



Good for the Economy.
Good for the Environment.

April 7, 2021

Senator Henry Stern
State Capitol, Room 5080
Sacramento, CA 95814

RE: SB 449 (Stern) Climate-Related Financial Risk –SUPPORT

Dear Senator Stern:

On behalf of E2 (Environmental Entrepreneurs) and our more than 11,000 members and supporters nationwide – including more than 2,500 in California - I write in support of your bill, SB 449. SB 449 would require corporations, financial institutions, and insurers to report on climate-related financial risk and will drive disclosure of critical and material information to financial market stakeholders and policymakers.

E2 is a national, non-partisan network of business leaders, investors and other professionals who advocate for smart policies that are good for the economy and good for the environment. Our members have been involved in the financing, founding or development of more than 2,500 companies that have created more than 600,000 jobs, and manage more than \$100 billion in venture and private equity capital.

Climate change is a business risk and California's economy is increasingly vulnerable to the effects of a changing climate. Sea level rise is impacting coastal businesses and devaluing coastal real-estate, ongoing droughts affect agriculture and disrupt corporate supply chains, and wildfires are devastating entire communities and causing economy-wide impacts. However, the financial and economic risks of climate change are not widely disclosed or evaluated to inform responsible investing and lending.

SB 449 fills this gap by requiring California corporations and financial institutions to annually disclose their climate-related risks to the [California Department of Financial Protection and Innovation](#) in a manner aligned with the framework developed by the [Task Force on Climate-Related Disclosure \(TCFD\)](#). While numerous organizations in 78 countries around the world already use the financial disclosure recommendations of the TCFD, including CalPERS and CalSTRS, this would be the first mandatory TCFD-aligned reporting in the world. Furthermore, California is the fifth-largest economy in the world, and this bill will apply to a significant portion of the U.S. economy, further amplifying the bill's importance.

SB 449 further requires corporations and financial institutions to disclose the steps they are taking to reduce and adapt to climate-related financial risks, including measures to adapt physical assets and supply chains and reduce investment exposure in fossil fuels. The Department would make these disclosures available to the public on their website. The bill also establishes a Climate Change Financial Risk Task Force to review and analyze the disclosures. The task force would identify systemic risks and trends to inform public policies that would address climate-related financial risks to California's economy.

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Robust and high-quality disclosure of financial risk is critical to preparing for catastrophic climate change as well as navigating the early-stage impacts of we are currently experiencing. While voluntary climate risk disclosures are growing as companies, firms, and institutions recognize its materiality and investors call for more transparency, the current voluntary approach is inadequate. Additionally, while The Securities and Exchange Commission has signaled its intent to require climate-related risk disclosure for publicly traded corporations, this effort is years away from fruition and will not encompass the range of entities covered by SB 449. These reasons are why legislation such as SB 449 is necessary to precipitate actionable disclosure now.

California has an important opportunity to lead and set the standard for assessing climate-risk by passing SB 449. Thank you for your leadership on this important issue.

Sincerely,

A handwritten signature in black ink that reads "Phillip Andy Wunder". The signature is written in a cursive, flowing style.

Andy Wunder
E2 Western States Advocate