

**January 14, 2022**

**Via Electronic Mail**

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](mailto:comment@osc.gov.on.ca)

Mr 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](mailto:consultation-en-cours@lautorite.qc.ca)

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

Dear Sir or Madam:

On behalf of The Institute of Internal Auditors (IIA), I am writing to thank you for the Canadian Securities Administrators (CSA's) continued efforts to address climate change disclosure. We commend you for tackling an issue of vital importance not only to the investor community but all our fellow citizens.

We would agree with the CSA's concerns with current climate-related disclosures especially that such disclosures may not be complete or consistent, which impairs the ability of the user to compare, and that such disclosures may not be accurate and timely as well. It is important that disclosed information has these attributes so that it is of high quality and is decision-useful, thus providing confidence and trust to stakeholders.

Governance will also be an important part of any climate-related disclosure. The widely accepted [Three Lines Model](#), updated and published by The IIA in 2020, articulates the core components of effective governance, emphasizing the need for clear roles and responsibilities of the governing body, management lines including risk management and the internal audit function. The Three Lines Model highlights crucial importance of effective coordination, communication, collaboration and assurance.

**IIA Canada**

305 – 955 Green Valley Crescent  
Ottawa, Ontario, K2C 3V4  
T: +613 225-6060  
F: \*613 225-2023

As an independent, objective assurance and consulting function, an organization's internal audit activity brings a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes, for important topics such as climate change or Environmental, Social, & Governance (ESG) compliance programs. Risk mitigation strategies, including but not limited to internal controls, help manage risk and reduce uncertainty and expand beyond only financial reporting. In fact, The IIA's [International Professional Practices Framework](#) requires internal audit to identify risk disclosures and controls to non-financial reporting.

Please see the attached Annex A for our comments on specific questions or sections of the [Consultation Climate-related Disclosure Update and CSA Notice and Request for Comment Proposed National Instrument 51-107 Disclosure of Climate-related Matters](#). If you have any questions regarding this issue, please contact me at [Paul.Forgues@theiia.org](mailto:Paul.Forgues@theiia.org).

Sincerely,



Paul Forgues  
Executive Director, IIA Canada

## Annex A

### Part 10 – Request for Comments

#### **Question 7:**

The Proposed Instrument does not require the greenhouse gas (GHG) emissions to be audited. Should there be a requirement for some form of assurance on GHG emissions reporting?

#### **IIA Comment:**

Yes, as mentioned in our cover letter, we would agree with CSA's desire that climate-related disclosures be relied upon and used in making decisions. To be used confidently in decisions, information must be high quality.

Disclosures should note if the organization has an effective, independent internal audit function and if the organization used its internal audit function in achieving the highest level of internal assurance, and thus that its climate-related disclosures are complete, accurate, consistent and timely—that is quality.

Internal audit functions independent of management roles, decisions and process control design are already in place and positioned to provide this assurance that is from inside the organization. With this unique combination of independence along with the insight of being an integral part of the organization, organizations' internal audit functions provide the highest level of assurance on new, maturing principle-based expectations around climate-related disclosures.

### FORM 51-107A, CLIMATE-RELATED GOVERNANCE DISCLOSURE

A core element in the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations includes the disclosure of the organization's Governance around climate-related risks and opportunities. It further states that reporting issuers would be required to describe the following:

- The board's oversight of climate-related risks and opportunities
- Management's role in assessing and managing climate-related risks and opportunities

#### **IIA Comment:**

Missing from this recommendation is the third key player in effective governance as per The Three Lines Model: Internal Audit. We respectfully request that a third bullet be added to the described requirements:

- Internal Audit's role in providing assurance that management's internal controls to manage climate-related risks and opportunities are designed and operating effectively, so that climate-related disclosures are high-quality.

#### **IIA Canada**

305 – 955 Green Valley Crescent  
Ottawa, Ontario, K2C 3V4

**T:** +613 225-6060

**F:** \*613 225-2023