power of assets over full market cycles.