COLORADO PERA®

June 11, 2021

VIA EMAIL

Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: Request for Public Input on Climate-Related Disclosures

Dear Madam Secretary:

On behalf of the Colorado Public Employees' Retirement Association (Colorado PERA or PERA), thank you for the opportunity to file public comment regarding whether and how the U.S. Securities and Exchange Commission (SEC or the Commission) should regulate climate-related disclosures.[1] The SEC's consideration of climate-related and other environmental, social, and governance (ESG) disclosures is important, and could have long-lasting effects on transparency on the financial materiality of these matters. PERA is generally supportive of the momentum toward disclosures that substantively enhance investors' understanding of how registrants are assessing and managing financially material ESG risks and opportunities (which we believe encompasses climate change issues). However, we caution against hasty rulemaking on this topic due to its concurrent and fast-moving evolution in global markets. We ask that the Commission take a watchful approach at this time, balancing the necessary fortification of existing regulation and the resource intensity that requires with advancing a disclosure regimen that would enhance financially material climate-related and other ESG disclosures.

Colorado PERA is the state's largest public pension plan, managing approximately $60 billion in assets under obligation to enhance the retirement security of over 630,000 current and former public employees and their beneficiaries. In fulfillment of our fiduciary duty, we prioritize the maximization of risk-adjusted returns to the portfolio in pursuit of the long-term financial sustainability of the fund. Within the parameters set forth by the PERA Board of Trustees (PERA Board) to achieve our investment objectives, PERA considers financially material factors when making investment decisions in our public and private market portfolios.[2]

This includes the integration of financially material climate-related and other ESG considerations in our investment and proxy voting decisions. The PERA Board's philosophy regarding ESG integration is described in its Proxy Voting Policy, which acknowledges that "financial materiality is dynamic, subjective, and may vary by investment. By focusing on materiality… we believe we can direct PERA's resources toward issues that are most pertinent to the expected risk-adjusted returns of our investments, in line with our fiduciary duty."[3]

[1] https://www.sec.gov/news/public-statement/lee-climate-change-disclosures

[2] https://www.copera.org/resources/forms-publications/colorado-pera-statement-investment-policy

[3] https://www.copera.org/sites/default/files/documents/proxy_voting_4.pdf

PERA maintains that climate-related and other ESG factors may present risks to, and opportunities for, the long-term growth of a company's profits and its investors' returns.[4] As an institutional investor, we rely on adequate disclosure of material factors – both quantitative and qualitative – in order to understand and value long-term expectations for investment return relative to risk. As with traditional financial disclosures, we advocate for reporting of material non-traditional factors that is reliable and decision-useful for effective capital allocation. Therefore we believe any future rulemaking undertaken by the Commission in regard to disclosures should continue to focus on upholding financial materiality above all else.

This concentration on financial materiality is especially important in the discussion on ESG disclosures as multiple standard setters and reporting frameworks have emerged in recent years.[5] The various approaches these developers take to identifying and measuring risks and opportunities demonstrates a lack of market consensus as to which environmental, social, and governance considerations should be taken into account when determining materiality (financial or otherwise) for disclosure. This chasm has been exacerbated by jurisdictional disparities between international regulatory regimes, divergent objectives among various investors, and registrants' different approaches to reporting. However, there is renewed hope that market participants may coalesce around a unified set of standards or reporting framework for applicability across asset classes and jurisdictions on a global scale in the coming years.

In light of these ongoing developments, we believe it would be most prudent for the SEC to take an engaged observer role at this time, carefully following and considering these developments in consultation with market participants and independent standard setting bodies to inform any potential expansion of reporting mandates. While market-based approaches to material non-traditional disclosures are being developed by independent entities, we see opportunity for the Commission to strengthen its existing guidance regarding material disclosures. This could lay the foundation for scalable disclosure regulation over time (in step with market developments), while allowing SEC resources to be allocated to more pressing matters concerning the integrity of U.S. financial markets.

PERA recommends that the SEC fortify its existing material disclosure guidance, review, and enforcement before pursuing new or expanded regulation pertaining to specific underlying reporting metrics such as those pertaining to climate change and other ESG disclosures. (Applicable to Question Sets 1-3, 5-7, 13 and 15)

As SEC Commissioners and others have noted, there may be gaps in the application, review, and enforcement of registrant disclosures to meet objectives in existing regulations and guidance.[6] These could be assessed before mandating new regulation. For example, the SEC may consider whether performing further sweep examinations of market participants' current disclosures would

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[4] https://www.copera.org/sites/default/files/documents/5-169.pdf

[5] See for example the Council of Institutional Investor's *Sustainability Reporting Frameworks: A Guide for CIOs:* https://7677c7b7-7992-453f-8d12-74ccbdbee23c.filesusr.com/ugd/72d47f_e00c47786e17471fb3b8222e78427935.pdf

[6] See examples from market participants and Commissioners in the April 2021 Congressional Research Service report *Climate Change Risk Disclosures and the Securities and Exchange Commission* https://crsreports.congress.gov/product/pdf/R/R46766

improve understanding of what and how registrants are disclosing information on an absolute basis and relative to industry peers. That may give the Commission insight into which aspects of regulation, guidance, and/or enforcement actions should be targeted for improvements, and by which means, in order to bring focus and clarity of expectations to market participants. From there, the SEC may have a stronger foundation for evaluating whether additional disclosure mandates specific to climate change and ESG are needed, and what role the Commission's new Climate and ESG Task Force would have in facilitating effective enforcement of those rules.

From PERA's perspective, one area of focus in fortifying existing disclosure regulation could be to add clarification on materiality standards through revised guidance. In particular, we note that revised guidance of existing disclosure regulation could alleviate potential conflicts of interest that may arise when registered companies are judging what is and is not material to a "reasonable investor," while their investors may have different opinions of material information based on their subjective investment theses and strategies.

Some investors may deem certain pieces of information material to their decision based on a particular set of conditions at a specific point in time, and within the context of their overall portfolio objectives. At a different point in time, under different circumstances and objectives, the same investor might not determine those same pieces of information to be financially material. Likewise, different investors' unique objectives may make the materiality threshold less clear to registrants. Their perceptions of materiality may not align with investors', and those perceptions can change on both sides under various market conditions.

These different investment objectives have led the EU Commission to adopt a double materiality standard in its guidance of climate-related disclosures.[7] The dual materiality approach considers financial materiality side by side with environmental and social externalities of business operations. This approach accounts for traditional, return-centric investors' interests on one hand and the interests of sustainable impact investors and non-investor stakeholder interests on the other. The EU Commission's double materiality concept is supportive of its bilateral focus, which includes an objective to drive sustainable finance growth. However, we do not believe such a double materiality standard is appropriate for the SEC to adopt, as the Commission does not claim a duty to increase sustainable investments.[8]

Instead of the SEC developing a double materiality standard, PERA recommends any updates to standards and guidance be revised to reflect the dynamism of financial materiality first. Introduced by Thomas Kuh, Andre Shepley and Greg Bala, the concept of "dynamic materiality" accounts for the subjective and transient nature of matters that an investor would expect to impact their decisions or alter the total mix of available information[9]. For example, a dynamic view of materiality may encompass the technological innovations, regulatory and legislative directions, and supply and demand shifts that primarily drive management decisions impacting

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[7] https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf

[8] https://www.sec.gov/about/what-we-do#:~:text=For%20more%20than%2085%20years,markets%2C%20and%20facilitating%20capital%20formation.

[9] Kuh, Thomas, Andre Shepley and Greg Bala, "Dynamic Materiality: Measuring What Matters", 2020. https://cdn2.hubspot.net/hubfs/4137330/White%20Papers/WP_Dynamic_Materiality_-_Measuring_What_Matters.pdf?__hstc=16054825.303d1817bf7e84a3e57d51f7a3693021.1623278569612.1623278569612.1623278569612.1&__hssc=16054825.1.1623278569612&__hsfp=900164405

financial performance[10]. In its 2020 whitepaper on the dynamism of materiality, the World Economic Forum describes it as such: "What is financially immaterial to a company or industry today can become material tomorrow", so investors will continue to need different information over time.[11]

Encouraging dynamic materiality disclosure in existing guidance may provide a framework for understanding different perspectives among and between market participant groups as markets and risks (including climate-related factors) change through time. This could help alleviate the principal-agent problem that may persist between investors and companies whereby reporting entities may misinterpret or misidentify factors investors would deem material. In turn, such clarification may reduce real or potential legal risk for registrants. Importantly, this would be expected to strengthen the usefulness of disclosures to the extent it would reduce boiler-plate reporting that may result from a conservative response to perceived regulatory risk.

As it pertains to disclosure of climate-related factors in particular, the inclusion of dynamic considerations in materiality guidance could be considered in conjunction with elaboration on physical climate and climate transition readiness impacts to financial performance. The Commission's 2010 *Guidance Related to the Disclosure of Climate Change* describes that, "In addition to legislative, regulatory, business and market impacts related to climate change, there may be significant physical effects of climate change that have the potential to have a material effect on a registrant's business and operations."[12] It also states, "Legal, technological, political and scientific developments regarding climate change may create new opportunities or risks for registrants." [13] While these statements allude to physical, transition, and regulatory risks and opportunities that could be deemed material considerations under a dynamic approach, they do not detail specific factors registrants might consider when determining financial materiality under each type of risk.

Additional guidance to registrants enabling them to more fully consider not just physical climate risks but also transitional and regulatory/legal risks associated with climate change could lend itself to improving investors' decisions and outcomes by facilitating more robust analysis of the material opportunities and risks being managed toward financial sustainability in the short-, medium- and long-term. Such guidance could include broad examples of the potential financial impacts resulting from the management of non-financial factors. For instance, guidance could include general descriptions of the types of risks and opportunities that can directly impact financial performance recorded on income statements and balance sheets, such as those outlined by the Sustainability Accounting Standards Board (SASB)[14] in their *2021 Climate Risk Technical Bulletin.* These include asset impairments, operational and supply cost changes, volatility in revenue potential and growth, and legal liabilities due to acute and chronic physical, transitional

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[10] *Ibid.*

[11] http://www3.weforum.org/docs/WEF_Embracing_the_New_Age_of_Materiality_2020.pdf, p.5

[12] https://www.sec.gov/rules/interp/2010/33-9106.pdf, p.6

[13] *Ibid. p. 25*

[14] Note: SASB merged with the International Integrated Reporting Council to form the Value Reporting Foundation, effective June 2021. Throughout this letter we refer to the sustainability disclosure standards developed by SASB as SASB standards (not Value Reporting Foundation standards), which remain in tack after the merger. See https://www.pionline.com/esg/sasb-iirc-form-value-reporting-foundation

or regulatory climate-related effects.[15] Guidance could also promote the use of quantitative metrics to provoke stronger qualitative discussion and analysis on financially material matters for each registrant.

We believe such clarifying guidance would be flexible enough to apply to registrants across industries, while allowing reporting firms to consider their unique circumstances and facts in complying with material disclosure requirements for their investors. Furthermore, focusing on existing guidance as a first step to informing future rulemaking would be expected to fall within the SEC's oversight and resource capacity. With further guidance on material disclosures of potentially non-traditional metrics, the Commission and its Climate and ESG Taskforce may be better equipped to revise review and enforcement procedures as needed. PERA believes that addressing gaps in current materiality guidance, review, and enforcement is a vital first step toward enhancing regulation on important matters such as disclosure of ESG (including climate-related) opportunity and risk management.

If the SEC intends to mandate climate-related or other ESG disclosure metrics, PERA recommends the Commission postpone action until there is more consensus in the market around which factors are most material and how those considerations should be presented in disclosures. (Applicable to Question Sets 2-3, 5-6, 9-11, and 13-15).

PERA agrees with the Council of Institutional Investors (CII) "that independent, private sector standard setters should have the central role in helping companies fill that need. Market participants, non-governmental organizations and governments can aid the success of these standard setters by supporting their independence and long-term viability, attributes of which include: stable and secure funding; deep technical expertise at both the staff and board levels; accountability to investors; open and rigorous due process for the development of new standards; and adequate protection from external interference."[16] Which is why PERA generally supports ESG disclosure standards and frameworks that are developed by independent entities in close consultation with a variety of market participants, not the least of which include companies that furnish these disclosures and the investors that utilize them in their decision making.

PERA's Proxy Voting Policy describes the general types of financially material ESG disclosures that we support.[17] These include such standards as those developed by SASB, which can be used to fulfill reporting framework requirements, such as those recommended by the Taskforce for Climate Related Disclosures (TCFD). Both SASB and TCFD are well-respected and widely-accepted guides for material ESG disclosures.[18] PERA staff participates in SASB's Investor

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[15] https://www.sasb.org/wp-content/uploads/2021/05/Climate-Risk-Technical-Bulletin2021-042821.pdf

[16] https://www.cii.org/sustainability_performance_disclosure

[17] https://www.copera.org/sites/default/files/documents/proxy_voting_4.pdf

[18] For example, global investor organizations such as the CFA Institute express public support for both TCFD and SASB: "At CFA Institute, we believe the TCFD standards are the best climate-related disclosure standards currently available. Their simplicity and succinct nature allow investors an avenue of engagement with issuers on climate-related matters without imposing onerous disclosure burden…We find the SASB structure attractive because the framework focuses only on what is generally agreed upon to be material in a given sector…" (p. 15). https://www.cfainstitute.org/-/media/documents/article/industry-research/climate-change-analyis.ashx

Advisory Group, contributing our institutional investor perspective to the development of their standards. However, we acknowledge that SASB and TCFD are not the only organizations seeking consensus, and gaining traction, on financially material disclosure specifications.

The CFA Institute recently proposed a set of ESG standards that are focused on financial products, which could be pertinent to disclosures made by investor registrants in the U.S. and abroad.[19] These proposed standards may be complementary to sustainability disclosure regulation in Europe (insomuch as it pertains to *financial* materiality and the avoidance of greenwashing in the finance industry), and supportive of compliance with existing regulation in the U.S. However, we note that the CFA Institute is still in the early stages of market consultation, and the solidification and global adoption of their standards may not be realized for some time.

In 2020 the International Financial Reporting Standards Foundation (IFRS) sought market participant consultation on whether or not to create an international sustainability standards board in the pursuit of establishing a unified framework and metrics for ESG related disclosures.[20] According to IFRS, "The responses indicate growing and urgent demand to improve the global consistency and comparability in sustainability reporting…"[21], and they have announced a strategic plan to meet these objectives, with a particular focus on climate-related disclosure standards within a broader ESG context, per heightened demand evidenced in the comments IFRS received.[22] The idea of establishing an independent, global sustainability standards board has backing from market participants as well as regulatory bodies, including the International Organization of Securities Commissions (IOSCO) of which the SEC is a member.[23]

PERA appreciates the IFRS focus on developing a unified set of disclosure standards to serve global market participants in identifying material ESG factors based on impacts to enterprise value. Specifically, we value the fact this development is so widely supported by international market participants, regulatory agencies, and various other standard setters that have made progress in defining various elements of material ESG disclosures (including SASB).[24] We also believe this could lay the foundation for future assurance provisions of financially material ESG disclosures, which we believe are otherwise premature at this point. Given IFRS's status as a global leader in financial accounting standards, as well as broad market support and

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[19] https://www.cfainstitute.org/-/media/documents/support/ethics/exposure-draft-cfa-institute-esg-disclosure-standards-for-investment-products.ashx

[20] https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf

[21] https://www.ifrs.org/news-and-events/news/2021/02/trustees-announce-next-steps-in-response-to-broad-demand-for-global-sustainability-standards/

[22] https://www.ifrs.org/news-and-events/news/2021/03/trustees-announce-strategic-direction-based-on-feedback-to-sustainability-reporting-consultation/

[23] https://www.ifrs.org/projects/work-plan/sustainability-reporting/consultation-paper-and-comment-letters/

[24] https://www.ifrs.org/projects/work-plan/sustainability-reporting/consultation-paper-and-comment-letters/#view-the-comment-letters

consultation resources for creating a universally accepted framework for climate-related and ESG disclosures, PERA encourages the SEC to support this breakthrough development by participating in ongoing consultation with the IFRS Foundation through IOSCO.

While the above discussion is focused on financially material disclosures from a few entities PERA identifies as current leaders, we recognize there are many other disclosure frameworks that registrants and investors may consult in fulfilling disclosure requirements under local and international jurisdictions. The Climate Disclosure Standards Board (CDSB), Global Reporting Initiative (GRI), CDP (formerly the Carbon Disclosure Project), and the International Integrated Reporting Council (IIRC) represent entities focusing on different aspects and presentations of disclosure that market participants may consult in formulating their reports. Notably, many of these independent groups have formed collaborations and joint statements supporting the advancement of ESG disclosure frameworks and standards globally.[25]

This demonstrates both the nascence and substantial progress of existing schemes, highlighting the need for more time and resources to be committed to their ongoing development. Market consensus on the progression and usefulness of disclosures under such frameworks takes time and thoughtful deliberation that should not be rushed or prematurely subverted through expanded regulation. Benefits of successful pursuit of universal standards could include coverage for both public and private markets across jurisdictions. This level of market consensus would be expected to enhance compliance and create more useful disclosures, thereby alleviating need for aggressive resource allocation from regulators.

Therefore, PERA believes the SEC may risk undesirable, long-term outcomes if it races to expand material disclosure regulation to include specific metrics and discussion of ESG matters before market participants have reached consensus on which aspects of non-financial factors can have financially material impacts. We encourage the SEC to be a participatory observer of these developments, without compromising its regulatory responsibility or quelling the independence and collective input that a market-based and globally accepted framework for climate-related and other ESG disclosures demands.

If the SEC decides to regulate or refer to specific metrics to be disclosed by registrants pertaining to climate-related or other ESG matters before market consensus is reached, PERA recommends the Commission begin with *financially* material aspects that have been identified by independently-led and market-based standards and frameworks in order to preserve its focus on investor interests. (Applicable to Question Sets 1-6, and 13-15).

PERA does not recommend that the SEC expand existing regulation on material disclosures without 1) reviewing and making necessary revisions to existing regulation (for reporting requirements as well as other pressing matters under the Commission's rule), and 2) considering potentially deleterious effects of moving too quickly ahead of global market initiatives. If the SEC decides to pursue expanded disclosure regulation for ESG considerations in the near future, we respectfully request that such mandates be developed with a focus on financial materiality and, therefore, decision-usefulness. In order to satisfy these thresholds, we believe the Commission should be attentive to industry-specific metrics, such as those developed by SASB and others. Such metrics can be used to facilitate better risk and opportunity analysis and discussion from registrants on matters that are specific to their own business operations.

[25] https://www.sasb.org/blog/progress-towards-a-comprehensive-corporate-reporting-system/

These metrics could be referred to in Commission guidance to registrants for compliance with existing rules without the need for expanded regulation. This would serve to preserve the autonomy and independence of referenced standards, as well as alleviate concerns with resource allocation at the SEC given competing priorities. Regardless of whether the Commission pursues additional guidance and/or regulation of climate-related and other ESG disclosures, promoting SASB or similar standards that focus on financial materiality should alleviate concerns over potentially negative outcomes of a "stakeholder-focused disclosure regime".[26]

The types of industry level metrics standardized by SASB and its market consultants should allow registrants in public and private markets to report on aspects of their business strategy and operations that are linked to ESG matters and have financial implications. Notably, SASB standards are also scalable to companies of various sizes. This is expected to reduce undue costs to reporting firms and assist in identifying and managing the risks and opportunities presented by those considerations. It is also expected to increase reliability of information and comparability through standardization.

As it pertains to climate disclosures in particular, SASB acknowledges that physical, transitional, and regulatory risks can have positive and negative impacts on "financial condition, operational performance, or costs of capital – and therefore on an investor's risk-return profile."[27] SASB's examination of the number of its Sustainable Industry Classification System (SICS) industries that are determined to experience financially material effects of these risks demonstrates how pervasive, yet industry-specific, these effects can be. SASB identifies 36 of 77 industries exposed to physical climate risk, 57 exposed to climate transition risks, and 40 exposed to climate-related regulatory risks. In total SASB recognizes 68 out of 77 industries as being exposed to some type of climate risk.[28]

These results demonstrate an important facet of climate-related risks and opportunities for financial materiality. While climate change is systemic in its global nature, it can have diverse impacts on a registrant's financial performance depending on region, operational scope, supply chain inputs, product and service outputs, timing, etc. Therefore, although climate change is ubiquitous its effects can be diverse and complex, passing through various channels of risk classifications and presenting a myriad of market opportunities. SEC regulation or guidance on climate-related and other ESG considerations should reflect this dynamism and support the use of metrics and standards that are industry-specific. Importantly, business-tailored standards allow fundamental investors to normalize non-traditional data against traditional, financial metrics to better understand relative performance among industry peers in security selection.

By contrast, that potential for peer comparison of financially material matters may be weakened in one- size-fits-all disclosure standards that do not account for differences in core business lines.

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[26] https://www.sec.gov/news/public-statement/rethinking-global-esg-metrics?utm_medium=email&utm_source=govdelivery

[27] https://www.sasb.org/wp-content/uploads/2021/05/Climate-Risk-Technical-Bulletin2021-042821.pdf

[28] https://www.sasb.org/wp-content/uploads/2021/05/Climate-Risk-Technical-Bulletin2021-042821.pdf, p.5

Standards that are not adjusted for distinct operations across various industries could also incur unnecessary costs for registrants to comply while reducing usefulness to investors' fundamental analysis.

However, we acknowledge that some market participants and stakeholders may desire other guidance or rulemaking from regulators on these matters. To meet competing demands for various disclosure requests, the SEC might consider developing a "building blocks" approach to any future expansion of regulation to include material climate-related or other environmental disclosures, as well as evolving social and governance matters where material. For example, the approach described by the International Federation of Accountants (IFAC) would prioritize financial materiality to investors while also providing agreed-upon metrics for additional disclosures to meet disparate stakeholder interests.[29]

Under this type of approach, the Commission could lay a foundational block based on enhanced guidance for current regulation of all material disclosures, regardless of underlying theme. As market participants build consensus as to what is needed for the dissemination of material ESG disclosures (including climate-related), the SEC could add a block that expands on those specific disclosures with respect to financial materiality to investors. An additional block could potentially describe those disclosures that may be material to some stakeholders monitoring externalities and performance in managing environmental and social impacts from business, although we caution this aspect would not require regulation from the SEC as we believe it falls beyond its purview. This type of building block approach could be useful to registrants in meeting multiple stakeholder demands and balancing subjective views of materiality from their investors, while maintaining a basis of *financial* materiality to investors in primary, regulated disclosures.

Regardless of whether the Commission employs standalone or building block structures in new or existing regulation, the primary focus should remain on industry-specific financial impacts of climate-related and other ESG metrics for materiality to fundamental investors. We reiterate that before proceeding with expanded regulation of disclosures, the Commission should consider strengthening existing mandates for material disclosure as groundwork for regulatory expansion.

In addition to evaluating regulatory changes to material disclosure requirements, PERA suggests the Commission carefully consider other priorities within its jurisdiction that are deserving of the SEC's time and resources.

PERA appreciates the Commission's attention to material disclosures of climate-related and other ESG matters. We also acknowledge that there are other crucial deliberations for the SEC to make in fulfilling its duty to advance fair and orderly markets that facilitate capital formation[30]. The Commission may also need to consider if and how such disclosure guidance is, or is not,

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[29] The IFAC building blocks approach considers first the financially material aspects of strategy and risk management affecting enterprise value that are necessary for investors to make informed decisions, then builds on that to expand the scope of voluntary disclosures to broader stakeholder groups which paves the path for less financially specific materiality, focusing on external impacts to the environment and society. Additional blocks may account for jurisdictional and cultural norms and limitations. https://www.ifac.org/system/files/publications/files/IFAC-enhancing-corporate-reporting-sustainability-building-blocks.pdf

[30] https://www.sec.gov/about/what-we-do

congruent with other regulation and legislation in the U.S. For example, the Commission's 2020 rulings on the use of proxy advisory services and proposal submission thresholds may need to be revised or retracted in order to minimize confusion in the market about which aspects and media of disclosures pertaining to ESG matters are and are not expected to contribute to better decision making for investors.[31]

Other priorities at top of mind for investors may also compete with the Commission's regulatory considerations on the topic of climate-related disclosures. Advocacy groups representing billions and trillions of dollars in assets, such as CII and Healthy Markets Association, have implored the SEC to prioritize regulation of matters of U.S. market structure and integrity including: the mitigation of conflicts of interest in trading; enhancing disclosures of transaction and research costs; strengthening listing processes; improving the Consolidated Audit Trail; finalizing universal proxy rules; enhancing transparency in private markets; and improving best execution standards, among many others.[32] The SEC should thoughtfully prioritize regulation with the most pressing threats and advancements to U.S. markets, especially where there is already consensus among investors as to necessary action.

Other considerations in ESG disclosure regulation could potentially intersect with yet unforeseen considerations in regulating U.S. markets. For example, given the SEC's focus on expanding access to private markets despite asymmetric regulation, we could foresee challenges arising in offering the same transparency for investors in private markets and public markets around climate-related or other ESG factors. Although utilization of financially material disclosures such as those recommended by SASB and TCFD may transcend the public-private market border and jurisdictional rule[33], we are concerned that the expansion of private market access could incentivize registrants to exit the more transparent public markets if regulation becomes too stringent or out of step with global developments. We believe this could foreseeably stall or even reverse progress toward universally-accepted disclosure frameworks that serve long-term investor interests.

Colorado PERA respectfully requests that the SEC heed calls to allocate resources where they are most needed. In light of these competing demands and a still-developing consensus on material ESG disclosure frameworks and standards, we believe it may be premature for the Commission to expand regulation to ESG metrics without first addressing other matters that are foundational to fair markets and capital formation.

That said, we are encouraged by the SEC's solicitation for feedback on this matter. It demonstrates attention to evolving concerns that pose systemic and idiosyncratic risks and

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[31] See SEC Final Rule *Exemptions from Proxy Rules for Proxy Voting Advice* https://www.sec.gov/rules/final/2020/34-89372.pdf and SEC Final Rule *Procedural Requirements and Resubmission Thresholds under Exchange Act Rule 14a-8* https://www.sec.gov/rules/final/2020/34-89964.pdf

[32] See for example CII's 2021 correspondence: https://www.cii.org/correspondence, and HMA's welcome letter to Chair Gensler: https://healthymarkets.org/wp-content/uploads/2021/05/Gary-Gensler-Welcome-5-4-21-1.pdf

[33] For instance, TCFD requirements are met through both mandatory and voluntary disclosure by market participants operating internationally in public and private markets. For an example of TCFD recommended disclosure in private markets, see https://hancocknaturalresourcegroup.com/wp-content/uploads/2020/12/2020-hnrg-climate-disclosure.pdf

opportunities for registrants and investors. Although we do not recommend regulatory expansion at this time, we believe the SEC is soliciting feedback on relevant and timely questions with complex answers to consider. It is our hope that the Commission continues to evaluate developments in the ESG disclosure space as well as its potential role in enhancing financially material disclosures for investors, in consultation with market participants and leading standard setters.

Thank you for your consideration.

Sincerely,

Ron Baker
Executive Director
Colorado Public Employees' Association