CENTER FOR CLIMATE
AND ENERGY SOLUTIONS

Feb. 10, 2017

Mr. Michael Bloomberg
Chairman
Financial Stability Board
Task Force on Climate-related Financial Disclosures

Re: Recommendations of the Task Force on Climate-related Financial Disclosures

Dear Chairman Bloomberg:

Thank you for the opportunity to comment on the "Recommendations of the Task Force on Climate-related Financial Disclosures" ("Recommendations") issued on Dec. 14, 2016. This document constitutes the comments of the Center for Climate and Energy Solutions (C2ES) on the Recommendations. C2ES is an independent, nonprofit, nonpartisan organization dedicated to advancing practical and effective policies and actions to address our global climate change and energy challenges. As such, the views expressed here are those of C2ES alone and while informed by our conversations with business leaders, do not necessarily reflect the views of members of the C2ES Business Environmental Leadership Council (BELC).

We appreciate the efforts of the industry-led Task Force on Climate-related Financial Disclosures (TCFD) to provide clarity to the existing landscape of climate reporting regimes. We find the efforts of the TCFD to promote consistency on climate-related financial disclosure to be positive and helpful. Based on our review of the Recommendations and our understanding of the challenges faced by data preparers in both financial and non-financial sectors, we would like to present for your consideration some suggestions regarding the Recommendations and their implementation.

Financial Materiality

We commend the TCFD's focus on financial materiality. We think that the Recommendations on "Strategy" provide a useful focus on the potential impacts from climate-related risks and opportunities on an organization's income statement and balance sheet, including specifically on revenues, expenditures, assets, liability, and capital. We also think that scenario analysis is a useful tool to help companies assess risks and conduct long-term planning.

We appreciate the suggestion that each company assess the timeframe appropriate to their industry but believe that additional guidance on timeframes could be useful. If an investment has a short time horizon, testing against the two degree scenario might not make sense. More guidance on how modelers should select the appropriate scenario tool would be especially

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helpful for those in industries that have not historically worked with scenarios to stress test their business models. Clarification would be useful in the "Strategy" portion of the Recommendations around which parameters and outcomes of scenario analysis should be included in mainstream financial filings and which aspects of scenario analysis are more appropriately detailed in company reports (e.g., corporate sustainability reports) outside of mainstream financial filings.

Decision-Useful Data

Financial data and sustainability data differ in important ways. Income statements and balance sheets are routinely subject to third-party audits and provide a standard set of decision-useful data for investors. In contrast, information about a company's greenhouse gas emissions, energy and water use, and waste management practices may not be as precise. For example, data concerning Scope 3 emissions is often less precise than information about Scope 1 and Scope 2 emissions. Over time, however, we expect that the quality of sustainability data will likely improve as data collection methods improve.

The timeframes for financial data and sustainability data may not align. Greenhouse gas emissions data for the prior year may not be ready for publication on the same timeline as company 10-K filings and may need to be reported in Q2 or Q3 10-Q filings.

Investors are often more interested in how companies manage sustainability issues and think about environmental risks than simply evaluating a company's internal footprint by reviewing the raw data. While sustainability data certainly inform mainstream financial filings, it may be helpful for the TCFD to consider how corporate sustainability reports offer storytelling benefits that should be maintained as the focus on climate-related financial disclosure increases. We believe that additional guidance on how mainstream financial filings can interact with corporate sustainability reports in a consistent way would be useful.

Maturity Model

We recommend that the TCFD consider how implementation of the Recommendations could involve a "Maturity Model" framework that would serve as a business tool to allow companies to self-assess their progress, benchmark against peers, and shape executive alignment and commitments. For an example of this type of model, see the Electric Power Research Institute Electric Power Sustainability Maturity Model from March 2014, available at: http://www.epri.com/abstracts/Pages/ProductAbstract.aspx?ProductId=000000003002002887

Many companies value transparency and would be interested in demonstrating to investors and stakeholders that they are reviewing their corporate sustainability reports and environmental,

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social, and governance disclosures in line with the Recommendations. An iterative process for enhancing climate-related financial disclosure may be valuable.

Sector-Specific Guidance

We appreciate that the Recommendations included sector-specific implementation guidance rather than attempting to identify line-item disclosures that would apply across the board. Additional sector-specific implementation guidance may also be helpful, such as for information technology, telecommunications, health care, consumer products, and professional services.

Stakeholder Engagement

It would be helpful to engage with other types of reporting initiatives to determine whether there are ways to develop efficiencies within climate reporting to reduce the reporting burden on data preparers. For example, some publicly-traded companies may wish to adopt the TCFD Recommendations for their mainstream financial filings and cease participating in other voluntary reporting regimes. This may affect other companies in the supply chain who may be reviewed negatively if their suppliers are no longer participating. Other companies, including those who are not publicly-traded, may wish to continue participating in voluntary reporting regimes where they can provide transparency for their supply chain and other stakeholders. In these cases, it will be imperative to identify ways to promote consistency across voluntary reporting regimes. Stakeholder engagement by the TCFD could help advance these goals.

Finally, we encourage the TCFD to engage further with data preparers in both the financial and non-financial sectors. To advance the policy dialogue, it may be helpful to allow for a public comment period, rather than a public consultation period, where the comment letters submitted to the TCFD can be reviewed by the public.

Thank you again for the opportunity to comment on the Recommendations. We would like to offer our assistance to you throughout the implementation process.

Sincerely,

Bob Perciasepe

Bob Perciasepe
President
Center for Climate and Energy Solutions

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