The Honorable Gary Gensler, Chair
U S. Securities and Exchange Commission
200 F Street, NE
Washington, DC 20549

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

Dear Chair Gensler,

As a coalition of state treasurers, we write in support of the SEC's proposal to enhance and standardize climate-related disclosures. The work necessary to meet investor needs for material climate information is significant and we applaud your efforts to fulfill the SEC's long-standing mission "to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation."

According to the CFA Institute, the leading organization of investment management professionals, "[c]limate change may be the most economically impactful event in human history."[1] Swiss Re, one of the world's largest insurance companies published a 2021 study, finding that "[c]limate change poses the biggest long-term risk to the global economy as…[t]he effects of climate change can be expected to shave 11 percent to 14 percent off global economic output by 2050 compared with growth levels without climate change."[2] This would amount to $23 trillion in reduced economic output as a direct consequence of climate change.

This economic disruption means that "[t]rillions of dollars of….financial assets around the world are vulnerable to the effects of global warming….[and] tougher action to curb greenhouse gas

[1] CFI Institute. Climate Change Analysis in the Investment Process. September, 21 2020, at https://www.cfainstitute.org/en/research/industry-research/climate-change-analysis.
[2] Swiss Re Institute. The Economics of Climate Change. April 22, 2021, at https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/expertise-publication-economics-of-climate-change.html.

emissions makes sense for investors."[3] In 2020, the U.S. Commodity Futures Trading Commission's (CFTC) flatly stated that "systemic shocks are more likely in an environment in which financial assets do not fully reflect climate-related physical and transition risks. A sudden revision of market perceptions about climate risk could lead to a disorderly repricing of assets, which could in turn have cascading effects on portfolios and balance sheets and therefore systemic implications for financial stability."[4]

Not surprisingly, the CFTC concludes that "[f]iduciary duty requires the assessment…and the management of…risks on behalf of stakeholders…and climate risk is one such risk."

We agree. Climate risk is financial risk. As the stewards of our state's public funds, we have a clear responsibility to ensure that investment returns are maximized for both current and future generations. We cannot meet that responsibility without accounting for and taking all possible steps to mitigate the clear financial risks climate change presents to our investments, and thus to our beneficiaries' retirement.

Given the clear financial and economic risks of climate change, governments, capital markets, and businesses are increasingly committed to net-zero emissions by 2050. The resulting "major shifts in regulation, supply and demand forces, asset values, and higher costs of doing business….create decision-making challenges and resource burdens for investors, and particularly for long-term investors with portfolios constructed to achieve diversification, preservation of capital, and sustainable returns."[5]

The truth is that many financial institutions and businesses are already disclosing climate-related information and will continue to do so, but what is now needed, from any responsible institutional investors' perspective, is clear market-wide commitments and standardization.

This is why the SEC's proposed rule-making is both critical and consistent with SEC's mission. As Chair Gensler stated earlier this year, "...the proposed rule would build on a long tradition of disclosures….by [providing] investors with consistent, comparable, and decision-useful information for their investment decisions and would provide consistent and clear reporting obligations for issuers."[6]

The proposed rule specifically includes the substantive elements we recommended in our October 2021 letter to the Commission.[7] Specifically, we articulated our support for the baseline

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[3] Reuters. Climate change puts trillions of dollars of financial assets at risk. April 4, 2016, at https://www.reuters.com/article/us-climatechange-investment/climate-change-puts-trillions-of-dollars-of-financial-assets-at-risk-study-idUSKCN0X11LY.
[4] Commodity Futures Trading Commission. Managing Climate Risk in the U.S. Financial System. September 9, 2020, at https://www.cftc.gov/PressRoom/PressReleases/8234-20.
[5] Illinois State Treasurer Michael Frerichs. S7-10-22 The Enhancement and Standardization of Climate-Related Disclosures for Investors Comments. May 31, 2022.
[6] Barron's. SEC Chair Gensler Defends Climate Disclosure Rule. April 12, 2022, at https://www.barrons.com/articles/-gensler-defends-climate-disclosure-rule-51649795665.
[7] For the Long Term. Re: State Treasurer Support for Increased Transparency (File Number 4-711 Human Capital Petition). October 21, 2022.

recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which has been endorsed by hundreds of companies and investors globally. The TCFD framework incorporates the essential elements of climate risk disclosure for institutional investors, including Scope 1, 2, and 3 greenhouse emissions, metrics used to assess climate-related risks, and the company's climate strategy and risk management process.

We further voice strong support for the rule's proposed disclosure of board and management oversight of climate risks. This specifically includes:

1. The identification of any board members or committees responsible for climate-related risk oversight;
2. The disclosure of board member expertise in climate-related risks;
3. A description of the board processes and frequency which the board discusses climate risk;
4. The disclosure of a board's inclusion of climate-related risk in its business strategy, risk management, and financial oversight activities; and
5. The disclosure of any board-established climate-related goals and how the board oversees the progress towards these goals.[8]

We strongly and fully support the disclosure of these board-related activities. While standardized climate-related risk disclosures are necessary, transparent board oversight of these risks is critical to ensure the accuracy of the material information we need for sound, long-term investment decisions.

Clear climate disclosures and transparent board accountability, coupled together, will provide investors the tools needed to engage the companies they invest in. This will result in increased investor protection and more efficient markets consistent with the SEC's long history of working towards fair and efficient markets.

Thank you again for your work on this important matter. If you have any questions about the importance of risk management, including climate-related risk, to state treasuries, please do not hesitate to contact Uriah King at [redacted]

Signed,

Henry E. M. Beck

Henry E. M. Beck
Maine State Treasurer

[8] Proposed 17 CFR 229.1501(a)(1)(i), *et seq.*

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