First Financial
Northwest Bank

June 16, 2022

The Honorable Gary Gensler
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: Proposed Rule*: The Enhancement and Standardization of Climate-Related Disclosures for Investors [File Number S7-10-22]*

Dear Chairman Gensler,

First Financial Northwest, Inc. is a Washington corporation and is the bank holding company for First Financial Northwest Bank, which is a community based, state-chartered commercial bank headquartered in Renton, Washington with approximately $1.4 billion in assets and 15 branches located throughout the Puget Sound region. First Financial Northwest, Inc., is regulated by the Federal Reserve Bank, and First Financial Northwest Bank is regulated by the State of Washington Department of Financial Institutions and the Federal Deposit Insurance Corporation.

We would like to thank the SEC for the opportunity to comment on the above referenced proposed rule. There are a few concerns, which we have outlined below, that we would like the SEC to take into consideration as part of the rulemaking process, and particularly, as they relate to smaller organizations—such as ours—who operate with limited resources and within a local footprint.

> <u>Disclosures related to non-financial information.</u>
> Mandating extensive disclosures around non-financial information appears to be a departure from the traditional mission of the SEC and creates a precedent of politicizing the disclosure process in a manner that is unhelpful to investors. The proposed rule goes far beyond what reasonable investors would need to know to inform their decisions about whether to buy, sell or hold stock, or how to vote on company proposals. Climate-related issues are not material to all investors or for all companies. Yet the proposal would require new and granular ways to include climate metrics within financial statements, which would be further subjected to annual audits and will most likely require the use of and reliance on costly third-party subject matter experts/consultants as many smaller registrants lack in-house skillsets to produce such data. The SEC needs to put investors' climate concerns in context with other investor concerns. A focus solely on—or too narrowly focused on—climate concerns can lead to broad and unintended transition risks, which does not benefit the investors that the SEC is seeking to protect.

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Tailor disclosure requirements to the size and complexity of the registrant, as well as the materiality of the climate-related exposure.

Even when climate-related issues are material to investor decisions, a prescriptive one-size-fits-all approach to disclosure is unnecessary and overly-burdensome to smaller institutions. Given the new and evolving nature of climate-related metrics and methodologies, allowing diverse approaches to disclosure within a principles-based framework will likely yield more efficient and effective processes to develop over the long term. Requiring detailed prescriptive disclosures before we fully understand climate-related reporting will stifle innovation and create an unnecessary drag on the economy. The SEC must include flexibility, safe harbors and sufficient implementation timeframes, particularly for smaller institutions that may lack the expertise or resources to comply with complex new requirements.

Regulated banks are unique among publicly-listed companies.

Banks are already highly regulated for safety and soundness. That regulation, while different from disclosure regimes, not only serves to protect depositors, but in a similar manner, also serves to protect investors. Any further SEC regulation applied to banks needs to take into consideration the existing prudential regulation of banks and must be coordinated with prudential regulators to avoid contradictory, duplicative and/or unnecessary requirements that increase operating costs and burdens. Recognition must be given to bank-specific regulations currently in place that already influence the actions taken by banks with respect to managing climate related risks incidental to financial services including, but not limited to, provisions associated with prudent credit underwriting standards, and maintaining operational resilience (disaster recovery/business continuity processes and planning).

Thank you very much for considering our comments. We hope that such observations provide the insight needed to help inform the climate disclosure rulemaking process and more importantly, brings attention to the tangible risks and concerns associated with a one-size-fits-all approach as they relate to smaller issuers.

Sincerely,

Ronnie J. Clariza

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Date: 2022.06.16 16:54:55 -07'00'

Ronnie Clariza
Senior Vice President / Chief Risk Officer
First Financial Northwest Bank