

February 2, 2022

Ontario Securities Commission
The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto ON M5H 3S8

Submitted by email to: comment@osc.gov.on.ca

**Re: Consultation Climate-related Disclosure Update and CSA Notice and Request for Comment
Proposed National Instrument 51-107 Disclosure of Climate-related Matters**

Dear Sirs/Mesdames:

We appreciate the opportunity to comment on the Proposed National Instrument 51-107 Disclosure of Climate-related Matters.

Founded in 1962, OMERS is one of Canada's largest defined benefit pension plans, with \$114 billion in net assets as at June 30, 2021. OMERS is a jointly-sponsored pension plan, with over 1,000 participating employers ranging from large cities to local agencies and over half a million active, deferred, and retired members. OMERS teams work in offices around the world – serving members and employers and originating and managing a diversified portfolio of high-quality investments in public markets, private equity, infrastructure, and real estate.

As a fiduciary investing on behalf of our members, OMERS commends the Canadian Securities Administrators' effort to evaluate disclosure rules that facilitate the disclosure of consistent, comparable, and reliable information on climate change. OMERS has recently committed to a Net Zero 2050 emissions goal for our portfolio. As regulations mandating climate-related disclosures proliferate and as companies and investors adopt and execute net-zero commitments, the importance of climate-related disclosure and analysis only grows. OMERS has endorsed the Task Force on Climate-related Disclosures (TCFD) as a global standard, which promotes the enhancement of consistent and reliable climate-related disclosures by corporations and other entities.

We have reviewed each of the critical issues and proposals identified in the consultation paper and provide our feedback below on those items most relevant to us:



Disclosure of GHG Emissions and Scenario Analysis

Question 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 test disclosure and explain why they have not done so?

Is this approach appropriate? See below.

Should the Proposed Instrument require this disclosure? We believe that scenario analysis is an important tool that can be used to understand a company's exposure to possible climate change outcomes. Given the current complexities surrounding scenario analysis, we believe this requirement should be phased-in over time. This being said, we do expect scenario analysis to become mandatory as data and methodologies improve, and there is convergence around a consistent set of scenarios. This phased-in approach aligns with the expectations set out in the International Sustainability Standards Board (ISSB) Climate-related Disclosures Prototype.

Should issuers have the option to not provide this disclosure and explain why they have not done so? We believe that scenario analysis should be required on a comply or explain basis. If scenario analysis is disclosed, it should include sufficient transparency so that investors understand the rigour behind the assumptions and qualitative disclosures.

Climate science and climate-related accounting and disclosure systems are evolving in real-time. Matters that appear material now, might later be determined not to be material, or conversely matters may turn out to be more material than originally disclosed. As such, we believe that a specific safe harbour provision should apply to forward looking climate-related disclosures.

Question 5. The TCFD recommendations contemplate disclosure of GHG emissions, where such information is material.

Question 5a: The Proposed Instrument contemplates issuers having the option to disclose GHG emissions or explain why they have not done so. Is this approach appropriate?

Question 5b: 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?

To address questions 5a and 5b, we do not believe that either approach is appropriate. We strongly believe that companies should be encouraged to adopt disclosures consistent with the TCFD, and as such there should not be an option for issuers to assume an across the board 'comply or explain' approach to GHG emissions disclosures. GHG emissions information is important to OMERS, as it provides a baseline for how we measure and manage climate-related risks and opportunities.

Question 5c: Should disclosure of Scope 2 GHG emissions and Scope 3 GHG emissions be mandatory?

We believe that issuers should be required to disclose Scope 1 and Scope 2 GHG emissions. Issuers should also be required to disclose Scope 3 GHG emissions if they deem them to be material. The TCFD recently updated its 2021 recommendations, indicating that all organizations should disclose absolute Scope 1 and Scope 2 GHG emissions independent of a materiality assessment.

Question 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.

Question 6a: 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?

Yes. A core objective of mandatory climate-related disclosure is to provide comparable data. As such, it is in the best interests of all actors to utilize a consistent, mandated standard.

Question 6b: 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?

Yes, the GHG Protocol is appropriate for all issuers. The GHG Protocol is the most widely used methodology and enjoys strong support across all stakeholders. Issuers should not employ other alternative reporting standards as this would undermine the objective of having consistent and comparable data.

Question 6c: 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?

A core objective of mandatory climate-related disclosure is to provide comparable, consistent data. As such, it is in the best interest of all actors to utilize a consistent – and mandated – standard. The GHG Protocol is the most widely used methodology; other methodologies such as the Partnership for Carbon Accounting Financials (PCAF) Standard build on the GHG Protocol accounting rules.

Question 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?

Independent assurance on the accuracy, completeness, and classification of GHG emissions data supports our investment decision-making processes that include consideration of the impacts of climate change. We also use this information to compute our own Fund carbon footprint and related metrics. Accordingly, we believe there should be some form of assurance on GHG emissions reporting, beginning with limited assurance and working towards audit level as the standards evolve. In support of this, issuers should also disclose whether their internal audit function was engaged and what criteria was used to assess the accuracy and completeness of its climate-related disclosures.

Usefulness and benefits of disclosures contemplated by the Proposed Instrument

Question 9: What climate-related information is most important for investors' investment and voting decisions? How is this information incorporated into these decisions? Is there additional information that investors require?

Firstly, we believe that GHG emissions data – Scope 1, Scope 2, and Scope 3 (where issuers have deemed it material) is important for OMERS investment and voting decisions. In addition, historical reporting of emissions with attribution is also important as these disclosures facilitate benchmarking, both against industry peers and sector decarbonization trajectories. We use the GHG emissions disclosures of the companies we invest in to measure OMERS portfolio carbon footprint annually. We have these results assured and report them publicly in our annual report. Finally, increasingly there is a focus on disclosure of net-zero transition plans and interim targets, which we are beginning to use in our analysis as we align our work with the latest TCFD recommendations.

Question 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?

Investors need comparability across issuers, which requires all issuers to disclose consistent information in a consistent place. Further to our CEO's 2020 joint statement with Canada's leading pension plan investment managers, to deliver on our mandate, we require increased transparency from companies. How companies identify and address issues such as climate change can significantly contribute to value creation and erosion. Companies have an obligation to disclose their material business risks and opportunities to financial markets and should provide financially relevant, comparable, and decision-useful information. We ask that companies measure and disclose their performance on material, industry-relevant ESG factors by leveraging the Sustainability Accounting Standards Board (SASB) standards and the TCFD framework to further standardize ESG-related reporting.

Costs and challenges of disclosures contemplated by the Proposed Instrument

Question 11: What are the anticipated costs and challenges associated with providing the disclosures contemplated by the Proposed Instrument?

As mentioned, OMERS ability to accurately assess investment decisions depends, in part, on companies' accurate and consistent climate-related disclosures. It is reasonable to anticipate that investors and issuers will bear costs associated with preparing and understanding the disclosure requirements. Furthermore, we believe that a common approach will yield the most benefit to all involved.

Question 12: Do the costs and challenges vary among the four core TCFD recommendations related to governance, strategy, risk management, and metrics and targets? For example, are some of the disclosures more (or less) challenging to prepare?

Please see further detail in response to question 17a.

Question 13: The costs of obtaining and presenting new disclosures may be proportionally greater for venture issuers that may have scarce resources. Would more accommodations for venture issuers be needed? If so, what accommodations would address these concerns while still balancing the reasonable information needs of investors? Alternatively, should venture issuers be exempted from some or all of the requirements of the Proposed Instrument?

We do not believe that venture issuers should be exempt from the requirements. Please see further detail in response to question 17a.

Guidance on disclosure requirements

Question 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?

The CSA should closely follow the progression of the ISSB, which is in the process of integrating the Value Reporting Foundation. Going forward, Canada will play a leading role in the formation and work of the ISSB, with the establishment of a Montréal office to support the Germany-based Board, and it is uniquely placed to both shape and align with the ISSB's work as it moves forward. The CSA should leverage this opportunity as much as possible to ensure that Canada's climate-related disclosure requirements remain globally relevant and aligned with jurisdictions that are pursuing these regulations such as the EU and the UK.

While we agree with a phased-in approach to climate scenario analysis, we recommend that companies should attempt to analyze scenarios that allow for a review of the most likely probabilities and the key drivers of physical and transition risks and opportunities. Other tools, guidance or data sources that would be useful in preparing disclosures include: the ISSB Climate-related Disclosures Prototype, and the latest TCFD guidance.

Question 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, with the way the guidance is currently set out, there is potential for confusion. Existing risk management disclosure requirements are subject to a materiality threshold, whereas the required risk management disclosures under the TCFD are not. We recommend that this should be clarified.

Phased-in implementation

Question 17. The Proposed Instrument contemplates a phased-in transition of the disclosure requirements, with non-venture issuers subject to a one-year transition phase and venture issuers subject to a three-year transition phase. Assuming the Proposed Instrument comes into force December 31, 2022 and the issuer has a December 31 year-end, these disclosures would be included in annual filings due in 2024 and 2026 for non-venture issuers and venture issuers, respectively.

Question 17a: Would the transition provisions in the Proposed Instrument provide reporting issuers with sufficient time to review the Proposed Instrument and prepare and file the required disclosures?

Yes, given that the first TCFD recommendations were published in 2017 and the CSA's guidance on climate risk disclosure expectations is not a new direction of travel for the market. We believe that both non-venture and venture issuers should provide disclosures in line with the timeline recommendations of the 2019 Expert Panel on Sustainable Finance. Concerning non-venture issuers, we agree with the CSA proposal of a one-year implementation period for full compliance.

We do not agree with the proposed three-year delayed implementation for venture issuers. Instead, we recommend a three-year phased-in approach, giving venture issuers three years to fully comply with the CSA proposal. We recognize that smaller public companies with fewer resources may require additional time to adopt the proposed climate-related disclosure regime. We expect that these smaller firms could implement the disclosure requirements in an incremental and iterative manner over the allotted time.

In summary, we recommend that the CSA consider adopting the phased approach outlined in the 2019 Expert Panel on Sustainable Finance. We believe the recommendation for a two-phased approach, with requirements that differ for firms based on market capitalization and complexity of reporting, is suitable in this context.

Question 17b: Does the phased-in implementation based on non-venture or venture status address the concerns, if any, regarding the challenges and costs associated with providing the disclosures contemplated by the Proposed Instrument, particularly for venture issuers? If not, how could these concerns be addressed?

Please see further detail in response to question 17a.

Future ESG Considerations

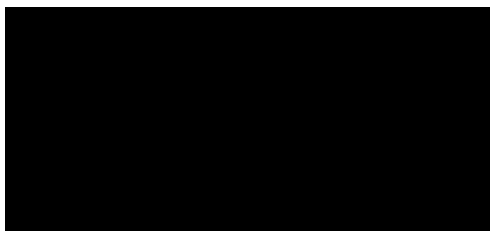
Question 18: In its comment letter to the IFRS Foundation’s consultation paper published in September 2020, the CSA stated that developing a global set of sustainability reporting standards for climate-related information is an appropriate starting point, with broader environmental factors and other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

Overall, we agree with the climate-first approach. We support alignment of ESG-related disclosure with the SASB Standards and the TCFD; therefore, we are pleased that the guidance in the Proposed Policy on the disclosure required by the Proposed Instrument is consistent with TCFD recommendations. We would also encourage the inclusion in the Proposed Policy of a reference to the SASB Standards. The SASB Standards are designed to help companies disclose financially-material sustainability information to investors.

In terms of broader sustainability or ESG topics that should be prioritized in the future, we suggest that the CSA could consider the issue of Indigenous rights and reconciliation in Canada. In addition, human capital management is being considered by the Securities Exchange Commission (SEC) and SASB has been working on a human capital management framework. Finally, Canada has already begun consultations for new statutory disclosures related to employee, retiree, and pensioner well-being, which could also be considered.

We thank you for the opportunity to provide these comments. We would be happy to address any questions you may have and appreciate the time you are taking to consider our points of view.

Michael Kelly



Chief Legal & Corporate Affairs Officer
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