



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

**Re: Proposed National Instrument 51-107 GLJ Ltd. Comments**

This letter is offered by GLJ Ltd. (GLJ) in response to the October 18, 2021 call for comments pursuant to the Proposed National Instrument NI 51-107 *Disclosure of Climate-related Matters* (the Proposed Rule).

**GLJ Context**

GLJ is a global energy consulting firm that has evolved over the last 50 years, offering both emerging and traditional energy services, to meet the world's needs for responsible, sustainable energy. Historically, the subject matter expertise of our engineers, geoscientists and business professionals has been delivered via our role as an independent advisor and assessor focused on reserves and resource evaluations utilized for attracting capital, negotiating transactions and the disclosure of forward-looking information for the oil and gas sector. Today, our subject matter expertise has been extended across the broader energy landscape and includes support developing and implementing sustainability and decarbonization strategies and sustainability or environment, social, and governance (ESG) reporting. GLJ routinely works with oil and gas producers, mining companies, emerging energy companies, cleantech companies, technology developers, service companies, government bodies and investors. Recently, our client base has been expanding to include companies outside of the energy sector, as municipalities and businesses of all types look to address sustainable practice in their business plans.

**Response to Questions**

GLJ provides the following comments in response to questions 1 through 18 of Part 10 of the CSA Notice and Request for Comment:

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?

No comment. GLJ is not a reporting issuer.

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?

No comment. GLJ is not a reporting issuer.

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?

No comment. GLJ is not a reporting issuer.

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?

GLJ is in agreement with stakeholder concerns that scenario planning usefulness, consistency, and comparability will be challenging without a standardized set of assumptions. Nonetheless, society's resilience and our collective achievement of net-zero ambitions, in balance with other critical ESG factors including the provision of a reliable and affordable energy supply through the energy transition, will require companies to continually test their plans and performance against scenarios, such as a 2°C or lower scenario, that are driving policies and legislation. Without such tests, it is unclear that companies will be able to adequately assess and address their material risks and uncertainties in the near-, medium- and long-term; eliminating scenario planning effectively lets companies "off the hook" on this point of rigor and increases the likelihood that results will not be delivered on the timelines required, to the detriment of stakeholders and society.

Should scenario analysis be incorporated in disclosure, additional guidance with respect to approach and methodology is required. Furthermore, we would recommend that the regulator consider designating scenarios from a reputable body, one such example being the International Energy Agency. Such actions, while prescriptive to a degree, would focus reporting issuer efforts and reduce costs while also improving the usefulness, consistency, and comparability of the disclosure.

From a governance perspective and to further increase consistency and comparability, third party or independent assurance of such disclosure is a reasonable consideration. Scenario planning inherently incorporates forward looking information and as such subject matter experts, at a minimum, should be relied upon for the development of such disclosure and its assurance. The exclusion of subject matter experts when preparing forward looking information significantly risks a reporting issuer's ability to set reasonable and achievable targets and, therefore, may mislead stakeholders.

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?

The specific disclosure of GHG emissions focuses disclosure inappropriately on a single variable which may or may not be material for a company. Best practice in sustainability and ESG should consider disclosure on a fulsome range of material metrics. It is understood that existing securities legislation includes disclosure on ESG matters through various instruments. That said, reporting issuers and stakeholders would benefit from disclosure which clearly summarizes such data, metrics, targets, performance and verbiage in a form or series of forms. Clarity and transparency of this nature is also likely to accelerate performance improvements which would present a benefit to society.

Disclosure of any data, metric or target should not be mandatory if it is not material as it creates an unnecessary burden for reporting issuers.

Should the Canadian Securities Administrators (CSA) require the mandatory disclosure of Scope 1 GHG emissions, GLJ would recommend establishing the boundaries for reporting (equity versus control approaches), otherwise comparability will be challenged.

In this instance, in addition, we would also recommend the CSA:

- require the mandatory disclosure of Scope 2 GHG emissions. In our experience, Scope 2 GHG emissions may be significant and are often relatively easy to track and report providing for more complete disclosure.
- require, at a minimum, qualitative commentary with respect to Scope 3; namely, emissions associated with the reporting issuer's supply chain and emissions associated with product end use. Full, plain true disclosure should include a description of full lifecycle impacts of the reporting issuer's business. Such commentary provides an opportunity for reporting issuers to differentiate their sustainability strategies and has the potential to enhance the competitiveness of Canadian companies.

With respect to GHG emissions specifically, to the degree material, disclosure of equivalent carbon dioxide emissions would be insufficient; reporting best practice should specify the types of emissions (carbon dioxide, methane, nitrous oxide, etc.) if reporting issuers are to set and track against reasonable targets. Additionally, it may be useful to report GHG emissions by region or business unit and by source (combustion, industrial process, transportation, flaring, venting, fugitive, etc.).

The CSA might consider guidance on labelling. When can the term net-zero be used? Does this term apply to Scope 1 only? Might this be misleading? What are the criteria?

Finally, with respect to challenges associated with filing deadlines, GLJ would recommend that reporting issuers already reporting GHG emissions under an existing federal or provincial legislation would be able to reference their most recent filings in their AIF or MD&A disclosure.

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?

GLJ would ask: Is it the role of the CSA to rely upon regulation established by governments within Canada or is it the role of the CSA to establish independent regulation when it comes to designating a GHG emissions reporting protocol? Notably, the GHG Protocol is an international protocol established by World Resources Institute and World Business Council for Sustainable Development. Canadian companies must comply with Canadian regulation within their jurisdiction and as such a more appropriate default for reporting might be Canada's Greenhouse Gas Reporting Program.

Should the GHG Protocol, a provincial protocol or any other protocol be considered equivalent to Canada's Greenhouse Gas Reporting Program, GLJ would recommend including an evergreen list of protocols deemed equivalent.

With respect to comparability, GLJ recommends that reporting issuers directly reconcile differences between their disclosed GHG emissions pursuant to the designated standard (proposed as the GHG Protocol) and GHG emissions data which can be sourced publicly following submission to federal or provincial government bodies.

While it is reasonable to allow a reporting standard in addition to the designated standard (proposed as the GHG Protocol), similar to guidance on non-GAAP measures, the presentation of the designated standard should not be obscured.

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?

Presuming that a reporting issuer is able to rely upon GHG emissions reported to the federal or provincial government for business compliance purposes, the relevant governing body will have the ability to request verification or periodically audit submissions; as such, a requirement for mandatory assurance on GHG emissions reporting specifically might be considered redundant.

As an extension to our comment on materiality under #5, assurance on data or metrics that are not material create an unnecessary burden for reporting issuers.

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?

Presuming that the CSA does not create a form or series of forms to more holistically prescribe metrics and targets to be reported as a standard, referencing another document for GHG disclosure is reasonable.

9. What climate-related information is most important for investors' investment and voting decisions? How is this information incorporated into these decisions? Is there additional information that investors require?

No comment. GLJ is an independent party and cannot provide the perspective of an investor.

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?

The disclosure of metrics and targets will enable the demonstration of progress on emissions abatement and may accelerate advances pursuant to the axiom "you can't manage what you don't measure" and related business strategy and planning research. Standardized disclosures improve a stakeholder's ability to compare reporting issuers. In addition, standardized disclosures would help to improve the global competitiveness and reputation of Canadian reporting issuers, supporting Canada's position as a climate leader.

Embedding the disclosure in and aligning timing with current year end reporting (MIC, AIF or MD&A) is further expected to improve the quality and consistency of disclosure on sustainability and ESG matters.

In the context of climate change, energy transition and commercial technologies available, significant performance improvements are anticipated over the medium- to longer-term. As such, the annual reporting frequency is considered appropriate and sufficient.

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

As noted in our response to #5, the Proposed Rule, in combination with other existing disclosure, is unlikely to be sufficient in providing the clarity and transparency necessary to holistically address the multivariate complexities associated with sustainability and ESG best practice. As such, it may be misleading and have the unintended consequence of making one reporting issuer “look good” relative to another due to the compartmentalized presentation of certain data, metrics and targets (for instance, with respect to GHG emissions) which may or may not be material.

While somewhat prescriptive in nature, GLJ recommends disclosure of certain ESG metrics defined by the CSA, supplemented on a voluntary basis with additional metrics that are defined and explained by the reporting issuer. This would provide a foundational basis for direct comparison and consistency.

As presented, it is anticipated that the Proposed Rule will help define best practice metrics overtime. That said, the time required to determine best practices, effectively a maturing of sustainability and ESG reporting, may be extended through considerable trial and error given anticipated uniqueness and creativity of metrics presented. This circumstance may in some ways be compared to GAAP and non-GAAP measures. The Proposed Rule as defined empowers non-standard reporting with explanation. Will this be sufficient to enable comparability, avoid misleading disclosure and achieve targets in an efficient manner?

Given the forward-looking nature of targets, akin to forecasts, industry-specific subject matter expertise will be required to prepare disclosure and should be considered as one aspect of assurance requirement deliberations. The Proposed Rule makes no mention of such expertise and may risk the disclosure of misleading targets.

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?

Appropriate data gathering, determination of metrics and target setting on material issues is expected to be considerably more costly and challenging relative to the qualitative descriptions for governance, strategy and risk management. This opinion is based on GLJ’s work with clients establishing processes for sustainability and ESG reporting.

There is a tremendous learning curve when it comes to the selection and use of appropriate datasets, metrics and targets given the large number of standards and the relative immaturity of established best practice, resulting in continual change when it comes to sustainability and ESG reporting.

Independent subject matter experts will play a critical role understanding the uncertainty in different datasets, establishing meaningful metrics and setting achievable targets or performance forecasts. Such expertise does have a cost but will serve to mitigate greenwashing and the subjectivity of certain disclosure.

13. The costs of obtaining and presenting new disclosures may be proportionally greater for venture issuers that may have scarce resources. Would more accommodations for venture issuers be needed? If so, what accommodations would address these concerns while still balancing the reasonable information needs of investors? Alternatively, should venture issuers be exempted from some or all of the requirements of the Proposed Instrument?

GLJ agrees with the concept of accommodation for venture issuers and the provision of an extended phase-in period. In addition to scarce resources, venture issuers are more likely to need external resources to prepare their sustainability and ESG strategies and disclosure and the availability of qualified professionals and subject matter expertise may be strained given the relative immaturity of the supporting industry, in combination with common deadlines.

Should the Proposed Rule require the disclosure of Scope 1 GHG emissions, it may be reasonable to exempt venture issuers that have no requirement to report their emissions within their jurisdiction, since the emissions of these venture issuers are considerably less likely to be material to Canada, provided the emissions are also not material to the reporting issuer and their stakeholders.

As noted in our response to #5 and #7, disclosure of any data, metric or target should not be mandatory if it is not material as it creates an unnecessary burden for reporting issuers, venture or otherwise.

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?

Considering the Proposed Rule as written, GLJ recommends a requirement to provide an explanation of the comparability of the GHG Protocol to federal and provincial greenhouse gas reporting programs. GLJ further recommends that the CSA provide guidance for reconciling GHG emissions reported, based on the GHG Protocol, relative to GHG emissions reported to federal or provincial jurisdictions.

GLJ recommends, per our response to #6, the inclusion of an evergreen list of protocols deemed equivalent to the GHG Protocol.

GLJ recommends, an evergreen list of data sources (preferably hyperlinks) for GHG emissions data reported to federal or provincial jurisdictions.

15. Does the guidance set out in the Proposed Policy sufficiently explain the interaction of the risk disclosure requirement in the Proposed Instrument with the existing risk disclosure requirements in NI 51-102?

As noted in our response to #5 and #11, reporting issuers and stakeholders would benefit, in terms of clarity, transparency and consistency, from more holistic disclosure which clearly summarizes sustainability and ESG considerations in a form or series of forms.

Disclosure guidance with respect to environment, climate change, social, and governance matters is spread across a list of existing instruments, Staff Notices and the Proposed Rule. This inherently necessitates incremental guidance and explanation with respect to the interplay between the instruments, per this question. We ask: Is there a better approach?

16. Form 41-101F1 Information Required in a Prospectus does not contain the climate related disclosure requirements contemplated by the Proposed Instrument. Should an issuer be required to include the disclosure required by the Proposed Instrument in a long form prospectus? If so, at what point during the phased-in implementation of the Proposed Instrument should these disclosure requirements apply in the context of a long form prospectus?

In GLJ's opinion, yes, an issuer should be required to include disclosure on governance, strategy and risk management in a long form prospectus.

GLJ's comments on phase-in timing for metrics and targets pursuant to the Proposed Rule are provided in our response to #17.

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? Future ESG considerations

As sustainability and ESG reporting matures, GLJ anticipates that such disclosure will move from an early focus on baselines and long-range targets to action plan details which include near- and medium-term targets or forecasts. In GLJ's experience, it can take more than one year for a reporting issuer to identify data requirements and put in place quality-assured process and controls. Furthermore, a minimum of three years is considered reasonable for establishing baselines, potentially longer considering COVID impacts. As such it may be as much as five years, before reporting issuers establish reasonable metrics and targets.

In view of these considerations, the mandatory disclosure of metrics and targets within one year of the Proposed Rule coming into force for non-venture status reporting issuers may not be sufficient, depending on the maturity of their historical sustainability and ESG reporting. GLJ would recommend up to a three-to-five-year phase-in for the disclosure of metrics and targets for non-venture status reporting issuers. Insufficient timelines can be expected to jeopardize process and controls with respect to data quality, uncertainty and change management and may result in misleading disclosure.

Provided the phase in period for the disclosure of metrics and targets is extended as recommended for non-venture status reporting issuers, GLJ recommends that the disclosure of metrics and targets for venture status reporting issuers apply the following year.

With respect to governance, strategy and risk management disclosure, the phase-in year in the Proposed Rule is considered reasonable.

Should the phase-in for the disclosure of metrics and targets not be extended as recommended, GLJ recommends an April deadline and a June deadline for annual filings for non-venture status reporting issuers and venture status reporting issuers, respectively, in their first year of filing.

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?

Many additional sustainability and ESG topics should be prioritized. To name a few:

- water use,
- land use,
- biodiversity impacts,
- environmental releases,
- decommissioning, abandonment, reclamation and remediation,
- cumulative effects,
- waste and recycling,
- technology and innovation investment, development and commercialization,
- economic and social benefits and impacts locally and jurisdictionally,
- Indigenous equity, rights, benefits and impacts,
- diversity, equity and inclusion,

- employee and stakeholder well-being,
- safety, incidents and emergency management,
- regulatory compliance,
- energy accessibility, reliability and affordability,
- codes of conduct including bribery and anti-corruption best practice,
- alignment of corporate and sustainability strategies, and
- governance and risk management.

Strategically, the CSA might further consider designing disclosure to ensure basic data availability to meet the criteria of the most commonly used ESG rating agencies. Such an effort will likely improve the competitiveness of Canadian reporting issuers and support capital formulation.

#### Other Comments

At present the definition of materiality for securities disclosure is different than the definitions of materiality within various sustainability standards and frameworks. This may explain some of the historical inconsistencies in material issue reporting in sustainability and ESG reporting when compared to material issues reporting in a reporting issuers AIF or MD&A. The different timelines for the preparation of these disclosures may also be a factor.

To overcome this challenge, the CSA may need to provide additional guidance.

GLJ would recommend, at a minimum, that disclosures beyond the Proposed Rule include the definition of materiality employed, along with a description of how the employed definition compares to the definition of materiality for securities disclosure.

In closing, GLJ appreciates the opportunity to provide our comments. Colleen Sherry ([csherry@gljpc.com](mailto:csherry@gljpc.com)) and Caralyn Bennett ([cbennett@gljpc.com](mailto:cbennett@gljpc.com)) are available for further discussion as necessary.

Yours truly,

**GLJ LTD.**

*“Originally Signed By”*

Colleen Sherry  
Vice President, Sustainability

*“Originally Signed By”*

Caralyn P. Bennett, P. Eng.  
Executive Vice President, Chief Strategy Officer

Dated: January 17, 2022  
Calgary, Alberta  
CANADA