

Mr Michael Bloomberg
Chairman FSB TCFD
Founder, Bloomberg LP

Dear Mr Chairman

Re: PRI response to the FSB Task Force Public Consultation

ABOUT THE PRI: The UN-supported Principles for Responsible Investment (PRI) is the world's leading initiative on responsible investment. The PRI represents 1,650 signatories globally with US\$63 trillion in assets under management. As part of the PRI's activities on climate change, we have actively contributed to advancing investment practices, active ownership and investor collaboration with policymakers - including the G20 Green Finance Study Group and working with the UN to bring the investor voice to the climate negotiations. The PRI's Montreal Carbon Pledge initiative has convened over 120 investors to measure and disclose portfolio emissions. The PRI signatories disclose annually on implementation of responsible investment through the PRI's Reporting Framework, which includes climate change indicators.

THE PRI'S POSITION: A strong climate disclosure regime will act as a climate risk mitigation tool, better safeguarding investments, climate stability and international financial stability. We therefore welcome the Task Force's recommendations, but consider that greater focus is needed on driving implementation.

- Overall, the Task Force has provided a strong top-down global framework with financial metrics, encouraging alignment of interests in the investment chain, with asset owners playing an important role in implementation. This is in line with the PRI's recommendations in our response to the Phase I Report public consultation in April 2016.
- We encourage the Financial Stability Board and the G20 to endorse publicly the Task Force's report and take forwards our implementation recommendations below. We recommend that policymakers collaborate with initiatives such as The Sustainable Stock Exchanges Initiative to encourage consistent implementation by market participants.
- We note that the PRI's *Global Guide to Responsible Investment Regulation*¹, finds that companies subject to government-led mandatory ESG disclosure requirements have better ESG risk management than those subject to voluntary guidelines.

THE PRI'S IMPLEMENTATION RECOMMENDATIONS: We urge the Task Force and FSB to accelerate their efforts, with a stronger on follow-up actions to drive implementation over the coming years. We recommend the following priorities, informed by feedback from PRI signatories on the Task Force's draft recommendations:

¹ <https://www.unpri.org/page/responsible-investment-regulation>

Final report - overall recommendations:

- **Regulation:** the Task Force must make clear that its framework will enable more uniform implementation of many existing legal requirements for financial reporting on material risks, as well as uniform implementation of many existing codes and guidance.
- **Transition plans:** we recommend that the Task Force explicitly encourage organizations to disclose a transition plan to meet the Paris Agreement outcome of below 2 degrees and ambition for 1.5 degrees. This will better enable investors to understand how well-positioned companies are positioned for energy transition.
- **Investor disclosure:** the Task Force should clarify clearly that better company disclosure is a prerequisite for some of the investor disclosures to beneficiaries and clients, and recommend drawing on PRI's Reporting Framework, which will shortly be aligned.
- **Governance:** we recommend that the Task Force encourage disclosure of relevant board skills and knowledge in relation to climate change, to provide investors with insight to this.
- **Political influence:** the Task Force should encourage disclosure on political influence activities so that investors have visibility on alignment with investor interests, as well as disclosure on positive contribution to public policy goals on climate change.
- **Risk assessment:** we suggest that the recommendations on market risks (pages 11-12, Table 1) incorporate "changing competitor or consumer behaviour," and that policy and legal risks incorporate potential for removal of fossil fuel subsidies.
- **Transparency on methodologies:** we encourage the Task Force to urge harmonisation and transparency on methodologies for footprinting and scenario analysis, so that users are clear on what has been assessed and how. We support disclosure on scope 3 emissions and recommend that companies disclose the proportion of emissions covered by targets, to enable investors to understand how comprehensive such targets are.
- **Communication:** the report must be more succinct, supported by regional outreach to investors and policymakers, in collaboration with the PRI and other networks.

Follow-up actions

We strongly urge all G20 countries, the FSB and relevant stakeholders to work towards implementing the Task Force's recommendations within the 5-year timeline outlined in the report:

- **Monitoring:** we recommend an effective mechanism for the FSB and national-level policy makers to monitor timely adoption of the Task Force's recommendations, as well as the quality of disclosures, including periodic reports on progress. This needs to be supported by a process for further refining the framework, including developing country input.
- **Reporting convergence:** this is essential to reducing reporting burden. We recommend that policymakers, the PRI and reporting bodies work together towards convergence and reduction in the total number of parallel reporting frameworks.
- **Sharing good practice:** we encourage the Task Force to showcase good practice case studies across the investment chain, particularly where disclosures are used by asset owners to inform active ownership and reallocation decisions.
- **International Accounting Standards Board:** we encourage an enhanced accounting disclosure framework by the International Accounting Standards Board (IASB) to build a uniform approach towards reporting on material climate risk in financial reporting.

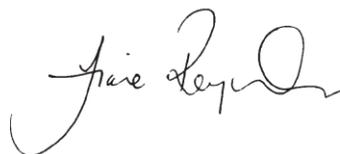
- **International listing rules:** we encourage the International Organization of Securities Commissions in adopting consistent international listing rules on disclosure of climate risk.
- **Stock exchanges:** we encourage stock exchanges in incorporating the FSB Task Force's framework within ESG and other reporting guidance, with the London Stock Exchange Group already having implemented this in 2017.
- **Service providers:** we recommend that supplemental guidance is introduced to promote disclosure by service providers such as investment consultants.
- **Metrics:** we recommend further research on appropriate metrics, including for water, contribution to reductions in the real economy and assessing financial value at risk. This can draw on learnings from the insurance sector and work underway by the 2017 G20 Green Finance Study Group on environmental data and risk methodologies.
- **Assurance:** we encourage development of relevant third-party auditing standards for climate reporting to enable third-party assurance.

ACTION THE PRI WILL TAKE: The PRI will undertake the following activities to support strong company and investor implementation of the Task Force's recommendations:

- **Addressing systemic barriers to implementation:** we will address principal-agent-related obstacles to use of disclosures in investment decisions. The PRI's RI Blueprint, our ten-year strategy for responsible investment, will address broader issues important to reallocation of capital, including investor accountability and a sustainable financial system.
- **Investment practices:** we will provide practical guidance to PRI signatories to advance investment practices in applying the Task Force's framework in company and portfolio-level analysis. This will enable meaningful investor disclosures, while contributing implementation of the Paris Agreement outcome.
- **Active ownership:** we will convene collaborative investor engagement with companies to promote the FSB Task Force recommendations. We will also convene investor input and collaboration with policymakers on implementation across the G20.
- **Investor disclosure:** to facilitate reporting convergence and investor disclosures in financial filings, we will adjust and align the PRI Reporting Framework with the FSB Task Force's supplemental guidance for asset owners and investment managers, subject to the final guidance provided by the Task Force.

Please find further below the PRI's detailed responses to the Task Force's consultation questionnaire incorporating the above points, which we have already submitted online.

Yours sincerely



Fiona Reynolds
Managing Director, PRI

Cc Martin Skancke, FSB Task Force Member and PRI Chair

PRI consultation questionnaire response submitted online, with copy sent to
tcf2017@uk.pwc.com on 10th February 2017

The Task Force on Climate-related Financial Disclosures Report Consultation

Respondent Information

Q1a Please provide your information in the boxes below

Title

Name Sagarika Chatterjee

Company name Principles for Responsible Investment

Position/Role Associate Director, Policy and Research, PRI

Country UK (global organization)

Q1b Which of the following best describes your area of responsibility in your organization? Please select ONE only Academic/industry expert 1 Administration 2 Board member 3 Compliance 4 Corporate reporting 5 Corporate strategy 6 Finance 7 General management 8 Government/regulatory affairs 9 Investment/asset management 10 Legal 11 Risk 12 Sustainability 13 Technology 14 Other (please specify) 94

PRI response: Government/regulatory affairs

Q1c Which of the following best describes your organization type? Please select ONE only Financial services sector, including asset owners 1 Go to Q1d Non-financial sector 2 Go to Q1e Non-Governmental Organization (NGO) 3 Go to Q2 Academia 4 Go to Q2 Industry/Trade association (Financial) 5 Go to Q1d Industry/Trade association (Non-financial) 6 Go to Q1e Other (please specify) 94 Go to Q2

PRI response: Industry/Trade association (Financial)

Q1d [ONLY ASK IF CODE 1 OR 5 AT Q1c] Please select your primary industry from the list below: Please select ONE only Asset management 1 Banking 2 Credit rating agency 3 4 Insurance (underwriting) 4 Pension plans, endowments, foundations, and other asset owners 5 Stock exchange 6 Other (please specify) 94 N/A

PRI response: Pension plans, endowments, foundations, and other asset owners. Note PRI is also Asset management. Signatories also include credit rating agencies, banks, insurance asset owners and service providers. PRI collaborates closely with the Sustainable Stock Exchanges Initiative.

Q1e [ONLY ASK IF CODE 2 OR 6 AT Q1c] Please select your primary industry from the list below: Please select ONE only Agriculture 1 Automobiles and components 2 Chemicals 3 Coal and consumable fuels 4 4 Construction materials 5 Consumer discretionary – retailing 6 Containers and packaging 7 Food, beverage and tobacco 8 Healthcare 9 Industrials 10 Metals and mining 11 Oil and gas 12 Paper and forest products 13 Professional services 14 Real estate 15 Information technology 16 Telecommunication services 17 Transportation 18 Utilities 19 Other (please specify) 94 Investment

PRI response: N/A

Q2 ASK ALL: Which of the following best describes your perspective on the TCFD recommendations? Please select ONE only User of climate-related financial disclosures 1 Preparer of climate-related financial disclosures 2 Both a user and preparer 3 Other (please specify) 94

PRI response: Both a user and preparer (PRI signatories are users and preparers)

All Sector Recommendations and Guidance

The Task Force structured its recommendations around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management, and metrics and targets (see page 16 of the TCFD report). The Task Force believes it is important to understand the financial and strategic implications associated with climate-related risks and opportunities on organizations as well as the governance and risk management context in which organizations operate. IF CODE 2 OR 3 AT Q2 ASK Q3a, Q3b, Q3c AND Q3d OTHERWISE GO TO Q4 Q3a

How useful are the Task Force’s recommendations and guidance for all sectors in preparing disclosures about the potential financial impacts of climate-related risks and opportunities? Please select ONE only Very useful 5 Quite useful 4 Neither/nor 3 Not very useful 2 Not useful at all 1 Don’t know 97

PRI response: Very useful

Q3b Please provide more detail on your response in the box below

PRI response:

THE PRI’S POSITION: A strong climate disclosure regime will act as a climate risk mitigation tool, better safeguarding investments, climate stability and international financial stability. We therefore welcome the Task Force’s recommendations, but consider that greater focus is needed on driving implementation.

- Overall, the Task Force has provided a strong top-down global framework with financial metrics, encouraging alignment of interests in the investment chain, with asset owners playing an important role in implementation. This is in line with the PRI’s recommendations in our response to the Phase I Report public consultation in April 2016.

- We encourage the Financial Stability Board and the G20 to endorse publicly the Task Force’s report and take forwards our implementation recommendations below. We recommend that policymakers collaborate with initiatives such as The Sustainable Stock Exchanges Initiative to encourage consistent implementation by market participants.
- We note that the PRI’s *Global Guide to Responsible Investment Regulation*², finds that companies subject to government-led mandatory ESG disclosure requirements have better ESG risk management than those subject to voluntary guidelines.

THE PRI’S IMPLEMENTATION RECOMMENDATIONS: We urge the Task Force and FSB to accelerate their efforts, with a stronger focus in the final report and follow-up actions to drive implementation over the next ten years. We recommend the following priorities, informed by feedback from PRI signatories on the Task Force’s draft recommendations:

Final report - overall recommendations:

- **Regulation:** the Task Force must make clear that its framework will enable more uniform implementation of many existing legal requirements for financial reporting on material risks, as well as uniform implementation of many existing codes and guidance.
- **Transition plans:** we recommend that the Task Force explicitly encourage organizations to disclose a transition plan to meet the Paris Agreement outcome of below 2 degrees and ambition for 1.5 degrees. This will better enable investors to understand how well-positioned companies are positioned for energy transition.
- **Investor disclosure:** the Task Force should clarify clearly that better company disclosure is a prerequisite for some of the investor disclosures to beneficiaries and clients, and recommend drawing on PRI’s Reporting Framework, which will shortly be aligned.
- **Governance:** we recommend that the Task Force encourage disclosure of relevant board skills and knowledge in relation to climate change, to provide investors with insight to this.
- **Political influence:** the Task Force should encourage disclosure on political influence activities so that investors have visibility on alignment with investor interests, as well as disclosure on positive contribution to public policy goals on climate change.
- **Risk assessment:** we suggest that the recommendations on market risks (pages 11-12, Table 1) incorporate “changing competitor or consumer behaviour,” and that policy and legal risks incorporate potential for removal of fossil fuel subsidies.
- **Transparency on methodologies:** we encourage the Task Force to urge harmonisation and transparency on methodologies for footprinting and scenario analysis, so that users are clear on what has been assessed and how. We support disclosure on scope 3 emissions and recommend that companies disclose the proportion of emissions covered by targets, to enable investors to understand how comprehensive such targets are.
- **Communication:** the report must be more succinct, supported by regional outreach to investors and policymakers, in collaboration with the PRI and other networks.

Supplemental Guidance Q3c How useful is the Task Force’s supplemental guidance for certain sectors in preparing disclosures about the potential financial impacts of climate-related risks and opportunities? Please see the TCFD Annex for supplemental guidance.

² <https://www.unpri.org/page/responsible-investment-regulation>

Please select ONE only Very useful 5 Quite useful 4 Neither/nor 3 Not very useful 2 Not useful at all 1 Don't know 97 Not applicable 96

PRI response: 5 Quite useful

Q3d Please provide more detail on your response in the box below

PRI response: The Task Force's recommendations supplemental guidance provide sector-level guidance which is essential to practical implementation of the recommendations. However, we believe that beyond this, substantial additional work will be needed to build company capacity to implement the recommendations, which have outlined further in our recommendations for follow-up actions.

Final report - Supplemental Guidance and Scenario Analysis

- **Asset owner and investment manager guidance:** we recommend that the Task Force indicate clearly that responsibility for climate assessment, particularly footprinting and scenario analysis, needs to be taken across the investment chain by all key actors, not only asset owners. The guidance should clarify how multi-managers disclose.
- **Portfolio footprinting:** while carbon footprinting is a useful investor tool for measuring emissions, the final report should not overemphasize its utility in forward-looking investor risk assessment due to its backwards-looking nature and data challenges. We encourage greater focus on disclosure on climate-related opportunities such as green revenues.
- **Scenario analysis:** we support disclosure of scenario analysis in mainstream financial filings, subject to the same governance processes used for other financial disclosures. We also support the Task Force's guidance that key inputs and assumptions should be disclosed, as well as applicability of the guidance to public debt and equity.
- Nevertheless, the Task Force should strongly recommend companies use common reference scenarios, and explicitly reference 1.5 degrees throughout the final report. Furthermore, organizations should disclose how scenario analysis is informed by the board and how often, as well as how scenario analysis informs strategic planning.

Organizational Decision Making IF CODE 1, 3 OR 94 AT Q2 ASK Q4a AND Q4b OTHERWISE GO TO Q5 Q4a If organizations disclose the recommended information (or information consistent with the Task Force's recommendations), how useful will that information be to your organization in making decisions (e.g., investment, lending, and insurance underwriting decisions)? Please select ONE only Very useful 5 Quite useful 4 Neither/nor 3 Not very useful 2 Not useful at all 1 Don't know 97

Q4b Please provide more detail on your response in the box below

PRI response: PRI signatories have indicated to us that the recommended information will be quite useful in investment decisions, but that a "level playing field" and uniformity is needed across geographic markets and sectors, so that information from companies can be compared and aggregated for investment analysis. Strong implementation over the next five years is essential, involving policymaker and investor promotion, with a role for all actors in the investment chain.

See our points on carbon footprinting further below.

Additional Disclosures IF CODE 1 OR 3 AT Q2 ASK Q5 OTHERWISE GO TO Q6 Q5 What other climate-related financial disclosures would you find useful that are not currently included in the Task Force's recommendations?

PRI response: We recommend that disclosures cover political influence and lobbying. Investors see some political influence and lobbying activities as a key barrier to the advancing of policy which will protect long-term investment value. Investors with more than US\$ 4 trillion in assets under management have endorsed a statement on this topic, and highlighted within it a set of disclosure expectations for investee companies:
<http://www.unpri.org/corporateclimatelobbying>. Furthermore, disclosure should cover how a company contributes positively to public policy goals on climate change.

Scenario Analysis ASK ALL Q6 The Task Force recommends organizations describe how their strategies are likely to perform under various climate-related scenarios, including a 2°C scenario (see page 16 of the TCFD report). How useful is a description of potential performance across a range of scenarios to understanding climate-related impacts on an organization's businesses, strategy, and financial planning? Please select ONE only

Very useful 5 Quite useful 4 Neither/nor 3 Not very useful 2 Not useful at all 1 Don't know 97

PRI response: Very useful

ASK ALL Q7 Please elaborate on your response above. If you selected "Not very useful" or "Not useful at all" please indicate what would be more useful.

PRI response: Scenario analysis will significantly assist investors in assessing climate-related risks and opportunity by providing forward-looking disclosures from companies. However, for this information to be useful to investors:

- It is essential that companies use an established reference scenario such as those of the International Energy Agency (IEA).
- Scenario analysis should be included in public, annual mainstream financial filings, subject to the same appropriate internal governance processes used for other public financial disclosures. We strongly support the Task Force's guidance that key inputs and assumptions are disclosed, as well as applicability of the guidance to public debt and equity.
- Guidance should state that organizations should disclose how scenario analysis is informed by the board, how often and how it informs strategic planning.

We recommend that the final Task Force report and follow-up actions are aligned with the high ambition in The Paris Agreement of 1.5°C degrees and recommend that company disclosures are provided that reflect this: *Article 2.1 (C) commits parties to "Holding the increase in the global average temperature to well below 2°C above the pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels.*

ASK ALL Q8 The Task Force recognizes that there are challenges around disclosing sufficient information to allow a better understanding of the robustness of an organization's strategy and financial plans under different plausible climate-related scenarios. Some challenges may arise from unfamiliarity with scenario methodologies and metrics, insufficient practice standards or cost. What do you view as effective measures to address potential challenges around conducting scenario analysis and disclosing the recommended information? Please rank your top three most effective factors that apply.

PRI response:

1 Establish better practice standards around conducting and disclosing scenario analyses so that there are clearer rules of the road

2 Further work by industry trade groups and disclosure users on critical elements to be disclosed is needed to help overcome concerns that some information may be commercially sensitive

3 Additional methodologies and tools should be developed for use by organizations to enable more effective scenario analysis

ASK ALL Q9 Please provide more detail on your first choice in the box below

PRI response: We are responding on behalf of PRI signatories who are both users and preparers.

- Better company disclosure on scenario analysis is a prerequisite for some of the investor disclosures on how scenario analysis is used. Building company consensus on an established reference scenario such as that of the IEA is important to the usability of scenario analysis-related disclosures.
- Investors indicate that capacity-building is needed for companies to overcome company concerns on commercial sensitivity, methodologies and best practice standards.
- Capacity-building will also be needed on investor use of better scenario analysis disclosures, with further refinement needed in investment practices incorporating forward-looking assessment of climate-related risks and opportunities.

Metrics and Targets ASK ALL Q10a The Task Force is recommending that organizations disclose the metrics they use to assess climate-related risks and opportunities in line with their strategy and risk management process. For certain sectors, the report provides some illustrative examples of metrics to help organizations consider the types of metrics they might want to consider. How useful are the illustrative examples of metrics and targets? For illustrative examples see the following pages in the TCFD Annex • Energy Group: pages 54-58 • Transportation Group: pages 66-70 • Materials and Buildings Group: pages 78-82 • Agriculture, Food, and Forest Products Group: pages 91-94

Please select ONE only Very useful 5 Quite useful 4 Neither/nor 3 Not very useful 2 Not useful at all 1 Don't know 97

PRI response: 5 Quite useful

Q10b Please provide more detail on your response in the box below

PRI response: Overall, the illustrative examples will assist in translating the metrics and targets recommendations and guidance into practical actions. Nevertheless, we recommend that the metrics and targets are reviewed annually through a formal process involving the Task Force.

We recommend further research on specific company metrics to be disclosed in financial filings to ensure consistency, comparability and robust disclosures. On water, for example, metrics should cover water withdrawals and consumption at facilities in areas of high or extremely high baseline water stress, as long as relevant targets.

We also encourage further research and industry collaboration on methodologies and key performance indicators for investors to understand their contribution to reducing emissions in the real economy, as well as financial value at risk. Over time, further research and collaboration on these topics will support high quality disclosure by financial institutions and potentially provide useful input for policymakers seeking to understand climate risk in the financial system.

As stated earlier in our response to overall recommendations, we encourage the Task Force to urge harmonisation and transparency on methodologies for footprinting and scenario analysis, so that users are clear on what has been assessed and how. We support disclosure on scope 3 emissions and recommend that companies disclose the proportion of emissions covered by targets, to enable investors to understand how comprehensive such targets are.

***Carbon-related Assets in the Financial Sector IF CODE 1 OR 5 AT Q1c ASK Q11
OTHERWISE GO TO Q13 Q11 Part of the Task Force's remit is to develop climate-related disclosures that would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector. Beyond the metrics included in the Task Force's guidance, and supplemental guidance, what other metrics could be used to measure carbon-related assets in the financial sector?***

PRI response: We welcome policymakers seeking to understand carbon-related assets in the financial sector.

- We encourage further research and industry collaboration on investor assessment of contribution to reducing emissions in the real economy, as well as assessment of financial value at risk; this will assist policymakers in understanding climate risk in the financial system.
- This research could, for example, consider whether policy makers should require listed fossil fuel companies to disclose the carbon intensity of their fossil fuel reserves.
- Research could also consider whether financial institutions should disclose how fossil fuel companies in their portfolios are assessed in relation to the energy transition.

- Meanwhile, we encourage focus on follow-up implementation actions to improve the quality of company disclosures, to enable some of the investor disclosures, which can in turn inform metrics for carbon-related assets metrics.

The Task Force is recommending that organizations provide key metrics used to measure and manage climate-related risks and opportunities. For example, the Task Force recommends that asset owners (including insurance companies) and asset managers report normalized greenhouse gas emissions (GHG) associated with investments they hold (for each fund, product, and strategy) using available data(see Annex pages 35 and 41). IF CODE 1 OR 5 AT Q1c ASK Q12 OTHERWISE GO TO Q13 Q12 Please describe your views on the feasibility of implementing the above recommendation

PRI response: See response below to Q13 b on portfolio carbon footprinting; this is one useful investor tool but does not provide a full picture on how an investor assesses climate-related risks and opportunities in a forward-looking matter. Investor methodologies are still developing for forward-looking risk assessment of climate-related risks and opportunities. We recommend any disclosure recommendations on portfolio carbon footprinting encourage harmonization and transparency on methodology used.

Greenhouse Gas Emissions (GHG) Associated with Investments IF CODE 1 AT Q2 ASK Q13a AND 13b OTHERWISE GO TO Q14 Q13a How useful would the disclosure of GHG emissions associated with investments be for economic decision-making purposes (e.g., investing decisions)? Please select ONE only Very useful 5 Quite useful 4 Neither/nor 3 Not very useful 2 Not useful at all 1 Don't know 97

PRI response: 3 Not very useful

Q13b Please provide more detail on your response in the box below [BOX]

PRI response: Portfolio carbon footprinting is one useful tool for investors to measure emissions and take action on climate change. PRI's Montreal Carbon Pledge is supported by over 120 investors involving an investor commitment to undertake and disclose a portfolio carbon footprint. However, company reporting on emissions needs to improve so that carbon footprinting is more meaningful for investment analysis. Furthermore, carbon footprinting provides historic, backwards looking data, with limited disclosure relevant to understanding a company's strategy and risk management for climate-related risks and opportunities. Therefore we consider that portfolio carbon footprinting, while useful for measuring emissions and informing investment analysis to a certain degree, is not very useful basis for making investment decisions, which require forward-looking disclosures on company strategy and financial impacts and further development of investor risk assessment methodologies.

Remuneration ASK ALL Q14 Which types of organizations should describe how performance and remuneration take climate-related issues into consideration? Please select ALL that apply The Energy Group as recommended by the Task Force 1 Other

non-financial sector organizations (please specify) 2 Financial sector organizations (please specify) 3 None 4

PRi response:

The Energy Group as recommended by the Task Force and 1 Other non-financial sector organizations (please specify)

Climate-related issues should be considered in remuneration at all companies where climate change is a significant, material issue.

See PRi's view on ESG in pay focused on the extractives sector:

https://www.unpri.org/download_report/8534

Governance recommendations should include how the board considers climate change in the mix of skills and expertise required, in board nominations and evaluation.

Adoption and Implementation IF CODE 2 OR 3 AT Q2 ASK Q15-18 OTHERWISE GO TO Q19 Q15 What do you view as the potential difficulties to implementing the disclosures? Please select ALL that apply The information requested could be commercially sensitive 1 The time and cost of collecting the information 2 Climate-related disclosure is not part of our current regulatory requirements 3 Lack of experience with concepts and methodology 4 Multiple climate-related reporting frameworks currently exist 5 We do not anticipate any difficulties related to implementing the disclosures 6 Other (please specify) 94

PRi response:

2 Climate-related disclosure is not part of our current regulatory requirements

4 Multiple climate-related reporting frameworks currently exist

Q16 What, drivers if any, do you think would encourage you to adopt the recommendations? Please select ALL that apply Requests from investors to disclose 1 Go to Q17 Requests from clients or beneficiaries 2 Reputational benefits and goodwill from adoption 3 Inquiries or requests from debt or equity analysts 4 Adoption by industry peers 5 Other (please specify) 94 None of the above 98 Go to Q18

PRi response:

Requests from investors to disclose

Requests from clients or beneficiaries

Reputational benefits and goodwill from adoption

Inquiries or requests from debt or equity analysts

Adoption by industry peers

Other (please specify)

Other drivers will include: uniform implementation of existing legal requirements, International Accounting Standards Board, International listing rules and promotion by Stock Exchanges (see below).

Q17 What support or actions would be helpful to you in implementing the disclosures within the next two years? Follow-up support and actions by the Task Force and policy makers:

PRI response:

Follow-up actions

We strongly urge all G20 countries, the FSB and relevant stakeholders to work towards implementing the Task Force's recommendations within the 5-year timeline outlined in the report:

- **Monitoring:** we recommend an effective mechanism for the FSB and national-level policy makers to monitor timely adoption of the Task Force's recommendations, as well as the quality of disclosures, including periodic reports on progress. This needs to be supported by a process for further refining the framework, including developing country input.
- **Reporting convergence:** this is essential to reducing reporting burden. We recommend that policymakers, the PRI and reporting bodies work together towards convergence and reduction in the total number of parallel reporting frameworks.
- **Sharing good practice:** we encourage the Task Force to showcase good practice case studies across the investment chain, particularly where disclosures are used by asset owners to inform active ownership and reallocation decisions.
- **International Accounting Standards Board:** we encourage an enhanced accounting disclosure framework by the International Accounting Standards Board (IASB) to build a uniform approach towards reporting on material climate risk in financial reporting.
- **International listing rules:** we encourage the International Organization of Securities Commissions in adopting consistent international listing rules on disclosure of climate risk.
- **Stock exchanges:** we encourage stock exchanges in incorporating the FSB Task Force's framework within ESG and other reporting guidance, with the London Stock Exchange Group already having implemented this in 2017.
- **Service providers:** we recommend that supplemental guidance is introduced to promote disclosure by service providers such as investment consultants.
- **Metrics:** we recommend further research on appropriate metrics, including for water, contribution to reductions in the real economy and assessing financial value at risk. This can draw on learnings from the insurance sector and work underway by the 2017 G20 Green Finance Study Group on environmental data and risk methodologies.
- **Assurance:** we encourage development of relevant third-party auditing standards for climate reporting to enable third-party assurance.

Q18 The Task Force's recommendations are focused on disclosure in financial filings; within what timeframe would your organization be willing to implement the recommendations in financial filings? Please select ONE only We already report these disclosures in financial filings 1 In the next one to two years 2 In three to five years 3 We do not intend to implement the recommendations 4 Do not know (please explain) 97

PRI response:

1 In the next one to two years

Additional Feedback ASK ALL Q19 What additional feedback you would like to provide the Task Force on the recommendations?

PRI response:

ACTION THE PRI WILL TAKE: The PRI will undertake the following activities to support strong company and investor implementation of the Task Force's recommendations:

- **Addressing systemic barriers to implementation:** we will address principal-agent-related obstacles to use of disclosures in investment decisions. The PRI's RI Blueprint, our ten-year strategy for responsible investment, will address broader issues important to reallocation of capital, including investor accountability and a sustainable financial system.
- **Investment practices:** we will provide practical guidance to PRI signatories to advance investment practices in applying the Task Force's framework in company and portfolio-level analysis. This will enable meaningful investor disclosures, while contributing implementation of the Paris Agreement outcome.
- **Active ownership:** we will convene collaborative investor engagement with companies to promote the FSB Task Force recommendations. We will also convene investor input and collaboration with policymakers on implementation across the G20.
- **Investor disclosure:** to facilitate reporting convergence and investor disclosures in financial filings, we will adjust and align the PRI Reporting Framework with the FSB Task Force's supplemental guidance for asset owners and investment managers, subject to the final guidance provided by the Task Force.

Thank you for completing this consultation. Your contribution is very much appreciated. If the Taskforce or PwC can contact you to clarify any of your answers, please click here.

PRI response: We are happy for PwC to contact us directly. In addition, we have sent a copy of our letter and full response to PwC and to the Chair of the Task Force.