



Pension Investment  
Association of Canada

Association canadienne des  
gestionnaires de caisses de retraite

June 14, 2021

Gary Gensler  
Chair  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549  
Delivered Via Email: rule-comments@sec.gov

Dear Mr. Gensler,

**Re: Consultation – Climate Change Disclosures**

The purpose of this letter is to provide feedback from the Pension Investment Association of Canada (PIAC) to the Securities and Exchange Commission (the “Commission”) regarding their consideration of climate change disclosures. This submission builds on PIAC’s submission regarding Reg S-K in 2016.

PIAC has been the voice for Canadian pension funds since 1977 in matters related to pension investment and governance. PIAC’s members manage over \$2 trillion of assets on behalf of millions of Canadians. Our mission is to promote sound investment practices and good governance for the benefit of plan sponsors and beneficiaries.

PIAC commends the Commission’s effort to evaluate disclosure rules with an eye toward facilitating the disclosure of consistent, comparable and reliable information on climate change. This is imperative as the physical, transition and regulatory risks associated with climate change are ubiquitous throughout economies and represent a material risk within our portfolios that can not be mitigated through diversification.

PIAC members operate within a fiduciary framework that imposes a duty of loyalty and a duty of prudence on plan administrators. Pension plan trustees are required to act in good faith and in the best interests of plan members and beneficiaries while preserving the intergenerational fairness of the plan(s). PIAC believes, because of the potential for climate change and broader ESG factors to have financial impacts on plan investments now and well into the future, it is within the scope of our members’ role as fiduciaries, as currently defined, to consider these in their investment processes and stewardship activities.

In order to effectively address climate change risks and opportunities, investors need consistent, comparable and reliable data from the companies in their investment portfolios. Specifically, investors need information that allows them to understand the financial implications of climate change on a company's business model, how management and the board is overseeing this risk, and allows them to assess how companies are measuring and monitoring their Scope 1, 2 and 3 emissions.

We acknowledge that significant progress has been made in voluntary disclosure with data from Refinitiv showing that 66% of companies in the S&P500 Index disclose their Scope 1 emissions. 65% and 44% disclose Scope 2 and Scope 3, respectively. However, where companies do not disclose data, investors must rely on estimates and proxies provided by various vendors with a differing methodology. This is a costly and time-consuming endeavour that yields inaccurate results.

We agree with SASB's (now Value Reporting Foundation) statement in their submission to the Commission dated May 19, 2021 that recent market developments create a necessity for regulatory action. As noted by SASB and in a growing body of research, investors are increasingly integrating ESG factors into each stage of their investment process and stewardship activities, based on consumer demand, leading to a recent proliferation of ESG-related financial products. We agree with the assertion that regulatory action, from the SEC, is needed to ensure that the information used in the creation of these products is consistent, comparable and reliable.

As such, PIAC supports disclosure rules that would mandate enhanced disclosure of not just climate risk, but of ESG factors more broadly. A combination of qualitative and quantitative disclosure that leverages the TCFD recommendations and the SASB frameworks would ensure disclosure of **material** ESG issues using industry specific metrics. This industry perspective ensures materiality and proportionality in disclosure requirements and should not create excessive burden on issuers. We note that SASB has provided a structure for sustainability disclosure that proposes to seek interoperability of existing standards and frameworks in their submission. PIAC believes this would be a suitable and workable structure that would meet investors' needs.

PIAC would like to again thank the Commission for this opportunity to contribute our ideas to this important work. Please reach out to me or Susan Golyak, Chair of PIAC's Investor Stewardship Committee if you would like any clarification of these comments.

Yours truly,



Natasha Trainor  
Chair