



Magna International Inc.

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**DELIVERED VIA E-MAIL: comments@osc.gov.on.ca &
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January 17, 2022

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, Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario M5H 3S8

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
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**Re: CSA Consultation – Request for Comment on Proposed National Instrument 51-107
Disclosure of Climate-Related Matters (the “Proposed National Instrument”)**

Magna International Inc. (“Magna”) appreciates the opportunity to offer input on the Proposed National Instrument which addresses the important topic of climate change disclosure, and is submitting this letter in response to the request for comments by the CSA.

Background of Magna and our approach to Climate-related Disclosure

Magna is more than one of the world's largest suppliers in the automotive space. We are a mobility technology company with a global, entrepreneurial-minded team of 154,000 employees and an organizational structure designed to innovate like a startup. With over 60 years of expertise, and a systems approach to design, engineering and manufacturing that touches nearly every aspect of the vehicle, we are positioned to support advancing mobility in a transforming industry. Our global network includes 347

manufacturing operations and 90 product development, engineering and sales centres spanning 28 countries. Our common shares trade on the Toronto Stock Exchange (MG) and the New York Stock Exchange (MGA).

Magna is committed to being a responsible corporate citizen that conducts business in a manner that balances profits, people and planet. We recognize the reality of climate change and its impact on our planet – and are focused on doing the right things today so that our corporate interests do not come at the expense of the viability of life for the generations that follow. We took a significant step in this regard in early 2021 by announcing our goal to be carbon neutral in our European operations by 2025 and globally by 2030. We believe this commitment places us among industry leaders in Europe and North America.

We report annually on our progress in addressing climate change risks and opportunities through our Sustainability Report which already forms part of our continuous disclosure documents through our Annual Information Form. Our Sustainability Report aims to provide our stakeholders with a better understanding of how we approach the creation of sustainable, long-term value and our management of sustainability-related risks. The report is structured to align with the Task Force on Climate-related Financial Disclosures (“TCFD”) framework, as well as the Sustainability Accounting Standards Board’s (“SASB”) Auto Parts accounting standard, where possible. Magna also reports annually to CDP to provide investors with information relating to corporate GHG emissions, water use and perceived corporate risk due to climate change.

Magna’s Submission

A. Considerations Regarding the Proposed National Instrument and Emerging Global Standards

Magna supports the objective of providing stakeholders with consistent, comparable and relevant climate-related disclosure. In addition to the CSA’s efforts and anticipated regulatory initiatives by the U.S. Securities and Exchange Commission, we note the following efforts in this regard:

- creation by the IFRS Foundation Trustees of the International Sustainability Standards Board (“ISSB”) through consolidation of the Climate Disclosure Standard Board (“CDSB”) and Value Reporting Foundation (“VRF”), to support the needs of international investors with global investment portfolios with high-quality, transparent, reliable and comparable disclosure; and
- publication of the Climate-related Disclosures Prototype (the “Prototype”) by the Technical Readiness Working Group (“TRWG”) of the IFRS Foundation Trustees in preparation for the establishment of the ISSB. We further note the participation in the TRWG of CDSB, the International Accounting Standard Board (“IASB”), TCFD, VRF and the World Economic Forum, all supported by IOSCO and its Technical Expert Group of securities regulators

In light of the global nature of capital markets, we are proponents of a common global approach to climate change disclosure. We believe investors want and need climate-related disclosures which are aligned with common global standards, such as the Prototype (and the TCFD and SASB before it). For large, seasoned issuers such as Magna, a common standard helps avoid the unnecessary burden which comes from navigating the nuances of differing standards. Recognizing that the Ontario Securities Commission and the Autorité des marchés financiers are both members of IOSCO and thus indirectly participated in development of the TRWG’s Prototype, we question the logic and timing of the potential implementation of a national instrument in Canada in isolation from the foregoing initiatives.

While subject to further review and public consultation, TRWG’s Prototype is more prescriptive than the Proposed National Instrument within each of the four “TCFD” framework categories (Governance, Strategy, Risk Management, Metrics & Targets). We believe that the differences could undermine the principal of comparability of disclosures. Additionally, although the specifics of any SEC rule are not yet

known, it is likely to be an influential global disclosure regime, and highly relevant, especially for dual-listed issuers, like Magna, that are primarily compared against U.S. automotive companies by investors and securities analysts. At a bare minimum, we encourage the CSA to allow the various global climate-related disclosure initiatives to progress further before implementing a Canada-specific solution.

B. Specific Commentary Relating to Elements of the Proposed National Instrument

With respect to the Proposed National Instrument, we have the following specific comments on selected topics:

i. GHG Emissions Reporting

Magna currently discloses both Scope 1 and Scope 2 emissions in its Sustainability Report, as well as through our CDP reporting. Consistent with the Proposed National Instrument, we calculate such Scope 1 and 2 emissions in accordance with the GHG Protocol. Given that Scope 1 emissions are within the direct control of an organization, and Scope 2 emissions are based on an organization's own purchasing decisions, we support mandatory disclosure of such emissions. We submit that a voluntary approach to such disclosure could undermine the policy goals of consistency and comparability for these critical climate-related metrics.

On the other hand, accurately determining and disclosing Scope 3 emissions represents a much greater challenge for organizations like Magna, with complex, multi-tier, global supply chains. Significant barriers to effectively determining upstream Scope 3 emissions currently exist, including challenges relating to: differing levels of supply chain sophistication and resources; data collection, including lack of control over information; ensuring uniformity of data; costs of supply chain outreach and training on emissions management; and ability to influence or obtain cooperation from supply chain actors. For downstream Scope 3 emissions, similar impediments exist with respect to data collection and data uniformity. Moreover, an organization's ability to effect change with respect to downstream Scope 3 emissions is substantially limited given that they have little or no control over this portion of the value chain.

Magna is currently investigating how best to address Scope 3 emissions data as part of our efforts to establish science-based emissions reduction targets (SBTi). However, we believe stakeholders, such as our customers who face similar challenges, and investors, generally understand the complexities involved in obtaining full, accurate and timely Scope 3 emissions data. Mandating disclosure of Scope 3 emissions would impose a substantial burden on companies, including significant financial costs. Accordingly, we believe a 'comply or explain' approach for disclosure of Scope 3 emissions represents a reasonable balance in the Proposed National Instrument.

ii. Climate Scenario Analysis

Magna supports the CSA's approach in the Proposed National Instrument of not requiring issuers to provide climate scenario analyses. We share the concerns cited in the Request for Comment, that climate scenario methodology is not settled at this time. In addition, the lack of a standardized set of assumptions for conducting climate scenario analyses may limit the usefulness of such disclosures for investors. Imposing a mandatory requirement to conduct such analyses would not only be costly for issuers, but would expose issuers to unacceptable levels of litigation risk if required to be included in continuous disclosure documents that attract secondary market liability. In the absence of mandated scenario analysis, investors will benefit from qualitative disclosures related to climate change risks and opportunities mandated in the Proposed National Instrument and other climate-related disclosure standards, such as the Prototype.

We respectfully submit the comments in this letter for your consideration and would welcome an opportunity to discuss them with you.

Regards,

“Giuseppe N. Cosentino”

Giuseppe (Joseph) N. Cosentino
Senior Legal Counsel

c: Bruce R. Cluney, EVP and Chief Legal Officer
Bassem A. Shakeel, VP and Corporate Secretary
Magna Corporate Governance, Nominating and Compensation Committee members