

May 11, 2021

The Honorable Toni Atkins
President pro Tempore,
California State Senate
State Capitol, Room 205
Sacramento, CA 95814

The Honorable Anthony Portantino
Senate Appropriations Committee
State Capitol, Room 2206
Sacramento, CA 95814

RE: Major Investor Support for SB 449 (Stern) Climate-Related Financial Risk

Dear Senate President pro Tempore Atkins, Chair Portantino, and members of the Senate Appropriations Committee,

We are investors with over \$88 billion in assets under management and supervision, and believe that addressing climate change is essential to safeguarding our investments. **We write today to express our support for SB 449**, which would require corporations, financial institutions, and insurers to report on climate-related financial risk. This would be the first mandatory TCFD-aligned reporting in the United States. California is the fifth-largest economy in the world and this bill would apply to a significant portion of the U.S. economy. Given the urgency of the necessary decisions to address climate change, we need robust and actionable information on climate change as soon as possible.

The climate crisis poses financial and material risk to our investments, systemic risks to financial markets, and it requires urgent action by financial market stakeholders. 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).”¹ However, informed and smart decision making on climate change is hampered by inadequate disclosure. Standardized, reliable, and mandatory climate risk disclosure, as called for under SB 449, will provide robust and actionable information to California’s business community, enabling informed decision making on the climate crisis’s systemic impacts on capital markets. Robust disclosure will also enable better integration of the compounding effects of systemic racism and the needs of vulnerable communities

We are already taking action to meet the financial and material risks of climate change. Nearly 550 investors with \$52 trillion in assets under management are members of the [Climate Action 100+ initiative](#), which is working to get the world’s largest greenhouse gas emitting companies to transition to net-zero business strategies. In July 2020, investors representing \$1 trillion in assets under management called on U.S. financial regulators to recognize and act on the growing systemic risk posed by climate change.² The disclosure framework developed by the Task Force on Climate-Related Financial Disclosures (TCFD) has received strong support from major investors and companies: 1,440 organizations with a \$12.6 trillion market capitalization (including 340 investors with approximately \$34 trillion in assets under management).

¹ 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>

² “40 investors with nearly \$1 trillion join other leaders to urge U.S. financial regulators to act on climate change as a systemic financial risk,” Ceres, July 21, 2020, <https://www.ceres.org/news-center/press-releases/40-investors-nearly-1-trillion-join-other-leaders-urge-us-financial>

In order to address the climate crisis, more and higher quality disclosure is needed. Informed and smart decision-making on climate change is hampered by inadequate disclosures and we cannot make good financial decisions without good information. Voluntary climate risk disclosures are growing as companies, firms, and institutions recognize its materiality and investors call for more transparency. However, the current voluntary approach is often inadequate, and is not providing the comprehensive, decision-useful information needed to ensure a sustainable, resilient, and prosperous future. This is why legislation such as SB 449 is necessary to precipitate actionable disclosure.

We urge you to vote AYE on SB 449. This bill would further establish California's climate leadership and enable informed investor decision making on material and systemic climate risks to our portfolios.

Thank you for your time and consideration.

Sincerely,

As You Sow
Boston Common Asset Management*
Change Finance
Congregation of Sisters of St. Agnes
Domini Impact Investments, LLC*
First Affirmative Financial Network
Figure 8 Investment Strategies
Impax Asset Management LLC*
Inherent Group, LP
Macroclimate LLC
Miller/Howard Investments, Inc.*
NEI Investments*

Neumeier Poma Investment Counsel LLC*
New Forests Advisory Inc*
Nugent Properties
Parnassus Investments*
Region VI Coalition for Responsible
Investment
Seventh Generation Interfaith*
Sisters of Bon Secours USA
Sisters of St. Dominic of Caldwell, NJ
Trillium Asset Management LLC*
Unitarian Universalist Association
Vert Asset Management

****Denotes over \$1 billion or more in assets under management***