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August 14, 2023

The Honorable Chris Holden  
Chair, Assembly Appropriations Committee  
1021 O St. Suite 8220  
Sacramento, CA 95814

**RE: Major Company Support for SB 261 (Stern) Climate-Related Financial Risk**

Dear Chair Holden,

We write to express support for SB 261 (Stern), which would require corporations, financial institutions, and insurers to report on climate-related financial risk. California is on track to be the fourth-largest economy in the world and this bill would set a global standard for climate risk disclosure. With SB 261, increased disclosure of the material and systemic risks of climate change will not only help us better understand, price, and manage climate risks as well as take advantage of climate opportunities - it will level the playing field by ensuring that all major economic actors take responsibility for these risks and collectively drive towards solutions.

Climate change poses a significant risk to our long-term economic success, impacts the health and livelihood of the communities in which we operate and live, and disrupts the value chains on which we rely. A recent study of 215 of the world's 500 largest companies found nearly \$1 trillion in reported financial risk from climate change. Over half of the financial risks reported were estimated to be "likely, very likely, or virtually certain to materialize

in the short- or medium-term (around five years or earlier).<sup>1</sup> As leading businesses and institutions, we know that consistent, comparable, and reliable information at scale is necessary to fully assess our risk exposure and to navigate the path to a net-zero future. All sectors must work together to shift the entire economy - we cannot do this on our own. This is why we support mandatory disclosure of climate risks.

We are already taking action to meet the financial and material risks of climate change.

In September 2021, over 770 businesses called on G20 countries to take action to keep the Paris Agreement's 1.5°C goal in reach, including requiring mandatory climate-related financial risk disclosure for corporations.<sup>2</sup> The disclosure framework developed by the Task Force on Climate-Related Financial Disclosures (TCFD or Task Force) has received strong support from major companies and investors, including more than 2,600 organizations with a \$25 trillion market capitalization.<sup>3</sup> 83 of the world's largest 100 public companies now support or report in line with the TCFD's recommendations and over half of 1,651 public companies reviewed by the Task Force disclosed information on their climate-related risks and opportunities in 2020 reports.<sup>4</sup>

**We want to invest in climate disclosure analysis and reporting because we expect a return: ignoring the risks we face would be very costly, while finding the path towards a net zero future offers economic stability and growth.** However, the current state of voluntary climate disclosure is inadequate for meeting rapidly accelerating climate risks. Moreover, the SEC's climate risk disclosure regulations would only apply to publicly traded US entities. Climate disclosure is needed from non-listed actors as well. SB 261 could set the bar on robust, multi-sector disclosure and ensure that all California economic actors realize the benefits. **SB 261's mandatory disclosure is needed to level the playing field, so that our peers also take responsibility for managing climate risk and together we can ensure a sustainable, resilient, and prosperous future.**

For these reasons, we are proud to support SB 261 (Stern) and respectfully request an "aye" vote when the bill is heard in your committee.

Sincerely,

**Alter Eco  
Atlassian  
Avocado Green Brands  
Bonterra Organic Estates  
DSM North America  
EILEEN FISHER  
Everlane**

**Grove Collaborative  
Microsoft  
Patagonia  
REI Co-op  
Seventh Generation  
Sierra Nevada Brewing Co  
VF Corporation**

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<sup>1</sup> "Major risk or rosy opportunity: Are companies ready for climate change?" CDP, accessed February 2021, <https://www.cdp.net/en/research/global-reports/global-climate-change-report-2018/climate-report-risks-and-opportunities>

<sup>2</sup> "COP26: Businesses Urge World Leaders To Keep 1.5°C Alive," We Mean Business Coalition, September 2021, <https://www.wemeanbusinesscoalition.org/g20-2021/>

<sup>3</sup> "Task Force on Climate-related Financial Disclosures: 2021 Status Report," TCFD, October 2021, <https://www.fsb.org/wp-content/uploads/P141021-1.pdf>.

<sup>4</sup> Ibid.