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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

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Dear Sirs/Mesdames:

Proposed National Instrument 51-107 *Disclosure of Climate-related Matters* (“NI 51-107” or the “Proposed National Instrument”)

Please accept this letter in response to the Canadian Securities Administrators’ (“CSA”) Notice and Request for Comment on the above-noted Proposed National Instrument. We welcome the opportunity to contribute our perspective to the CSA’s consultation on this important matter. Defined terms used in the CSA’s Notice and Request for Comment will be similarly used in this letter.

MNP LLP (“MNP”) is one of Canada’s largest chartered accountancy and business advisory firms. Our clients are a wide variety of businesses and enterprises representing and reflecting the face of the mid-market in Canada. In addition, our client base includes a sizable contingent of publicly traded entities.

Overview

We applaud the CSA's ambition to enhance climate-related disclosures by issuers because we agree on the importance of high quality, consistent and comparable climate-related disclosures to ensure investors are provided with more complete, decision-useful information. This initiative addresses a significant component related to the need for better environmental, social and governance ("ESG") reporting. The CSA's focus on climate-related reporting is a logical first step towards disclosure enhancement given that climate change is a global priority and at the forefront of many of today's environmental and social issues and is driving businesses' ESG strategies. That being said, there are a breadth of ESG-related matters impacting organizations today, which means that it will be critical to establish a clear path towards ensuring that disclosure reporting evolves beyond climate-related disclosures in a reasonable timeframe and following ESG initiatives undertaken by other standard setters or regulatory bodies.

We think that the transition timeline and affordability for Canadian reporting issuers will require careful consideration. We strongly believe that climate-related disclosure requirements should be aligned with both the Canadian government's emissions reduction timeline and strategy as well as the evolving expectations of global investor stakeholders. We also think that it will be important to ensure climate-related reporting objectives are satisfied such that the added financial burden on entities results in value-added, decision-useful information for investors.

The following sections detail MNP's views on the various themes outlined through the questions posed in the CSA's Notice and Request for Comment. Since our clients are mid-market issuers, our comments have been made with consideration to these entities, where applicable.

Consistency and Comparability with International Standards Boards and Global Standards

We support the Proposed National Instrument's intention to align with the TCFD Recommendations because we agree that they are currently a prevailing, globally-accepted framework that responds to investors' needs for standardized metrics on material climate-related matters. It is equally critical, however, that the CSA's climate-related disclosure requirements remains fully aligned with international expectations, now and in the future.

We encourage the CSA to consider other standard setting bodies' initiatives in this area prior to finalizing any new climate-related disclosure requirements, particularly the potential future impacts related to the IFRS Foundation's new International Sustainability Standards Board ("ISSB") pipeline of initiatives. Collaboration with the ISSB will avoid misalignment with global expectations in the event the ISSB mandates different requirements in the future based on further research. Ideally, we recommend that the CSA liaise with the ISSB to work towards international consistency related to disclosure requirements to ensure that disclosures provide specific, transparent, accountable, meaningful, consistent, and comparable information that stand the test of time on the ever-evolving global stage.

We fully recognize that the ISSB will be consolidating expertise, content and resources including guidance through merging with the Climate Disclosure Standards Board ("CDSB") and the Value Reporting Foundation ("VRF"). In addition to the technical standards and frameworks of the CDSB and the VRF, their technical work and advice will be influenced by the TCFD and the World Economic Forum's ("WEF") International Business Council's Stakeholder Capitalism Metrics. Knowing these influences on ultimate

disclosure requirements will need the CSA to better align with expectations now as opposed to at a later date.

Clear and Specific Guidance and Examples

Presently, the scope of climate-related issues is not universally understood and accepted. To minimize reporting diversity resulting from different interpretations issuers should have very clear guidance and instructions about the specific climate change-related information to be investigated and communicated. It would also be helpful for issuers to understand the intended overall and specific objectives of the disclosures they should be providing. For example, it would be helpful to specify whether the proposed disclosure requirements are primarily intended to ensure issuers identify the risks of climate-change to the organization (i.e., an environmental disaster's impact on profitability), or to outline the risks the organization poses to the environment as a result of their operations, or both. The quality of compliance with the Proposed National Instrument will depend, to a significant degree, on the level of certainty that issuers have regarding exactly what they are being asked to provide. Additional clarity and specificity related to the requirements, augmented by instructions and sample disclosures will result in better, more consistent, and comparable reporting, and will reduce instances of issuers reverting to the use of generalized or boilerplate language.

Under the CSA's current proposal, disclosures will be mandated in disclosure documents (i.e., management information circular, annual information form ("AIF"), and annual management's discussion and analysis ("MD&A")). We believe that in due course it will become necessary for there to be some form of attestation on climate change and other sustainability disclosures to provide a form of assurance and confidence that these disclosures are in fact reliable, sufficient, and appropriate. In the meantime, while assurance standards are not yet developed or required, the Proposed National Instrument should be based on established and respected frameworks that guide issuers towards disclosures based on industry-specific, reliably-sourced information that is entity-specific wherever possible to ensure the reliability, sufficiency and appropriateness of the level and content of disclosures in the absence of attestation. The risk of issuers reporting insufficient, inconsistent or irrelevant climate-related disclosures can also be mitigated, to a large extent, through the provision of very clear requirements with guidance and specific disclosure examples.

Investors want to ensure the long-term return of their investments and therefore are interested in understanding the extent to which their investments or potential investments are exposed to physical risk, transition risk, or liability risk as a result of climate-related aspects that could impact going concern. For example, oil and gas entities may be exposed to physical risk if oil and gas reserves are blocked off due to an environmental disaster, transition risk if the global trend is to stop funding oil and gas, and liability risk if oil and gas entities are sued for their environmental impact. Investors want specific, comparable disclosures that are not boilerplate. Issuers should be instructed to focus on the entity-specific facts and circumstances. Issuers should be instructed to specifically address the 'so what?' related to any quantitative data provided. Requirements should explicitly mandate issuers to address the climate-related implications, as well as managements' strategies related to those implications in order to drive issuers to report useful decision-making information.

Small and Mid-Market Reporting Issuers' Perspective

Complexities related to implementation, adaptation, and maturation should also be considered when determining appropriate timelines for entities to implement new climate-related disclosures, including

exploring the possibility of a phased implementation approach for certain issuers where it may be appropriate to do so.

Compliance with the Proposed National Instrument presents a number of unique challenges and complexities for small to mid-sized reporting issuers. Smaller reporting issuers do not have access to the resources and capabilities for systems and processes necessary to accumulate and report climate-related disclosures. In particular, it may be difficult and costly for these reporting issuers to disclose their GHG emissions as they may not have the tools, resources, and finances to track and accurately report them on a timely basis in comparison with larger reporting issuers that already may be producing and providing such information for other purposes. Although we agree that these disclosures serve an important purpose, it is important to consider whether there should be accommodations for smaller and mid-market sized reporting issuers to minimize the additional cost and burden of reporting certain information. For example, small and mid-market sized reporting issuers would likely benefit from a longer implementation timeline than larger issuers would require. A possible solution may be to phase-in reporting requirements over a longer period of time. Additionally, an indefinite exemption for very small issuers based on specific parameters (e.g. shell companies with no operations) may be useful.

We also think that climate-related disclosure requirements should be scaled for smaller and mid-sized entities to ensure that the benefits to investors of the information provided are greater than the financial burden of producing and providing the information. The cost of providing mandated climate-related disclosures should not impede the growth of small and mid-market sized entities.

Providing certain concessions, such as longer implementation timelines and/or graduated applicability thresholds for smaller and mid-market sized reporting issuers will have a positive impact on the uptake and comparability of disclosures for these entities for which the burden of compliance is significant as it will reduce this immediate burden. There is a real need for small to mid-market sized organizations to have a transition period that is meaningful and yet still aligned with global commitments set for 2030 and 2050. The Proposed National Instrument should take into consideration a focus on cost of compliance and the need to balance financial sustainability with climate-related sustainability. Smaller organizations may not have the bandwidth or resources to fully implement these disclosures immediately, but they are still no-less important to achieving global goals. Allowing time for these smaller organizations to “get up to speed” is essential to achieving long-term climate-related objectives.

Scenario Analysis

Under the Proposed National Instrument, scenario analysis would not be required. We believe that scenario analysis should be required as risks to future sustainability and long-term value is predicated on knowing how scenarios will impact business operations and going concern. Scenario analysis is critical for reliable risk identification and analysis. The TCFD Recommendations currently include the requirement for scenario analysis; not requiring it would result in diversity in practice and reduce comparability.

Our view is that scenario analysis should be required, though perhaps in accordance with a specified phased timeline. In the meantime, the CSA should take a role in establishing assumptions and guidance for entities to complete high-level scenario analysis. Providing assumptions for high-level scenario analysis will serve to bring comparability between all reporting entities on the expectations and impacts of climate-related decisions through public policy, sustainable finance, physical risks, etc. Excluding the requirement for scenario analysis would be detrimental to the effectiveness of climate-related

disclosures as it would be similar to excluding contingencies from financial disclosures. If the future climate event impact on an entity is probable or reasonably possible then there is a need to disclose.

GHG Emissions

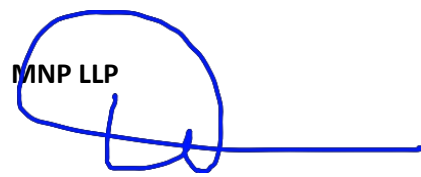
Under the Proposed National Instrument issuers will have the option to disclose GHG emissions or explain why they have not done so or, alternatively, to disclose Scope 1 GHG emissions. Based on our understanding, this less rigorous stance is not likely to align with the global disclosure requirements. We recommend that GHG emissions disclosures be mandated for all issuers. However, it's also important to consider that there will be a more significant burden on small and mid-market sized issuers of doing so. In order to address this concern, we recommend that both Scope 1 and Scope 2 GHG emissions disclosures be mandated for all issuers, but that Scope 3 GHG emissions disclosure requirements for small and mid-market sized issuers be phased-in over a longer timeline than for larger issuers, to accommodate their need to balance the challenges of producing and reporting Scope 3 emissions information with meeting investors' expectations.

Another important consideration is that GHG emissions disclosures should ensure that entities are investigating, evaluating and reporting on the impact of GHG emissions up and down their supply chains. Achieving benchmark targets will require entities to develop and implement comprehensive emissions reduction transition plans addressing GHG emissions resulting from all aspects of their businesses. Incomplete disclosures will erode the usefulness of GHG emissions information to investors for decision making purposes, particularly because Scope 3 emissions are often the material balance of the carbon footprint of small and mid-market sized issuers.

GHG Protocol

The Proposed National Instrument contemplates that issuers would be required to use a GHG emissions reporting standard to measure their GHG emissions, such as the GHG Protocol or a reporting standard comparable with the GHG Protocol. In our view, it is imperative that reporting by all issuers must be in accordance with a single, clearly defined and broadly accepted set of reporting standards. Compliance that can be achieved through the application of various reporting standards will reduce consistency and comparability of disclosures, which will diminish the usefulness of the information to investors and other users. We support the importance of mandating the application of uniform reporting standards, and it is critical that such a selection be in lockstep with expectations and requirements of the global marketplace to ensure to minimize the burden to Canadian issuers of having to comply with different climate change reporting frameworks in other jurisdictions.

Yours truly,

MNP LLP


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