



May 10, 2017

FAO: Task Force on Climate –Related Financial Disclosures

MSCI ESG Research LLC, a subsidiary of MSCI Inc., strongly supports the mission of the Task Force on Climate-related Financial Disclosures (TCFD) to establish “a clear, efficient, and voluntary disclosure framework that improves the ease of both producing and using climate-related financial disclosures”.

MSCI Inc. is a public company headquartered in the U.S. (New York City), with research and commercial offices globally, and over 6,000 customers worldwide. MSCI ESG Research works with over 1,000 clients, including 82 of top 100 global asset managers, 4 of the 5 largest wealth managers¹, as well as leading asset owners, investment consultants, banks and insurers. MSCI ESG Research was awarded first place in 13 of 17 categories in the global Independent Research in Responsible Investment (IRRI) survey for the past two years. MSCI Inc. also uses MSCI ESG Research data to construct over 700 ESG indexes, both equity and fixed income, that are used to support mutual funds and ETFs. Our ESG Ratings coverage universe includes more than 6,000 companies, including all constituents of the MSCI ACWI Index, and 11,000 fixed income issuers.

MSCI ESG Research has seen a significantly increased interest in ESG factors. From natural resource scarcity and climate change to changing governance standards, from global workforce management to the evolving regulatory landscape, ESG factors can have a significant impact on the long-term risk and return profile for investors, lenders and insurers.

By enabling market participants to better price the risks associated with climate change, improved climate-related financial disclosure is among the most critical ESG initiatives today.

MSCI ESG Research was an enthusiastic participant in the public consultation prior to the publication in December 2016 of the “Recommendations of the Task Force on Climate-related Financial Disclosures”.

MSCI ESG Research commends the efforts of the TCFD in producing the landmark “Recommendations of the Task Force on Climate-related Financial Disclosures” as a critical development in fulfilling its mission to improve climate-related financial disclosure. MSCI ESG Research is pleased to submit our feedback in support of this groundbreaking effort.

MSCI ESG Research has reviewed the recommended disclosures mentioned in TCFD’s main report and sectoral guidance document. We find the focus on governance, strategy, risk management, and metrics and targets are broadly consistent with MSCI ESG Research’s analytical framework, which is based on over 25 years of ESG financial research.

¹ Based on latest P&I AUM data and MSCI clients as on March 2017



MSCI ESG Research recommends that, in addition to greater disclosure on how well a company is managing climate-related risks, firms should also disclose how they are taking advantage of climate-related opportunities. We believe that a lack of investment in low-carbon technologies and infrastructure exposes companies to potential lost business opportunities, and heightens the possibility of existing products or services becoming redundant or obsolete in an increasingly low-carbon economy.

The report recommends that Asset Owners and Asset Managers should provide Greenhouse Gas (GHGs) emissions associated with each product or investment strategy normalized based on the amount invested. MSCI ESG Research believes that, in addition to such disclosures, Asset Owners and Asset Managers should also disclose additional dimensions of carbon risk at the portfolio level, such as associated fossil fuel reserves, exposure to climate-related opportunities etc. We believe that such multi-dimensional disclosure would allow for a more comprehensive assessment of portfolio level carbon risks and opportunities.

The report establishes a robust roadmap for future research. MSCI ESG Research agrees that scenario analysis will be a crucial tool for investors. For example, we've observed demand from institutional investors for a consistent and comparable assessment of climate change risk and opportunities across investment portfolios to make informed investment decisions. This highlights the need for having a core set of globally acceptable scenarios and developing common methodologies and underlying datasets.

MSCI ESG Research congratulates the Task Force on Climate-related Financial Disclosures once again and looks forward to helping implement these recommendations in the years to come.