

January 17, 2022

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British Columbia Securities Commission  
Financial and Consumer Services Commission, New Brunswick  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario 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  
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**Re: CSA NOTICE AND REQUEST FOR COMMENT – PROPOSED NATIONAL INSTRUMENT 51-107 *DISCLOSURE OF CLIMATE-RELATED MATTERS***

Dear Sirs and Mesdames:

This letter is submitted in response to the Request for Comment regarding proposed National Instrument 51-107 *Disclosure of Climate-related Matters* dated October 18, 2021 (the “Proposed Instrument”). Nutrien Ltd. is the world’s largest provider of crop inputs and services, with a market capitalization of approximately US \$40 billion. Our shares are publicly traded on the New York Stock Exchange and the Toronto Stock Exchange.

We appreciate the opportunity to comment on the Proposed Instrument as we commend all efforts to introduce mandatory climate-related disclosures that are consistent, meaningful, comparable and provide decision-useful information to market participants. We believe that managing environmental, social and governance (ESG) impacts contributes to long-term value creation and is valued information by investors and other stakeholders.

At Nutrien, our purpose and strategy are centered on our commitment to ESG principles. We strive to be a company that does important work and has a positive impact on the world. Our mission moving forward is to create long-term value with measurable outcomes that drive sustainable, climate-focused, inclusive agriculture. These efforts are fundamental to growing our world from the ground up.

We have answered specific questions in the Appendix.

The need for global climate impact disclosure is obvious and it is timely but does come with a material cost in both financial and human capital for corporations. We appreciate your thoughtful consideration of the views and recommendations provided in this letter. If you have any questions or need additional information, please do not hesitate to contact us.

Respectfully,

(signed) *“David Perrins”*

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(signed) *“Candace Laing”*

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## Appendix A – Request for Comments

### Experience with TCFD recommendations

**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?**

Nutrien has provided voluntary climate-related disclosures in alignment with TCFD recommendations on material topics related to our company and industry since 2020 on our website. In our experience, the TCFD framework is easily understood, and provides robust guidelines for a company to adequately assess the four core elements of governance, strategy, risk management, and metrics and targets to address climate issues. The TCFD recommendations also integrate well with other ESG frameworks such as SASB and GRI. We also note that our annual CDP Climate response (CDP) is also built on the TCFD framework. This allows us to develop our TCFD reporting more efficiently by leveraging the work already done for CDP.

### Disclosure of GHG Emissions and Scenario Analysis

**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?**

Yes, Nutrien voluntarily discloses Scope 1 and Scope 2 GHG emissions annually in accordance with the GHG Protocol.

**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?**

We continue to advance our climate strategy, which a key step is assessing how climate-related scenarios impact our company. We have conducted preliminary qualitative scenario analysis focused on material transition and physical risks following the TCFD recommendations. While we continue to analyze these scenarios, it has helped us to narrow our focus on key climate-related risks and opportunities.

We agree with concerns heard by the CSA that there are challenges with conducting scenario analysis to understand the potential future and assess resiliency of our short, medium and long-term strategy. From an issuer perspective, there are significant costs and resources required with developing multiple transition and physical risk scenarios. It is also challenging to determine the approach and methodology, as there are numerous scientific offerings for various climate scenarios and the need for accurate versus directional analysis is varying and unclear. There are additional challenges concluding on what timeframe to achieve these targets will be, as it has a significant impact on the outcomes of these scenarios. The scientific evidence of changes in the climate system and associated impacts on natural and human systems continues to evolve, making it challenging to develop a standardized set of assumptions for decision useful information for investors to compare scenario analysis across different organizations and industries.

**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?**

We agree with the Proposed Instrument that scenario analysis should not be mandated given the notable challenges as we commented under Question 3.

Considering the challenges noted in our response to Question 3, we continue to develop our climate-related scenarios, but this is an iterative and evolving process that involves collaboration across all of our business units and significant effort by leadership and those charged with governance. While these are not insurmountable challenges and we see these as medium-term challenges, we respectfully submit that if the CSA were to introduce disclosure requirements for scenario analysis, that these additional requirements be phased in over a longer period of time to allow for reporting issuers to gain experience conducting such analysis. We also anticipate that over a longer period of time, a global set of standardized assumptions will emerge (future population levels, economic activity, carbon price, energy demand and mix, key commodity prices, to name a few). This will ease the burden placed on the resources required to develop generally accepted scenarios fit for investor purpose and allow companies to instead focus on evaluating the resiliency of their own strategic plans and identify options for increasing organizational response. A globalized set of standards is necessary for comparable disclosures across reporting issuers. That said, we do recognize the value of conducting climate impact scenario analysis for both risk mitigation and opportunity identification.

We understand that the CSA may not have the same view on the practical implications of ‘comply or explain’ requirements, but in our view, ‘comply or explain’ regulatory frameworks can effectively become mandatory disclosure regimes. We anticipate that many investors and other stakeholders would apply greater scrutiny to decisions by issuers to not provide disclosure even when the obligation is framed as a choice. ‘Comply or explain’ regimes put a spotlight on governance practices as compared to other market participants. As a result, we would respectfully submit that scenario analysis should not be mandatory, nor subject to a ‘comply or explain’ regime but remain voluntary until climate-related scenario analysis matures.

#### **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?**

We refer to our response to Question 4, that we view that ‘comply or explain’ regulatory frameworks effectively mandating disclosure requirements for many issuers.

- **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?**

#### **Scope 1 and Scope 2 GHG Emissions (combined response):**

Nutrien already voluntarily discloses Scope 1 and Scope 2 GHG emissions. In our view, development of the processes and internal controls necessary to identify, track, and provide limited assurance on Scope 1 and Scope 2 GHG emissions has matured to the stage that information is of high quality to provide in public disclosures. We agree that such disclosure of Scope 1 and 2 GHG emissions be subject to ‘comply or explain’ regulatory framework, as currently proposed.

#### **Scope 3 GHG Emissions**

We have concerns over mandatory disclosure of Scope 3 GHG emissions. We respectfully submit that disclosure of Scope 3 GHG emissions should only be voluntary disclosure, and not subject to either mandatory or the ‘comply or explain’ regulatory framework (with reference to our views on ‘comply or explain’ in Question 4). As an alternative to voluntary disclosure, if the CSA continues to propose disclosure of Scope 3 GHG emissions through ‘comply or explain’ disclosure requirements, we propose that this disclosure be subject to additional phasing requirements, such as allowing for an additional three years at minimum for that requirement to be effective which would allow companies time to prepare to

disclose this information. We base this view on the following comments with our experience on Scope 3 GHG emissions and the GHG Protocol<sup>1</sup>, the preferred reporting standard proposed by the CSA.

Scope 3 GHG emissions are ‘other indirect GHG emissions’ under the GHG Protocol, which is articulated as:

*“an optional reporting category that allows for treatment of all other indirect emissions. Scope 3 emissions are a consequence of the activities of the company, but occur from sources not owned or controlled by the company”* (page 25 of the GHG Protocol, emphasis added).

We agree with the views expressed by the GHG Protocol that Scope 3 GHG emissions are relevant and provide an opportunity to be innovative and collaborative in supply chains for GHG management. In the long-term, having the ability to fully understand our Scope 3 GHG emissions will be valuable information to inform our sustainability strategy. As identified in the GHG Protocol, Scope 3 GHG emissions can be large (or believed to be large) relative to the company’s Scope 1 and Scope 2 GHG emissions and may be critical by key stakeholders.

However, as a large multinational organization with four diverse business units across three continents, quantifying all of our Scope 3 GHG emissions with sufficient precision and quality for reliable, and verifiable, public disclosure is a substantial undertaking, requiring significant time and investment of resources and prone to confusion regarding ownership of upstream and downstream GHG emissions. Without clearly defined standards for calculating Scope 3 GHG emissions, organizations make noncomparable assumptions in calculations, further eroding the value of the exercise. While work is underway, it will be difficult to be complete a full Scope 3 GHG emission baseline by the CSA’s proposed timetable for first annual filing due in 2024. We have prioritized other actionable sustainability initiatives, including launching and scaling a comprehensive Carbon Program, investing in our controllable emissions reductions programs, and developing more precise, consistent and comparable Scope 1 and Scope 2 GHG emissions reporting.

As noted, determining an inventory of our Scope 3 GHG emissions takes significant time and resources. The GHG Protocol is not clear or prescriptive in the requirements of what is a Scope 3 GHG emission:

*“...it is difficult to provide generic guidance on which scope 3 emissions to include in an inventory”* (page 29 of the GHG Protocol).

The process of measuring GHG emissions itself relies heavily on significant assumptions and data. There is significant scientific and estimation uncertainty associated with developing GHG inventories. While Nutrien can manage and set up an appropriate quality management program to be able to reliably measure Scope 1 and Scope 2 GHG emissions, Scope 3 GHG emissions relies heavily on information provided by external parties within our value chain that are not directly in control of Nutrien. While we have influence over our upstream supply chain and downstream customers, we do not have direct control that ensures quality data to support our identification and measurement of Scope 3 GHG emissions that could stand up to audit level assurance. The process of requiring partners throughout a company’s value chain to provide GHG emission data is still in its infancy stage. It is our experience that our suppliers and customers within our value chain are at different stages of adoption, and this will take time. As we can only influence data reporting for our disclosure of Scope 3 GHG emissions from third parties, it is our view that our resources are more effectively utilized investing in the initiatives we can control.

This problem is directly identified in the GHG Protocol which notes:

*“While data availability and reliability may influence which scope 3 activities are included in the inventory, it is accepted that data accuracy may be lower....Verification of scope 3 emissions will **often be difficult** and **may only be considered if data is of reliable quality**”* (page 31 of the GHG Protocol, emphasis added).

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<sup>1</sup> [“The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard”](#) (World Business Council for Sustainable Development).

Considering this all in the context of the CSA implementing a requirement that all Scope 3 GHG emissions must be disclosed in our continuous disclosure documents is therefore problematic in the short and medium term. This information must be of high quality that is reliable for it to be decision-useful for investors. Sufficient time is needed across Canadian reporting issuers to be able to prepare and report Scope 3 GHG emissions. Further, we rely on many smaller, private entities to provide transportation and logistics in our distribution network; these entities have no immediate impetus to provide accurate and reliable data.

We also have concerns on public disclosure of Scope 3 GHG emissions and how the information is not ‘double counted’ when two different companies include the same emissions in their respective disclosures. While this issue is raised in the GHG Protocol (page 34), the GHG Protocol did not suggest a solution, only commenting that it needs to be avoided, and that this matter is less important as the presumption is that this information is reported voluntarily. The GHG Protocol has not been designed to prevent double counting of Scope 3 GHG emissions, while it has been designed to prevent double counting of Scope 1 and Scope 2 GHG emissions. We respectfully suggest this is something that the CSA should consider when deciding whether to require mandatory Scope 3 GHG emissions disclosure by all reporting issuers.

Last, we point out the following sentence in the GHG Protocol that:

“Scope 3 may not lend itself well to comparisons across companies” (page 29 of the GHG Protocol).

The goal of the CSA’s Proposed Instrument is to introduce disclosure requirements that provide consistent, comparable and decision-useful information to market participants. We do not think that proposed disclosure of Scope 3 GHG emissions through a ‘comply or explain’ regime would meet the regulatory purpose as stated in the CSA’s Notice and Request for Comment.

One additional alternative to mandatory disclosure of Scope 3 GHG emissions is to consider mandating reporting for only categories of Scope 3 GHG emissions that are considered material by the reporting issuer. This may negate some of the concerns raised above.

- **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?**

Nutrien is required to report certain GHG emissions under existing legislation. However, we do not foresee a timing challenge.

**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?**

We agree the GHG Protocol should be the reporting standard to measure GHG emissions when disclosures are provided. Nutrien uses the GHG Protocol to report our emissions and consider the standards to be widely accepted to provide for consistent and comparable disclosures across reporting issuers.

- **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?**

Our preference would be to have one reporting standard for GHG emissions for consistency and comparability across reporting issuers.

**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?**

We agree that GHG emissions should not be required to be audited, and instead, this determination should be made voluntarily by reporting issuers.

We recognize that investor confidence in information is enhanced when it is accompanied by some form of assurance by an independent third-party. Nutrien has engaged with external auditors to undertake limited assurance engagements in respect of disclosure of Scope 1 and Scope 2 GHG emissions in accordance with International Standard on Assurance Engagements 3410 *Assurance Engagements on Greenhouse Gas Statements* (ISAE 3410), as issued by the International Auditing and Assurance Board. In our recent experience through discussions with external auditors, providing some form of limited assurance on Scope 1 and Scope 2 GHG emissions is relatively straightforward and is not cost prohibitive, as external audit firms have been providing this service for several years (we note that ISAE 3410 has been effective since September 30, 2013). If the CSA were to introduce some form of assurance, we respectfully suggest a limited assurance framework under ISAE 3410.

Scope 3 GHG emissions would substantially increase the complexity and procedures that would need to be performed by an auditor to obtain sufficient evidence supporting their report or opinion. Similar to our response to Question 5, given the significant increase in scope of GHG emissions and the complexities in determining upstream and downstream Scope 3 GHG emissions, we note that introducing a mandatory assurance requirement over this information (if mandated as required disclosure) may be cost prohibitive.

**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?**

We agree that the Proposed Instrument should permit a reporting issuer to incorporate all information required to be disclosed under the Proposed Instrument (including other elements, such as the governance, strategy, risk management and metrics and targets) by reference into another document. As we look to the future of financial reporting in the realm of continuous disclosure obligations, we note that there is a movement towards integrated reporting to incorporate certain material ESG reporting into the MD&A. The Proposed Instrument should allow for flexibility in reporting GHG disclosure to allow reporting issuers to tell their story in a manner that provides useful and relevant information to their stakeholders, either through integrated reporting or stand-alone sustainability reports, without increasing duplication.

## Usefulness and benefits of disclosures contemplated by the Proposed Instrument

**10. What are the anticipated benefits associated with providing the disclosures contemplated by the Proposed Instrument? How would the Proposed Instrument enhance the current level of climate-related disclosures provided by reporting issuers in Canada?**

By mandating this disclosure, we anticipate a collaborative need by more Canadian reporting issuers to reduce emissions, and to offset emissions, will occur, as shareholders will expect to see such in required disclosures. We anticipate that more organizations will closely consider their long-term risks, opportunities, strategy and viability. We are uncertain whether

the Proposed Instrument would enhance the current level of climate-related disclosures provided by voluntarily by Canadian reporting issuers given most is already based on the TCFD disclosure framework.

## Costs and challenges of disclosures contemplated by the Proposed Instrument

### **11. What are the anticipated costs and challenges associated with providing the disclosures contemplated by the Proposed Instrument?**

If the Proposed Instrument is enacted as is, we anticipate, based on our view of ‘comply or explain’ requirement, there will be significant costs and time associated with disclosing Scope 3 GHG emissions in terms of staffing, data collection, reporting, development of internal controls and proper governance for Board and management certification, and use of possible third-party experts to provide input into complex estimates to address scientific and estimation uncertainty. With these challenges associated with producing robust data for calculations of the various categories of Scope 3 GHG emissions, it is our view that it will be excessive regulatory burden to provide this information by annual filings due in 2024. We refer to our response to Question 5 regarding additional challenges with providing disclosures over Scope 3 GHG emission.

If the Proposed Instrument is amended to remove the proposed ‘comply or explain’ requirements to disclose Scope 3 GHG emissions, then we do not anticipate any further significant costs or challenges.

### **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?**

The strategy piece is likely the hardest of the four recommendations. The next most difficult would be the development and approval of targets and metrics. This includes the resources required to develop the processes and internal controls necessary to identify, track, and monitor the data to measure performance against set metrics and targets. As we noted in our opening remarks, the need for global climate impact disclosure is obvious and it is timely but does come with a significant cost in both financial and human capital for corporations.

## Guidance on disclosure requirements

### **14. We have provided guidance in the Proposed Policy on the disclosure required by the Proposed Instrument. Are there any other tools, guidance or data sources that would be helpful in preparing these disclosures that the Proposed Policy should refer to?**

Any clarification or guidance that can be provided on securities regulation is useful to reporting issuers, particularly as these types of disclosures require judgement to measure. If comparability is a goal of these disclosures, then more guidance would be helpful.

We also point out the accelerated international development on climate-related disclosures, with the formation of the International Sustainability Standards Board (ISSB) announced at COP26 on November 3, 2021, and the simultaneous publication of prototype climate and general disclosure requirements developed by the Technical Readiness Working Group, the group formed by the IFRS Foundation Trustees to undertake preparatory work for the ISSB. We have questions on how these disclosure requirements will interact with the CSA’s Proposed Instrument, as well as the interaction with the requirements for financial statements by reporting issuers to be prepared in accordance with section 3.2 of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*.



## Phased-in implementation

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?

If the Proposed Instrument is enacted as is and continues to require mandatory disclosure of all Scope 3 GHG emissions through a ‘comply or explain’ disclosure regime, we think it will be challenging to prepare and file a meaningful estimate by 2024 as this takes significant time, money and expertise to quantify emissions in our upstream and downstream value chain, and as the data required to prepare this information is outside of our control.

If the Proposed Instrument excludes Scope 3 GHG emissions, then we agree that we will have sufficient time to adopt the disclosure requirements by annual filings due in 2024.

## Future ESG considerations

18. In its comment letter to the IFRS Foundation’s consultation paper published in September 2020, the CSA stated that developing a global set of sustainability reporting standards for climate-related information is an appropriate starting point, with broader environmental factors and other sustainability topics to be considered in the future. What broader sustainability or ESG topics should be prioritized for the future?

We consider the following ESG matters will become more important and therefore should be prioritized in the future:

- Environment: water use and biodiversity
- Social: safety, and equity, diversity and inclusion
- Governance: cybersecurity