Doug Peterson
Chief Executive Officer
S&P Global
55 Water St
New York, NY 10041
USA

30 November 2019

Dear Doug,

Carbon Emissions Disclosure

TCI Fund Management Limited manages over $30 billion across a range of asset classes. Since inception of the business over 15 years ago, cumulative investment returns have substantially outperformed equity index benchmarks.

TCI is a shareholder in S&P Global owning around 1% of the company.

Investment approach and engagement

As part of our investment process we assess a range of ESG factors, particularly climate change risk.

TCI believes that climate change-related risks, in particular a company's greenhouse gas (GHG) emissions, will have a material effect on a company's long-term profitability, sustainability and investor returns. These risks include regulation, taxation, competitive disadvantage, brand impairment, financing, physical asset impairment and litigation.

We actively engage on ESG to help us understand, quantify and influence a company's exposure to climate change-related risks and the way it is managing those risks.

Emissions disclosure

We require companies in which we invest to make appropriate and timely public disclosure of carbon and other GHG emissions. Such disclosure should include targets for emissions intensity reduction and absolute level reduction.

TCI fully supports compulsory disclosure on a standardised basis and the use of the Task Force on Climate–related Financial Disclosure (TCFD) reporting framework (www.tcfdhub.org).

In our view, reporting to CDP (www.CDP.net) is the best way to implement TCFD. **We expect all our portfolio companies to make full annual public disclosure to CDP.**

Low-Carbon Transition Plans

We expect companies in which we invest to have a credible, publicly disclosed-plan to reduce GHG emissions. This plan should include measurable science-based targets that align with the Paris Agreement, which requires full de-carbonisation of economies (net zero emissions) by 2050.

Actions that should be included in a low-carbon transition plan are to:

1. Change business processes to reduce the company's carbon footprint;
2. Introduce efficient energy management into buildings and factories;
3. Source low carbon energy through direct generation or power purchase agreements;
4. De-carbonise transport fleets, e.g. through electric vehicles;
5. Offset emissions from corporate travel, e.g. through afforestation;
6. De-carbonise supply chains and helping customers lower their carbon intensity;
7. Advocate for regulations which drive the de-carbonisation of their industry to ensure its sustainability.

Voting

1. **We will typically vote against all directors of companies which do not publicly disclose their emissions and do not have a credible plan for their reduction.**
2. **We will also vote against auditors where the Annual Report and Accounts fail to report material climate risks.**

Divestment

We will also evaluate divestment where a portfolio company refuses to disclose its emissions and does not have a credible plan for their reduction.

S&P Global disclosure to CDP

We are pleased to see that S&P Global (S&P) has provided disclosure to CDP for 2018 and 2019 and we have carefully analysed these submissions. **For 2018, CDP awarded S&P an overall A- grade.**

This is a very good score that demonstrates S&P's industry leadership on environmental actions and stewardship, thorough understanding of the risks and opportunities related to climate change and alignment with TCFD disclosure recommendations.

We are impressed with S&P's formal commitment to TCFD (2017), the comprehensive climate scenario analysis (2018) and your integrated ESG offering across all business divisions:

- Global ratings - inclusion of climate change risks and in the ratings process, ESG Industry Report Cards and launch of ESG Evaluations;
- Trucost ESG data and analytics service that powers many of S&P's ESG solutions;
- Dow Jones Sustainability Index, which provides valuable ESG benchmarking

- Platts – provides customised energy scenario planning, including low carbon transition.

Rating agencies have a key role to play in ESG analysis for investors. Your recent acquisition of RobecoSAM's ESG ratings business will bring valuable incremental insight to S&P's ESG product offerings.

S&P must strongly advocate for mandatory public disclosure of GHG emissions

Transparency is the bedrock of good investment decisions, and S&P is a powerful stakeholder in the ecosystem. While we accept that in the ratings process, S&P Global Ratings is often in possession of material non-public information (MNPI), which it cannot publicly disclose without the agreement of the issuer, this should not preclude advocacy for greater disclosure.

However, S&P must be a robust private and public advocate for comprehensive GHG emissions disclosure from all companies that it rates, so that all investors across the capital structure can make informed decisions about the climate risks involved in investing in businesses.

S&P Global Ratings should recommend that all companies submit emissions data to CDP, so there is a common framework for comparison

CDP recently analysed submissions from 215 of the world's 500 largest corporations and found that these companies face $1tn in costs related to climate change in the decades ahead, unless they take proactive steps to prepare. By the companies' own estimates, a majority of those financial risks could start to materialize in the next five years.

The importance of incorporating emissions analysis into credit ratings is illustrated by the following examples:

1. The bankruptcy of Pacific Gas and Electric (PG&E), an investment grade rated company, whose exposure to the increasing frequency of California wildfires ultimately overwhelmed the business;
2. The Volkswagen Emissions scandal. VW illegally concealed true emissions performance of the automotive fleet which resulted in $30bn of fines and penalties;
3. Transactions like Fiat Chrysler and Peugeot are strongly motivated by the inability of some automobile companies to meet emissions standards standalone;
4. Alphabet has commented that rising temperatures may increase the cost of cooling its data centres;
5. Airlines such as IAG and Lufthansa will face significant investment demands to meet net zero carbon emission targets;
6. Fossil fuel-based energy companies in the coal, oil and gas, steel and cement industries are facing accelerating emission-based taxation and technology disruption from renewable energy sources.

S&P must advocate for banks to disclose climate change risks associated with their loan books

We would like to make a specific comment on banks because they are a material part of the debt universe but offer extremely poor disclosure of their climate change risks. Investor exposures to climate change risks are leveraged in the banking sector.

Currently, nearly all banks refuse detailed public disclosure of their loan books and the associated climate change risks. While rating agencies (including S&P) are typically provided with some of this information, clients of S&P have limited ability to understand the underlying data behind the credit rating of the bank.

S&P's Trucost service has an important role in continuing to identify bank investment and loan portfolio exposure risk around financial services companies. In addition, S&P should continue to advocate for banks to disclose climate change risks associated with their loan books.

We appreciate the time and effort S&P has made incorporating ESG into its business. We look forward to continuing our dialogue.

Yours sincerely,

Chris Hohn

Philip Green

Alex Baring