CONFLUENCE PHILANTHROPY
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Thursday, July 21, 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: Disclosure Effectiveness Review, File Number S7-06-16

Dear Mr. Fields:

Confluence Philanthropy supports and catalyzes the work of private, public and community foundations, individual donors, and investment advisors who are committed to moving philanthropy towards mission-aligned investment.

Confluence Philanthropy promotes environmental sustainability and social justice by helping to move philanthropy in the direction of mission-aligned investing. We support and catalyze our members' efforts to align asset management with organizational mission. Our international network of mission-aligned investors, which represents nearly $500 billion in assets under management, includes private, public, and community foundations; individual donors; and their investment firms.

We welcome the opportunity to comment on the Concept Release No. 33-10064, which solicits input on how to improve business and financial disclosures stipulated in Regulation S-K.

As institutions and asset owners who seek to leverage our assets toward positive social and environmental outcomes, our investment decision making processes are heavily influenced by the ESG (environmental, social and governance) characteristics of the enterprises in which we invest. We strongly support the establishment of enforceable SEC requirements for corporate reporting on sustainability issues.

Integrating ESG concerns into investment decision-making is a very labor-intensive, expensive process. The great variation in voluntary corporate ESG disclosures makes it difficult to determine which ESG information is material from a financial perspective, and distinguish leaders from laggards. Across companies and industries, it can be impossible to construct

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consistent and comparable ESG profiles. Properly crafted, mandatory requirements would transform this situation.

Critical sustainability topics that should be addressed in a mandatory disclosure regime should include (but not necessarily be limited to):

- Climate change
- Energy usage
- Other air, land and water emissions
- Human rights impacts
- Materials policies
- Sustainable supply chains
- Labor and diversity
- Political spending and lobbying
- Corporate tax strategies

Within the investment industry, the demand for ESG information is widespread and growing. According to US SIF, $6.57 trillion in U.S.-domiciled assets apply various ESG criteria in their investment analysis and portfolio selection -- nearly 18% the total assets under management invested.[1] The markets will function more efficiently when consistent and high quality ESG information is readily available to all investors.

Our comments below are directed to the questions posed in Section V, subsection F, concerning "Disclosure of Information Relating to Public Policy and Sustainability Matters."

* * * *

Regarding Frameworks

Confluence's members draw upon a diverse set of reporting regimes for ESG data, as no single standard, reporting protocol or framework addresses the needs of all investors or stakeholders. These include the CDP, GRI, SASB, UN PRI and many other sources that address both specific issues and those that cross-cut all industry sectors. Given the great diversity of schemes and indicators available, in our view it would be premature for the Commission to designate any one framework or protocol as singularly suitable to fulfill a registrant's sustainability reporting obligations under a mandatory reporting mandate. Additional investor, corporate, and other stakeholder consultation would be required, beyond the scope of this Concept Release's consideration of the entirety of Regulation S-K.

[1] US SIF, "SRI Basics" at http://www.ussif.org/sribasics.

Materiality

In the evolving debate around materiality and sustainability, materiality is viewed by some as properly limited to the impacts of sustainability-related events, trends, and developments upon registrants. Many investors, however, pay substantial and in some cases equal attention to the sustainability impacts that corporate actors have upon their stakeholders, and factor these impacts into their investment and proxy voting decisions. As with the question of external frameworks, we encourage the Commission to proceed forward with further consultation and study. We believe that the best course of action is to recognize and honor both the need to identify material impacts upon registrants and the registrants' material impacts upon society, and devise sustainability reporting requirements that speak to both.

Principles-Based, Prescriptive Disclosures and Line-Item Reporting

Meaningful sustainability disclosure should combine qualitative, principles-based narrative and context as well as prescriptive and quantitative indicators. Some indicators may only require limited narrative, and for those requiring more detail, registrants could be encouraged to embed hyperlinks to externally-hosted documents.

Some line item disclosures may not reflect a significant impact on financial outcomes or valuation of the individual disclosing registrant, yet they remain material and important for disclosure as a line item applicable to all registrants because they are broadly of interest to investors, regardless of impact on the individual firm's valuation. Examples include the disclosure of political contributions or tax payments to foreign countries.

Question 217 of the Concept Release asks, *Would [line-item] disclosures obscure information that is important to an understanding of a registrant's business and financial condition?* We anticipate the opposite – that sustainability-related performance indicators will add to, rather than obscure, a broader and deeper understanding of a registrant's business and financial condition. A prime example is company preparedness to meet the challenges posed by climate change, such as physical risk, shifting sources of energy, sustainable supply chains, business model implications, etc.

Question 219 asks, *If we propose line-item disclosure requirements on sustainability or public policy issues, which, if any, of these frameworks should we consider in developing any additional disclosure requirements?*

We urge the Commission to consider line-item requirements as a potential means of organizing sustainability disclosures. Frameworks that deserve serious consideration include the GRI, SASB, CDP, the IIRC (International Integrated Reporting Coalition). We also recommend you review industry-specific climate risk disclosure guidance developed by Ceres, the Institutional Investors Group on Climate Change and the Investors Group on Climate Change.

Some line items might apply to all registrants and others might apply to certain industries or only to companies that meet specific criteria or thresholds. The Commission should bear in mind that even broadly inclusive protocols do not address every ESG concern in which investors have demonstrated intense interest, and err on the side of inclusion rather than exclusion of multiple recommended or required frameworks.

* * * *

We thank you for your consideration of our input.

Sincerely,

Dana Lanza, CEO
Confluence Philanthropy

On behalf of 28 member and partner organizations representing more than $6.1 Billion Assets Under Management:

Mark J. Spalding, President
The Ocean Foundation

Ellen Friedman, Executive Director
Compton Foundation

Julie Goodridge, CEO
NorthStar Asset Management, Inc.

Steven Godeke, Board Member &
Finance Committee Chair
Jessie Smith Noyes Foundation

Meredith Benton, Head of Client Relations
Sonen Capital

John Clements, Managing Partner
Tara Investment Partners, LLC

Janna Six, Executive Director
Prentice Foundation, Inc.

Clara Miller, President
F.B. Heron Foundation

Genaro Lopez-Rendon, President
Jessie Smith Noyes Foundation

Jenny Russell, Executive Director
Merck Family Fund

Thomas Van Dyck, Managing Director &
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SRI Wealth Management Group, RBC

Danny Kennedy
California Clean Energy Fund

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Alan Reid, CEO
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Stephen Viederman, Finance Chair
Christopher Reynolds Foundation

Ali Long, President
The Springcreek Foundation

Anne Amanda Bangasser, Managing Director
Treehouse Investments, LLC

Kelly Ryan, CEO
Incourage Community Foundation

Nathanael Berry, VP/Program Director
The Sandy River Charitable Foundation

Lissa Widoff, Executive Director
Robert & Patricia Switzer Foundation

Edwards Mother Earth Foundation

Elizabeth Storer, President & CEO
George B. Storer Foundation

Melissa Beck, Executive Director
The Educational Foundation of America

Lukas Haynes, Executive Director
David Rockefeller Fund

Richard Woo, CEO
The Russell Family Foundation

John F. Swift, President
Swift Foundation

Patricia Farrar-Rivas, CEO
Veris Wealth Partners

Sanjay Bavikatte, Executive Director
The Christensen Fund

Dr. Ellen Dorsey, Executive Director
Wallace Global Fund

Phillip Henderson, President
Surdna Foundation