

January 17, 2022

The Secretary  
Ontario Securities Commission  
20 Queen Street West  
22nd Floor, Box 55  
Toronto, Ontario M5H 3S8  
Via: [comment@osc.gov.on.ca](mailto: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  
Via: [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

To: 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

---

**Grant Thornton LLP**  
11th Floor  
200 King Street West, Box 11  
Toronto, ON  
M5H 3T4  
T +1 416 366 0100  
F +1 416 360 4949

**Re: Proposed National Instrument 51-107 Disclosure of Climate-related Matters and proposed Companion Policy 51-107CP**

We are pleased to have the opportunity to respond to your request for comments on proposed National Instrument 51-107 *Disclosure of Climate-related Matters* (the “Proposed Instrument”), and the proposed Companion Policy 51-107CP (the “Proposed Policy”).

We wish to acknowledge the efforts of the CSA and recognize its leadership in developing this impactful Proposed Instrument. We are in support of the CSA’s objectives in developing the Proposed Instrument and Proposed Policy, and the decision to take a TCFD-aligned approach to require climate-related disclosures. There are many reasons why we agree with this direction, but most acutely for the purposes of this response - it is imperative that Canadian businesses continue making progress on climate-related disclosures and rising to meet the information needs of investors in order to remain competitive in attracting capital.

In developing our response, we have drawn on Grant Thornton’s experience with interpreting and applying financial and non-financial standards and frameworks, as well as our understanding of the boards, audit committees, management and investors who will be impacted by the Proposed Instrument and Proposed Policy. Thank you for the opportunity to comment and we welcome continued engagement.

Yours sincerely,

Grant Thornton LLP



Shane Troyer, CPA, CGA, CFE, CIA, CISSP  
Partner, ESG & Sustainability Services



Lauren Bonnett, CPA, CA  
Senior Manager, ESG & Sustainability Services

## Comments regarding CSA's proposal

### Approach

We are in support of the CSA's approach to align the Proposed Instrument's climate-related disclosure requirements with TCFD recommendations, as these are emerging as the "gold standard" for climate-related disclosures globally and several regulators of developed capital markets are also moving toward TCFD-aligned required disclosures. Further, the CSA's Disclosure Review indicated that more than half of Canadian issuers are already preparing voluntary TCFD-aligned disclosures in response to growing demands from investors and other stakeholders; evidencing the desire of issuers to provide decision-useful and transparent disclosures of climate-related matters.

We believe aligning as closely as possible with the original TCFD recommendations is the optimal path to achieve complete, consistent, comparable disclosures for use both within the Canadian market and globally.

### Other global standards

It is expected that many Canadian issuers will seek to adopt standards issued by the IFRS Foundation's International Sustainability Standards Board (ISSB), when those standards become available, and there has already been preliminary mention of a Canadian Sustainability Standards Board to liaise with the ISSB. It is anticipated that the ISSB's standards will be aligned with existing environmental, social and governance (ESG) frameworks, including TCFD. However, the landscape of ESG reporting continues to evolve. In order to mitigate the risk of Canadian issuers incurring transition and implementation costs associated with adopting multiple standards or frameworks, we recommend the CSA continue to monitor global standards development and consider the agility necessary to absorb future developments without undue cost and burden to Canadian issuers.

## Responses to CSA questions

### Disclosure of Scenario Analysis

Under the Proposed Instrument, scenario analysis would not be required.

We believe scenario analysis is an important factor in understanding climate risk resilience against transition risks and physical risks, as well as informing business strategy. Further, scenario analysis assists investors in discerning the rigor with which the issuer has considered the effects of climate change in their risk management processes and future strategies, as well as any potential impacts to their operating model, supply chain and financials (among others).

We recognize scenario analysis is in its early stages and it may take time for issuers to gather and validate the necessary data to support scenario analysis and refine the modelling capabilities needed. In the absence of mature methodologies and standardized assumptions, there is concern that introducing mandatory scenario analysis disclosures at this early stage will be both burdensome to issuers and ineffective in achieving the Proposed Instrument's desired outcomes. While we are in agreement that scenario analysis should be included in management's strategic planning and risk management processes, it will take time to develop the rigor and sophistication necessary for decision-useful disclosures.

For these reasons, we are in agreement with the CSA's proposal to not require scenario analysis in this initial implementation of the Proposed Instrument. However, we suggest the Proposed Instrument retain sufficient flexibility as to allow a phased-in scenario analysis requirement in the future. This will allow for maturation of data and capacity building by issuers before such a requirement is mandatory. In the interim, issuers may provide voluntary scenario analysis disclosures at their option; including a range in sophistication from narrative-based disclosures to more advanced quantitative models.

## Disclosure of GHG emissions

Under the Proposed Instrument, disclosure of Scope 1, 2, and 3 GHG emissions and the related risks are required on a “comply or explain” basis. An alternative approach suggested by the CSA would require disclosure of Scope 1 GHG emissions.

In October 2021, the TCFD published its updated “Annex” to *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*. As noted by the TCFD, revisions were made to reflect the evolution of disclosure practices, approaches and user needs. Key among these updates are changes to recommendations for GHG emissions disclosures - specifically, to “encourage all organizations to disclose Scope 1 and Scope 2 GHG emissions independent of an assessment of materiality.” While the disclosure of Scope 3 GHG emissions is subject to materiality, organizations are likewise encouraged to disclose such emissions.

As governments and financial institutions globally have committed to achieving net-zero emissions by 2050, they are seeking consistent and comparable emissions disclosure for capital-allocation decisions. This coincides with findings from CSA’s Disclosure Review, which noted that 56% of issuers are currently disclosing Scope 1 and Scope 2 GHG emissions on a voluntary basis. Alignment of disclosures with globally accepted standards and frameworks increases Canadian issuers’ competitiveness for global capital. Therefore, we recommend mandatory disclosure of Scope 1 and Scope 2 emissions, consistent with the TCFD recommendations. We recommend these disclosures are prepared in accordance with the GHG Protocol, which is the globally-accepted standard for GHG emissions calculations.

While disclosure of Scope 1 and Scope 2 emissions is generally expected to be more readily achievable for Canadian issuers, Scope 3 emissions are more difficult to reliably measure. This is due to the fact that they relate to emissions in the issuer’s value chain from entities not directly controlled by the issuer and is exacerbated by the lack of consistent disclosure of Scope 1 and Scope 2 emissions by such entities. Accordingly, we agree with the CSA’s suggestion that mandatory disclosure of Scope 3 emissions not be required at this time.

## Assurance on GHG emissions reporting

Climate-related matters are continuing to escalate in importance to investors, who are in turn seeking reliable disclosures to assist with decision making. While companies are rising to the challenge of reporting this information, usefulness of disclosures is diminished if stakeholders cannot be confident in their completeness and accuracy. Accordingly, in some jurisdictions, such as the European Union through the provisions of the Corporate Sustainability Reporting Directive, limited assurance is expected to be mandatory. Where not yet mandatory, entities are seeking out voluntary assurance on climate-related disclosures, including GHG emissions (and beyond), to meet demands from investors.

When assessing the appropriateness of mandatory assurance, it is important to be wary of the expectation gap between the assurance provided and stakeholder expectations. This gap is difficult to close with well-established assurance reports such as a routine annual financial statement audit under the Canadian Auditing Standards, which raises concerns over the understanding and extent of reliance users may place on disclosures in these early days of reporting if they are unfamiliar with the form of assurance expressed. If mandatory assurance requirements are introduced, it will be necessary for assurance providers to be clear about what exactly is being assured, and at what level that assurance is being provided.

The implementation of the Proposed Instrument and Proposed Policy are an important step toward consolidating the diversity of frameworks and standards used to report climate-related matters and achieving a degree of consistency in reporting. In the early stages of adoption, a focus on data completeness, accuracy and relevance will help enhance maturity of disclosures and set the foundation for a scenario where assurance can be provided. To support these activities, we suggest the CSA consider expanding guidance regarding management certification of controls and procedures over climate-related data. Under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* guidance can be added or clarified to ensure certifying officers understand they are certifying the effectiveness of controls over material information, including climate-related information. Under a phased-in approach, assurance requirements could then be brought in at a later date.

It is our expectation that assurance on GHG emissions reporting will become commonplace. We encourage the CSA to consider how the Proposed Instrument can remain sufficiently agile as to enable the introduction of assurance requirements through a phased-in approach as climate-related disclosures mature. For example, introducing limited assurance requirements in an earlier phase of implementation and moving toward reasonable assurance as issuers’ disclosures mature.

## Phased-in implementation

Assuming the Proposed Instrument comes into effect December 31, 2022, the CSA has outlined transition requirements as follows:

- Non-venture issuers: Disclosure requirements would apply to annual filings in respect of the financial year ending December 31, 2023. These annual filings would be due in March 2024
- Venture issuers: Disclosure requirements would apply to annual filings in respect of the financial year ending December 31, 2025. These annual filings would be due in April 2026

We agree with the phased-in transition timeline outlined in the Proposed Instrument. The CSA's Disclosure Review identified that 92% of issuers disclosed climate-related risks in their MD&A and/or AIF, suggesting that issuers are already moving ahead voluntarily with pursuing disclosures in the absence of standardized requirements and guidance.

As suggested in Part 3 of the Proposed Instrument, we wish to clarify that, regardless of any potential delays in the effective date of the Proposed Instrument, non-venture issuers will have a transition period of at least 12 months from the effective date to transition.

## Future ESG considerations

The CSA is requesting input as to what broader sustainability or ESG topics should be prioritized for the future.

For a number of reasons, including but not limited to, Canadian market competitiveness, duplicative costs to issuers and therefore investors, and consistency, comparability and reliability of disclosures, we believe Canadian issuers would benefit from alignment with global generally accepted sustainability standards (as opposed to the CSA creating its own requirement). Alignment with global standards also reduces the burden on issuers of reporting under multiple standards or frameworks, and reduces the risk that investments already made by issuers to develop voluntary sustainability reporting under a globally accepted framework would become obsolete.