United Church Funds

June 15, 2022

Ms. Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

Re: File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman:

United Church Funds submits this comment in support of File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (the "Proposed Rule"). The current state of climate change disclosure does not meet our needs. We express deep gratitude for the Commission and SEC Staff's substantive work leading to this groundbreaking Proposed Rule that will drive standardized corporate disclosures and provide investors with critical climate-related financial information.

United Church Funds (UCF) helps churches and faith-based organizations grow their ministry through values-aligned investing. UCF is over 100 years old and manages over $1B for 1,000+ clients. We are a member of the Interfaith Center of Corporate Responsibility (ICCR), a 50-year-old coalition of more than 300 faith- and values-based institutional investors representing over $4 trillion in assets under management and engaging with hundreds of corporations on their environmental and social impacts.

We believe that disclosure of the material and systemic risks of climate change will help companies and investors to understand, price and manage climate risks and opportunities. These activities are at the core of efficient securities markets and are essential to ensuring a just and thriving economy that works for all people and communities.

As the Southwest of our country endures another massive drought, it is becoming increasingly clear that climate change poses a systemic risk to the entire economy. The impacts of the climate crisis on our lives and our livelihoods are worsening at a dramatic rate. These include physical risks to real assets from climate-fueled weather events and transition risks posed by regulatory, technology, economic and litigation changes during the shift to a net-zero economy. The risks can combine in unexpected ways, with serious, disruptive impacts on asset valuations, global financial markets, and global economic stability.

Furthermore, climate change poses a variety of material risks to companies of all sizes in all industries across our nation. The costs to companies of inaction may be dire in the medium and long term, and many of those impacts, such as those from floods, fires, droughts and hurricanes, are already being incurred in the short term. While there will be a cost for compliance with SEC climate disclosure rules, it is far less costly to companies and their investors than ignoring the risk.

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The landscape of sustainability disclosure has been characterized by fragmentation among voluntary reporting standards, frameworks and guidance. More recently, there has been an increase in jurisdictional mandates for disclosure of climate and other sustainability-related information. This mosaic of voluntary and mandated disclosure elicits corporate disclosure that is non-comparable, inconsistent and difficult for investors to use, while creating significant inefficiencies for entities. As a result, growing numbers of investors have repeatedly articulated their need for a global baseline of sustainability-related disclosure standards that will provide consistent and comparable information on sustainability topics that are relevant to enterprise value.

UCF believes climate-related disclosures are critical for effective investment analysis, and we support many components of this proposed rule. However, we also offer recommendations for the Proposed Rule to be strengthened to improve the consistency and comprehensiveness of the disclosures that will result from the rule. We have outlined these perspectives in the letter below, but first seek to recognize the following essential elements of the Proposed Rule.

The scope and materiality of the categories covered by the Proposed Rule, including the disclosures in financial statements, is a clear reflection of the Commission's recognition of the urgency of climate-related risks.

- The Proposed Rule comes at a time when addressing material risks related to the climate crisis has never been more urgent: the latest IPCC report from April 2022 reaffirms the need for "immediate and deep emissions reductions across all sectors" to limit global warming to 1.5 degrees Celsius.[1]
- We believe that disclosure of material and systemic risks of climate change will help companies and investors to understand, price and manage climate risks and opportunities. These activities are not only at the core of efficient securities markets, but are also essential to ensuring a just and thriving economy that works for all people and communities.
- Inclusion of climate-related disclosures in the financial statements (Reg S-X) and in accompanying (Reg S-K) disclosures regarding company strategies, financial impacts, risk management, GHG emissions data, offsets, etc., will offer greater accessibility and assurance of this information to investors.

The Proposed Rule's mandatory disclosures will fill essential gaps for investors and will do so in a cost-effective manner.

- Voluntary disclosures have been insufficient to meet investors' needs for comparable, consistent and reliable information from issuers. The lack of a regulatory mandate has led to inconsistent information across multiple reporting regimes, causing cherry-picking among companies

[1] https://www.ipcc.ch/site/assets/uploads/2022/04/IPCC_AR6_WGIII_PressRelease_English.pdf

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regarding which metrics and information to disclose, as well as confusion among investors about which disclosures to trust and use.

- We welcome the SEC's Enhancement and Standardization of Climate-Related Disclosures Proposal for TCFD aligned disclosure rules. Once implemented, we believe comparison analysis based on information disclosure would become considerably simpler and realize a significant step toward achieving global baseline. As climate change affects all business sectors across the industries, we support immediate introduction of integrated standard information disclosure rules. We use this data to evaluate a firm's carbon transition readiness versus peers.

- At UCF, we taking proxy voting very seriously. We anticipate that clear and consistent data will both inform how we vote on board elections and shareholder proposals and help contain costs for validating this information from data providers.

Recommendations For Improvement

- The proposed ruling misses an opportunity to remind corporations of their duty to respect the human rights and knowledge of local communities that are most impacted by climate change and a transition to a low carbon eoconomy. For example, the proposed rule does not currently address Indigenous People's rights as it relates to climate risk. We urge the SEC to include disclosures regarding indigenous People's rights and climate related risks where they are directly impacted by company operations, transition risks and emissions. We recommend that the rule explicitly reference the UN Declaration of Rights of Indigenous Peoples as has been done in the SASB and GRI reporting frameworks. First People's Worldwide conducted a Dakota Access Pipe Line (DAPL) study and found that the costs incurred by ETP and other firms with an ownership stake in DAPL for the entire project are not less than $7.5 billion, which could have been avoided if the corporations involved had consulted local tribes before moving forward with development. The banks that financed DAPL incurred an additional $4.4 billion in costs in the form of account closures, not including costs related to reputational damage. Further, at least $38 million was also incurred by taxpayers and other local stakeholders. All of these figures are estimated based on publicly reported data to demonstrate the magnitude of financial losses caused by poor social risk management.[2]

- The proposed rule does not live up to the intent to align with TCFD reporting in the the sense that it does not require a company to consider any particular scenario in its report on risk management. TCFD requires companies to weigh their risks against a 2°C or better scenario. This ruling would be strengthened if it made a similar requirement. Many believe that 2°C is not nearly ambitious enough when considering possible scenarios. As of December, 31, 2021 1082 companies had Science Based Targets (SBTi) approved 80% of those approved in 2021 were

[2] https://www.colorado.edu/program/fpw/sites/default/files/attached-files/social_cost_and_material_loss_0.pdf

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aligned with a 1.5°C scenario. A 2°C scenario should be a minimum requirement when evaluating risks associated with ammoritzation schedules, carbon taxes and other policy actions.

The climate crisis requires immediate action to mitigate the growing threats to financial markets and the economy and, more importantly, to people. Therefore, we ask the SEC to strengthen the elements of the Proposed Rule to ensure investors and companies have uniform, comparable information to best manage such risks. We again applaud the Commission for its comprehensive efforts on the Proposed Rule, appreciate the opportunity to participate in this rulemaking, and thank you for your consideration of our comments.

Sincerely,

Matthew Illian
Director of Responsible Investing

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