



Investing for a Sustainable Future

June 26, 2014

Via Email

Mary Jo White
Chair, Securities and Exchange Commission

Keith Higgins
Director, Corporate Finance Division, Securities and Exchange Commission

Re: Disclosure Effectiveness Review

Dear Chair White and Director Higgins:

First Affirmative Financial Network is a US-based investment management firm. Our clients ask us to take environmental, social and governance practices into consideration when evaluating companies for investment portfolios.

We appreciate the opportunity to comment on the disclosure review by your agency in the wake of the Commission issued staff report to Congress on its disclosure rules for U.S. public companies that was mandated by Jumpstart Our Business Startups (JOBS) Act.

We agree that a comprehensive disclosure review is appropriate as we believe that there are significant gaps in current disclosure practices, and certainly some reporting processes and requirements need to be updated to reflect the rapid technological and marketplace changes since the last review.

However, the agency should prioritize ongoing rulemaking duties, particularly the long-delayed implementation of new corporate governance rules as required under Dodd- Frank, as this implementation would significantly reduce disclosure deficiencies. We believe that these rules should be made a priority, and that the Dodd- Frank act should be taken into consideration when mandating any revision to disclosure rules. Some of the rules mandated by the act seem to be in danger of going by the wayside, including new required disclosures concerning executive compensation—a rule we believe is crucial to our evaluation of appropriate corporate governance and management.

We are also concerned that comments made as part of the initial report are focused on cutting back on disclosure requirements to the benefit of issuers. While there are certainly many opportunities to

streamline reporting and eliminating duplication and nonmaterial information, we hope that the review is truly focused on the effectiveness of disclosure and the needs of investors.

Commission staff identified several specific areas of Regulation S-K that could benefit from review. The following two areas are of particular interest. We encourage a review of these areas through the lens of ensuring that the interests of shareholders are protected:

Identifying whether different risk-related disclosures should be required.

Disclosures on how companies are identifying, managing and mitigating climate impacts are not commensurate with the significant long-term risks posed by climate change. Interpretive guidance on climate change disclosure was provided by the commission through release Nos. 33-9106; 34-61469; FR-82 *Commission Guidance Regarding Disclosure Related to Climate Change* in 2010. However, several reports, including [Cool Response: The SEC & Corporate Climate Change Reporting](#) published by Ceres find that climate change disclosure has improved very little since the guidance was released. Among the Ceres report's findings:

- The SEC issued 49 comment letters that addressed the adequacy of climate change disclosure in 2010 and 2011, but only 3 comment letters in 2012 and none in 2013
- Most S&P 500 climate disclosures in 10-Ks are very brief, provide little discussion of material issues, and do not quantify impacts or risks.
- 41% of the S&P 500 fail to say anything about climate change in their annual filings with the SEC.

We believe that a review of the enforcement of current risk disclosure requirements should be integrated with any discussion of changing the disclosure requirements in this area.

The commission is also no doubt acutely aware of the intense investor interest in enhanced political spending disclosure, given the record number of comment letters submitted in support of investors for SEC rulemaking. Information about corporate political spending (and lobbying) is a clear gap in disclosure that investors have identified. First Affirmative is one of many institutional investors who have filed resolutions asking for increased disclosure from companies on both political spending and lobbying in the past three years.

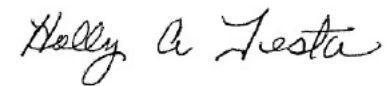
Executive compensation requirements: disclosures in this area have become lengthy and technical and the review should evaluate whether further scaling is appropriate.

We agree that disclosures on executive compensation have become lengthy and technical-and in many cases seem designed to mask executive compensation issues rather than provide shareholders with useful information. Full implementation of the Dodd- Frank act would supply shareholders with

valuable and appropriate disclosure that provides context for the compensation structure of the overall company and how it aligns with executive compensation policies.

We appreciate the opportunity to comment as the agency proceeds with its review.

Sincerely,

A handwritten signature in cursive script that reads "Holly A. Testa". The signature is written in black ink and is positioned above the printed name.

Holly A. Testa

Director, Shareowner Advocacy