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Nunavut Securities Office
Office of the Superintendent of Securities, Newfoundland and Labrador
Ontario Securities Commission
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Consultation Climate-related Disclosure Update and CSA Notice and Request for Comment Proposed National Instrument 51-107 Disclosure of Climate-related Matters

CIBC Asset Management thanks the Canadian Securities Administrators for the opportunity to comment on the proposed climate disclosures.

Please see our responses to the specific questions contained in the National Instrument proposal below.

Thank you,

Trevor

Trevor Bateman, CPA, CA, CFA | Head of Credit Reserch | Portfolio Management & Research | Toronto, Ontario

[redacted]

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PART 10 - Request for Comments

We welcome your comments on the Proposed Instrument and Proposed Policy and also invite comments on the following specific questions. In each instance, please provide an explanation for your answer.

Experience with TCFD recommendations

1. For reporting issuers that have provided climate-related disclosures voluntarily in accordance with the TCFD recommendations, what has been the experience generally in providing those disclosures?
    - N/A

Disclosure of GHG Emissions and Scenario Analysis

2. For reporting issuers, do you currently disclose GHG emissions on a voluntary basis? If so, are the GHG emissions calculated in accordance with the GHG Protocol?
    - N/A
3. For reporting issuers, do you currently conduct climate scenario analysis (regardless of whether the analysis is disclosed)? If so, what are the benefits and challenges with preparing and/or disclosing the analysis?
    - N/A
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?

- While scenario analysis is important, we believe at this time the most important need for us as investors is standardized reporting which allows for consistent and comparable data. At this time, we believe scenario analysis should be optional and issuers should have the option to not provide disclosure as long as they explain why they are not doing it.

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?
        - No. GHG emissions disclosure should be required, not optional. Making it optional leads to the same inconsistencies in disclosure that we currently face which makes comparisons and analysis between issuers difficult during our investment analysis
    - 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?
        - Yes, Scope 1 emissions should be required for all issuers and leave it up to each investor to determine the level of materiality based on their risk preferences. Therefore, our suggestion is to not have any exceptions because materiality vary for each investor, so all issuers should disclose Scope 1 information and let the investors determine whether that is material or not for their risk appetite.
    - Should disclosure of Scope 2 GHG emissions and Scope 3 GHG emissions be mandatory?
        - Yes for Scope 2 and – Maybe for Scope 3. Both Scope 2 and Scope 3 emissions disclosure information is important to investors, but Scope 3 data is not easily available and is difficult to put together. So there is a cost element but also making sure the methods used to derive this Scope 3 data are science-based and that the data is scientifically credible. So yes would love to have it disclosed, but a framework or standard will need to be in place to ensure that it is meaningful and consistent when it is provided, but also have to be cognizant of the financial impact or cost to the issuers from all this incremental disclosure
    - 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?
        - From an investor perspective, GHG emissions disclosure is currently not easy to find, different issuers have it in different places - so including it in the AIF or annual MD&A will be very helpful. With regards to the timing challenge due to different deadlines, as

investors we are used to having up to a 1-year lag for GHG emissions data disclosure, so we understand if the GHG emissions disclosure is not as timely as quarterly financial data which is supported by comprehensive reporting systems

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?
        - Yes, a specific reporting standard such as the GHG Protocol should be mandated and this is very important to ensure consistency and comparability of the GHG emissions disclosure provided by different issuers
    - 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 reporting issuers and to ensure consistency and comparability of the GHG emissions disclosure, issuers should only use GHG Protocol and not alternative reporting standards which might introduce variability or inconsistences to the data disclosed
    - 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?
        - Ideally if there are industry reporting standards those should be identified as suitable methodologies – but the problem right now is that there is no such thing. Even for emissions-intense sectors like Energy we still face inconsistencies in the methodologies used to report the data which makes GHG emissions comparisons and analysis difficult
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?
    - At a minimum some 3rd party assurance should be required at least once every 3-years
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?
    - Yes this is okay from an investor perspective, what we care for the most is that the information is available and we can easily access it – which a link allows us to do that

Usefulness and benefits of disclosures contemplated by the Proposed Instrument

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?
   - Most important information and how it is incorporated into investment decisions:
     - Scope 1 & 2 disclosure allows investors to determine the risks and vulnerability of an issuers business model to increased carbon tax and this is likely to have an impact immediately and into the long-run
     - Scope 3 disclosure allows investors to determine the risks and vulnerability of an issuers business model to structural shifts in the broader economy from fossil fuels as the primary source of energy to a clean economy – this is a gradual shift and the impact will be felt gradually and likely manifested in the longer-run
   - We have seen improved and increased disclosure from most issuers over the last few years and now the biggest problem is around consistency and comparability, not necessarily any incremental information at this time.
   - Disclosure related to strategy to achieve net zero carbon by 2050, or why no commitment, is important. Disclosure should include science-based plans and target, interim target and transparent reporting and measurement of progress to targets.
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?
    - As investors our greatest need at this time is for consistency of the data provided which then allows for easier comparability and allows us to make better informed investment decisions. Our hope is that this Proposed Instrument does that – provides standards for consistent and comparable emissions data disclosure

Costs and challenges of disclosures contemplated by the Proposed Instrument

11. What are the anticipated costs and challenges associated with providing the disclosures contemplated by the Proposed Instrument?
    - N/A
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?
    - N/A
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?

- More accommodation is needed for venture or smaller issuers with limited resources. Our suggestion will be the following:
    - Less frequent reporting for venture issuers, so maybe once every 2 years.
    - Risk-based approach where for venture issuers in carbon intense industries like Energy, Mining, Power Generation, etc., reporting can still be less frequent say maybe once every 3-years; but for issuers in non-carbon intense industries such as Technology, reporting can be once every 5-years or even exempt

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?
    - N/A
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?
    - N/A

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?
    - Yes, we believe issuers should be required to include climate-related disclosure in a long form prospectus because this information is just as important as any of the other financial and business risk information provided in the prospectus. But not to overwhelm the issuers by requiring that all this disclosure be included in all the different reports at the same time, inclusion in the prospectus can be required at least a year after the phased-in deadlines for inclusion in the AIF or MD&A.

Phased-in implementation

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.

- 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?
  - While we believe the proposed timelines provide issuers adequate time to transition, we encourage earlier disclosure. We believe the majority of the non-venture issuers are already publishing GHG emissions disclosure in Sustainability Reports and other ESG reports and therefore should be able to meet the proposed timeline
- 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?
  - Yes, somewhat, however, we will again highlight our suggestion for a "risk-based approach" where for venture issuers in carbon-intense industries like Energy, Mining, Power Generation, etc., reporting can be phased-in as currently contemplated in the Proposed Instrument; and for issuers in non-carbon intense industries such as Technology, the phase-in time can be prolonged up to 5-years or even exempt

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 also agree with CSA comment letter – we believe developing a global set of sustainability reporting standards for climate-related information is paramount because the biggest challenge we currently face as investors is consistency and comparability of current Sustainability data disclosure. Just to give you context on this problem, for example it is difficult sometimes comparing GHG emissions intensity in the Energy Sector because some issuers provide their data per barrels, some per liters, some per cubic feet, some per cubic meters and it is a similar story for other measures such as energy intensity where comparability is different because each issuers has discretion over measuring units used