THE MCKNIGHT FOUNDATION

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The Honorable Mary Jo White, Chair
Securities & Exchange Commission
100 F St., NE
Washington, DC 20549

RE: Release No. 33-10064, *Business and Financial Disclosure Required by Regulation S-K* (Apr. 13, 2016)

Dear Chairperson White,

I write on behalf of The McKnight Foundation, a private family foundation with a $2 billion endowment. As an institutional investor, we support improvements to Regulation S-K that would lead to more uniform, substantive reporting by publically traded companies on material social and environmental business issues. Like many of our country's foundations, endowments and pension funds, The McKnight Foundation is a truly long-term investor. From that perspective, the benefits of measuring and reporting on social and environmental risks outweigh the attendant costs.

In Section F.2, the SEC asks for information on whether "these disclosures are important to investors voting and investment decisions." For the McKnight Foundation, the short answer is yes.

In December, The McKnight Foundation assessed all of our public markets fund managers to understand their abilities for identifying and analyzing environmental, social and governance issues (ESG). Given that investment outperformance is a matter of good information, we would like our managers to have fuller, more consistent information about each company's material social and environmental risks. We anticipate that expectations for asset managers to analyze and act on such information will grow in future.

Enhanced disclosure will also enrich the Foundation's proxy voting decisions. In the case of both management and shareholder resolutions on ESG issues, our advisors rely on individual company disclosure to arrive at informed voting positions.

In some cases, voluntarily disclosed data actually informs the amount of stock we own. Therefore, we seek consistent, accurate disclosure from companies in which we invest. In 2014, The McKnight Foundation seeded the *Carbon Efficiency Strategy* run by Mellon Capital Management. For this $100 million investment our manager overweights companies that produce greenhouse gas efficiently per dollar of sales and underweights companies that produce inefficiently when compared to their peers. Currently, we rely on voluntary, self-reported data through the *Carbon Disclosure Project*. In instances where companies do not report, we use estimated emissions data. This is merely one example of the many ways investors use ESG risk information in investment decision-making.

We recognize that social and environmental risks can vary significantly from sector to sector. The McKnight Foundation supports reporting standards that focus on the primary, material risks for each sector and supports standardized measures. We consider *the Sustainability Accounting Standards Board (SASB)* an approach that is worthy of the SEC's attention.

Standardization and sector-based reporting will distribute costs more fairly. Currently, transparent companies with conscientious management are bearing these costs while their less transparent peers provide little to no information. In our view, it is better that all companies provide material information in a manner that is substantive and, therefore, informative, to their investors. We very much appreciate the Commission's *2010 Interpretive Guidance on Climate Change*, but experts have observed that many companies have responded with boilerplate, or inadequate, information. In other words, information that lacks utility for investors. Additional regulatory guidance to companies – and enhanced enforcement – would ensure that investors receive substantive information, particularly on risks related to climate change, water scarcity and other material business issues.

Recent *Department of Labor* guidance from December of 2015 (interpretive Bulletin 2015-01) confirms the importance of ESG data by permitting ERISA-regulated funds to take ESG consideration into account as primary factors when selecting between investments. This underscores the need for more consistent and meaningful reporting by companies under Regulation S-K to bring more reliable information into our shared market.

The SEC has requested investor comment on the mission of the SEC to "protect investors, maintain fair, orderly and efficient markets and facilitate capital formation..." As an institutional investor, The McKnight Foundation considers systematic, reliable and useful disclosure of material risks related to ESG an essential to achieving a fully informed market that functions efficiently over the long-term.

Thank you very much for your consideration of The McKnight Foundation's perspective on these important questions.

Sincerely,

Kate Wolford

Kate Wolford

President