

Backgrounder: CSA climate change disclosure review project

Purpose

Many investors who are concerned about business risks and financial impacts associated with climate change are requesting improved disclosure by businesses in respect of such risks and impacts, and the actions being taken to address them. The demand for improved disclosure has resulted in the proposal of a number of voluntary frameworks for disclosure in respect of climate-related risks and impacts, along with other sustainability matters. In addition, a number of jurisdictions outside of Canada have adopted specific climate-related disclosure requirements for public companies.

With these considerations in mind, the CSA intends to review various matters in relation to the disclosure of risks and financial impacts associated with climate change. The review will be conducted with a view to ensuring that issuers provide high quality disclosure of material information, which in turn assists investors in making informed investment and voting decisions.

Project Overview

The project includes three key components:

1) Review of international disclosure requirements and voluntary frameworks

CSA Staff will review climate-related disclosure requirements in the securities laws of certain international jurisdictions, such as Australia, the United Kingdom and the United States, as well as recommendations contained in recently proposed voluntary disclosure frameworks with respect to climate-related disclosure, including:

- International Integrated Reporting Framework published by the International Integrated Reporting Council
- Global Standards for Sustainability Reporting published by the Global Reporting Initiative
- Climate Risk Technical Bulletin published by the Sustainability Accounting Standards Board
- Recommendations of the Task Force on Climate-Related Financial Disclosures published by the Financial Stability Board.

2) Review of continuous disclosure by reporting issuers

CSA Staff will review public disclosure by Canadian reporting issuers in both their mandatory continuous disclosure filings and voluntary sustainability reports, to assess the extent to which these filings currently include disclosure concerning material climate-related risks and financial

impacts, and the governance processes related to them. The review is expected to focus on disclosure prepared by large TSX-listed reporting issuers for the 2016 financial year.

3) *Consultations*

CSA Staff will gather feedback from reporting issuers on climate-related disclosure and the associated costs. CSA Staff will also consult with investors to better understand the climate-related information they require to make an informed investment decision. These consultations will occur through an anonymous online survey of reporting issuers as well as focus groups with investors and reporting issuers.

Existing Disclosure Requirements

In Canada, reporting issuers are required to disclose material risks in their periodic disclosure, including climate-related risks. In 2010, the CSA published CSA Staff Notice 51-333 *Environmental Reporting Guidance*, which provided guidance to reporting issuers (other than investment funds) on existing continuous disclosure requirements relating to environmental matters under securities legislation in Canada.

Next Steps

The CSA expects to conduct its information gathering in spring and summer 2017 and publish a progress report outlining its findings upon completing its review.