



The Forum for Sustainable and Responsible Investment

September 21, 2012

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Via email to: asheehan@calstrs.com and iac@sec.gov

Dear Anne,

Thank you for your letter seeking input and suggestions from US SIF: The Forum for Sustainable and Responsible Investment on topics for the Investor as Owner Subcommittee of the Investor Advisory Committee (IAC) established by the Dodd-Frank Act.¹ We are pleased to submit suggestions to the Subcommittee charged with making recommendations on issues that directly impact investors as owners of the companies in which they invest. There are many voices that speak on behalf of the business community before the agency, but much less opportunity for the investor community to be heard. We are pleased that the IAC provides an opportunity to establish a strong, credible, independent voice to ensure that investors' concerns are fully developed, communicated and considered in the regulatory, inspections, and enforcement programs carried out by the SEC and self-regulatory organizations.

The former Investor Advisory Committee (IAC), created in June 2009 and terminated in 2010, identified an array of discussion topics, including proper disclosure, fiduciary duty, financial literacy, technology, valuation, majority voting, director-investor communications, proxy voting and resources. We believe all of those areas are critical to the work of the current IAC. In addition, based on our experience, we strongly recommend that the SEC consider the following priorities:

MANDATORY ESG DISCLOSURE

In July 2009, US SIF sent a submission to the SEC on environmental, social and governance (ESG) disclosure (see attached). The submission was endorsed by more than 50 organizations. Since 2009, the demands from international investor and accounting bodies for corporate sustainability reporting have

¹ US SIF is the U.S. membership association for professionals, firms, institutions and organizations engaged in socially responsible and sustainable investing. US SIF and its members advance investment practices that consider environmental, social and corporate governance criteria to generate long-term competitive financial returns and positive societal impact.

increased exponentially. One of the best illustrations of this trend is the growing number of signatories to the United Nations' Principles for Responsible Investment (PRI), which acknowledges investor behavior and interests of society in the preamble. Launched in 2005, the PRI today counts more than 1,000 global investment institutions with more than \$30 trillion in assets under management as signatories. PRI signatories pledge to integrate consideration of ESG issues into investment decisions and ownership practices. They recognize that social and environmental issues can be material to the financial outlook of a company and therefore to shareholder value. Concurrently, national governments and stock exchange authorities have also promoted sustainability reporting by adopting laws and regulations that specifically mandate such reporting. In numerous European markets, such as Denmark, the Netherlands, Norway, Sweden and the UK, as well as in other countries like South Africa and Brazil, public companies are required to produce annual corporate social responsibility (CSR) or sustainability reports describing their policies and practices in areas such as the environment, climate change, employee relations and codes of conduct for vendors. More recently, developments around integrated reporting around the world indicate a necessity for greater ESG disclosure by issuers.

We understand that the former IAC's Investor as Owner Subcommittee had already begun work on ESG disclosure by developing a work plan, noting global development in ESG/sustainability disclosure, calling for appropriate resources at the SEC to be dedicated to this area, bringing together a group of experts to meet with the subcommittee and adopting a resolution (which was not reviewed by the full IAC before the committee disbanded).

We request that the SEC require issuers to report annually on a comprehensive, uniform set of sustainability indicators comprised of universally applicable and industry-specific components. We recommend that the SEC define this as the highest level of the current version of the Global Reporting Initiative (GRI) reporting guidelines. GRI was established to develop standardized indicators for reporting on ESG and continues to evolve these over time through a public and transparent standards-setting process. We also ask that the SEC issue interpretative guidance to clarify that companies are *required* to disclose short- and long-term sustainability risks in the Management Discussion and Analysis section of the 10-K (MD&A).

The global economic crisis made it readily apparent that our existing system for corporate reporting has failed shareholders. We believe that robust sustainability reporting could have mitigated some of the impacts of the financial crisis. These types of disclosures would have promoted longer-term thinking by investors and corporations, and earlier detection of predatory lending and other destructive business practices. There is a tremendous opportunity to learn from these gaps and to construct a system of safeguards to protect investors.

CORPORATE POLITICAL SPENDING DISCLOSURE

This type of disclosure falls under the governance category of ESG disclosure. In 2011, a wide range of investment professionals, including mutual fund and other institutional asset managers, foundations, religious investors and financial planners managing more than \$690 billion on behalf of individual and institutional clients in North America and Europe, voiced strong support for a petition seeking a rulemaking requiring corporate political transparency. Additionally, a number of large institutional investors provided support for corporate political spending disclosure. The rulemaking petition was submitted on August 3, 2011 by the Committee on Disclosure of Corporate Political Spending, a group of prominent law professors specializing in the areas of corporate and securities law. The petition captures the concerns of a substantial number of investors that have, particularly over the past five years, persistently sought transparency in corporate political spending.

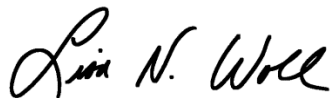
As of August, the SEC has received nearly 300,000 comments on corporate political contributions rulemaking - a record number. Investors continue to be concerned about corporate governance problems in the wake of the Supreme Court's 2010 decision in *Citizens United v. FEC*. We strongly believe that corporate political spending transparency is in the best interests of investors, companies and the general public, and that the SEC is the most appropriate agency to require such disclosure. Corporate political spending transparency is necessary for the smooth and efficient functioning of our capital markets and can serve as a critically needed risk management tool for shareholders, corporate management, and directors.

OFFICE OF THE INVESTOR ADVOCATE

The Investor Advocate position provides an opportunity to establish a strong and credible voice to ensure that investors' concerns are fully developed, communicated and considered in the regulatory, inspections and enforcement programs carried out by the SEC. This Office would assist retail investors in resolving significant problems they may have with the Commission, identify problems that investors may have with financial service providers and investment products, analyze the potential impact on investors of proposed regulations and rules and propose any changes. Together with the Investor Advisory Committee, this Office would play a significant role in helping the SEC achieve its investor protection mission in enhancing financial security of all Americans. In her remarks at the June 12 meeting of the Investor Advisory Committee, Chairman Schapiro noted that the Commission is in the process of receiving applications for the new Investor Advocate. It is also critical that the new Investor Advocate have a strong background or knowledge in sustainability or ESG reporting. We urge that you move swiftly to fill that position.

Thank you for the opportunity to provide comments. If you have any questions, please contact me via email at lwooll@ussif.org or by phone at 202-872-5358.

Sincerely,

A handwritten signature in black ink that reads "Lisa N. Woll". The signature is written in a cursive, flowing style.

Lisa N. Woll
CEO, US SIF

cc: Ann Yerger at ann@cii.org