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VIA EMAIL: rule-comments@sec.gov

June 17, 2022

ATTN: Ms. Vanessa Countryman
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Ms. Vanessa Countryman:

RE: FILE NO. S-7-10-22: THE ENHANCEMENT AND STANDARDIZATION OF CLIMATE-RELATED DISCLOSURES FOR INVESTORS

British Columbia Investment Management Corporation (BCI) is an investment manager with over CAD \$199 billion in assets under management, and one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 500,000 people in our 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 deliver strong and stable financial returns.

BCI welcomes the opportunity to provide feedback to the Securities and Exchange Commission (SEC) on the important topic of climate-related disclosure, and more specifically, File S7-10-22 (“the Proposed Rule”). The broad field of disclosure on environmental, social and governance (ESG) material issues is evolving rapidly, and companies must maintain credibility with global investors who increasingly demand high quality ESG disclosure.

Climate change is one of the key strategic priorities for BCI given that we view it as a systemic risk that will impact the entire economy. For further information about how we approach this priority as an investor, I would point you to our Climate Action Plan <https://www.bci.ca/wp-content/uploads/2019/06/BCIs-Climate-Action-Plan-and-Approach-to-the-TCFD-Recommendations.pdf>. This document was published in 2019 and we are looking to update it later this year as the pace of change has been swift and our practices continue to evolve.

A: Overview of the Climate-Related Disclosure Framework

BCI is supportive of using existing reporting rules for climate-related disclosures. We agree that the Proposed Rule should utilize Regulation S-K and Regulation S-X for such disclosure as it provides a more streamlined and integrated approach for both companies and investors.

If adopted, BCI would use this disclosure for a variety of purposes, including fundamental company analysis; proxy voting decisions, engagement with issuers as well for complying with our own disclosure against the Task Force on Climate-Related Financial Disclosure (TCFD) framework which includes the carbon footprint of our portfolio. It is our view that the TCFD framework has become a global baseline for climate disclosure and BCI is encouraged to see that the Proposed Rule has been based on this framework. Using this credible third-party framework will lead to more consistent and comparable information for investors which continues to be challenging based on existing rules.

BCI is supportive of the Proposed Rule's approach to include climate disclosures in the annual 10-K filing for issuers with the exception of the governance section. This information seems more aligned to the disclosure presented in company proxy statements so we are comfortable with governance disclosure being included there.

B: Disclosure of Climate-Related Risks

BCI supports disclosure of climate related transition and physical risks and opportunities that are likely to have a material impact over the short, medium and long-term. Allowing companies to define short, medium and long term allows for a greater degree of flexibility as this can vary depending on industry and business model. Location information should be focused on risks and opportunities that are material to business continuity.

C: Disclosure Regarding Climate-Related Impacts on Strategy, Business Model and Outlook

BCI supports the Proposed Rule in most areas of this section as it seems to align broadly with the TCFD. It is our observation that while many companies have adopted net zero targets by 2050, the degree to which they have aligned their strategy and business model to achieving this, varies greatly. Mandatory disclosure in this area will improve the available information for investors to assess claims of net zero while at the same time assist investors in determining how aligned their own portfolios are to net zero.

In particular, BCI is supportive of additional disclosure if companies are accessing the capital markets for green or sustainable financing. While such disclosure has evolved voluntarily for green bond use of proceeds, we are increasingly concerned about the uptake of sustainability-linked bonds (SLBs) that are not providing sufficient rigour on targets associated with these instruments nor detailed reporting against them.

We are also supportive of further disclosure around the role of carbon offsets as part of a registrant's climate change strategy. While offsets have a credible role to play, investors need to be able to assess to what degree these are being relied on and the credibility of the offsets themselves as some are higher quality than others.

The internal carbon price segment of the Proposed Rule is also positive in our view and directly connects to the use of scenario analysis as carbon prices around the world continue to rise. The SEC has struck a good balance by not mandating a specific price or methodology but it is useful for investors to know

whether or not carbon prices are being modelled under different scenarios in order to assess resiliency and potential future costs associated with the business model.

On scenario analysis specifically, BCI supports mandatory requirements on this dependent on materiality. Scenario analysis is a key pillar of the TCFD recommendations and is most material for those companies with capital-intensive businesses and those significantly impacted by transition and physical climate risk. The TCFD suggests robust scenario analysis for fossil fuel-based industries, energy intensive manufacturing, transportation, agriculture, infrastructure, insurance and tourism.

With the Proposed Rule only requiring disclosure *if* the registrant engages in scenario analysis, investors are not likely to receive any new information as most companies that are conducting scenario analysis would already be disclosing some level of detail as part of existing TCFD stand-alone reports. Many scenarios are public goods and do not need to be costly, in-house exercises. At a minimum, a registrant should have to state if they do not use scenario analysis and provide a rationale as to why they do not consider it to be material.

D: Governance Disclosure

Board oversight of climate change is crucial and an increasing focus for the investment community. BCI regularly votes against board directors where we feel there is a lack of climate disclosure or insufficient progress on climate change. We also regularly engage directly with directors to gain a better understanding of their expertise on climate change, board committees responsible and how climate is factored into compensation where it is material. The Proposed Rule would add incremental value for investors compared to existing disclosures in this area and we are broadly supportive of what has been proposed.

E: Risk Management Disclosure

BCI is supportive of disclosure that requires companies to describe how they identify, assess and manage climate risk so we broadly support the Proposed Rule in this area. This section also addresses the need for companies to have transition plans in order to assist with achieving an orderly transition to net zero by 2050. Given that climate change is a systemic risk, it is our view that all companies should work towards having a transition plan.

As currently written, the Proposed Rule only requires disclosure if a company has a transition plan which will not necessarily provide additive disclosure compared to what is already provided to investors. Our observation is that companies with climate change strategies and plans to reduce their climate risk, already disclose this to the market including key metrics and targets used. BCI feels there is an opportunity to strengthen this component of the Proposed Rule.

F: Financial Statements Metrics

BCI supports the SEC's efforts to require that climate risks be reflected in the financial statements and therefore welcome the creation of a specific location - a footnote to the financial statements - where required disclosures on the financial impacts of climate risks can be placed. In particular, we welcome the requirement for disclosure of how severe weather events and other natural conditions and transition activities affect estimates and assumptions reflected in the financial statements when material. Where possible, we recommend registrants demonstrate use of robust climate data with science-based assumptions, such as those espoused by the Science Based Targets initiative¹.

BCI also supports the optional quantification of climate opportunities. This would provide credible reporting on segments that have real potential to both manage climate risk while also lead to positive business results. On an annual basis, BCI reports exposure to climate change opportunities and this type of reporting would facilitate the collection of such data.

In terms of a rules-based approach to determining materiality, or the 1% bright line test, we recommend that the materiality of financial impact disclosures be assessed by management and validated by their external auditor. This allows for greater flexibility and the application of professional judgement when determining the extent of disclosures. This avoids disclosure of potentially immaterial items and considers the usefulness of disclosures to external users and is consistent with how materiality is established for financial and other reporting subject to audit. BCI also does not support the netting of positive and negative impacts as many assumptions are involved in such an exercise and there is more value for investors in absolute numbers in this context.

There is increasing attention from the investor community on the assumptions that inform financial statements and for companies to be transparent about these. For example, ExxonMobil shareholders recently passed a proposal presented at the company's annual general meeting asking for an audited report on how the move to a low carbon economy would impact its financial statements. It is our view, that qualitative disclosure in this area is sufficient as proposed with companies primarily substantiating existing practice. The nature of these assumptions lend themselves to a qualitative approach at this time.

G: GHG Emissions Metrics Disclosure

BCI is supportive of the SEC's approach within the Proposed Rule that mandates Scope 1 and Scope 2 emissions disclosure in addition to Scope 3 where it is material and support this being provided for fiscal year end. The SEC has taken a balanced approach and we would agree with the Proposed Rule in terms of considering 40% of overall emissions as the threshold for materiality as it relates to Scope 3. This is consistent with the approach taken by the Science-Based Targets Initiative (SBTi) and something BCI supports.

¹ The Science Based Targets initiative (SBTi) – defines and promotes best practices in emissions reductions and net-zero targets in line with climate science.

BCI is also supportive of using the GHG Protocol as the most credible and commonly used methodology for reporting GHG emissions. Scope 1 and 2 emissions are critical for BCI when conducting fundamental analysis and for disclosing our own portfolio carbon footprint. Scope 3 emissions are not currently included in our footprint as the lack of data presents a challenge in doing so, but this information would allow us to consider the transition risk involved for any particular company. Most reporting on GHG emissions is currently presented as CO₂ equivalent so the Proposed Rule is aligned with current practice in this area.

When analyzing GHG emissions data, BCI would consider the historical trend for this data as being key contextual information. Trendlines over time are important in the context of GHG emissions as it can illustrate how the company is managing the risk over time as any particular year of data does not tell much of a story.

H: Attestation of Scope 1 and Scope 2 Emissions Disclosure

BCI supports attestation for Scope 1 and 2 emissions but does not feel that it is necessary for scope 3 emissions at this time. Seeking external assurance will further anchor companies' achievement of current and future emission reduction targets and will provide investors with enhanced confidence in companies' reported emissions. Attestation requirements for accelerated and large accelerated filers are appropriate as proposed. Beginning with limited assurance and transitioning to reasonable assurance over time makes sense and the transition periods proposed are reasonable. As investors, we will continue to engage with large emitters on obtaining reasonable assurance for their scope 1 and 2 emissions over an accelerated timeline to what is contemplated in the proposed rule.

We are broadly supportive of the rest of the recommendations in this section.

I: Targets and Goals Disclosure

BCI broadly supports the recommendations in this section as the setting of climate-related targets is becoming more common for registrants yet details of how such targets will or can be achieved, is often lacking. There is broad-based support for such disclosure within the investment community based on the number of shareholder proposals that now receive majority support. According to Institutional Investor Services (ISS), the average support level for shareholder proposals asking for GHG reduction targets has gone from 33% in 2019 to 61% in 2021.

Investors require additional disclosure about how targets will be met and to what extent companies will need to rely on carbon offsets to meet these targets. With the SEC making it clear that safe harbor clauses apply to such forward-looking information, BCI does not feel this requirement will be a deterrent to setting targets.

Concluding remarks

Climate change disclosure is evolving quickly across capital markets and BCI believes that the Proposed Rule will assist US domiciled companies in staying competitive and provide efficiencies for investors who are increasingly seeking such disclosure. While we would note the need for some regional flexibility, it will be beneficial for the SEC to monitor the work of the International Sustainability Standards Board (IISB) as their work to develop a global baseline for disclosure progresses. The Proposed Rule as currently written, positions the SEC well in our view with a robust yet balanced approach that allows registrants to adjust and evolve over time.

For any clarifications related to this submission please contact Jennifer Coulson at jennifer.coulson@bci.ca, Senior Managing Director ESG in Public Markets.

Sincerely,

A handwritten signature in blue ink that reads "Daniel Garant". The signature is fluid and cursive, with a long horizontal stroke at the end.

Daniel Garant
Global Head & Executive Vice President
Public Markets

cc Jennifer Coulson, Senior Managing Director ESG