

Congress of the United States
Washington, DC 20515

July 20, 2016

The Honorable Mary Jo White
Chair
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Dear Chair White:

We write to comment on the recent release of the Securities and Exchange Commission (SEC) Concept Release: the Business and Financial Disclosure Required by Regulation S-K. As you are aware, Members of Congress have written previously regarding the 2010 SEC Release 33-9106, "Commission Guidance Regarding Disclosure Related to Climate Change" (Climate Change Guidance).

For companies, investors, and consumers, the SEC guidance was an important step in recognizing that companies are required to disclose material risks associated with climate change under current rules. Specifically, the guidance states that the "significant physical effects of climate change, such as effects on the severity of weather, sea levels, the arability of farmland, and water availability and quality" have the potential to affect a company's operations and business. The guidance goes on to underscore that businesses and companies who "may be vulnerable to severe weather or climate related events should consider disclosing material risks of, or consequences from, such events in their publicly filed disclosure documents."

Despite the release of the 2010 Climate Change Guidance and the recent Concept Release regarding Reg. S-K, it is our belief that guidance alone will not be sufficient to ensure meaningful disclosure practices and policies on sustainability and policy issues. While the 2010 Guidance initially resulted in improved reporting rates and a higher quality of reporting, it has since leveled off. The Guidance has not led to comparable and consistent climate risk disclosure, partly because the decision of what is material is left to the company. That being the case, better SEC enforcement and clarification of the Guidance should occur and will result in significant improvements in the quality of disclosure. In our opinion, the existing SEC rules have produced insufficient information for consumers and investors.

With regards to the effects of climate change, there is a growing concern about the threats to US and international markets, businesses, and consumers. The US Government Accountability Office (GAO) in 2013 and 2015 and the Congressional Budget Office (CBO) in 2016 have acknowledged the growing frequency of extreme weather events and the potential increase in damages and costs. Likewise, Peabody Energy has been investigated and found to have misrepresented the risks of physical risks and regulatory changes that could significantly affect demand for their products. ExxonMobil is being investigated in relation to their past campaigns to mislead and misinform investors and consumers related to climate change and their

activities. As climate change policies emerge, it is estimated that trillions of dollars¹ in assets will never be utilized if we are to meet our climate goals and could become stranded—a term for assets that have become nonperforming or obsolete well ahead of their planned life and must be recorded as a loss.

The information provided on company websites and in financial disclosures is not and has not been sufficient to address the needs of investors. Evidence for the lack of sufficiency of this information includes investors' continued efforts to improve sustainability reporting in SEC filings. Reporting material risks associated with climate-related events is merely part of a larger need for improved SEC reporting standards that protect investors, maintain fair and efficient markets, and facilitate capital formation. As long as disclosure of material risks remains voluntary, investors and consumers remain at risk. Therefore, action by the SEC is vital to providing a level playing field and giving American investors the necessary information to make informed decisions.

Thank you for consideration of these comments and concerns. As the SEC continues to improve the disclosure process for material climate-related risks, we welcome the opportunity to provide further insight and comments about financial reporting.

Sincerely,



Matt Cartwright
Member of Congress



Ted Lieu
Member of Congress



Alan Lowenthal
Member of Congress



Mark Pocan
Member of Congress



Keith Ellison
Member of Congress



Paul Tonko
Member of Congress

¹ <http://www.bloomberg.com/news/articles/2016-07-11/fossil-fuel-industry-risks-losing-33-trillion-to-climate-change>