BMO Global Asset Management

BMO Asset Management U.S.
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July 18, 2016

Brent J. Fields
Secretary
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Submitted via email to rule-comments@sec.gov

Re: Concept Release on Business and Financial Disclosures Required by Regulation S-K
File Number S7-06-16
Release Number 33-10064; 34-775599

Dear Mr. Fields:

I write on behalf of BMO Global Asset Management. BMO GAM has US$230 billion in assets under management as of March 31, 2016 and offers investment advisory solutions and multidisciplinary asset management strategies to institutions, investment consultants and retail investors. Professionals in our four main investment centers — United States, Canada, EMEA (Europe, the Middle East and Africa) and Asia Pacific —share the conviction that prudent management of risk and a broad view of investment opportunity, which includes material sustainability-related drivers, can enhance value creation.

We meet the needs of our clients and enhance our investment analysis by incorporating material sustainability-related drivers, also referred to as environment, social and governance (ESG) factors, into our investment process. As a long-term investor, we aim to build an understanding of the fundamental factors shaping the risks and opportunities of the entities that issue the equity or the debt in which we invest. But we, like all investors today, are hampered by a lack of quality, decision-useful sustainability disclosure that is industry specific and comparable across issuers.

As a result, BMO Global Asset Management welcomes the opportunity to comment on the "Business and Financial Disclosures Required by Regulation S-K" ("Concept Release"): Concept Release No. 33-10064; 34-775599; File No. S7-06-16. Our comments focus on the need for improved disclosure of material sustainability-related information.

The main points made in this comment letter are:

- We are a large global asset management firm that seeks to make portfolio investment decisions in the economic best interests of our clients and we believe that prudent management of material sustainability drivers can impact long-term investor value;
- Risks and opportunities faced by registrants and investors in the 21st century are not adequately captured in the disclosure regime today;

- To meaningfully integrate sustainability related drivers into our investment decision making to best serve our clients, the quality and comparability of disclosure must be improved.

SECTION F: DISCLOSURE OF INFORMATION RELATING TO PUBLIC POLICY AND SUSTAINABILITY MATTERS

The following represents BMO Global Asset Management's responses to a selection of requests for comment on the disclosure of information relating to sustainability:

217. Would line-item requirements for disclosure about sustainability or public policy issues cause registrants to disclose information that is not material to investors? Would these disclosures obscure information that is important to an understanding of a registrant's business and financial condition? Why or why not?

A measurable/quantitative disclosure requirement on material sustainability-related drivers is desirable. However, it is our experience that environmental, social and governance factors do not impact issuers to the same degree or in the same way. There is no single ESG issue that is materially relevant to all issuers at all times. As a result, we are concerned uniform, line item disclosure requirements that do not take industry specific factors into account would not provide sufficient, financially material information. We prefer an industry lens be applied to sustainability disclosure and point the Commission to work undertaken by the Sustainability Accounting Standards Board as an example in this regard.

218. Some registrants already provide information about ESG matters in sustainability or corporate social responsibility reports or on their websites. Corporate sustainability reports may also be available in databases aggregating such reports. Why do some registrants choose to provide sustainability information outside of their Commission filings? Is the information provided on company websites sufficient to address investor needs? What are the advantages and disadvantages of registrants providing such disclosure on their websites? How important to investors is integrated reporting, as opposed to separate financial and sustainability reporting? If we permitted registrants to use information on their websites to satisfy any ESG disclosure requirement, how would this affect the comparability and consistency of the disclosure?

Sustainability related information provided today by registrants via stand-alone reports is not sufficient. The information generally does not apply a materiality lens and importantly is not comparable across issuers. Without a robust and standardized data set of material sustainability-related information, it can be a burdensome process to incorporate sustainability related risks and opportunities into financial analysis and modeling. And without full and comparable data, the results of integrated analysis are incomplete. We are also concerned with "cherry picking" of information, as issuers are more likely to disclose positive information in a system of voluntary self-reporting. We also cannot be certain that information will be provided annually or that metrics will be the same year on year. Providers of sustainability related information have made strides to estimate and fill data gaps in the market. However, sustainability related disclosure requirements mandated by the SEC would provide investors with a much more reliable, standardized data set.

223. In 2010, the Commission published an interpretive release to assist registrants in applying existing disclosure requirements to climate change matters. As part of the Disclosure Effectiveness Initiative, we received a number of comment letters suggesting that current climate change-related disclosures are insufficient. Are existing disclosure requirements aadequate to elicit the information that would permit investors to evaluate material climate change risk? Why or why not? If not, what additional disclosure requirements or guidance would be appropriate to elicit that information?

Current climate change related disclosures in accordance with the SEC's 2010 interpretative guidance have led to high-level generalizations that are not useful to investors. The SEC's minimal enforcement of the guidance has resulted in disclosures that are far from sufficient to assess material climate change risk faced by individual issuers. Indeed, staff have issued very few comment letters regarding the inadequacy of current disclosures and have not pursued enforcement actions for failure to meet disclosure requirements, despite a very active financial risk and disclosure enforcement agenda.[1] In our experience we note that the majority of companies are largely ignoring the guidance. Perhaps if the guidance were better implemented and enforced more useful disclosures would result.

Thank you for taking our views into consideration and for the opportunity to comment. BMO Global Asset Management fully supports the Commission's focus and effort to bring corporate disclosure in alignment with 21st century challenges and opportunities. We believe enhanced disclosure of material sustainability related information will aid the Commission in fulfilling its mandate "to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation."

Sincerely,

Craig A. Rawlins
Chief Investment Officer

[1] *Cool Response: The SEC & Corporate Climate Change Reporting*, Ceres, February 2014.