UAW RETIREE
Medical Benefits Trust

June 17, 2022

Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
Via email at rule-comments@sec.gov

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

Dear Secretary Countryman,

The UAW Retiree Medical Benefits Trust (the "Trust") writes in strong support of the Securities and Exchange Commission's (the "Commission's" or "SEC's") proposal in Release No. 33-11042/File No. S7-10-22 to require disclosure of material climate-related risks and their likely impact on companies' strategies, certain financial metrics (including greenhouse gas emissions), and information regarding management and the board's oversight of climate-related matters (the "Proposed Rule"). The Trust appreciates the work of the Commission and SEC Staff on the Proposed Rule, which responds to strong and persistent investor demand for climate-related information for use in investment and stewardship decisions. In our view, the Proposed Rule provides investors with standardized and decision-useful information without overly burdening companies.

Established in 2010, the Trust is among the largest non-governmental providers of retiree health benefits in the country, with approximately $60 billion in assets under management and over 600,000 plan participants. As Chief Investment Officer, I oversee the Trust's investment strategies, which are primarily implemented by external managers.

The Trust views information on environmental, social and governance ("ESG") matters as akin to other kinds of financial risk information that companies report in their SEC filings. ESG factors influence the long-term financial viability of companies' business models, which in turn impacts the performance of the Trust's investments. More specifically, risks associated with climate change, such as those stemming from new regulations, affect or will affect all parts of the Trust's portfolio. Accordingly, the Trust integrates ESG considerations into its investment and stewardship processes.

During the investment manager due diligence process, the Trust asks potential managers to provide information on their approach to identifying and understanding how ESG factors affect the investment process, including climate change and energy conservation and efficiency; their use of ESG data providers and ratings firms in the investment process; the extent to which they engage with portfolio companies on ESG issues; and the capacity of their staff to identify and apply ESG-related factors. As well, we discuss ESG matters, among other things, in meetings with investment managers.

The due diligence process and these discussions illustrate the challenges investors face in incorporating ESG factors into the investment process. Our managers obtain ESG data, including climate-related information, from various data providers. Such data can not only be costly; it is also unstandardized, precluding comparisons among companies held by different managers. Even when ESG data firms provide the same data points, their calculation methods may vary. The data itself is likely incomplete, since for many data points providers depend on information voluntarily furnished by companies in sustainability reports, on company or third-party websites, and in response to surveys.

Several types of information that would be disclosed pursuant to the Proposed Rule would be especially beneficial to investors like the Trust. Requiring companies that use scenario analysis to report on that analysis would allow investors to assess the resilience of company strategies to climate-related risks, including regulatory risk. This aspect of the Proposed Rule could be strengthened and made more useful to investors by requiring a net zero analysis with standardized assumptions, parameters, and impacts.

The Commission's inclusion of a greenhouse gas ("GHG") emissions reporting requirement in the Proposed Rule adds value because this information is critical to investors' ability to assess the quality of a company's earnings in the face of climate change and the energy transition. GHG emissions disclosure would also improve investors' understanding of a company's liquidity and capital resources, given the commitments financial institutions have made to restrict financing of emissions-intensive activities. GHG data is valuable for transition risk analysis because it is quantifiable and comparable across companies and industries.

The Trust supports the Proposed Rule's requirement that climate risks be reflected in the financial statements. Identifying a specific location--a footnote to the financial statements--where required disclosures on the financial impacts of climate risk can be placed is useful for investors. Likewise, requiring assurance of climate-related disclosures would help counter the greenwashing that prevents investors from obtaining an accurate picture of companies' climate-related risks and impacts.

Finally, standardized and more comprehensive disclosure of climate-related risks would benefit the Trust's stewardship activities, as well as investment decision making. The Trust's proxy voting policies contemplate votes against (or withholding of support from) responsible directors in the event risks are not appropriately overseen. The Proposed Rule's disclosures about climate risks and board oversight of those risks and target-setting would provide more information to assess the robustness of risk oversight and assign responsibility for lapses.

The Commission's mission is not limited to ensuring that investors have access to the information they need for investment and stewardship decisions; it also extends to "maintain[ing] fair, orderly, and efficient capital markets" and "facilitate[ing] capital formation."[1] More robust climate disclosure would not only support investors' investment and stewardship decisions, but would also benefit the capital markets more broadly. More accurate assessment of risks by investors would improve the efficiency of the capital markets, directing capital to companies that are well-positioned to manage climate-related risks or exploit opportunities created by the energy transition (or both). As recently noted by the Financial Stability Oversight Council,[2] more standardized climate-related disclosure would allow investors to more accurately price climate-related risk and thereby promote market stability.

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The Proposed Rule offers a thoughtful, balanced, and well-supported approach to improving corporate disclosure on climate change risks. The Trust urges the Commission to approve it.

Sincerely,

Hershel Harper, Jr.

Hershel Harper
Chief Investment Officer

1 https://www.sec.gov/about.shtml
2 https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf, at 80-81.