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Sent via electronic form

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

Subject: File Number S7-06-16 comment on modernizing certain business and financial disclosure requirements in Regulation S-K

Dear Mr. Secretary:

We have reviewed the Commission's concept release entitled "Business and Financial Disclosure Required by Regulation S-K" (the "Concept Release") and we thank you for the opportunity to provide our comments.

Addenda Capital Inc. is a privately owned Canadian investment management firm responsible for investing more than C$25 billion in assets for pension funds, insurance companies, foundations, endowment funds, third party mutual funds of major financial institutions and high net worth clients.

General comments

We believe it is critical for the Commission to improve the reporting of material sustainability information, both because such disclosure is mandated by current law and because we need it to make informed investment and voting decisions.

Our comments are focused on the need for improved corporate disclosure of material sustainability information. They are provided with the understanding that, as noted in the Concept Release, "the purpose of corporate disclosure is to provide investors with information they need to make informed investment and voting decisions."

Investors increasingly need sustainability information to make informed investment and voting decisions. A 2015 CFA Institute survey of its portfolio manager and research analyst members provides evidence of this need.

Seventy-three percent of respondents to that survey indicated that they take environmental, social and governance (ESG) issues into account in their investment analysis and decisions.[1] Evidence of the increasing need comes from a 2015 MIT Sloan Management Review and Boston Consulting Group global survey of investors, where 74 percent of respondents agreed (to a great extent or a moderate extent) with the statement that good sustainability performance matters more to investors today compared to 3 years ago.[2]

Meanwhile, corporate disclosure of material sustainability information needs to be improved. For example, much of the sustainability information disclosed in 10-Ks does not help investors understand, price risk or evaluate performance on the topics disclosed because the disclosure generally does not address the likelihood and magnitude of the sustainability issues' effect on the financial condition or operating performance of a company. In the CFA Institute survey noted above, 61 percent of respondents agreed that public companies should be required to report at least annually on a cohesive set of sustainability indicators in accordance with the most up-to-date reporting framework.

Responses to specific questions

> ***54.*** *Does disclosure of the number of persons employed by the registrant help investors assess the size, scale and viability of a registrant's operations and any trends or shifts in operations? Is this disclosure important to investors and why? Is there any additional information about employees that would be important to investors? If so, what information?*

Yes, disclosure of the number of persons employed by the registrant helps investors assess the size, scale and viability of a registrant's operations and any trends or shifts in operations. This disclosure, along with additional information about how companies manage workplace relationships is important to investors because human resource management has a material impact on financial performance. A recent study published by the Investor Responsibility Research Center Institute found ample evidence of linkages between corporate human resources management and investment outcomes such as return on equity, return on investment and profit margins.[3]

We urge the Commission to evaluate the role of human resource management in value creation, the type of information investors would find useful to inform voting and investment decisions and the feasibility of adopting additional

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[1] CFA Institute, 2015, Environmental, Social and Governance Survey, found here: https://www.cfainstitute.org/Survey/esg_survey_report.pdf

[2] MIT Sloan Management Review, 2016, Investing For a Sustainable Future, found here: http://sloanreview.mit.edu/projects/investing-for-a-sustainable-future/

[3] Investor Responsibility Research Center Institute, 2015, he Materiality of Human Capital to Corporate Financial Performance, found here: http://irrcinstitute.org/news/new-research-documents-positive-link-between-corporate-human-resources-policies-and-investment-outcomes/

disclosure requirements. In particular, the Commission should consider requiring the following disclosures, as noted in the above mentioned report published by the Investor Responsibility Research Center Institute:

- A description of the company's training policy.
- How a firm's overall HR policy relates to its business strategy.
- The kinds of employees trained and whether training is provided in or outside the company.
- Whether and how the company measures the direct and indirect costs of the training.
- Outcomes that characterize successful implementation of policies and how they are measured. These might be immediate in terms of increased worker knowledge and skills resulting in improved productivity or customer satisfaction. Or, they might result in lower turnover with associated cost savings.
- Measures of the impact that implementation has had on company profits and other measures of financial performance.

> ***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?*

Yes, there are specific sustainability or public policy issues that are important to make informed voting and investment decisions. Climate change, water quality and availability, human resource management and corporate political spending are all examples of important sustainability issues.

For climate change in particular, we urge the Commission to require the following disclosure requirements at a minimum:

- Annual quantity of greenhouse gas emissions in tonnes of carbon dioxide equivalent from activities for which the company is responsible including the combustion of fuel and the operation of any facility
- Annual quantity of greenhouse gas emissions in tonnes of carbon dioxide equivalent resulting from the purchase of electricity, heat, steam or cooling by the company for its own use
- The consistency of the company's strategy and business plan with limiting the global temperature rise to 2°C above pre-industrial levels (which should include at a minimum emission reduction targets and performance and details regarding stress-testing or scenario analysis)

When considering the development of a disclosure framework, we urge the Commission to review the Task Force on Climate-Related Financial Disclosures' principles for effective disclosure: [4]
1. Present relevant information
2. Be specific and complete
3. Be clear, balanced, and understandable
4. Be consistent over time
5. Be comparable among companies within a sector, industry, or portfolio
6. Be reliable, verifiable, and objective
7. Be provided on a timely basis

> ***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?*

It is possible that line-item requirements for disclosure about sustainability or public policy issues might cause registrants to disclose information that is not material to investors. There are likely some sustainability and public policy issues that should be disclosed by all registrants in a uniform way but many are industry or company specific. For example, all companies should be required to report climate change information as noted in our response to question 216 above. However, perhaps only electric utilities should be required to disclose the nameplate capacity, electricity production and emissions intensity for each combustible fuel they use.

Line-item requirements for disclosure about some sustainability or public policy issues need not obscure what is important to an understanding of a registrant's business and financial condition. For instance, registrants could be instructed to indicate the relative importance of both the line-items required and any items it chooses to include itself.

> ***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?*

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[4] Task Force on Climate-Related Financial Disclosures, 2016, Phase I Report of the Task Force on Climate-Related Financial Disclosures, found here: https://www.fsb-tcfd.org/wp-content/uploads/2016/03/Phase_I_Report_v15.pdf

In answer to the last question, the information provided on company websites is not sufficient to address investor needs but nor should it be discontinued. For instance, much of the information provided on websites is not certified by a registrant's principal executive and financial officers nor is it audited by an independent auditor. Without these assurances, investors may not be able to rely upon the information for voting and investment decisions. However, even if the information provided on websites is not sufficient for investors, it is likely still useful for a wide range of other stakeholders.

> ***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?*

Many leading sustainability disclosure frameworks include useful elements that the Commission should consider when enforcing existing rules and guidance, issuing guidance or proposing line-item requirements for sustainability disclosure. In particular, we recommend that the Commission review the following:

- The World Federation of Exchanges' Sustainability Working Group's Exchange Guidance & Recommendation dated October 2015
- The Sustainability Accounting Standards Board
- The International Integrated Reporting Council
- The Global Reporting Initiative
- CDP reporting frameworks for climate change and water
- Industry-specific climate risk disclosure guidance developed by Ceres, the Institutional Investors Group on Climate Change and the Investors Group on Climate Change

> ***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 requirements may be adequate to permit investors to evaluate material climate change risks but only if followed by registrants and enforced by the Commission.

In closing, I would like to thank you for undertaking the consultation regarding the Concept Release and for providing us with the opportunity to comment. As the Commission works to improve the disclosure of material sustainability risks, I would welcome the opportunity to provide further input about the type of reporting we require. Please do not hesitate to contact me directly at +1 647-253-1029 or b.minns@addenda-capital.com.

Best regards,

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