



June 11, 2021

The Honorable Gary Gensler, Chairman, U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

RE: Call for Public Input on Climate Change by then Acting Chair Allison Herren Lee on March 15, 2021

Dear Chairman Gensler,

On behalf of Wespath Benefits and Investments (Wespath), we welcome the opportunity to respond to the Securities and Exchange Commission's request for comment on climate-related financial disclosure, issued on March 15, 2021.

Wespath, through its subsidiaries, manages over \$28 billion in assets on behalf of more than 100,000 retirement plan participants of The United Methodist Church (UMC) and over 130 United Methodist-related charitable organizations as institutional clients. We are the largest denominational investor in the United States and among the largest U.S. pension funds.

Wespath supports climate-related financial disclosure and, more broadly, sustainability and human capital financial disclosure. We believe such disclosures are necessary for Wespath, and all fiduciaries, to assess the financial risks of our investments. Moreover, such disclosures align with the values and beliefs of the UMC related to caring for creation and empowering social equity and justice, and help Wespath invest in accordance with those values and beliefs.

As a long-term, broadly diversified institutional investor, we recognize that the stability of markets is integral to ensuring our participants' retirement security and our institutional clients attaining their mission goals. We believe that, to achieve the financial returns necessary to reach those important objectives, the world needs to transition to a sustainable global economy. We wrote about this in an op-ed published in *Pensions & Investments* last year, stating our belief that unabated climate change is one of the most severe risks to the long-term stability of financial markets.

We have chosen our asset managers in part for their ability to navigate the transition to a net-zero economy. However, with the current landscape of fragmented disclosure frameworks in the U.S., our asset managers must steward our assets with imperfect data, hindering their ability to effectively compare risks and opportunities related to climate change. We have experienced these imperfections firsthand in attempts to measure the carbon footprint of our investment portfolios. In collaboration with external service providers, we found that only 54.7% of the market value of our U.S. equity holdings are directly reporting emissions, forcing us to rely on imperfect estimation methods for the remaining 45.3% of U.S. equity holdings.

Our view aligns with concerns identified by other institutional investors. In a **2020 Morrow-Sodali survey** of institutional investors representing \$26 trillion in AUM, 86% of respondents stated climate was the most significant ESG risk/opportunity analyzed in the last 12 months. At the same time, 91% of respondents asked that companies make a clearer connection between their climate-related disclosures and their financial risks and opportunities. This is further reinforced by **Institutional Shareholder Service's 2020 asset manager survey**, where 65 leading global asset managers ranked "lack of standardized disclosed data from issuers" as the top barrier to ESG investing.

In our view, the current state of the marketplace is similar to the fractured accounting datasets investors used before the Generally Accepted Accounting Principles (GAAP) were widely adopted. We see random, inconsistent, voluntary, unreliable, incomplete and hard-to-compare information in areas that we believe are fundamental to analyzing the current and future financial performance of companies.

The transition to a sustainable global economy requires a broad-based focus on systemic risk management related to climate. We expect our asset managers to steward our assets in alignment with the systemic focus outlined in the UN Principles for Responsible Investment (PRI) **Active Ownership 2.0** approach, which prioritizes outcomes, common goals and collaborative action. We promote this by requiring greater transparency from our asset managers on proxy voting through our contributions to the **PRI Making Voting Count** paper and the UN-convened Net-Zero Asset Owner Alliance's **Elevating Climate Diligence on Proxy Voting Approaches** resource.

However, we recognize the limitations of these voluntary industry efforts. Our ability to ensure prudent stewardship through the integration of fiduciary considerations for climate risk would significantly benefit from a common disclosure framework.

Regarding the proposed rulemaking from the SEC, we align with what many of our investor network partners are calling for:

- Building on existing guidelines developed by the Taskforce for Climate-related Financial Disclosure (TCFD) and Sustainability Accounting Standards Board (SASB) by requiring sustainability information that is financially material, investor focused, auditable or verifiable, and sector and industry specific, and following a framework that is set by an independent third-party in a nimble and transparent manner.
- Adopting TCFD metrics into the Form S-K.
- Requiring audited, tabular disclosure of a company's estimated Scope 1, 2 and 3 greenhouse gas (GHG) emissions, based on the GHG Protocol.
- Improving disclosure on climate-related social risks related to the Just Transition.

Thank you for consideration of Wespath's perspective on these important issues. If you have any further questions, please direct them to my colleague Jake Barnett, [REDACTED], who oversees our corporate governance and climate-focused stewardship activities.

Sincerely,



David H. Zellner
Chief Investment Officer

cc: The Honorable Caroline A. Crenshaw, Commissioner
The Honorable Allison Herren Lee, Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Elad L. Reisman Commissioner
Vanessa A. Countryman, Secretary