June 17, 2022

Secretary Vanessa Countryman
U.S. Securities and Exchange Commission
100 F St NE
Washington, DC 20549-1090

Re: SEC Proposed Rules to Enhance and Standardize Climate-Related Disclosures for Investors (File Number S7-10-22)

Dear Secretary Countryman,

Thank you for the opportunity to comment on the Securities and Exchange Commission's (SEC) Proposed Rules to Enhance and Standardize Climate-Related Disclosures for Investors issued on March 21, 2022. Our comments build on our response to the SEC's Consultation on Climate-related Financial Disclosures dated June 11, 2021.

CPP Investments is the professional investment management organization that invests Canada Pension Plan (CPP) funds not currently needed to pay benefits. Our public purpose is to help provide a foundation upon which the CPP's 21 million contributors and beneficiaries can build their financial security in retirement. As of March 31, 2022, the Fund totals C$539.3 billion (nearly US$424 billion) in net assets, including C$196.2 billion (nearly US$154 billion) invested in the United States.

CPP Investments' investment strategy is designed to fulfill our legislative mandate of maximizing returns without undue risk of loss and is guided in part by our Policy on Sustainable Investing, our Proxy Voting Principles and Guidelines and our Climate Change Principles. As an investor, we do not seek to manage the companies in which we own an interest. We accept the division of authority and responsibilities among the triad of interests that is the core of good corporate governance: shareholders own the company; the board of directors approves strategy, monitors its implementation, and oversees management; and management develops and implements strategy and runs day-to-day operations.

To support CPP Investments' ability to manage the Fund in the best interests of the CPP's contributors and beneficiaries, we seek disclosure of financially relevant, material climate change-related information from companies to allow us to better understand, evaluate and assess the potential impact of these issues on a company's performance. We advocate with companies for broad alignment of their ESG and climate change reporting with the Sustainability Accounting Standards Board (SASB) Standards and the Task Force on Climate-related Disclosures (TCFD) framework.

As governments around the world continue to align their economies to net zero through Nationally Determined Contributions (NDCs), companies operating in this landscape will increasingly be required to decarbonize. Against this backdrop, we believe that boards now have a responsibility to see that management teams have appropriately considered and integrated a strategy to decarbonize a business.

One persistent challenge for investors is the lack of reliable and consistent reporting of material, financially relevant climate change-related data by companies. As such, we broadly support the SEC's effort to address the growing demand from investors for standardized climate-related metrics and reporting. As you noted in your Statement from March 21, 2022, "the SEC has a role to play when there's this level of demand for consistent and comparable information that may affect financial performance." We particularly commend the Commission on the fact that the proposed rule leverages the vast body of work already developed regarding climate change-related disclosures, notably that of the TCFD, SASB and the work underway by the International Sustainability Standards Board (ISSB). The ISSB's effort to develop internationally recognized standards to report on significant sustainability-related risks and opportunities, including climate change, that are material for a company is consistent with the TCFD recommendations and builds on SASB's climate-related industry-based requirements.

We believe further leveraging and aligning with the ISSB will be important, and we recommend allowing all issuers and foreign private issuers (FPIs) to provide disclosure consistent with the ISSB Climate Exposure Draft as an alternative means of satisfying reporting obligations under the SEC's Proposed Rule. We agree with the Value Reporting Foundation that allowing the use of the ISSB's proposed IFRS Sustainability Disclosure Standards as alternative reporting to satisfy issuer SEC climate reporting obligations would enhance global comparability for investors and reduce the burden on global preparers. In addition, allowing the use of the proposed IFRS S2 Climate-related Disclosures Standard, as proposed in the ISSB Climate Exposure Draft, would provide investors with additional decision-useful information from issuers due to the ISSB's incorporation of the industry-based requirements based on the SASB Standards.

We recognize that producing these disclosures can involve a significant effort for companies, especially smaller enterprises with fewer resources. As such, we welcome the SEC's effort to accommodate smaller issuers by allowing multi-year implementation of its proposed disclosures.

CPP Investments' proposed abatement capacity framework: A suggested approach to providing investors with consistent, comparable and decision-useful information and consistent and clear reporting obligations for issuers

In October 2021, CPP Investments published a proposal for market adoption of a reporting standard that would direct issuers to project their capacity to abate greenhouse gas (GHG) emissions. This reporting framework, a Transition Capacity Assessment, would fill critical information gaps for investors and boards, who require concrete disclosure from issuers and their management about a company's ability to abate GHG emissions.

Whether it is the intention of issuers or not, corporate climate change commitments are increasingly being used to assess the long-term viability of the business model. For example, a growing number of issuers (>2,000)[1] have provided long-term forward-looking statements that their operations will be net zero by 2050; and more than 20%[2] of the world's largest companies have net-zero GHG targets. However, the scope of what is included in these targets and

[1] Science Based Targets initiative – www.sciencebasedtargets.org link

[2] Taking Stock: A global assessment of net zero targets – ECIU and Oxford Net Zero (University of Oxford) link

statements differs considerably. While initiatives like the Science Based Targets Initiative (SBTi) provide an objective appraisal of whether the plans are sufficiently ambitious and use appropriate levers to decarbonize, the market currently has no convention for issuers to report the economic feasibility of delivering against their commitments. This creates a novel risk for issuers and investors relying upon this forward-looking guidance and presents uncertainty for those regulating the issuers and the markets where they are listed.

By providing standardized disclosure about a company's current and projected ability to abate its GHG emissions, based on current pricing, technology, and regulations, we believe the framework would help investors have a greater degree of confidence in a company's commitment and ability to transition to a low-carbon future. Transparency of the economic feasibility of transition plans allows investors to make better informed capital allocation decisions and thus, protect the interests of their beneficiaries.

This framework would support investors' continued efforts to prudently consider and evaluate the impact of climate change on both individual investments and their broader portfolios. By providing companies with an actionable roadmap for navigating the wider energy transition in a consistent manner and quantifying the feasibility of abatement, the framework goes beyond the capabilities afforded by current scenario analyses.

While the idea of the framework is new, the expectation of rigor in data to corroborate long-term guidance to the market is not. The oil and gas industry has published long-term production forecasts for individual fields and companies for decades. Over time, market convention and regulation evolved to require the sector to provide reserve statements as an independent, audited resource with standard assumptions to corroborate the existence of economically recoverable resources to support these forward-looking statements. Given the clear parallels with existing Disclosure Rules for Oil and Gas Reserves, the framework may offer an approach to transition reporting that has precedent for integration into existing regulation.

CPP Investments' proposed framework presents a potential solution to the challenges outlined above. The proposal suggests that companies conduct "abatement capacity assessments" and report "projected abatement capacity." The former is the process of allocating current GHG emissions to specific decarbonization drivers, e.g., efficiency, greening of power supplies and deployment of technology economic to abate under current and future carbon price assumptions.

Once 100% of GHG emissions have been attributed, they are translated into a pro forma matrix of "projected abatement capacity." This matrix can provide a clear view of which emissions are economically viable to abate now, which emissions would become economic to abate at higher carbon prices, and lastly those emissions currently uneconomic to abate even at $150/tCO2e. In essence, the framework could provide its users with proven, probable and still to be determined GHG abatement capacity for any issuer, in any sector with operations in any geography.

We recently hosted a series of roundtables with institutional investors, consultants and auditors to understand the challenges and concerns with the proposed framework and to develop steps to refine and improve it. The overarching response was that the framework would address climate-related data deficiency in the boardroom and the market, and would be highly complementary of existing reporting initiatives, including the SEC's proposed rule. The framework is also expected to

CPP Investments

improve issuers' readiness to meet reporting requirements, including those in the SEC's proposed rule, while also providing consumers with forward-looking guidance to assess feasibility of transition plans.

In order to move this concept forward, we conducted an abatement capacity assessment with one of our portfolio companies. In less than 2 months, we were able to quantify the projected abatement capacity of the business, providing the board and executive team the insights to develop a robust transition plan, and providing us confidence in the low risk of value impairment for this asset.

CPP Investments encourages the SEC to consider integrating this framework as supplemental disclosure for issuers making net-zero commitments to provide consumers of these forward-looking statements the ability to assess the feasibility of this guidance. This could then seamlessly be integrated into the standards currently being developed by the ISSB.

Conclusion

We believe standardization of climate change-related reporting to a consistent set of decision-useful information will be in the interest of all parties in the financial system. While voluntary approaches to climate change reporting have progressed considerably over last two decades, convergence is needed to deliver comprehensive, consistent, comparable and assurable disclosures, but also to dramatically streamline the cost of preparation for issuers.

Issuers should be aware that the expectations of investors regarding climate change-related disclosures are changing quickly. Being viewed by investors as a best-in-class enterprise can positively impact a company's valuation and reduce its cost of capital. We also believe that increased reporting of climate change risks and opportunities aligned with the TCFD recommendations will contribute to improved global disclosure of climate change-related risks. This will allow investors to better understand, evaluate and assess potential risks and opportunities brought on by climate change.

Sincerely,

Richard Manley
Managing Director, Head of Sustainable Investing, CPP Investments