June 11, 2021

Chair Gary Gensler
U.S. Securities and Exchange Commission
100 F St NE
Washington, DC 20549

Re: CPP Investments' Response to Consultation on Climate-related Financial Disclosures

Dear Chair Gensler,

Thank you for the opportunity to comment on the Securities and Exchange Commission's (SEC) request for input on climate-related financial disclosures issued on March 15, 2021.

The Canada Pension Plan Investment Board (CPP Investments) is a leading global professional investment management organization that invests the assets not needed by the Canada Pension Plan (CPP) to pay current benefits, to help provide a foundation upon which more than 20 million Canadians build their financial security. We invest with a view to achieving a maximum rate of return, without undue risk of loss, considering factors that may affect the ability of the CPP to meet its financial obligations. As at March 31, 2021, the Fund totals C$497.2 billion (nearly US$395 billion) in net assets, including C$183.7 billion (nearly US$146 billion) invested in the United States.

We consider environmental, social and governance (ESG) issues, including climate change, as 21st century business risks and opportunities that need to be considered by both companies and investors. This new century has fundamentally changed the nature of business, with the heightened expectations of stakeholders helping to bring ESG issues, including climate change, to the fore. Companies and investors that anticipate and manage these risks and opportunities are in the best positions to drive enduring financial performance.

In our view, boards and management teams have a clear responsibility to identify, manage and communicate the relevant impacts from the full range of ESG issues, including climate change. Where ESG issues are material, we expect boards to ensure they are considered and integrated into the company's strategy and disclose the magnitude of these risks and opportunities, their potential impact on business outcomes and how the company plans to mitigate or capitalize on them over time.

Our Policy on Sustainable Investing defines how CPP Investments approaches ESG factors within the context of our legislative objectives. Our comments to this consultation are provided with the fulfilment of our clear legislative objectives in mind.

Sincerely,

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

Consultation questions

We support increased consistent, comparable and accurate climate-related disclosures and are encouraged by the convergence around reporting standards.
(Response to questions 1, 3, 4, 5, 8, 9, 14 and 15)

Climate change remains one of the largest and most challenging investment considerations of our time. Specifically addressing its impacts in our investment activities better positions us to make more informed long-term decisions with regard to profitability and shareholder value, in line with our legislative mandate of maximizing returns without undue risk of loss.

For CPP Investments to act in the best interests the Fund, we require consistent, comparable and accurate information on climate change-related risks and opportunities that is ultimately decision-useful. As such, we expect disclosure of financially relevant, potentially material climate change-related factors from our portfolio companies to allow us to better understand, evaluate and assess potential risk and opportunities of these factors on a company's performance.

Furthermore, we expect companies with intrinsic climate change exposures to identify and quantify these risks and reflect them in their strategy, operations and disclosure to the market. Where this is not done, through our proxy voting practice on climate change, we will vote against the reappointment of the chair of the risk committee of the board for companies that contribute the largest climate change risks in our public equities portfolio, and where boards have failed to demonstrate adequate consideration of climate change impacts. We define this failure as having no disclosed governance structure for monitoring climate change risks or opportunities, no identification or quantification of these, and/or no articulation of how the company has integrated related insights into strategy and operations.

When issuers seek input, we indicate our preference for companies to align their reporting with the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD).

We support the convergence towards globally-recognized ESG disclosure standards that are industry-specific and rules-based. We agree with SASB's observation (in their letter dated May 19, 2021), on the increasing coalescing around the recommendations of the TCFD and SASB Standards as foundational tools for investor-focused sustainability disclosure. We welcome the recent integration of SASB and the International Integrated Reporting Council (IIRC) into The Value Reporting Foundation, a unified organization that will facilitate convergence among sustainability standard setters and framework providers. In addition, we support the development of a sustainability standards board (SSB) in order to achieve further consistency and global comparability in reporting financially-relevant, decision-useful ESG-related disclosures, including on climate change.

We believe it will be important for the SEC to leverage the vast body of work already developed regarding climate change-related disclosures, particularly in light of the accelerating consolidation underway. Leveraging the expertise from existing standards and frameworks that have wide market acceptance, particularly SASB and TCFD, will be one of the keys to success.

We recognize the challenges related to climate change-related data, particularly with respect to financial impacts. We expect increased reporting and standardization to prompt refinement of tools and methodologies.
(Response to question 2)

Our Fund's investment strategy is designed to fulfill our mandate of maximizing returns without undue risk of loss. Incorporating non-market and emergent factors, like climate change, into our decision-making creates sustainable value. We also remain firmly aligned with the need for companies and investors to integrate energy transition and prospective physical risks into their strategy. We believe in the need to develop and refine tools to allow investors like us to make informed decisions as it relates to the financial impacts of climate change.

We recognize that one of the key challenges of successfully integrating climate change impacts into investing decisions today is the lack of reliable inputs on many of the metrics to determine climate change risk, which in turn leads to data gaps and issues of comparability. Nevertheless, we support the disclosure of this data and expect it to prompt important advancements in tools and analytics yielding more decision-useful metrics. Further standardization of reporting requirements related to climate change impacts will be key to this evolution.

CPP Investments uses a range of metrics to measure and monitor climate change-related risks and opportunities, both quantitatively and qualitatively. Our in-house carbon footprint metrics and tools provide relevant benchmarks and the insights into greenhouse gas emissions (GHG) associated with all CPP Investments' holdings. We consider issuers' Scope 1 and 2 GHG emissions, as we believe the dataset for Scope 1 and Scope 2 emissions is currently the most complete and robust available. To augment our carbon footprint metrics, we use scenario analysis and Climate Value-at-Risk (CVaR) to assess potential future impacts of risk-related stress events. We expect development and refinement of tools, along with data standardization, to yield more accurate inputs and resulting metrics. We continuously evaluate this rapidly changing landscape and will continue to integrate key developments into our climate change-related assessments and disclosures.

We believe that further standardization of reporting and refinement of methodologies related to climate change financial impacts will yield more decision-useful metrics and allow investors to make better decisions. This will in turn facilitate an equitable and efficient transition to a net zero world.