Wespath
Investment Management

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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: File Number S7-06-16: Regulation S-K Concept Release on Business and Financial Disclosure Required by Regulation S-K**

Dear Mr. Fields,

I am writing on behalf of Wespath Benefits and Investments (Wespath) regarding the Regulation S-K Concept Release, File Number S7-06-16. Wespath welcomes the opportunity to provide comments. Our attached feedback focuses on specific questions pertaining to the role of the Securities and Exchange Commission in encouraging sustainability reporting on material environmental, social and governance (ESG) factors.

Wespath manages approximately $20 billion in assets on behalf of 100,000 pension participants of The United Methodist Church and more than 100 United Methodist-affiliated institutional clients. We are the largest denominational investor in the United States and among the 100 largest U.S. pension funds. We integrate ESG factors into our investment decisions across multiple asset classes as we believe they can have a significant positive impact on corporate financial performance and on the value of our investments.

Wespath supports the establishment of mandatory reporting of material ESG factors. While such reporting is already partially required by Regulation S-K, as demonstrated by the Commission's *2010 Interpretative Guidance Regarding Disclosure Related to Climate Change*, overall disclosure of ESG factors by registrants does not currently provide investors with the structured, comparable information needed to fully evaluate existing and potential investments.  We urge the Commission to establish reporting requirements of material ESG factors as part of issuers' annual filing requirements.

Sincerely,

David H. Zellner
Chief Investment Officer

**Wespath Investment Management Feedback - File Number S7-06-16:**
**Regulation S-K Concept Release on Business and Financial Disclosure Required by Regulation S-K**

***216. Are there specific sustainability or public policy issues [that] are important to informed voting and investment decisions? If so, what are they? If we were to adopt specific disclosure requirements involving sustainability or public policy issues, how could our rules elicit meaningful disclosure on such issues? How could we create a disclosure framework that would be flexible enough to address such issues as they evolve over time? Alternatively, what additional Commission or staff guidance, if any, would be necessary to elicit meaningful disclosure on such issues?***

**Climate Change**
Climate change is a global ESG factor that represents material long-term risk to the companies in our investment portfolios. Climate risk manifests differently across industries; therefore, company management should inform investors of the likely business impact of the transition to a lower carbon economy. In particular, investors would benefit from uniform reporting on:

- greenhouse gas emissions, including reduction goals that support the Paris Agreement to limit the global temperature increase to 2 degrees Celsius from pre-industrial levels;
- actual (and anticipated) effects of carbon regulation on company strategy and performance.

Organizations like CDP and the Sustainable Accounting Standards Board (SASB) offer disclosure templates that may help the Commission identify meaningful disclosure. CDP is a repository for the "largest collection globally of self-reported climate change, water and forest-risk data."[1] Wespath finds CDP's standardized questionnaire beneficial as it facilitates reporting of corporate carbon and water data. SASB conducted a series of sector-based consultations with investors and companies to "develop and disseminate sustainability accounting standards that help public corporations disclose material, decision-useful information to investors."[2] Wespath appreciates SASB's sector-based approach to identifying material ESG factors. We also believe the final report (due at the end of 2016) from the Financial Standards Board Task Force on Climate-Related Financial Disclosures (TCFD) will provide important guidance on how the financial sector can incorporate climate-related issues in financial reporting.

**Human Rights**
As a result of ongoing demand for resources—which are often located in unstable operating environments—and today's interconnected, global supply networks, companies are increasingly vulnerable to associations with human rights abuses. Wespath supports frameworks such as the United Nations' Guiding Principles on Business and Human Rights that can help companies identify and manage their human rights obligations and reduce human rights-related risks.

Prudent investors would benefit from improved corporate reporting linked to the management of human rights including:

- Whether the company has a human rights policy, and if not, an explanation for why not;
- How the policy is internally governed;
- What portion of the company's supply chain is subject to the policy, along with data regarding monitoring, compliance and enforcement;

[1] https://www.cdp.net/en-US/Pages/About-Us.aspx
[2] http://www.sasb.org/sasb/vision-mission/

- How the company interacts with the local communities affected by its operations, including mechanisms to report grievances;
- The operational and financial impact of significant incidents and/or long-standing community conflicts.

**Political and Lobbying Expenditures**

Wespath supports mandatory, uniform disclosure of political and lobbying expenditures. As a matter of best practice, we believe the board of directors should develop and publicly disclose guidelines for approving political and lobbying contributions. Furthermore, we believe the board should annually disclose the amounts and recipients of all meaningful monetary and non-monetary contributions made by the company during the prior fiscal year. Expenditures earmarked through a third-party should also be disclosed.

We believe disclosure of this nature aligns with the majority opinion in the *Citizens United v. Federal Election Commission* ruling issued by the Supreme Court. This 2010 ruling stated that corporate political donations are protected as free speech under the first amendment. Since the ruling, there has been a dramatic increase in corporate contributions to Super PACs, where there is no required disclosure. In light of these developments, investors do not have clear, consolidated information to determine if corporate political expenditures are in the best interests of shareholders.

***218. Some registrants already provide information about ESG matters in sustainability or corporate social responsibility reports or on their websites.[700] Corporate sustainability reports may also be available in databases aggregating such reports.[701] Why do some registrants choose to provide sustainability information outside of their Commission filings? Is the information provided on company websites?***

We believe that some registrants choose to provide sustainability information outside of their Commission filings because of investor requests for additional information on ESG factors (at present, registrants are not required to include this information in their filings). Wespath has observed that many companies (usually large-cap companies) voluntarily produce sustainability reports which are available on their websites. We believe that mandatory reporting of standardized sustainability information and ESG factors in Commission filings would help create more uniform disclosure by companies. This would benefit investors by allowing them to conduct consistent, side-by-side evaluations of company performance.

***223. In 2010, the Commission published an interpretive release to assist registrants in applying existing disclosure requirements to climate change matters. As part of the Disclosure Effectiveness Initiative, we received a number of comment letters suggesting that current climate change-related disclosures are insufficient. Are existing disclosure requirements adequate to elicit the information that would permit investors to evaluate material climate change risk? Why or why not? If not, what additional disclosure requirements or guidance would be appropriate to elicit that information?***

We believe that existing disclosure requirements relating to material climate change risk are inadequate. Our response to Question 216 provides additional information on the type of disclosure that would be helpful in informing our understanding of these risks. Furthermore, while Wespath supports the Commission's 2010 *Interpretative Guidance Regarding Disclosure Related to Climate Change,* we believe that additional disclosure requirements are necessary for investors to evaluate material climate change risk. We are disappointed that so few companies have complied with the *Interpretative Guidance* and we encourage the Commission to establish disclosure requirements that are standardized and quantitative.