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Mr. Michael Bloomberg
Chair, Task Force on Climate-Related Financial Disclosures

Via Email: info@fsb-tcfd.org

Dear Mr. Bloomberg,

Response to the Phase 1 report of the Task Force on Climate-Related Financial Disclosures ("the report")

British Columbia Investment Management Corporation (bcIMC) is an investment manager with about $125 billion in assets under management, one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 500,000 people in our Canadian province, including university and college instructors, teachers, health care workers, firefighters, police officers, municipal and other public sector workers. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will provide strong and stable financial returns.

As a large institutional investor with a long-term perspective, bcIMC is supportive of enhanced reporting on environmental, social and governance (ESG) factors. We believe that considering ESG factors when selecting and managing investments allows us to manage long-term investment risk.

We welcome the opportunity to provide feedback on the report of the Task Force. The following comments are from our perspective as both a user and potential preparer of climate-related financial disclosures. We have some overall views to share with the Task Force as well as answers to some of the specific questions that were posed in the report.

Overall Considerations

bcIMC feels that the seven fundamental principles proposed by the Task Force are strong and appropriate. We have advocated for improved climate-related disclosure at the public policy level as well as through direct engagement activities with companies in our portfolios. bcIMC is also an investor member of CDP (formerly the Carbon Disclosure Project). It is important to us that disclosure be clear, comprehensive and comparable across companies. We would encourage the Task Force to ensure its recommendations embody the principles it has listed in the report.

The principle of comparability is particularly important and is one bcIMC struggles with given current levels of disclosure that do not provide data across all companies in our public equity portfolio. As investors have been dealing with a voluntary disclosure regime in this area for several years now, it is our view that the only way to make the information truly comparable is to bring it into the mandatory realm. If the recommendations of the Task Force are viewed as voluntary, our fear is that we will still be left with pockets of non-existent disclosure and the principle of comparability will be compromised.

Materiality

We would like to stress the importance of clarity when it comes to defining materiality. The definition provided in the glossary of the report is a potential source of confusion as it goes outside the bounds of the definition used in financial reporting. As the Task Force is focused on climate-related disclosure within financial reporting, it seems appropriate to not confuse the issue by introducing a new definition of materiality.

The work of the Sustainable Accounting Standards Board (SASB) seems particularly relevant to this discussion and we would encourage the Task Force to consult the material issues identified by SASB for different industries and sectors[1] as it proceeds. bcIMC appreciates the approach of SASB as they are not redefining materiality and the standards recognize that climate change-related disclosures are not material for all sectors.

Institutional investors as preparers of data

bcIMC has concerns with applying future Task Force recommendations to institutional investors such as pension funds. Any climate-related disclosure from institutional investors is entirely dependent on disclosure from the entities in which they invest. It also stands to reason that climate-risk disclosure for other types of financial institutions, as it relates to their portfolios and lending activities, is dependent on the disclosures from companies and their clients. This presents a great challenge to investors, as the Task Force is clearly aware. According to a 2014 report by Corporate Knights Capital sponsored by Aviva and Standard and Poor's, Bloomberg data shows that only 39% of the largest listed companies in the world disclosed their GHG emissions in 2012. Furthermore, the adoption of disclosure of sustainability factors increased by only 5% from 2011 to 2012.[2]

Without reliable, comprehensive and comparable data from the underlying assets, it is unlikely that institutional investors can provide aggregated climate-related disclosure that is meaningful and not heavily dependent on assumptions that will vary widely. We suggest that the Task Force recommendations would have greater impact if they focus on corporate issuers initially and then expand to other participants in the capital markets when effective corporate reporting becomes widely available.

This is not to say that institutional investors should not be compelled to consider climate-risk in their investment decision making process. Increasingly, institutional investors understand that, as fiduciaries, they must consider all factors material to their investments, including those related to ESG issues such

[1] SASB Materiality Map. http://www.sasb.org/materiality/sasb-materiality-map
[2] Measuring Sustainability Disclosure. http://www.corporateknights.com/wp-content/reports/2014_World_Stock_Exchange.pdf

as climate change. In certain jurisdictions, pension plans are required to disclose if and, if so, how ESG is integrated into their investment processes. We note that there are more than 1,200 asset owner and asset manager PRI signatories and 882 signatories to CDP. We see this as evidence that investors are seeking disclosures from the entities in which they invest, so we do not believe it is necessary to require quantitative climate-risk disclosures from institutional investors to incentivize the gathering or utilization of climate-related data.

Asset Owner representation on the Task Force

While the Task Force is currently comprised of very knowledgeable and well-respected experts from a broad spectrum of capital market participants, we would note that there is no representation from asset owners in the group. bcIMC would strongly suggest that if the opportunity exists to add new members to the group, that the Task Force reach out to experts in the pension plan community. Pension plans bring a unique perspective due to their long investment time horizons and we believe their voice would be valuable input to the work of the Task Force.

Task Force Survey Questions

Coverage

Question 1. Which types of nonfinancial firms should any disclosure recommendations cover?

We believe that any company that lists securities or issues debt should be covered by the disclosure recommendations. bcIMC suggests that the SASB materiality map mentioned earlier be used to identify particular sectors that are of most relevance based on materiality.

Question 2: Which types of financial firms should any disclosure recommendations cover?

We believe that those financial firms that list securities or issue debt should be covered by the disclosure recommendations. However, it is important to note that disclosures from financial institutions, when it comes to their portfolios, will be dependent on the disclosure provided by their customers. Therefore, the Task Force may wish to distinguish from their operational emissions and portfolio emissions by adopting a phased-in approach for these firms;

Climate-Risk Dimension

Question 5. For users of climate risk and opportunity information, what are five specific points of information that you wish to secure?

The information about climate risks and opportunities that we wish to secure is very much in line with parts of the CDP questionnaire. In particular, bcIMC pays particular attention to:

1. Identification of climate related risks and opportunities as well as a description of governance structures and oversight responsibilities. Specifically, we would like to know how the board looks at climate change risk as well as management.

2. The company's strategy for managing climate-related risks, including any related policies and procedures
3. Emissions data
4. Information about emission reduction targets, initiatives and related progress

Question 6: Are there any best-practice disclosures of climate risks by companies that you would like to bring to our attention? What specific climate elements of this disclosure would you like to highlight?

In lieu of providing specific examples, we would suggest that the Task Force consider those companies in the CDP Leadership Index or those that have scored an A for their disclosure on their CDP response. In scoring companies CDP assesses:

- the completeness of the company's response;
- the extent to which the company has assessed the environmental issues, risks and impacts in relation to its business;
- the extent to which the company has implemented actions, policies and strategies to address environmental issues; and
- any particular steps a company has taken which represent best practice in the field of environmental management.[3]

Macro Scope

Question 15: In conducting macroeconomic analysis, what are the top three key measures of macroeconomic climate risk performance when seeking to measure the extent to which the global economy is transitioning towards net-zero emissions?

We believe the following three measures would be most beneficial in evaluating the risk to economies from transition towards net-zero emissions:

- Both nominal and real measures for total production of coal, oil and natural gas as a portion of total GDP (susceptibility to transition as a producer)
- Emissions intensity of GDP by industry, by country (susceptibility to transition as a consumer)
- Sensitivity analysis using various carbon price regimes to measure impacts to specific economies (susceptibility to transition from most likely future policy lever).

In terms of measuring the extent to which the global economy is transitioning towards net-zero, the change over time in aggregate parts-per-million of CO_2 (or equivalent) in the atmosphere is probably the best indicator. If we monitor the deceleration in the expansion in CO_2 in the atmosphere, then we can gauge whether or not the world is on pace to capping it to the 450 ppm (or other estimates) that the consensus among climate scientists suggests is the limit to have a reasonable chance at capping warming to two-degrees.

[3] CDP Global Climate Change Report 2015. https://www.cdp.net/CDPResults/CDP-global-climate-change-report-2015.pdf

Question 16: One way to measure transition risk is by considering disclosures based on sector/market scenario analysis. What scenario planning work is currently available in this area?

The IEA's Current Policies Scenario, New Policies Scenario and 450 Scenario provide a good basis for conducting detailed sensitivity analysis. Each provide implications for total consumption and production by energy type and by major nation, which can inform which economies, industries and ultimately companies could see the most significant impact/transition pressures as the world transitions to a net-zero future. The IEA's work would form a good basis for recommending disclosures based on globally reputable, unbiased energy outlook scenarios.

Question 17: The United Nations Framework Convention on Climate Change five yearly "global stocktakes" seek to establish in part whether financial flows are consistent with the less-than-two-degree scenarios. Are there any climate-risk disclosure recommendations that would appropriately feed into such an effort?

For each reporting company with energy-related capital expenditures, a measure of expenditures associated with each specific energy type (i.e. coal, oil, gas, solar, wind, hydro, nuclear, etc) would be beneficial.

If done in a consistent, measureable, verifiable way, this type of detailed metric would give investors a quick snap shot on which companies are most focused on future development of fossil fuels vs. clean solutions (cross section across all companies in the sector at a point in time), as well as how companies are transitioning for the future (time series per company).

In addition, it would be ideal if national economic accounts had this degree of granularity for capex by each energy type if recommendations are going to be made to national statistics agencies.

On an aggregate basis, this type of information can be compared to various global benchmarks (such as the amount of capex required by energy type in the IEA's 450 Scenario in order to achieve the path they believe could get us to a two-degree solution). This would be another measure we could use in order to gauge whether capital flows are aligned with what would be necessary to adhere to the two-degree limit.

Looking ahead

Question 20: Is the Task Force focused on the appropriate set of topics for its Phase 2 work plan?

We consider the Task Force's goals to be ambitious in scope. While we think the topics are appropriate, we would encourage the Task Force to reconsider making recommendations for institutional investors and asset managers at this point. Once the recommendations are made for non-financial companies and those have been widely adopted, institutional investors may have the information necessary to prepare their own disclosures.

Question 22: The Task Force plans to reach out to a broad sample of key stakeholders among preparing, users, and standard setters. Are their particular types of entities or organizations that you believe the Task Force should reach out to?

We believe the Task Force would benefit from the input that asset owners, and pension funds in particular, can provide and would again reiterate our view that it would be beneficial to have asset owner representation on the Task Force. In order to address this gap, I would put forward Jennifer Coulson, bcIMC's Senior Manager of ESG Integration, as a beneficial addition to the Task Force.

bcIMC appreciates the opportunity to offer our views on this important report and hope they are constructive as the Task Force moves onto Phase Two.

Regards,

Bryan Thomson
Senior Vice President, Public Equities