



STATE OF VERMONT  
VERMONT PENSION INVESTMENT COMMISSION

May 16, 2022

Ms. Vanessa Countryman Secretary  
Securities and Exchange Commission 100 F Street N.E.  
Washington, D.C. 20549

Re: File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors

Dear Ms. Countryman,

The Vermont Pension Investment Commission (VPIC) appreciates the opportunity to respond on File No. S7-10-22: The Enhancement and Standardization of Climate-Related Disclosures for Investors (“Proposed Rule”). We commend the Commission for its Proposed Rule aimed at providing investors with consistent and reliable climate-related information from issuers of public securities. This is a momentous step to assist asset owners seeking to measure, monitor, and reduce risks related to the climate crisis.

The VPIC considers environmental, social, governance (ESG), and financial factors in our investment decisions to manage the \$6 billion public pension assets. We have a long-term investment strategy consistent with the duration of retirement system liabilities and strive to be a thoughtful, analytical, and patient investor. We believe portfolio risk management is a central fiduciary responsibility and the integration of ESG factors into our investment decision making process alongside more traditional investment risk/return metrics unlocks opportunities to produce superior investment returns, mitigate risks associated with the global climate crisis, and enable a transition to a low-carbon world.

We believe our integration of ESG factors into our investment process is a necessary part of our fiduciary responsibility and will, accordingly, produce a higher quality portfolio of assets that can withstand the unforeseen challenges of the future. The Commission takes a holistic approach to addressing the global climate crisis within the portfolio in acknowledgement that it creates externalities that are likely to affect most industries and market sectors. Over the last several years, the VPIC has taken steps including, but not limited to, establishing a VPIC ESG Committee to monitor the risks and impacts of ESG considerations on the portfolio, seeding a low-cost index fund focused on investing for a low carbon transition with a \$200 million investment, and executing our shareholder rights through the proxy voting process inclusive of direct company engagement on ESG topics. You will find more details regarding our sustainable

investment activities in our [2021 VPIC Sustainable Investment Report](#)<sup>1</sup>. We support the Proposed Rule for the reasons outlined below.

**Data transparency is highly valued by the Commission as fiduciaries of the pension fund.**

To that end, the VPIC invested in a flexible recordkeeping system for the pension fund which was completed in early 2022. Staff is working with existing vendors to integrate the new recordkeeping outputs to employ a more sophisticated portfolio climate risk exposure monitoring process. The largest hurdle to this work has been accessing decision-useful, consistent data from public market issuers. The new process will support the goals of the [VPIC's Carbon Reduction policy](#)<sup>2</sup>.

**The proposed rules would standardize climate-related disclosures in a decision-useful manner, so analysis of climate-related risks and opportunities could be achieved more efficiently.** Vermont has had a history of supporting this measure after Vermont Treasurer Spaulding joined a group of institutional investors to petition the SEC in 2007 to issue interpretive guidance to clarify that climate-related information is material and must be disclosed. This group, among others, petitioned the SEC again in 2009, and an SEC ruling followed in 2010 requiring environmental risks be disclosed by publicly traded companies. However, these disclosures were deemed inconsistent and the 2022 rule would help improve the quality and consistency of climate-related disclosures in a meaningful way. The Commission has evaluated several data providers over the last five years and determined in the absence of required standardized disclosures, investors seeking climate-related information must collect this data from numerous subscriptions and sources, including companies' voluntary disclosures that are unverified and often difficult to compare. Stringing together data sources and homogenizing the data to be useful is expensive. The human and physical capital required is cost-prohibitive for public asset owners with limited staffing and budgets who are managing the retirement security of thousands of public servants. The VPIC's ESG process requires consistent and reliable information on which to base its decisions. We rely on existing managers to evaluate the climate-related risks of the assets they manage on behalf of VPIC, because the Commission is not currently able to quantify in an efficient and cost-effective manner the climate-related risks across the public market securities with the information available from issuers currently.

**The VPIC believes that the development, accumulation, and disclosure of climate-related data and targets equips management teams to effectively plan and monitor the associated risks. This includes Scope 3 emissions. Consistent communication to shareholders of company's exposure and mitigation plans better equips them with decision-useful data for their investment process.** Disclosure of financial estimates and assumptions impacted by the climate-related events and transition activities through consistent monitoring and reporting allows investors to evaluate the company's competitive position among industry peers and protect long-term shareholder value as industries confront the changing regulatory and market environment. Additionally, understanding the material downstream activities of each company as

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<sup>1</sup> 2021 VPIC Sustainable Investment Report:

<https://outside.vermont.gov/dept/VPIC/Shared%20Documents/VPIC%20Website/ESG%20Reports/VPIC%20Sustainable%20Investment%20Reports/2021%20VPIC%20Sustainable%20Investment%20Report.pdf>

<sup>2</sup> VPIC's Carbon Reduction Policy:

[https://outside.vermont.gov/dept/VPIC/Shared%20Documents/VPIC%20Website/VPIC%20Policies/VPIC%20Carbon%20Reduction%20Policy\\_04262022.pdf](https://outside.vermont.gov/dept/VPIC/Shared%20Documents/VPIC%20Website/VPIC%20Policies/VPIC%20Carbon%20Reduction%20Policy_04262022.pdf)

they impact the climate crisis is important to the VPIC in our assessment of the aggregate portfolio exposures.

**The Commission supports the safe harbor provision for forward-looking information and Scope 3 emissions, and a reporting phase-in period based on the registrant's filer status in the proposed rule.** This should reduce the risk and burden for companies who have concerns about compliance. The VPIC believes the rule as proposed will reduce the long-term workload for companies to report climate-related data. The managers VPIC invests with integrate multiple forms of survey data and metrics into their investment process to analyze the climate-related risks and opportunities at each company held. To respond to each unique survey in various formats requested by large shareholders and data aggregators is time consuming for companies. The proposed rule reduces the burden by requesting the data in one standardized format.

**The Commission emphasizes the importance of consistent climate-related disclosure and reporting with industry-recognized guidelines, such as those developed by the International Sustainability Standards Board (ISSB), the Task Force on Climate-related Financial Disclosures (TCFD), as well as targets set forth by the Paris Climate Agreement.** We believe most industries will be affected by climate change, but to varying degrees and therefore disclosure requirements should be industry specific. These frameworks are tailored to each industry and many companies have already integrated their required disclosures into their standard reporting. 2,600+ organizations support TCFD. For example, the IFRS Foundation, which sets accounting standards used in over 140 nations, recently released its own proposal for climate-related disclosures via its International Sustainability Standards Board (ISSB) that bases elements on the TCFD recommendations as a baseline and has significant similarities to the SEC's proposal. In addition, regulators have begun mandating TCFD-aligned reporting in the UK, Brazil, the EU, Hong Kong, Japan, New Zealand, Singapore, and Switzerland. The burden of compliance on issuers is reduced by using these existing frameworks as a guide and globally coherent disclosure requirements will lead to better comparability of data for asset owners and investors.

In our opinion, the proposed rule is a good compromise between the investment community that needs standardized, decision-useful climate-related data and issuers' ability to consistently provide the data through an efficient process. We welcome the opportunity to answer questions or further this discussion regarding the VPIC's support of the proposed rule. Please contact Katie Green, VPIC Deputy CIO (██████████), to coordinate a meeting time.

Sincerely,



Thomas J. Golonka

Chair

Vermont Pension Investment Commission