Monday, January 17th, 2022

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RE: FPAC Comments on CSA Proposed National Instrument 51-107 *Disclosure of Climate-Related Matters*

Thank you for the opportunity to provide feedback on the proposed National Instrument.

FPAC provides a voice for Canada's wood, pulp, and paper producers nationally and internationally in government, trade, and environmental affairs. The $73.6-billion-a-year forest products industry represents 12 percent of Canada's manufacturing GDP and is one of Canada's largest employers operating in over 600 communities, providing 230,000 direct jobs, and over 600,000 indirect jobs across the country.

The forest products industry in Canada will be an important sector in Canada's transition to a low-carbon economy. Canada's forest sector has already lowered it's manufacturing GHG emissions by over 66% since 1990, and is a growing producer of renewable energy and electricity. Our sector plays a key role in providing additional climate change mitigation solutions such as, Climate Smart forestry, which can reduce land-based emissions by helping prevent tree disease outbreak and catastrophic wildfires. In addition, wood products have the ability to store carbon dioxide in long-lived products such as buildings, and the added benefit of displacing more GHG-intensive building materials (such as concrete and steel). More than 1400 Indigenous-owned businesses are part of the forest sector in Canada, and Indigenous Peoples now hold over 10% of the national wood supply. Canada's forest sector is also committed to promoting more diversity and inclusion, in particular a number of dedicated initiatives to increase the participation of women.

FPAC appreciates the opportunity to provide feedback on the proposed National Instrument 51-107 'Disclosure of Climate-Related Matters'. The Taskforce on Climate-related Financial Disclosure (TCFD) is rapidly becoming the broadly accepted standard internationally and is increasingly being used by more companies in Canada. Climate change and climate risk transparency is critical to the transition to a lower carbon economy. However, more is needed in terms of policy clarity and consistency to ensure that companies are able to make the needed investments and so that consumer choices are aligned with a low-carbon future.

General feedback on the CSA Instrument:

TCFD is an appropriate framework for climate risk disclosure in Canada. Likewise, the four pillars recommended in the instrument (governance, strategy, risk management, metrics and targets) are appropriate. Canadian companies should be moving to align themselves with global standards of climate risk reporting. In general, FPAC members support the CSA instrument and believe that it aligns with internationally recognized best practices for climate disclosure and reflects the TCFD's core elements. However, a strong and consistent public policy framework is needed to ensure that companies can attract the investment that will allow them to be successful in the coming transition.

Feedback on specific components of the CSA instrument:

1. Scenario Analysis

There are a number of Canadian forestry companies that have undertaken limited scenario analysis for internal purposes (e.g. as part of Climate Change Vulnerability Assessments). That said, there is no common framework for creating such scenarios (across sectors), including a lack of standard assumptions, thereby both limiting their usefulness and comparability across issuing companies. It is anticipated that scenario analysis would require significant additional time and costs.

FPAC members would like the opportunity to continue to engage on the development of guidance around scenario analysis moving forward.

Recommendation: *We support the proposed CSA approach to not require issuers to disclose scenario analysis at this time. Scenario analysis is useful to companies and should be encouraged, but it is premature to make it mandatory for reporting issuers. The national instrument could be updated later to include scenario analysis once there is greater clarity on common assumptions and a framework for scenario creation.*

There is limited work underway for some sectors in Canada and more time is needed to establish relevant parameters and scenarios that could be used more broadly, and they may need to be refined for different sectors.

2. Scope 1, 2 and 3 Emissions

Many companies today can and are reporting on their scope 1 and 2 emissions; and it is required by some federal and provincial reporting regulations. Although several companies are investigating how to accurately assess Scope 3 emissions, it is decidedly more challenging. Part of this is due to integrated supply chains and the reality that many reporting issuers are the suppliers or customers of other GHG-intensive firms. It is important that supply chains work together to bring more clarity and consistency to identifying what constitutes scope 3 and how such emissions can be effectively monitored and reported to avoid double counting. It would be helpful to have some agreement around the key elements of Scope 3 for specific industries.

Recommendation: *The national instrument should propose that scope 1 and 2 emissions be reported. Expansion to scope 3 would only happen when methodologies improve and the ability to assess and quantify the key elements of consumer impact/responsibility.*

3. GHG Protocol

The GHG Protocol is the most appropriate tool for overall corporate GHG inventory reporting. However, there are existing gaps and emerging supplementary guidance that will need to be considered for some sectors in Canada, including forestry. The GHG Protocol excludes land sector activities.
Of note, the World Resources Institute (WRI) and the World Business Council on Sustainable Development (WBCSD) are leading the development of additional Greenhouse Gas Protocol standards for accounting for land sector activities, including biogenic products, but the guidance is not yet available for review. More time will be required to understand and pilot the new guidance (for land sector activities) as well as assess alignment with this new instrument.

Recommendation: *We support the use of the GHG Protocol as the appropriate reporting tool for Corporate GHG inventories. We recommend that specific engagement take place with reporting issuers in the land use, land use change and forestry sectors, to ensure consistency, fairness and alignment with other sectors, prior to being included in the instrument.*

4. Clarity on Materiality, Boundaries and Reporting Format

We are seeking greater clarity on a number of aspects within the proposed instrument.

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- In regards to **materiality**, we would require further guidance on what would be “material” to disclose for the “Strategy” disclosure and for the disclosure around “what metrics are used to assess climate-related risks opportunities in line with strategy/risk management process”. Specifically, should materiality be determined based on a financial materiality or would there be more guidance on what is considered material for our specific sector?
- In regards to **boundaries**, we would like further clarification on the approach for reporting on subsidiaries and whether it must align with parent company financial reporting scope.
- In regards to **proposed reporting format,** the current proposed format of reporting is to split the disclosures between Management Info Circular (MIC) for governance recommendations and Annual Information Form (AIF) for all other TCFD recommendations. We believe having the information in one place, such as in the MD&A or a Sustainability Report, would be a more organized presentation of information. We believe there is value in stand-alone Sustainability Reporting, but it would be helpful to receive guidance on standardizing as a standalone TCFD report and/or having the necessary TCFD reporting referenced within a company’s Sustainability Report (and best practices on how to reference this information, if not in a TCFD report).

Recommendation: *We would require the additional clarity and information (as identified in the points above) prior to making a recommendation on these aspects of the proposed instrument. Additional guidance is required on whether TCFD reporting can be referenced within a Sustainability Report, and how best to make relevant references.*

5. Timing of implementation and reporting timelines

While we agree with a phased approach, the one-year phase-in will be challenging even for larger firms with reasonably sophisticated reporting mechanisms already in place. We are recommending a two-year phase instead of one, for non-venture issuers.

Aligning TCFD reporting with financial reporting timelines (1st quarter of the year) will be challenging even for large firms. For example, for greenhouse gas (GHG) emissions reporting many organization’s GHG emissions and environment data is currently not available until after March (Q1) when they receive utility invoices. There is also more guidance required on how to address this potential timing difference and whether or not data will need to be “accrued” or “normalized”.

The Proposed Instrument permits an issuer to incorporate GHG disclosure by reference to another document. We would require further clarification on whether companies may make reference in their annual filings that GHG emissions are available in a separate Sustainability Report to be published at a later date or if the data needs to be available by the March 31st deadline.

There is a timing difference between the proposed instruments requirement for reporting GHG emissions and when most GHG emissions reporting for provincial/federal legislation is due which is typically June or later.

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Recommendations(s): *We would recommend a two and three-year phase-in periods for non-venture and venture issuers respectively. Firms should have the option to provide a brief description (including the ability to reference information) of their climate risk reporting in their AIF and MD&A documents but provide the full report in a separate document.*

Further guidance is needed to address the likely timing challenges, as well as whether this data needs to be 'accrued' or 'normalized'.

6. Assurance and auditing

Recommendation: *We recommend that audits of TCFD reporting not be mandatory at this time. Firms should work with audit professionals, both within and outside the company, to improve assurance mechanisms and work to improve auditing procedures that could be applied to climate risk reporting.*

7. Interfacing with other requirements

Recommendation: *Given the announcement of the International Sustainability Standards Board (ISSB) standard and upcoming standards from US Securities and Exchange Commission (SEC), we would like to know how the proposed instrument interfaces with these emerging standards.*

Sincerely,

[redacted]

Kate Lindsay

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