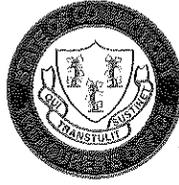


State of Connecticut



Hartford

DENISE L. NAPPIER
TREASURER

July 20, 2016

Via Electronic Mail

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: *Business and Financial Disclosure Required by Regulation S-K*
(File No. S7-06-16)

Dear Mr. Secretary,

As Treasurer of the State of Connecticut and principal fiduciary of the \$30 billion Connecticut Retirement Plans and Trust Funds ("CRPTF"), I am writing to respond to the Commission's concept release, "Business and Financial Disclosure Required by Regulation S-K" (the "Concept Release").

With respect to the CRPTF, my primary objective is to increase the value of its investments for the benefit of its 194,000 participants and beneficiaries who depend on these assets for their future financial security. As a long-term investor, I take a strong interest in the quality of disclosure by issuers in the U.S. public markets, which informs CRPTF's investment and voting decisions. I appreciate the Commission's hard work analyzing the effectiveness of the existing disclosure regime and exploring avenues for improvement.

The Concept Release seeks input on a broad range of topics related to disclosure in periodic reports, including presentation, general approach and substance. My comments, detailed more fully in the attachment to this letter, focus on substantive enhancements in disclosures regarding sustainability and public policy issues.

The CRPTF has a long track record of engaging companies on sustainability matters and advocating for more robust disclosure, as well as responsibly voting proxies on many proposals related to sustainability. The CRPTF was an early member of the U.S. Principles for Responsible Investment, whose nearly 1,500 institutional members with \$60 trillion in assets under management commit to incorporate environmental, social and governance (ESG) considerations into investment decision making and seek appropriate ESG disclosure from portfolio companies.¹

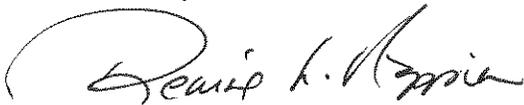
¹ <https://www.unpri.org/about>

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My specific comments are made in the context of a rapidly changing environment for issuers. Long-term trends such as globalization, climate change and technological developments have created, and will continue to create, new risks and opportunities. Because mitigation and management of these risks affect long-term financial performance, investors need information about them to accurately assess issuers' long-term financial prospects and the quality of stewardship by managements and boards.

Thank you for this opportunity to comment on these important issues. If you have any questions or would like to follow up further, please contact Assistant Treasurer Mary Phil Guinan at mp.guinan@ct.gov or 860-702-3163.

Sincerely,



Denise L. Nappier
State Treasurer

Attachment

ATTACHMENT

IV. F. Disclosure of Information Relating to Public Policy and Sustainability Matters

3. Request for Comment

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?

CRPTF'S Response: The following specific sustainability and public policy issues are important to inform the CRPTF's investment and voting decisions:

- Board diversity
- Climate change risks and governance
- Lobbying expenditures, policies and risk oversight

Board diversity: I understand that the Concept Release does not address proxy statement disclosure, but instead focuses on disclosure in periodic reports such as 10-K and 10-Q filings. However, given the importance of board diversity to the CRPTF, this comment discusses it briefly.

A critical attribute of a well-functioning board is diversity of gender, race, perspective and background. A 2012 study by Credit Suisse found that companies whose boards included women generated better returns and greater growth than those that did not. CRPTF has filed many shareholder proposals asking boards to strengthen their commitment to diversity and make more fulsome disclosure regarding director selection practices and director diversity.

Accurate data about nominees' gender and racial/ethnic identities can be difficult to obtain, which hampers CRPTF's engagement efforts and proxy voting. To address that problem, last year I and eight other public pension funds and fiduciaries submitted a petition to the Commission asking it to adopt rules designed to elicit uniform disclosure regarding nominees and directors in the form of a chart/matrix allowing investors

to determine diversity characteristics in addition to other director qualifications.² I urge the Commission to take up this initiative.

Climate change: See response below to question 223.

Lobbying expenditures, policies and risk oversight: Lobbying expenditures can, if not appropriately managed, create reputational risks for issuers and encourage reliance on business strategies involving regulatory capture. Lobbying done through trade associations carries the additional risk of funding positions and initiatives at odds with key corporate values. CRPTF has engaged with companies to urge full disclosure of payments used for lobbying, as well as policies and risk oversight practices.

Uniform disclosure of lobbying-related information would allow investors to assess the integrity of issuer processes and identify issuers whose activities are outside the norm. Such information would also support evaluation of the quality of board risk oversight, a key factor in voting on director elections.

217. Would line-item requirements for disclosure about sustainability or public policy issues cause registrants to disclose information that is not material to investors? Would these disclosures obscure information that is important to an understanding of a registrant's business and financial condition? Why or why not?

CRPTF'S Response: Different companies have different sustainability risks and opportunities and different interests in public policy, therefore most disclosure requirements should be flexible rather than rigid. Certain issues, however, such as disclosure of lobbying expenditures, lend themselves to line-item treatment because practices are relatively consistent among issuers of different sizes and industries.

218. Some registrants already provide information about ESG matters in sustainability or corporate social responsibility reports or on their websites. Corporate sustainability reports may also be available in databases aggregating such reports. Why do some registrants choose to provide sustainability information outside of their Commission filings? Is the information provided on company websites sufficient to address investor needs? What are the advantages and disadvantages of registrants providing such disclosure on their websites? How important to investors is integrated reporting, as opposed to separate financial and sustainability reporting? If we permitted registrants to use information on their websites to satisfy any ESG

² "Petition for Amendment of Proxy Rule Regarding Board Nominee Disclosure: Chart/Matrix Approach," File No. (Mar. 31, 2015) (available at <https://www.sec.gov/rules/petitions/2015/petn4-682.pdf>).

disclosure requirement, how would this affect the comparability and consistency of the disclosure?

CRPTF'S Response: The importance of required disclosures under regulation S-K is that they can provide consistency of disclosure from all registrants. Many companies provide information on ESG matters through reports and on their websites because they deem this information important for their shareholders (as well as to other stakeholders). The number of companies addressing sustainability issues through these means has increased markedly over the past 10-15 years, as have the quality of these reports. Some issuers, however, provide no disclosure; even among those that do disclose, the quality and completeness of the information can vary widely. Having all material sustainability information in SEC filings, rather than on web sites, streamlines research and may facilitate automated data collection, which in turn reduces the costs to investors.

219. In an effort to coordinate ESG disclosures, several organizations have published or are developing sustainability reporting frameworks. Currently, some registrants use these frameworks and provide voluntary ESG disclosures. If we propose line-item disclosure requirements on sustainability or public policy issues, which, if any, of these frameworks should we consider in developing any additional disclosure requirements?

CRPTF'S Response: The reporting frameworks of the Global Reporting Initiative (GRI), Principles for Responsible Investment (PRI), the Sustainability Accounting Standards Board (SASB), and the CDP (formerly known as the Carbon Disclosure Project) are all good bases for the SEC to use in developing a mandatory reporting framework on sustainability disclosure. Not every question in every framework necessarily meets the materiality standards of Regulation S-K, but the SEC should review them all in developing its own disclosure requirements.

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?

CRPTF'S Response: I believe that risks and opportunities arising from climate change are material to many issuers' financial condition and future prospects. Climate change creates portfolio-wide effects, given the

potential for it to affect entire economies. The gravity of the risk is shown by the World Economic Forum's characterization of "failure of climate-change mitigation and adaptation" as the world economic risk with the greatest impact.³ The recent agreements in Paris underscore the wide-ranging changes that will be needed to mitigate the effects of climate change.

The CRPTF was a founder of the Investor Network on Climate Risk ("INCR"), a network of 120 institutional investors with over \$13 trillion in assets, and I was a signatory on the 2009 Supplemental Petition for Interpretive Guidance on Climate Risk Disclosure.⁴ That petition urged the Commission to issue guidance substantially similar to the 2010 interpretive release. Implementation of that release, however, has been minimal: Commission Staff sent only three comment letters mentioning climate change in 2012 and 2013⁵ and 13 such letters from 2014-2016.⁶ Closer Staff attention to implementation of existing requirements would result in more useful information for investors.

I agree with CERES' comment on the Concept Release that additional specific disclosures related to climate change would be appropriate. Last year, I joined dozens of other investors in calling on the Staff to more closely scrutinize disclosures by oil and gas companies on carbon asset risk, the risk that assets will become unable to generate an economic return before the end of their economic life.⁷ Consistent disclosure requirements relating to such risks, such as the alignment of issuers' business plan with the Paris agreements' greenhouse gas reduction targets, would allow investors to compare issuers to each other and evaluate boards' stewardship of climate-related risks.

³ World Economic Forum, "The Global Risks Report 2016," at 1 (available at http://www3.weforum.org/docs/GRR/WEF_GRR16.pdf).

⁴ <https://www.sec.gov/rules/petitions/2009/petn4-547-supp.pdf>

⁵ <https://www.ceres.org/files/investor-files/sec-guidance-fact-sheet>

⁶ This figure was obtained using the search function on CERES' SEC filings search tool. See www.ceres.org/resources/tools/sec-sustainability-disclosure.

⁷ <https://www.ceres.org/files/confidential/investor-sec-letter-inadequate-carbon-asset-risk-disclosure-by-oil-and-gas-companies>