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June 30, 2016

Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 2054901090

Re: File No. S7-06-16. Business and Financial Disclosure Required by Regulation S-K, IV.G - Disclosure of Information Relating to Public Policy and Sustainability Matters

Dear Sir/Madam,

Thank you for requesting public comment on an issue that PCA deems central in today's capital markets: standards for the disclosure of material environmental, social and governance ("ESG") investment risks. Please accept PCA's comments on questions 216-223 raised in Section IV.G – Disclosure of Information Relating to Public Policy and Sustainability Matters, File No. S7-06-16, Business and Financial Disclosure Required by Regulation S-K Concept Release.

Founded in 1988, PCA is an independent investment consulting firm that provides non-discretionary investment advisory services to institutional investors. PCA's advisory services span all asset classes. PCA serves a mix of clients that include large U.S. public plan sponsors, endowments, Taft-Hartley funds and 529 college savings plans. Presently, PCA has 32 clients representing over $1 trillion in plan sponsor investment assets. Our clients range in size from the largest U.S. public defined benefit pension fund, at $290 billion in Assets under Management ("AUM"), to a foundation with $126 million in AUM.

From PCA's perspective, ESG risks have become a growing concern among our clients. PCA clients increasingly request more ESG information related to their investments. Key PCA advisory services that are affected by ESG issues include:

- Investment beliefs and investment policy development
- Manager selection and monitoring
- Portfolio-wide exposure to material ESG risks
- Education and analysis on macro and micro issues
- Proxy voting and engagement

We strongly believe that standardized, material and decision-useful ESG data would help investment advisors such as PCA provide more useful and effective ESG-related investment consulting services. PCA believes the capital markets today face inefficiencies due to a lack of standards to guide companies in disclosing material ESG information in a format that is decision-useful to investors. To our knowledge, such standards and data do not exist today.

To offer just one example, PCA is providing a public plan sponsor Board with education on passive ESG investing. Our educational presentation includes information on ESG index products available from leading global vendors. During our data gathering process, each index provider sent financial risk and return data on each low carbon/environmental/ex-fossil fuel or ex-coal index compared to the core index. We also requested carbon emissions and carbon reserves comparative data. One leading index firm stated that carbon metrics data is unreliable, and therefore they could not provide us information on that aspect of their indices.

From PCA's perspective, disclosure of material ESG information in 10-K and 20-F filings should be standardized for all companies that file these forms. This would ensure that the information disclosed is reliable and that all investors have access to material information at the same time. If the SEC requires standardized, comparable reporting on material ESG issues, we recommend that smaller capitalization companies be allowed more time to comply with these new standards.

PCA believes that such required disclosure could most efficiently catalyze market-wide standardization of the decision-useful ESG data that institutional investors require. In our opinion, such standardization would provide the capital markets with more efficient data collection and distribution, permit companies to significantly reduce the corporate resources spent on responding to many different requests for information and data, and reduce the proliferation of ESG boilerplate language in Forms 10-K and 20-F. Further, it would allow investment advisors, analysts and managers to concentrate on analyzing comparable data, advising their clients, and making investment decisions while reducing the time spent collecting ESG data and trying to make it comparable.

PCA recommends that the SEC reference SASB standards as a way for companies to comply with ESG disclosure requirement under U.S. securities law and that the SEC rely on SASB as a standard setter to keep SEC ESG disclosure requirements current as issues evolve over time. PCA finds great value in SASB standards because SASB strives to:

- Develop standards that are explicitly designed to be material to investors;
- Target only material risks based on definition of materiality under U.S. law;
- Provide standards in a decision-useful format for investors;
- Offer quantified metrics for approximately 80% of the standards;
- Deliver industry-specific standards; and
- Maintain a transparent standards development and review process grounded in public comment and input from all stakeholders.

PCA believes that the industry-specific manner in which ESG issues manifest themselves, and the fact that not all ESG issues are material for each company even within the same industry, makes it such that line item disclosure requirements are not appropriate for ESG issues. For example, line item disclosure on climate risk would not capture the unique material impacts of climate change across industries. PCA anticipates that requiring line item disclosures on ESG information would result in a heavy corporate reporting burden and generate large volumes of information that are immaterial to investors.

We believe industry-specific standards are needed to adequately disclose and evaluate performance on material ESG factors because the impact of these issues on financial performance varies by topic and industry. As such, investors would benefit from guidance that identifies which ESG issues are likely material to companies in given industries and from industry-specific metrics through which we can evaluate and compare performance on these issues as well as understand and price risk.

From PCA's perspective, voluntary sustainability reports and questionnaires, by their nature, cannot provide a balanced view of material risks and opportunities and thus cannot offer

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standardized, market wide, comparable data to adequately meet investor needs. Questionnaires and surveys are typically developed by the company or organization conducting the study and are not grounded in uniform required public standards. Corporate social responsibility reports and sustainability reports often provide an overview of ESG performance to a broad range of stakeholders with interests that are far more expansive than those of investors and tend to paint the reporting entity in a positive light rather than provide comparable data on issues that are likely material to investors – particularly negative events, trends or uncertainties.

In our opinion, the market is already developing appropriate tools and resources to allow companies to integrate standardized ESG reporting into their regular financial reporting processes. As an example, SASB identifies multiple vendors of software and tools on its website to assist companies in tracking, managing, and reporting ESG-related data in a format consistent with SASB standards. Should the SEC recognize SASB standards as a suitable framework for the market-wide disclosure of ESG information in SEC filings, PCA believes market participants would much more rapidly evolve to offer competitively priced tools and resources to facilitate such reporting. This would further reduce the reporting burden overall and make such reporting more feasible for smaller enterprises.

We believe that the sooner the SEC standardizes the disclosure of ESG information by recognizing a market standard, such as SASB standards, the sooner the capital markets will become more efficient in identifying and pricing ESG risks. Thank you for considering our comments.

Sincerely yours,

Allan Emkin
Founder and Managing Director
Pension Consulting Alliance, LLC

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