July 17, 2016

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Via email to rule-comments@sec.gov

RE: File Number S7-06-16 - Regulation S-K Concept Release
on Business and Financial Disclosure Required by Regulation S-K

Dear Mr. Fields:

I am writing to comment on behalf of First Affirmative Financial Network regarding the Regulation S-K Concept Release, File Number S7-06-16, to address the questions asked by the SEC in this document regarding the Commission's role in encouraging sustainability reporting.

First Affirmative is a Registered Investment Advisor (registered with the SEC) that has been in business for over 20 years serving individual and institutional clients. We specialize in providing asset management services that incorporate environmental, social, and governance (ESG) factor analysis into the investment process. We work hard to identify and populate client portfolios with well-managed companies with attractive profit potential that are also making positive contributions to society and demonstrating leadership as responsible corporate citizens. Concise, accurate, and comparable information on material sustainability issues is crucial for us to effectively manage portfolios on behalf of our socially conscious clients.

Our firm strongly supports the establishment of enforceable sustainability reporting requirements as part of companies' annual filing requirements. We, along with a large and growing segment of the financial services industry who serve responsible investors, must currently rely on our portfolio companies as well as a number of voluntary reporting frameworks to provide corporate performance information on key ESG issues. However, information made available by companies, while valuable, is often incomplete, inconsistent, and not necessarily tailored to meet investor needs. Many companies do not participate in voluntary initiatives and those that do participate do so with varying degrees of completeness and quality.

Evaluating ESG risks is costly because of the many sources required to obtain the necessary information and the additional resources necessary to evaluate them. There is no consistency or uniformity across companies and sectors, and therefore the data lacks the checks on accuracy and completeness that are inherent in securities filings. Perhaps most importantly, the SEC can bring to bear something that voluntary mechanisms cannot — corporate accountability for misleading statements and omissions.

Some sustainability reporting is arguably already required by Regulation S-K, as demonstrated by the SEC's 2010 Interpretative Guidance on Disclosures regarding the issue of climate change. Unfortunately, this guidance has not led to adequate disclosure on this key material risk. Staff has issued only a small handful of comment letters to companies providing them with direction when disclosures have been inadequate, and there have been no enforcement actions to date. Such actions are needed to ensure that companies treat the disclosure of material climate risk with the same rigor as other risks that are addressed in regulatory filings.

We believe that the SEC should carefully consider the many voluntary sustainability disclosure frameworks to enhance reporting requirements and determine appropriate line item requirements for disclosure in the 10-K. The kinds of prescriptive line item requirements currently contained in voluntary standards result in more concrete and comparable disclosures than the current SEC guidelines that rely primarily on principles-based disclosure.

Many of the voluntary guidelines include useful elements that SEC staff should consider when enforcing existing rules and guidance and issuing interpretive guidance. Some prominent examples include CDP, the Global Reporting Initiative, the Climate Disclosure Standards Board, and the Sustainability Accounting Standards Board. A number of frameworks also address issues that are specific to particular industries and issues that could provide valuable guidance. Examples include the Chemical Footprint Project, which provides a metric for benchmarking companies on chemicals of high concern reduction, and Extracting the Facts, which evaluates disclosure specific to companies engaged in hydraulic fracturing.

There are many leading companies that have successfully participated in the voluntary disclosure mechanisms and demonstrated that more detailed and comprehensive disclosures on sustainability issues is both possible and not onerous, especially for large companies. However, as long as such disclosures are voluntary, there will be many companies that continue to view it as immaterial.

Thank you for your consideration of these comments. We would welcome the opportunity to provide further input about the type of reporting we require.

Regards,

Steven J. Schueth
President