

April 29, 2021

The Honorable Benjamin Allen  
Senate Environmental Quality Committee  
State Capital, Room 2205  
Sacramento, CA 95814

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

Dear Chair Allen and members of the Senate Environmental Quality Committee,

We, investors with over \$47.1 billion in assets under management and supervision, **write today to express our support for SB 449**, which would require business entities incorporated in California to report on climate-related financial risk. Currently in California, there is no uniform framework for investors to have a clear view of which companies are exposed to climate-related risk or best positioned to benefit from climate-related opportunities. Our ability to pursue smart and informed decision making on climate risks is hindered by inadequate and inconsistent disclosure - SB 449 would help address this information gap.

Climate change poses financial and material risk to our investments, systemic risks to financial markets, and requires urgent action by financial market stakeholders. Further warming of the planet will lead to damaging economic and social consequences, while investments in clean technologies offer a path towards more sustainable growth. It is important to understand the nature of climate related risks and opportunities in order to assess, manage and price them transparently and comprehensively. Including climate risk in the financial analysis process can help identify the companies best positioned to deliver long-term risk adjusted performance. 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>

We are already taking action to meet the financial and material risks of climate change. 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.<sup>2</sup> 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).

---

<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> "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 it's 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.

With SB 449, California would set the bar for TCFD-aligned disclosure, providing us and our peers with robust and actionable information. This is especially critical for physical climate risks and environmental justice risks or opportunities, which we recommend integrating into SB 449. Specific disclosure of these risks will allow us to put the capital we manage towards a more resilient and equitable California, allowing our clients and our peers to better invest in clean air and green jobs.

**We urge you to vote AYE on SB 449 and pass this bill to the Senate floor.** 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  
Figure 8 Investment Strategies  
Impax Asset Management LLC\*  
Inherent Group, LP  
Macroclimate LLC  
Miller/Howard Investments, Inc.\*  
NEI Investments\*  
New Forests Advisory Inc\*  
Nugent Properties  
Seventh Generation Interfaith\*  
Sisters of St. Dominic of Caldwell, NJ  
Trillium Asset Management LLC\*  
Vert Asset Management

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