June 17, 2022

The Honorable Gary Gensler
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
rule-comments@sec.gov

RE: Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors [File Number S7-10-22]

Dear Chairman Gensler,

HomeStreet, Inc., a State of Washington corporation organized in 1921, is a Washington-based diversified financial services holding company whose operations are primarily conducted through its wholly owned subsidiaries which include HomeStreet Bank, a Washington chartered bank (collectively, "HomeStreet" or "we"). HomeStreet is principally engaged in commercial banking, mortgage banking and consumer/retail banking activities serving customers primarily in the Western United States. We operate 60 full-service bank branches in Washington, in Northern and Southern California, in the Portland, Oregon area and in Hawaii, as well as five primary stand-alone commercial lending centers located in Central Washington, Oregon, Southern California, Idaho and Utah. HomeStreet, Inc., as a bank holding company, is subject to regulation and examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). Certain information about our business can be found on our investor relations web site, located at http://ir.homestreet.com. HomeStreet Bank is a member of the FDIC and is an Equal Housing Lender. Our stock is held by a diverse group of institutional and retail investors, including investment advisors, banks, hedge funds, pension funds, insurance companies, sovereign wealth funds, trusts, insurance companies, individual investors, and corporate insiders.

HomeStreet welcomes the opportunity to respond and provide comments in response to the request for public comments by the Securities and Exchange commission (the "SEC" or the "Commission") to the Proposed Rules for Enhancement and Standardization of Climate-Related Disclosures for Investors (the "Proposed Rules"), , which would require publicly traded companies to disclose their greenhouse gas (GHG) emissions and other information related to climate change. While HomeStreet supports the SEC's stated goal of "elicit[ing] investment decision-useful information that is necessary or appropriate to protect investors," we have concerns about certain aspects of the Commission's climate-related disclosures framework as currently proposed. This letter is meant to communicate those concerns and to highlight the need for a different approach to climate-related disclosures for community banks, including the importance of specific exemptions from the Proposed Rules for small and community financial institutions that would otherwise face significant and unfair costs in order to comply with the Proposed Rules. We urge the Commission to amend the Proposed Rules to avoid unfair disclosure requirements and to better meet the Commission's mission to "protect investors; maintain fair, orderly, and efficient markets; and facilitate capital formation."

Importance of Addressing Climate Change

Like many companies in our industry and of a similar size, we have recently increased our focus on sustainability, including climate change. Our increased efforts in this area follow statements made by several of our larger investors to the market and to their portfolio companies generally regarding matters relating to environmental, social and governance ("ESG") topics in recent years. These have often focused on climate change, and we recognize the importance of climate-related risks and opportunities to our investors, and the high level of expectations that our larger investors have for their portfolio companies generally regarding climate change. While we have not engaged individually with our investors on climate change in any significant depth, we are aware of and are actively considering the issues they have raised. In 2021, in part to meet these expectations, we amended the charter of our Human Resources and Corporate Governance ("HRGC") Committee to include within the HRCG Committee's purpose, duties and responsibilities oversight of our ESG programs, policies and practices, including oversight of climate-related matters. The HRCG has been reconstituted into a Compensation Committee and a Nominations & Governance Committee and in the future the ESG program will likely reside within the purview of the Nominations & Governance Committee. In addition, in 2021, we established an ESG Management Steering Committee comprised of senior management members including the Chief Executive Officer. The purpose of the ESG Management Steering Committee is to assist the appropriate Board Committee in fulfilling its oversight responsibilities with respect to ESG matters.

Materiality

Existing and longstanding securities regulations already require filing companies to disclose material risks affecting their businesses, irrespective of the source of the risk, through annual and periodic reporting. This time-tested, principles-based and registrant-specific disclosure framework is rooted in materiality and is designed to elicit information that will allow investors to make more informed investment decisions with an understanding of each registrant's business, financial condition, and prospects. The Commission's current rules are designed for the required information to be presented on a basis consistent with the analysis that management and the board of directors use to manage and assess the company's performance. The management of a registered company must identify and publicly disclose trends, events, demands, commitments and uncertainties that they believe are reasonably likely to have a material effect on the financial or operating performance of their company.

The concept of materiality has been described as "the cornerstone" of the disclosure system established by federal securities law. The materiality standard was defined by the U.S. Supreme Court in *Basic Inc. v. Levinson* as "a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information available." This standard has given investors and issuers confidence for decades that information disclosed by companies is relevant, and in turn, helpful for promoting efficient capital markets.

The proposed new required disclosures do not meet the materiality test and undermine this important standard. Mandating that companies provide extensive disclosure of non-material and non-financial information is a departure from the Commission's traditional mission and distorts the disclosure process in a manner that may not be helpful to investors. The proposed rule goes beyond what reasonable investors would need to know to inform their decisions about whether to buy, sell or hold stock, or how to vote on company proposals. Climate-related issues, including emission of greenhouse gases, are not material to all investors or for all companies. To the extent that climate-related information is financially material to a company's performance or gives investors insight into financially material risks that its

business faces, public companies have an existing obligation to provide appropriate climate disclosures to the market.

When engaging with our investors, our aim is to provide information that is relevant and reliable, remaining mindful of, and accountable for, managing shareholder resources responsibly. In our experience to date, climate-related questions are seldom raised by our existing and prospective investors, notwithstanding the increased interest in climate information more broadly (e.g., by some large institutional investors and ESG-oriented funds). According to the proposed release, the Commission believes that "the current disclosure system is not eliciting consistent, comparable, and reliable information," so the proposed rule seeks to "augment and supplement the disclosures already required in SEC filings." HomeStreet does not believe that companies' current climate reporting practices—consisting of material disclosure in SEC filings supplemented by corporate sustainability reports and other reporting—are failing to keep shareholders appropriately informed.

The proposed rule institutes a wide-ranging mandate for public companies to generate and report pages upon pages of information, much of which is not material to their operations or financial performance. In many instances the required information is not even available. Yet, the Commission's proposal would require Scope 1 and 2 emissions to be disclosed and audited by <u>all</u> publicly traded companies as well as require new and granular ways to include climate-related matters within the financial statements. The Commission needs to put investors' climate concerns in context with other investor concerns. A focus solely on – or too focused on – climate concerns is not in keeping with the "total mix" materiality standard and does not benefit the investors that the Commission is seeking to protect.

Even when climate-related issues are material to investor decisions, a prescriptive one-size-fits-all approach to disclosure is unnecessary and overly burdensome to smaller institutions and companies with limited footprints. Requiring the proposed level of climate-related disclosure would have an excessive expected cost of compliance and a disproportionate emphasis on climate-related risk compared with other business risks. The Commission should restructure the proposed climate-related disclosure requirements to be better tailored for the size, industry and complexity of the registrant, as well as the materiality of climate-related exposure to that company.

Examples of tailored approaches to climate-related regulations can be found in recent proposals by the Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC"), both of which have recently proposed to exempt community banks, or those banks with fewer than $100 billion in assets, from these agencies' draft principles for climate-risk management.[1]

Specifically, we are calling for exemptions for community banks from certain reporting requirements in the Proposed Rules. We believe that the Proposed Rules would unfairly subject community banks and other regional institutions to the same disclosure requirements, implementation period, and scenario analysis exercises as the nation's largest, most complex, and systemically important or "too big to fail" institutions. Additionally, many community banks that we identify as peers are "large accelerated filers," and will be subject to the most stringent aspects of the Proposed Rules on an accelerated timeline.

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[1] See Office of the Comptroller of the Currency, Principles for Climate-related Financial Risk Management for Large Banks (Dec. 16, 2021) available at: https://www.occ.treas.gov/news-issuances/news-releases/2021/nr-occ-2021-138a.pdf.

See also Federal Deposit Insurance Corporation, Statement of Principles for Climate-related Financial Risk Management for Large Banks (Apr. 4, 2022) available at: https://www.govinfo.gov/content/pkg/FR-2022-04-04/pdf/2022-07065.pdf.

HomeStreet and other community banks do not have the same level of resources available as the large banks that hold trillions in assets. Additionally, we do not have access to readily available climate data. Given our finite resources, and the significant learning curve that we and many other similar organizations face in meeting the requirements of the Proposed Rules, the accuracy, completeness, and decision usefulness of climate-related disclosures from community banks and other small financial institutions would greatly benefit time-bound exemptions from the Proposed Rule to better understand the implications of the Proposed Rules and allocate sufficient resources to meet the requirements of the rule in a cost effective manner.

To lessen the burden on community banks, and to better ensure community banks and their shareholders are not unduly harmed by the extensive requirements and estimated costs of the Proposed Rules, we would like the SEC to specifically exempt community banks from any Scope 3 reporting requirements, including any requirement to disclose financed emissions. We would also like the SEC to specifically exempt community banks from any assurance requirements under the proposed rule. We would also like the SEC to specifically exempt community banks from the expedited reporting timing that they currently face under the Proposed Rules. We suggest that the SEC revise the Proposed Rules such that they do not apply to community banks with less than $50 billion in assets.

In addition, given the new and evolving nature of climate-related metrics and methodologies, allowing diverse approaches to disclosure within a principles-based framework will likely yield more efficient and effective processes to develop over the long term. Requiring detailed prescriptive disclosures before we fully understand climate-related reporting, and before climate-related data and the methodology for analyzing its effects is consistent and codified, runs the risk of instituting a static mandate that does not reflect the dynamic nature of climate reporting methodologies and the evolving nature of company and investor practices and preferences.

We strongly encourage the Commission to include flexibility, safe harbors and sufficient implementation time frames, particularly for smaller companies that may lack the expertise or resources to comply with complex new requirements.

Finally, it should be noted that banks are already highly regulated for safety and soundness. HomeStreet is regulated by a number of different agencies on the state and federal level. That substantial regulation, while different from disclosure regimes, also serves to protect investors. Any further SEC regulation applied to banks needs to take into consideration that existing prudential regulation of banks and must be coordinated with prudential regulators to avoid contradictory, duplicative and/or unnecessary requirements that increase costs and burdens unnecessarily.

Best regards,

Mark K. Mason
Chairman, President & CEO
HomeStreet Bank