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Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission, New Brunswick
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Office
Office of the Superintendent of Securities, Newfoundland and Labrador
Ontario Securities Commission
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

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RE: Proposed National Instrument 51-107 Disclosure of Climate-related Matters (the "Proposed Instrument") and Proposed Companion Policy 51-107 (the "Proposed Companion Policy")

Dear Secretary of the Ontario Securities Commission,

We are pleased to provide our comments on the Proposed Instrument and related Proposed Companion Policy. Overall, our firm is supportive of the CSA's intent to mandate disclosure of material climate-related information by public companies. We have provided our responses to select questions posed in the Request for Comment that are applicable to Deloitte.

Disclosure of GHG Emissions and Scenario Analysis

4. Under the Proposed Instrument, scenario analysis would not be required. Is this approach appropriate? Should the Proposed Instrument require this disclosure? Should issuers have the option to not provide this disclosure and explain why they have not done so?

We believe that scenario analysis is an important component of climate-related disclosures and is important to investors' understanding of climate-related risks and opportunities over different potential climate change pathways. While the Proposed Instrument is an important initial step to improving consistency and comparability of climate-related disclosures, we recommend:

- *that the CSA monitor developments of the International Sustainability Standards Board (ISSB) as well as the upcoming SEC proposals to re-assess this element; and*
- *consideration should be given to mandating climate-related scenario analysis the next time this Proposed Instrument is published for comment. Not only will scenario analysis inform an organization's resilience to different climate-related scenarios but it will also be in line with the Climate Prototype that already includes disclosures on analysis of the resilience of the entity's strategy to significant climate-related risks.*

5. The TCFD recommendations contemplate disclosure of GHG emissions, where such information is material.
 - The Proposed Instrument contemplates issuers having the option to disclose GHG emissions or explain why they have not done so. Is this approach appropriate?

Providing issuers the option to disclose GHG emissions, when the emissions are material, would be misaligned with the intentions of this Proposed Instrument and may not satisfy investors and other stakeholders increasing demands for consistent and comparable climate-related disclosures. Our view is that disclosures of GHG emissions and an issuer's performance on GHG reduction over time allows for improved accountability and comparability between organizations.

- As an alternative, the CSA is consulting on requiring issuers to disclose Scope 1 GHG emissions. Is this approach appropriate? Should disclosure of Scope 1 GHG emissions only be required where such information is material?

Our view is that Scope 1 emission disclosures should be mandatory, if material, as it is within an organization's control to reduce these emission sources.

- Should disclosure of Scope 2 GHG emissions and Scope 3 GHG emissions be mandatory?

We believe disclosures of Scope 2 emissions should be mandatory along with Scope 1 emissions, when material. Measurement of Scope 3 emissions can be complex and require reliance on entities throughout the value chain. However, in many cases, Scope 3 emissions may represent the majority of an organizations' GHG emissions and therefore, offer the most emissions reduction opportunities.

As such, we are supportive of an initial requirement to mandate disclosure of Scope 1 and 2 emissions and would strongly encourage disclosures of Scope 3 emissions, when material, with the ultimate aim to mandate Scope 3 disclosures as emissions tracking practices mature. Although an organization does not have direct control over Scope 3 emissions, it may be able to impact the activities that result in the emissions. Therefore, through an organization's disclosure of Scope 3 emissions, it may be better able to influence its

supplier's sustainability practices or result in the organization selecting vendors that have lower GHG emissions.

- For those issuers who are already required to report GHG emissions under existing federal or provincial legislation, would the requirement in the Proposed Instrument to include GHG emissions in the issuer's AIF or annual MD&A (if an issuer elects to disclose these emissions) present a timing challenge given the respective filing deadlines? If so, what is the best way to address this timing challenge?

Generally, GHG emission disclosures are currently disclosed in an issuer's sustainability report that may be issued several months after the issuer's filing of the AIF or annual MD&A. In addition, GHG reporting deadlines under existing federal or provincial legislation are generally later, as such, this may pose a timing challenge requiring issuers to prepare GHG emission disclosures earlier for inclusion in the AIF or annual MD&A. Provincial and federal legislations may require GHG emissions data to be verified by an independent accredited 3rd party, therefore, if an issuer was to accelerate the timing and verification of the GHG data for inclusion in the issuer's AIF or annual MD&A, this may pose a challenge due to the limited number of accredited verifiers.

6. The Proposed Instrument contemplates that issuers that provide GHG disclosures would be required to use a GHG emissions reporting standard in measuring their GHG emissions, being the GHG Protocol or a reporting standard comparable with the GHG Protocol (as described in the Proposed Policy). Further, where an issuer uses a reporting standard that is not the GHG Protocol, it would be required to disclose how the reporting standard used is comparable with the GHG Protocol.
 - As issuers have the option of providing GHG disclosures, should a specific reporting standard, such as the GHG Protocol, be mandated when such disclosures are provided?
 - Is the GHG Protocol appropriate for all reporting issuers? Should issuers be given the flexibility to use alternative reporting standards that are comparable with the GHG Protocol?
 - Are there other reporting standards that address the disclosure needs of users or the different circumstances of issuers across multiple industries and should they be specifically identified as suitable methodologies?

From a consistency and comparability standpoint, we are supportive of the use of a single standard such as the GHG Protocol.

7. The Proposed Instrument does not require the GHG emissions to be audited. Should there be a requirement for some form of assurance on GHG emissions reporting?

Many companies are already voluntarily obtaining assurance over GHG and Environmental, Social and Governance ("ESG") information based on stakeholder demands and to provide a greater level of confidence for those charged with governance. Similar to financial statement audits, independent assurance provides improved credibility and confidence over an organization's ESG information to support decision-making and assessment of ESG performance. We therefore recommend that assurance requirements be mandated for those emissions that the Proposed Instrument requires mandatory disclosure of. Should Scope 2 and/or Scope 3 emissions be required at a future date, there should be a mandatory assurance requirement linked to these disclosures at that time. In addition, we recommend the Proposed Policy provide guidance on assurance requirements including accreditation requirements, application of assurance standard(s) and level of assurance.

8. The Proposed Instrument permits an issuer to incorporate GHG disclosure by reference to another document. Is this appropriate? Should this be expanded to include other disclosure requirements of the Proposed Instrument?

We are supportive of permitting an issuer to incorporate GHG disclosure by reference to another document such as an issuer's sustainability or ESG report. This would minimize duplication of information amongst an issuer's various reports and allow issuers the ability to present the mandated information in a method that is most useful to their stakeholders. However, this may present a timing challenge as some issuers file their sustainability and ESG reports a few months after filing their AIF and Annual Reports. In addition, as the MD&A currently falls under the category of Other Information as defined in ISA 720 whereas, the management information circular and AIF currently does not, the location of the disclosures may create audit implications as it relates to the auditors' responsibility with the review of this information.

Usefulness and benefits of disclosures contemplated by the Proposed Instrument

10. What are the anticipated benefits associated with providing the disclosures contemplated by the Proposed Instrument? How would the Proposed Instrument enhance the current level of climate-related disclosures provided by reporting issuers in Canada?

Currently, climate-related disclosures are inconsistent due to the use of different frameworks and selective disclosures within those frameworks. While this can be driven by different stakeholder needs, availability of data, and desire by reporting issuers to tell their story in the way they would like to, it leads to inconsistent disclosures that are not comparable and leads to difficulties in assessing progress over time. The Proposed Instrument would improve consistency in disclosures significantly resulting in improved comparability between reporting issuers.

Guidance on disclosure requirements

14. We have provided guidance in the Proposed Policy on the disclosure required by the Proposed Instrument. Are there any other tools, guidance or data sources that would be helpful in preparing these disclosures that the Proposed Policy should refer to?

We are supportive of the intention of this Proposed Instrument to meet the urgent stakeholder demands for disclosure of material climate-related risks and opportunities in order to provide financially relevant, comparable and decision-useful information. As such, we are of the view that the Proposed Instrument should be aligned to the global sustainability standards, to be issued by the ISSB, on climate disclosures and related requirements (e.g. general disclosure requirements) to support global comparability. Although the disclosure requirements of the Proposed Instrument are consistent with the TCFD recommendations, subject to certain modifications, we are of the view that mandatory TCFD disclosures are an intermediate step in advance of adoption of ISSB standards (starting with climate). TCFD has made substantial inroads in addressing the information gap and its recommendations have been core to the development of the Climate Prototype published by the IFRS Foundation. However, the TCFD recommendations do not form a corporate reporting standard. As such, the global ISSB standards are essential in creating a global baseline of sustainability information addressing the needs of global capital markets. To be effective, the standards will need to be brought into regulation around the world, together with associated enforcement, monitoring, governance and controls, assurance, and training. Worldwide adoption of the ISSB standards is needed to achieve true harmonization.

Other tools, guidance or data sources required to address issues unique to the Canadian environment may be necessary to supplement the global standards. For example, Canada has a significant number of small and mid-cap public companies. Specific guidance may be necessary to assist these entities with complying with the required disclosures.

Further guidance on the definition of an SEC foreign issuer

Issuers that are 10-K filers (domestic Canadian companies choosing to file on US domestic forms) may not meet the definition of a SEC foreign issuer and therefore, would be required to also comply with the disclosure requirements in this Proposed instrument. Once the SEC issues its proposal on climate-related disclosures, we recommend a reassessment by the CSA on whether a 10-K filer presenting two sets of climate-related disclosures is necessary.

15. Does the guidance set out in the Proposed Policy sufficiently explain the interaction of the risk disclosure requirement in the Proposed Instrument with the existing risk disclosure requirements in NI 51-102?

We believe that the guidance set out in section 3 and 4 of the Proposed Policy sufficiently explains the interaction of the risk disclosure requirements in the Proposed Instrument with the existing risk disclosure requirements in NI 51-102.

Prospectus Disclosure

16. Form 41-101F1 *Information Required in a Prospectus* does not contain the climate-related disclosure requirements contemplated by the Proposed Instrument. Should an issuer be required to include the disclosure required by the Proposed Instrument in a long form prospectus? If so, at what point during the phased-in implementation of the Proposed Instrument should these disclosure requirements apply in the context of a long form prospectus?

We are of the view that an issuer should be required to include the disclosures required by the Proposed Instrument in a long form prospectus as this disclosure would be material information to potential investors and other stakeholders. Issuers filing a long form prospectus should follow the same phased-in transition dates as the provisions proposed for venture and non-venture issuers.

Future ESG considerations

18. In its comment letter to the IFRS Foundation’s consultation paper published in September 2020, the CSA stated that developing a global set of sustainability reporting standards for climate-related information is an appropriate starting point, with broader environmental factors and other sustainability topics to be considered in the future. What broader sustainability or ESG topics should be prioritized for the future.

We believe that the prioritization of sustainability topics should be aligned with the ISSB’s priorities with the aim of maintaining consistency to the baseline global sustainability standards to support global comparability.

We will be pleased to discuss any of our comments further if required. Any questions can be directed to Lara Gaede [REDACTED] or Nura Taef [REDACTED].

Yours truly,

Deloitte LLP

Chartered Professional Accountants,
Licensed Public Accountants