Caisse de dépôt et placement du Québec

July 21, 2016

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

Via email: rule-comments@sec.gov.

Dear Mr. Fields,

Re: Concept Release: Business and Financial Disclosure Required by Regulation S-K - File Number S7-06-16

This submission is made by the Caisse de dépôt et placement du Québec (la Caisse) in response to a request for comments to the Security and Exchange Commission's Concept Release on Business and Financial Disclosure Required by Regulation S-K ("the Concept Release").

La Caisse is one of the largest institutional fund managers in North America. It invests in financial markets around the world across all the major asset classes. It is Canada's largest private equity investor, and it is one of the 10 largest real estate asset managers in the world.

La Caisse serves 35 depositors, primarily pension and public and parapublic insurance plans. It is committed to acting in a fiduciary spirit to provide long-term, risk-adjusted returns to each of its depositors. As at December 31, 2015, its depositors net assets totaled $248.0 billion.

We thank you for the opportunity to provide comments to the SEC regarding efforts to modernize Regulation S-K ("Reg S-K"). Our comments will focus on the questions regarding disclosure of sustainability matters. La Caisse is supportive of improvements in the reporting of material and standardized environmental, social and governance ("ESG") factors so that it may integrate this information into its investment analysis and decision-making processes.

Questions – Disclosure of Information Relating to Public Policy and Sustainability Matters

216. Are there specific sustainability or public policy issues that are important to informed voting and investment decisions? If so, what are they? If we were to adopt specific disclosure requirements involving sustainability or public policy issues, how could our rules elicit meaningful disclosure on such issues? How could we create a disclosure framework that would be flexible enough to address such issues as they evolve over time? Alternatively, what additional Commission or staff guidance, if any, would be necessary to elicit meaningful disclosure on such issues?

To be really relevant to informed voting and investment decisions, the disclosure of sustainability or public policy issues should focus on materiality and standardization. These relevant targeted elements or indicators that are material and that have a real financial impact must be determined on a sector-specific basis. Disclosure should be standardized so it can be comparable and benchmarked within an industry, as well as comparable historically (at least five years of data if possible).

Since sustainability issues can be specific to an industry or a registrant, the disclosure framework should be flexible enough to be able to adapt to the constant evolution of these sustainability issues. Rulemakers should provide a favorable ground in order to encourage the emergence of a market standard that can afford to be more responsive to the changing conditions over time. It would allow registrants with sufficient discretion in determining what they consider material and relevant given their specific context.

For instance, the requirement of developing a materiality matrix would ensure that management and the board of directors are going through the process of determining which sustainability issues are relevant to their situation and their industry. In addition, disclosure should also include, if possible, quantitative metrics related to the company's business model and its operations. It should be relevant to each registrant such as unit production, age of the fleet, volume of commodities or goods handled. It would isolate price fluctuations that can be out of the control of management, and would be more aligned with registrants' drivers for value creation.

It would also be important to require from companies sufficient mandatory disclosure on the strategies they establish and measures they put in place in order to mitigate and manage the ESG risks identified such as, for example, those related to climate change. Investors should be able to monitor the actions taken, their impact on the risks as well as the progress realized.

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?

Although line-item requirements for disclosure can be of interest for many other stakeholders (employees, NGOs, customers, communities...), it can result in a large volume of information that could be immaterial to investors, which can be burdensome when it comes to integrating in investment decisions. Having disclosure of too many items of different degrees of importance is counter-productive and would defeat the purpose. Sustainability reports or corporate social responsibility reports are useful for most stakeholders including investors but when there is a specific regulatory purpose, investors would need relevant, consistent and material information that would have an impact on registrants' operations or financial health. This material information should be related to financials/operational risks/opportunities, and be integrated in existing reports already used by investors.

Registrants are already subject to an overwhelming volume of requests on ESG disclosure initiatives, leading to "corporate disclosure fatigue." Line-item disclosure, if adopted in a "One size fits all" form, might contribute to this trend of disclosure for the sake of disclosure, which can be both burdensome and costly for registrants. As a result, it can lead to boilerplate language which is one of the current disclosure problems, instead of solving it with a more targeted disclosure exercise on material sustainability issues.

That said, we firmly believe that some material information should be mandatory such as climate change data (GHG emissions for instance). When a sustainability issue is part of a global issue such as global warming, it should be mandatory across the board to facilitate the monitoring of the overall effort.

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?

Registrants provide sustainability information outside of their mandatory filings because there is a genuine demand for such information by multiple stakeholders with various interests very specific to their own context. It does not always address the specific financial impacts that financial analysts would like to see. This type of disclosure is clearly not sufficient for investors to aggregate and use the data in their own investment analyses. In the actual nature of sustainability reporting, data is not comparable, and their reliability and consistency can be challenged. It suffers from:

- Cherry-picking where only positive data is disclosed while investors would also need to be aware of negative data, in order to have a balanced view of material information.

- Inconsistency over time, when registrants decide to change metrics or the basis of presentation without explanation and without restatement of previous disclosure. It lowers the quality of information and hinders investors' capability to monitor the progression of any mitigation measures, if any.

- Absence of external certification by an independent third party that would increase the level of confidence in the accuracy and reliability of the information.

- Absence of internal certification for ensuring accuracy of the reporting on sustainability issues as is the case for financial reporting, which requires the CEO and CFO to certify the financial reports. The integrated report or merger of sustainability information within the existing financial report would improve assurance of the accuracy of the disclosed information.

- Inaccessibility in the sense that registrants can publish sustainability information when they feel the timing is appropriate, for a part of or for the entire company and in the form of their choice. It should be written in plain language and easily accessible along with other financial documents and for the entire company and not only for some of the subsidiaries or operations.

219. In an effort to coordinate ESG disclosures, several organizations have published or are working on sustainability reporting frameworks. Currently, some registrants use these frameworks and provide voluntary ESG disclosures. If we propose line-item disclosure requirements on sustainability or public policy issues, which, if any, of these frameworks should we consider in developing any additional disclosure requirements?

There are many organizations carrying out interesting initiatives on ESG disclosures. The CDP Climate Change, Global Reporting Initiative, the International Integrated Reporting Council (IIRC), and Sustainability Accounting Standards Board (SASB) should be considered since they are complementary. Currently, registrants may choose to follow the guidance of one, two, or all four. For instance, they could publish an integrated Form 10-K using the IIRC's International Integrated Reporting Framework that includes disclosures as prescribed by SASB and references the GRI G4 Reporting Guidelines. Subsequently, if the SEC wants to develop a mandatory framework, it should consider what is currently being done to avoid any additional disclosure requirements that is not already covered by existing global initiatives, and take into account the future recommendations of the FSB Task Force on Climate Change Disclosure. The most important aspects to consider are materiality and standardization by sector, and disclosure in existing financial filings where financial analysts are used to gathering their investment information.

220. Are there sustainability or public policy issues for which line-item disclosure requirements would be consistent with the Commission's rulemaking authority and our mission to protect investors, maintain fair, orderly and efficient markets and facilitate capital formation, as described in Section III.A.1 of this release? If so, how could we address the evolving nature of such issues and keep our disclosure requirements current?

In order to address the changing nature of sustainability issues and keep the disclosure requirements current, the Commission could develop a disclosure framework that is flexible enough to address such issues as they evolve over time. For instance, the requirement to develop a materiality matrix would ensure that management and the board of directors are going through the process of determining which sustainability issues are relevant to their situation and their industry. It would give each registrant the discretion and flexibility to determine their own material sustainability issues while ensuring the financial market and other stakeholders that the exercise has been carried out thoroughly. Furthermore, it would provide solid grounds for constructive engagement between investors and companies on sustainability issues.

However, there are some issues that might be addressed with line-item disclosure requirements and that would be consistent with the Commission's rulemaking authority and mission to protect investors. For instance, GHG emissions (scope 1 and scope 2) should be disclosed and should cover at least a five-year history. Also, establishing a strong carbon price globally should be a priority, followed by the mandatory disclosure of its financial impact on registrants. This would allow regulators and investors to have a better overall view of the situation of climate change, without having to fill in the information gap based on numerous assumptions. Thus, global sustainability issues that are not specific to a few sectors but on the contrary, that can apply to the entire market, should be approached using line-item disclosure requirements. It would allow the market to efficiently assess the systemic risks or opportunities related to such issues.

221. What, if any, challenges would registrants face in preparing and providing this information? What would be the additional costs of complying with sustainability or public policy line-item disclosure requirements, including the administrative and compliance costs of preparing and disseminating disclosures, beyond the costs associated with current levels of disclosure? Please quantify costs and expected changes in costs where possible.

Quantifying the costs related to improved sustainability disclosure is a difficult exercise, and depends on the nature of the industry and the size of the registrants.

For registrants that already disclose such information and metrics on a regular basis, the costs of compliance to the potential framework would not be excessive. They already have the human resources and procedure to monitor, compile and disclose the relevant metrics.

For other registrants that do not currently disclose anything, or that merely disclose sustainability information in boilerplate format, the disclosure exercise can be relatively costly in terms of both time and money. These registrants would have to:

- Determine their material sustainability issues, if they are not already prescribed by the mandatory framework or a market standard such as the one promoted by the *Sustainability Accounting Standards Board (SASB)*. This exercise should involve many stakeholders and engagement, which costs time and money.

- Implement an information system and procedure to collect the relevant data with a satisfactory degree of accuracy and consistency. This can necessitate a transitional period to ensure the robustness of the collected data.

- Dedicate human resources to measuring, monitoring and reporting the relevant data.

- Implement internal controls and procedures, and consider the need for conducting an independent and external audit, to ensure the accuracy, robustness and consistency of the disclosed information.

  Although this improved disclosure on material sustainability issues can represent additional costs for some registrants, it also represents benefits for both registrants and investors:

- Lower cost of capital since investors can better evaluate the way registrants manage and mitigate the relevant risks related to sustainability issues.

- Increased comprehension of companies' operations as a whole and their impact on their ecosystem and supply chain. As a result, it improves investment analysis, allowing scenario and sensitivity analysis particularly for large GHG emitters and where assets might become stranded for instance.

- Investors are provided with good insight into the risks and opportunities associated with various sustainability regulations and other developments.

222. If we propose line-item disclosure requirements that require disclosure about sustainability or public policy issues, should we scale the disclosure requirements for SRCs or some other category of registrant? Similarly, should we exempt SRCs or some other category of issuer from any such requirements?

Smaller registrants and recent public companies might not have adequate resources to implement the necessary tools to achieve a satisfactory improved material disclosure. However, as part of an industry and, in turn, of an ecosystem, they should be prepared to disclose the appropriate information on such issues. It might be relevant to consider a transition period to allow these registrants to prepare for such requirements, and to ensure quality of the disclosed information.

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 adequate 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?

Existing disclosure is clearly insufficient for investors to evaluate material climate change risks. The disclosure provided in sustainability reports and on websites is more general and targets many audiences. It does not always address the specific financial impacts that the financial analysts would like to see.

The status quo voluntary disclosures lead to uneven quality of disclosure. Without total mandatory disclosure of at least scope 1 and scope 2 emissions over at least a five-year history and verified by a third party, investors will not have the basic requirement to analyse climate risks and make meaningful decisions. This type of information should be disclosed with the same robustness and timeliness as all the other required financial information.

However, in order to obtain meaningful disclosures of the financial impacts, investors need to know the carbon price to which a company is subject, both on a corporate level and on a granular operations level. A global carbon price would be imperative. That being said, if operations are in jurisdictions in which the price is still unknown, a reasonable shadow price should be put forward. At that point, investors need companies to disclose cash flow and earnings sensitivity analysis for various carbon pricing scenarios.

Additional disclosures regarding the segmenting of capital expenditures would be helpful. Disclosing the distinction between the different types of capital expenditures would help investors assess both the transitional risk as well as the opportunity. For example, specifically disclosing those capital expenditures related to transitional activities separate from other uses of capital such as sustaining capital or projects not deemed as transitional, would be particularly helpful.

We trust that our comments are useful and we would be happy to discuss futher any of the points that we have raised.

Yours very truly,

Ginette Depelteau

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