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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

Attention: The Secretary
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Email: comments@osc.gov.on.ca

Me Philippe Lebel
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Re: Consultation Climate-related Disclosure Update and CSA Notice and Request for Comment Proposed National Instrument 51-107 *Disclosure of Climate-related Matters* (Proposed Instrument)

Dear Sirs/Mesdames:

Suncor Energy Inc. (**Suncor** or **we**) appreciates the efforts of the Canadian Securities Administrators (**CSA**) to advance and seek feedback on climate-related disclosure and proposing the climate-related disclosure requirements in the Proposed Instrument.

Suncor is an integrated energy company headquartered in Calgary, Alberta. Suncor's integrated operations include oil sands development and upgrading, onshore and offshore oil and gas production, petroleum refining, renewables, and product marketing under the Petro-Canada™ brand. As Canada's leading



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integrated energy company, we believe environmental and social progress and economic performance are intertwined and integral to our success.

Before providing feedback on specific questions, we would like to offer the following high-level comments to the CSA:

- We believe the proposed NI 51-107 is a step in the right direction for climate-related disclosure and will drive comparable and consistent reporting in Canada.
- We support aligning the Proposed Instrument to the TCFD recommendations, and the modifications to the TCFD related to the disclosure of scenario analysis and GHG metrics and targets.
- Thoughtful consideration must be given to ensure undue burden is not created for issuers.
- We support aligning climate disclosure and annual public filings, however there are significant timing disconnects and resource challenges which need to be considered by the CSA. We recommend a longer implementation period for issuers to meet the climate disclosure requirements and filing timelines.
- We support an eventual review-level assurance requirement; however, this should be done through a phased approach to allow issuers time to prepare.

Given the volume and breadth of questions posed by the CSA, we have only provided comments on selected questions. Our silence on the remaining should not be seen as either implied approval or implied disapproval thereof and we reserve the right to comment on the topics identified by such questions (including any proposed amendments relating thereto) at a later date. References to question numbers herein refer to the question numbers contained in the Proposed Instrument.

Questions and Suncor's Comments

Question 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?

Suncor's comments: Suncor has been a sustainability disclosure leader for over two decades. We released our first environment report in 1995 which summarized environmental performance and impacts for key stakeholders and introduced a seven-point climate action plan in 1997. Throughout the 2000's, Suncor continued to refine and adapt sustainability reporting to meet stakeholder needs and we released our first supplemental climate change report in 2008. By 2017, climate-related financial disclosure recommendations were released to promote transparency and comparability leading to better climate risk management. In 2018, Suncor announced its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and published our Climate Report informed by the TCFD. Suncor was the first North American oil and gas company to do so. We completed a detailed review of the TCFD recommendations, and our analysis showed that while we are largely aligned with the recommendations, work remains to fully meet its specifications. At Suncor we aim to continually improve our sustainability disclosure and build on our rich history of credible, transparent, and industry-leading reporting and we will continue to improve our disclosure in alignment with TCFD recommendations.

Our experience in providing disclosure aligned with the TCFD recommendations is that it requires considerable work to identify and close gaps between business practices, disclosure, and the recommendations. For example, Suncor implemented and disclosed a 2-degree scenario, which took a significant amount of time and work from various parts of the organization. Since 2017 there have been several changes and updates to TCFD implementation and supporting guidance documents. This affects our disclosure and perpetuates the sizable amount of work in providing it. Further, reporting expectations have evolved and grown over time: we have seen more stakeholder requests for information, increased focus on metrics and areas of disclosure, additional sustainability standards and frameworks, and more sustainability disclosure benchmarks rating industry performance.

While this work is valuable, we believe the key is to provide investors a transparent understanding of Suncor's view of climate-related risks, rather than codify a narrative that may not provide investors with the information they need.

Question 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?

Suncor's comments: Suncor currently discloses GHG emissions on a voluntary basis in addition to that mandated by law. The GHG Protocol: Corporate Accounting and Reporting Standard (GHG Protocol) provides high-level or general guidance for companies and other organizations. Suncor prepares its corporate-level GHG emissions inventory and reporting in accordance with the GHG Protocol and other guidance as outlined below.

Mandated reporting: The federal Greenhouse Gas Reporting Program (GHGRP) requires facility-level information on annual greenhouse gas emissions – specifically Scope 1 emissions. This is a mandatory greenhouse gas reporting system for Scope 1 emissions that Suncor submits to annually. In addition, provincial regulations (*i.e.*, Technology Innovation and Emissions Reduction Regulation (TIER) for Alberta) require regulated facilities to provide annual compliance reports for Scope 1 and, in some cases, Scope 2 emissions. As an integrated energy company spanning multiple jurisdictions, sectors and operations, Suncor is responsible for mandatory GHG measurement, monitoring and reporting following guidance, methodologies, and calculations in accordance with federal and provincial regulations.

Voluntary reporting: Suncor voluntarily discloses GHG Scope 1 and 2 emissions in its annual Report on Sustainability and Climate Report. As an integrated energy company spanning multiple jurisdictions, sectors, and operations, we use several different externally developed and publicly accepted emission factor guidance to develop facility-specific emission calculation methodologies. We select the appropriate guidance for the site-specific fuel type and composition, emission source, facility or jurisdiction being considered. As required by regulators and verified by external auditors, we use commonly accepted GHG guidance and methodologies in determining our overall emissions profile. General quantification methods are mainly based on the GHGRP. If quantification methods are not prescribed by the GHGRP or if deviations from prescribed methods are required, alternative methodologies from organizations such as the Western Climate Initiative (WCI) and the Intergovernmental Panel on Climate Change (IPCC) are referenced or adopted as appropriate for various activity types and modified to meet the needs of Suncor's sustainability

disclosure. The GHG metrics follow The GHG Protocol: A Corporate Accounting and Reporting Standard. The GHG Protocol categorizes direct and indirect emissions into three broad scopes to outline a standard set of accounting and reporting rules for developing corporate inventories.

Scope 3 reporting: Reporting of Scope 3 GHG emissions are not required by federal or provincial regulations. Suncor voluntarily discloses estimates of the material GHG Scope 3 emissions in its annual Report on Sustainability and Climate Report. Suncor uses The GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard as a guide to assess value chain emissions impact and identify where to focus reduction activities. Scope 3 includes fifteen categories as defined by the GHG Protocol. GHG emissions from the use of sold products (category 11) is the most significant Scope 3 category for Suncor, which we believe is consistent with other integrated energy producers. The International Petroleum Industry Environmental Conservation Association provides guidance on methodologies, considerations and reporting elements that Suncor has considered in the estimation of our Scope 3 emissions.

Question 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?

Suncor's comments: Yes, we conduct scenario analysis and disclose information in our annual Climate Report. In 2020, Suncor published its first 2°C with IHS Markit in line with our support for both the TCFD and the Paris Agreement. We use three energy future scenarios to 2050 and a 2°C scenario to 2100 to test and assess the resilience of our business strategy against inherent uncertainty. All scenarios are developed using distinct, challenging, relevant and plausible world trajectories. The three energy future scenarios to 2050 use variables adjusted in a consistent manner. Some of the aspects we consider in our scenario development include demographics, economics, environment, geopolitics, legal, social and cultural, and technology.

Benefits: The scenarios are used annually by the executive leadership team, and the Board of Directors to assess and inform our business and growth strategy. The scenarios are also used by various internal teams to evaluate new projects and opportunities. This process continues to be a useful tool for stress-testing our business on several key dimensions, including climate risk. Further it is useful for investors as they assess how Suncor views risk.

Challenges: The energy industry has significant experience using scenarios to develop business strategies and test an uncertain future. In fact, many of the leading climate scenarios in use today were produced by those associated with our industry, be they scenarios released by specific companies or by organizations associated with the sector like the International Energy Agency, the Energy Information Administration, or IHS Markit. While Suncor feels scenario analysis is beneficial for investors as it relates to our view of risk, we don't see mandated disclosure for scenario analysis as useful at this stage because it is overly complex. Specifically, there is a lack of guidance and clarity in this area, in particular no best practice on scenario development and a lack of consensus on the importance and key results of scenario analysis and how best to disclose them to stakeholders with different needs, especially for comparison and benchmarking purposes.

Question 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?

Suncor's comments: While Suncor conducts and discloses scenario analysis as part of our voluntary climate-related disclosure, given the challenges we outlined in response to Question 3, and the cost of developing robust scenarios, we believe the CSA's approach to not require scenario analysis within the scope of the Proposed Instrument is appropriate. Suncor feels that what is important is a transparent view of material risk, and not mandated scenario analysis that doesn't tell investors how management views resilience and risk.

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

Suncor's comments:

Scope 1 and 2: Large emitting companies in Canada are covered by mandatory federal and provincial greenhouse gas reporting systems, such as the GHGRP and TIER. The CSA should consider developing guidance for any issuer not covered under the large emitter regulations (*i.e.*, medium or small emitters). For those issuers who are already required to report GHG emissions under existing federal or provincial legislation, GHG emissions should be included in the issuer's CSA required annual filings. However, there is a timing challenge given the respective regulatory filing deadlines as outlined below:

- Federal Greenhouse Gas Reporting Program (GHGRP) – June 1
- Alberta Technology Innovation and Emissions Reduction Regulation (TIER) – June 30
- British Columbia Greenhouse Gas Industrial Reporting and Control Act (GGIRCA) – May 31
- Newfoundland and Labrador Management of Greenhouse Gas Reporting Regulations – June 1
- Ontario O. Reg. 241/19: Greenhouse Gas Emissions Standards Regulation – June 1
- Quebec Regulation Respecting a Cap-and-Trade System for Greenhouse Gas Emissions Allowances – June 1

As an integrated energy company, we have assets and investments in Canada, the United States, and internationally. Suncor has reported on Scope 1 and 2 emissions for over a decade and is prepared to disclose GHG data and information on an operated and equity basis. However, the CSA will need to provide additional guidance on reporting boundaries, so issuers can determine what assets are to be included with respect to joint venture operations and how GHG data will need to be reported.

We support aligning climate disclosure and annual public filings, however there are significant timing disconnects and resource challenges which need to be considered by the CSA. Ideally, regulators and policy makers across Canadian jurisdictions should align reporting deadlines, including financial filings. With the current lack of alignment, we recommend a longer implementation period for issuers to meet the climate disclosure requirement set out in the Proposed Instrument.

Scope 3 Emissions: Suncor believes that the reporting of Scope 3 GHG emissions should not be mandatory at this time. Mandatory reporting of Scope 3 GHG emissions for any or all fifteen categories defined by the GHG Protocol, is not practical for issuers at this time. This is because there are many challenges associated with Scope 3 GHG emissions reporting, including that there is currently no accepted standard or guidance for calculating and reporting these emissions which would therefore lead to disclosure that may not be standardized and/or comparable. In addition, some, or all of the categories of Scope 3 emissions may not be material to issuers.

Question 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?
- 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?
- 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?

Suncor's comments: It is reasonable to require issuers to prepare their corporate-level GHG emissions inventory and reporting in accordance with the GHG Protocol. The GHG Protocol: Corporate Accounting and Reporting Standard provides high-level or general guidance for companies and other organizations. The national adoption of this protocol would help companies prepare a GHG inventory that represents a fair account of their emissions, through the use of standardized approaches and principles, which would lead to increased consistency and transparency in GHG accounting and reporting among various companies and GHG programs. However, an issuer cannot complete GHG reporting with the GHG Protocol alone. More detailed guidance, such as the federal and provincial reporting regulations (examples noted in Question 2), are required for thorough, complete and accurate accounting of GHG inventories.

Issuers should be given the flexibility to use alternative reporting standards, where warranted. GHG quantification methods for organizations are likely predominately based on federal and provincial regulations. If quantification methods are not prescribed by these regulations or if deviations from prescribed methods are required, alternative methodologies from organizations are referenced or adopted as appropriate for various activity types and modified. External agencies have developed industry-accepted standard methodologies that issuers can choose to use in the absence of prescribed methods. The standard practices and methodologies are widely accepted, well researched and documented so the numbers produced are verifiable by governments and third parties. The CSA should require issuers to disclose the standards, methodologies and guidance documents they use for GHG quantification and reporting.

Question 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?

Suncor's comments: Suncor believes that Scope 1 and 2 GHG emissions data for operated assets should be disclosed and review-level of assurance would promote accuracy and reliability, however aligning with AIF filing timeline will be a challenge. We are not in support of audit level assurance at this time. We encourage the CSA to examine a phased approach to any future assurance requirements (ideally review-level assurance) to allow time for planning and implementation by issuers. It should be clarified that audit-level of assurance involves significantly greater scope of work such as detailed data testing, control testing and corroborations with external evidence compared to review level assurance which involves analytical procedures paired with enquiries. The CSA should ensure that the expected benefits of any audit requirement outweigh the associated costs and extended timing that would be required.

To avoid duplication of verification and audit work, another consideration could be allowing for the use of regulatory verifications to satisfy review-level assurance requirements in the Proposed Instrument, where available. At a corporate consolidated level, Suncor currently obtains a limited, independent level of assurance (review-level) on selected performance indicators, including total operated Scope 1 and 2 GHG emissions and GHG emissions intensity in accordance with the International Standard on Assurance Engagements (ISAE 3000 Revised). This assurance relies partly on facility-level regulatory verifications performed by other independent providers. These verifications are based on provincial regulatory frameworks, such as the AEP Standard for Validation, Verification and Audit, and are typically completed by third-party vendors six to nine months after year-end.

Question 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?

Suncor's comments: We support incorporation of GHG disclosure by reference to other documents. For Suncor, referenced documents would include our annual Report on Sustainability and Climate Report, where we currently provide GHG emissions disclosures and other TCFD-related disclosures. This approach would avoid duplication, streamline processes, and reduce the risk of reporting errors.

Notwithstanding the foregoing, incorporation by reference would require the publication of the documents incorporated by reference to be published at the same time or before the AIF is published. We have concerns over timing and resource challenges that would result from the accelerated requirement to release these reports in conjunction with the AIF.

Question 11: What are the anticipated costs and challenges associated with providing the disclosures contemplated by the Proposed Instrument?

Suncor comments: The costs and challenges associated with the disclosures under the Proposed Instrument relate primarily to the timing of disclosure. This is because financial disclosure like the AIF are typically published much earlier in the year than sustainability disclosures, with the latter closely tied to regulatory timelines and the third-party verification process, which may involve multiple facilities and jurisdictions. These costs and challenges are based on the proposed comply or explain requirements. Further requirements (such as scenario analysis) may result in additional costs and challenges.

Question 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?

Suncor comments: There are costs and challenges associated with each of the four core TCFD recommendations (which we have noted in our comments above). The more significant challenges are associated with the disclosure for metrics and targets.

Question 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?
- 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?

Suncor's comments: As noted in our comments above, timing is a concern with respect to the Proposed Instrument and implementation by 2024 and 2026 is ambitious as the transition provisions in the Proposed Instrument do not provide sufficient time to resolve timing issues. Implementation timelines should be extended to address the required disclosures and align with the timing of AIF filings. As noted in our response to Question 11, this assumes that the Proposed Instrument does not include additional requirements once finalized.

Thank you for this opportunity to provide comments on the Proposed Instrument. Should you have any questions or comments, please do not hesitate to contact the undersigned.

Sincerely,

SUNCOR ENERGY INC.

“Alister Cowan”

Chief Financial Officer

cc. Arlene Strom, Chief Legal Officer, General Counsel and Corporate Secretary
Martha Hall Findlay, Chief Sustainability Officer
Kevin MacIntosh, Vice President and Controller
Shawn Poirier, General Manager Legal Affairs, Corporate
Jacqueline Moore, Vice President External Relations
Jon Mitchell, Vice President Sustainability