Jan 9 2018

3:26 PM

2017 Public Comment Period

David Kracke

(david@craignicholslaw.com)

To <comments@sasb.org>

Dear SASB;

Please accept my comment to the proposed SASB guidelines.

I will be brief: What you are doing at SASB has the potential to radically change the way that investors consider carbon as a risk to their portfolios in ways that will change the investment calculations for those investors with an expected result that carbon producing activities will be viewed in terms of their actual environmental costs hence making those investments less attractive as they will be more susceptible to risk in the form of future liabilities to the investors. This is obviously nothing new to you.

However, if implemented, SASB's standards will have profound effect on the future of our planet. The key is in the fiduciary duty that an institutional investor owes his or her client. This was revealed to me by a friend of mine who is active in your efforts and is illustrated in this example:

When an environmental leader approaches my friend (an institutional investor) and describes the reasons why my friend, the investor, should not invest in carbon intensive investments that environmental leader typically argues in terms of emotion: It is the right thing to do; we must look toward the future and do what is right for future generations; it is incumbent on all of us to work toward a cleaner, non-carbon future because if we do not we risk the future health of the planet and all of its inhabitants.

Unfortunately, what the environmental leader fails to understand is that my friend, the investor, is constrained by his fiduciary responsibility to his client and he cannot be swayed by emotional arguments when those emotional arguments conflict with his fiduciary responsibility to act in the best financial interest of the his client. Even if he wanted to consider the emotional plea, he would be prevented from doing so by his fiduciary responsibility.

The standards promulgated by SASB, however, change this dynamic in a fundamental way: They require my investor friend to consider the future cost of carbon in making his investment decision. Now the "emotional plea" (as presented by the environmental leader) becomes a data point that must be considered by my friend, the investor, in making financial (fiduciary) decisions relating to investment in a carbon producing activity or industry. What is good for the investor's client is also good for the planet in that the true costs and risks of carbon emissions must be considered before my investor friend can recommend any particular investment opportunity. This dynamic becomes my investor friend's new fiduciary responsibility.

Your standards require my friend, the investor, to consider the future effects of carbon emissions and to consider the risks associated with those effects as part of his fiduciary duty to his client. What was before an "emotional argument" (although ultimately a correct argument) is now a legitimate fiduciary consideration. As a result, my investor friend will be less likely to recommend investments in carbon producing industries due to the now applicable risk factors associated with that industry, and therefore, more apt to recommend investment in non-carbon producing industries within the same general investment category.

This is game-changing! You have my complete support and I encourage you to do all you can to ensure that the recommendations of SASB become the norm within the investment world. Thank you for what you are doing.

Sincerely,

David Kracke

Portland, Oregon

[C]limate change and environmental laws and regulations can have material impacts on business. However, given the scientific consensus that human-induced climate change is occurring, efforts to delay climate-related policy or legislative changes may prove counterproductive to the industry in the long term, by creating regulatory, and therefore investment, uncertainty, or by incurring higher costs in the future. Efforts to influence environmental laws and regulations unfairly may affect companies' reputations and social license to operate. Companies with a clear strategy for engaging policymakers and regulators Alignment between regulations that accounts for societal externalities and is aligned with their company goals and activities for long-term sustainable outcomes could benefit from a company in the establishment of a stronger, long-term license to operate. Such companies will likely may be better prepared for medium- to long-term regulatory adjustments to deal with global, high-impact issues such as climate change.

David R. Kracke

Attorney at Law

http://i.imgur.com/Pw6rArH.png

4504 S.W. Corbett Avenue, Suite 200

Portland, OR 97239

Ph: (503) 224-3018

Fx: (503) 222-0693

www.thenicholslawgroup.com