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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

July 20, 2016

The Honorable Mary Jo White
Chair

Keith Higgins
Director, Corporation Finance Division

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Climate Change Disclosure in SEC filings

Dear Chair White and Mr. Higgins:

This letter is submitted on behalf of the Vermont State Treasurer's office, which provides staff support to various boards overseeing $4 billion in assets for over 50,000 beneficiaries and administers $500 million in State investments. We gratefully join over 100 institutional investors that have formally supported the SEC's issuance of guidance on climate risk disclosure. We are encouraged and appreciative of the work the Commission has accomplished to date as the first regulatory body to issue disclosure guidance requirements as they apply to climate change matters. We note the recent letter from Ceres to the SEC (April 17, 2015) and strongly support the role of collective engagement by investors in order to make changes to mitigate climate risks.

I am writing to request the Commission consider next steps for enforcing consistent and transparent reporting that further fulfills the guidance issued by the Commission in 2010 as it relates to climate change risks and opportunities. It is our belief that more transparency in the equity marketplace will allow companies and investors to work together to better assess climate and carbon risks, and assist the SEC in its mission to "maintain fair, orderly, and efficient markets."

In 2007, Vermont was one of over 20 investors representing $1.2 trillion in assets under management that sent a formal petition urging the Commission to issue an interpretive release clarifying that material climate-related information must be included in corporate disclosure under existing law. In February 2010, the Commission responded by issuing disclosure guidance that stating that climate change and related regulations lead to risks and opportunities for companies in a variety of sectors, and those issues, when material, must be disclosed in SEC filings. The State of Vermont commends the SEC for this significant step forward. Since the SEC released its 2010 commission guidance regarding disclosure related to climate change, the quantity and quality of public companies' climate change-related disclosures have improved to some degree. In hopes to enhance the quality of this improvement, the State would like to accept the invitation to highlight suggested next steps to enforce this guidance. A review conducted by Ceres in 2014 indicated less than optimal compliance by companies. The report found that:

- Most S&P 500 companies that disclose via voluntary climate reporting options, such as the CDP, provide significantly more detailed information compared to mandatory 10-K filings.
- Climate change disclosures in 10-Ks are lacking quantified impacts of risks and provide little discussion of material issues affecting business plans.
- A large number of companies fail to say anything about climate change in their annual filings with the SEC, even when their industry peers have acknowledged such risks exist.

The State of Vermont would request that the Commission consider exploring the creation of a publicly accessible database of comment letters and company responses to supplement financial documents available on the "EDGAR" portal or similar filing frameworks. Enabling convenient access to such information will enhance investors' ability to incorporate a company's climate change disclosures in specific investment decisions. In addition, we propose that the Commission consider the following recommendations, some of which have also been presented to you in other studies and reports:

- Create a federal interagency working group focused on climate risks to businesses, and an SEC task force focused on reviewing climate change disclosures, as was originally planned for the Investor Advisory Committee in the 2010 SEC guidance.
- Review the sustainability and climate-related reporting frameworks developed by the Global Reporting Initiative and CDP, and the sector-specific climate risk management and disclosure guides developed by members of the Global Investor Coalition on Climate Change (Ceres/INCR, IIGCC and IGCC). Consider working with an organization, similar to those listed above, to address the evolving nature of sustainability reporting and issue interpretations of existing provisions as they become current practice.
- Evaluate the frameworks focused on financial reporting developed by the Climate Disclosure Standards Board, the Sustainability Accounting Standards Board, and the International Integrated Reporting Coalition to determine and clarify how quantifiable risk factors and material non-financial sustainability factors should be accounted for and disclosed by companies.
- Enhance the existing disclosure requirement to include carbon costs alongside the baseline assessment of a company's proved reserves and standardized NPV analysis.
- Issue more comment letters to companies with inadequate disclosure of material climate risks. Scientific data is widely available to companies who should disclose known trends and uncertainties that could materially impact the company's financial condition. We understand that the SEC staffing resources are committed to a broad range of initiatives and we would propose the following steps to provide focus and to aid in the above recommendations:
    - Consider whether the company's sector and industry group is facing an unusually significant climate change risk when reviewing corporate filings, as illustrated in the Ceres letter (April 17, 2015) to the SEC focusing on the oil and gas industry's vulnerability to carbon asset risks.
    - When the SEC deems a filing to be inadequate, reference a company's voluntary reporting to vendors such as CDP and encourage companies to evolve beyond disclosing boilerplate information regarding climate change.

We acknowledge and value that the Commission has routinely examined the adequacy of climate change disclosures and determined that incrementally more companies are making climate change related disclosure. We have found that the modest increase in the rate of disclosure over the past six years reflects a trend towards mentioning climate change in the risk factors section of reports, usually taking the form of a statement in which climate change is referenced alongside a list of other potential risks. We respectfully ask the Commission to address this issue in comment letters to issuers to elicit consistent, comparable, decision-useful narrative and metrics-based sustainability information that is useful to investors. We believe this would be mutually beneficial to investors and companies alike. It allows the shareholders to be better informed, generating additional transparency in the markets, and allows companies to identify and plan for impacts stemming from climate change risks.

We sincerely appreciate the attention the SEC pays to carefully examining disclosures in all industries. We hope the Commission will consider these recommendations which aim to increase transparency of inherent risks companies face and in doing so mitigate the possibility of environmental liabilities endangering the health of beneficiaries' long-term plans.

Thank you very much for your consideration of this important issue.

Sincerely,

Elizabeth Pearce
State Treasurer