



Canadian Investor
Relations Institute (CIRI)
PO Box 76053
Oakville, ON L6M 3H5
Canada

CIRI.org

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The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario M5H 3S8
Fax: 416-593-2318
comment@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
Fax: 514-864-6381
consultation-en-cours@lautorite.qc.ca

CC: Alberta Securities Commission
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

Dear Secretary and Me Lebel,

Re: *Proposed National Instrument 51-107 Disclosure of Climate-related Matters*

The Canadian Investor Relations Institute (CIRI), a professional, not-for-profit association of executives responsible for communication between public corporations, investors and the financial community, is pleased, as a stakeholder in the capital markets, to provide comments on the *Proposed National Instrument (Proposed Instrument) 51-107 Disclosure of Climate-related Matters*. CIRI membership represents approximately 200 non-investment fund reporting issuers with a combined market capitalization of \$3.1 trillion. More information about CIRI is provided in Appendix A.



General Comments

CIRI appreciates the opportunity to review the Proposed Instrument and supports the CSA's commitment to environmental disclosure, particularly GHG emissions. The issuer community is generally supportive of mandating GHG emission disclosure to ensure consistency and comparability of reporting, provided that the requirement is to disclose material information and that issuers have the option to disclose GHG emissions or explain why they have not done so.

Responses to Specific Questions

CIRI has addressed only those questions in the Proposed Instrument that we believe are most relevant to our members. Our commentary is supported by the views of our members collected through a survey.

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?*

Those members using TCFD recommendations have had mixed experience ranging from good to poor, with half citing fair. While some feel the framework is well laid out, others feel issuers are not using the recommendations in a similar manner causing the output to be inconsistent. It seems a more prescriptive approach would be appreciated by issuers and investors alike to ensure consistent application and comparability of results.

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?*

Half of survey respondents currently report GHG emissions on a voluntary basis with only 40% using the GHG Protocol. Thirty percent of respondents use the ISO Protocol and 30% use protocols that are specific to their industry (e.g. American Petroleum Institute Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry, 2009; Canadian Association of Petroleum Producers, Calculating Greenhouse Gas Emissions, 2003; IPIECA's Petroleum Industry Guidelines for reporting GHG emissions, 2nd edition, 2011) or region (e.g. BC Methodological Guidance for Quantifying Greenhouse Gas Emissions).

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?*

Only 20% of issuers conduct climate scenario analysis with 15% disclosing it. Some challenges include the lack of a standardized methodology and the fact that outcomes are highly dependent on the assumptions made in conducting scenario analysis.

It should also be noted that GHG emission disclosure would be subject to liability, so it is prudent to move slowly.

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?*

Almost three-quarters of respondents (71%) feel that scenario analysis should not be required for the reasons cited in question 3. Ultimately, until the relevant scenarios and their implications are universally agreed-upon, complex scenario analysis that is highly based on assumptions detract from decision-useful data.

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?

Yes, issuers should have the option to disclose GHG emissions, if material, and have the option to explain why they have not done so.

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?

Issuers should only be required to disclose Scope 1 GHG emissions if it is material.

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

When disclosure of Scope 1, 2 and 3 is required, it should be done on a staggered basis since the complexity of these disclosures vary. Issuers should first be required to disclose Scope 1 and 2, if material, as they are more straightforward. Once these disclosures are done well, regulators should consider Scope 3 disclosure. It should be noted that currently complete disclosure of Scope 3 emissions would be extremely challenging for even the most sophisticated companies.

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?

Including same fiscal year GHG emissions in the issuer's AIF and annual MD&A is extremely problematic. Issuers publish this data in sustainability reports well after annual filings. This is driven by the time required to collect GHG emission data, which takes significant resources and expense to track and report. Most issuers would not have the infrastructure to do so within the timing proposed.

To address these concerns, the reporting timeframe for the AIF or annual MD&A would need to be extended if GHG emissions were to be included. Alternatively, GHG emissions could be included in the first or second quarter MD&A, depending on when the issuer's data is available.

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?

While issuers use a variety of protocols for GHG emissions, 78% of respondents feel it would be in the best interest of issuers and investors to mandate one protocol to ensure comparability.

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?

There is consensus on mandating one protocol for GHG emissions; however, there is not consensus on which protocol to use. Over half of respondents (57%) supported the GHG Protocol while 43% felt the GHG Protocol is not appropriate for all issuers and they should be given the option to use an alternative.

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?

Several respondents referenced the ISO Protocol, which should be reviewed relative to the GHG Protocol to determine its suitability.

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?*

The majority of respondents (71%) feel that there should be some form of limited assurance of GHG emissions to increase investors' confidence but not yet. First, issuers need to track and report reliable data. Once this has been achieved, limited assurance can follow.

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?*

All respondents agree that issuers should be able to incorporate GHG disclosure by reference to another document.

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?*

All respondents cited increased internal costs (human, systems, etc.) associated with the disclosures in the Proposed Instrument. Many also cited increased expense related to assurance (86%) and increased external resources required such as consultants (79%). These costs would increase significantly with the implementation of Scope 3. Another consideration is whether the requirement is to disclose material information only as this would have a significant impact as well.

As outlined in question 5, the timing challenges are significant.

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?*

A number of issuers indicated that governance-related disclosures are easiest to prepare while risk management-related disclosures, as well as metrics and targets, are more complex and costly.

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?*

Given the importance of GHG emission disclosure, venture issuers should not be exempt from the requirements in the Proposed Instrument, but they should be given additional time to implement them. In addition, the requirement to disclose this information only if it is material to the company will potentially reduce their disclosure requirements.

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?*

Issuers feel a Q&A document based on questions submitted by issuers would be a valuable resource.

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?

Most respondents (92%) feel that the transition period proposed would give their companies sufficient time to prepare Scope 1 and 2 disclosures, but not Scope 3. That said, there will be significant costs involved in doing this and there may not be enough consultants available to service all issuers given that many do not have this skill set in-house.

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?

While the phased-in implementation addresses the timing-related concerns, it does not address the cost-related concerns. Consideration should be given to whether disclosure is required for material information only as this may lead to fewer issuers being required to make GHG emission disclosure, thereby decreasing costs.

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?*



The top issues respondents feel should be tackled next include diversity, equity and inclusion, as well as cybersecurity and data protection.

CIRI appreciates the opportunity to provide comments on the Proposed Instrument and commends the efforts of the CSA to protecting the environment and investors.

Sincerely yours,
Yvette

Yvette Lokker
President & Chief Executive Officer
Canadian Investor Relations Institute



Appendix A

The Canadian Investor Relations Institute

The Canadian Investor Relations Institute (CIRI) is a professional, not-for-profit association of executives responsible for communication between public corporations, investors and the financial community. CIRI contributes to the transparency and integrity of the Canadian capital market by advancing the practice of investor relations, the professional competency of its members and the stature of the profession.

Investor Relations Defined

Investor relations is the strategic management responsibility that integrates the disciplines of finance, communications, marketing, securities law compliance and sustainability to achieve an effective flow of information between a company, the investment community and other stakeholders, in order to support an informed valuation of the company's securities and enable fair and efficient capital markets.

The practice of investor relations involves identifying, as accurately and completely as possible, current shareholders as well as potential investors and key stakeholders and providing them with publicly available information that facilitates knowledgeable investment decisions. The foundation of effective investor relations is built on the highest degree of transparency in order to enable reporting issuers to achieve prices in the marketplace that accurately and fully reflect the fundamental value of their securities.

CIRI is led by an elected Board of Directors of senior IR practitioners, supported by a staff of experienced professionals. The senior staff person, the President and CEO, serves as a continuing member of the Board. Committees reporting directly to the Board include: Human Resource and Corporate Governance; Audit; Membership; and Issues.

CIRI Chapters are located across Canada in Ontario, Quebec, Alberta and British Columbia. Membership is close to 500 professionals serving as corporate investor relations officers in approximately 200 reporting issuer companies, consultants to issuers or service providers to the investor relations profession.

CIRI is a founding member of the Global Investor Relations Network (GIRN), which provides an international perspective on the issues and concerns of shareholders in capital markets beyond North America. The President and CEO of CIRI has been a member of the Continuous Disclosure Advisory Committee (CDAC) of the Ontario Securities Commission. In addition, several members, including the President and CEO of CIRI, are members of the National Investor Relations Institute (NIRI), the corresponding professional organization in the United States.