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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
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

DELIVERED VIA EMAIL

The Secretary
Ontario Securities Commission
comments@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
consultation-en-cours@lautorite.qc.ca

Re: CSA Consultation on proposed National Instrument 51-107 – *Disclosure of Climate-related Matters* and its companion policy (together, the “Proposal”)

Dear Sirs/Mesdames:

BlackRock Asset Management Canada Limited, on behalf of BlackRock, Inc., its parent company (together, “BlackRock” or “we”), is pleased to provide its submissions on the Proposal. This response is written from two perspectives. First, as a fiduciary to our clients, we are an organization that is committed to helping more and more people experience financial well-being, including through the advancement of sustainable investing. Along with other institutional investors,

BlackRock has been advocating for global, standardized sustainability disclosures which will support informed investment decision-making and we are pleased to see the CSA's continued leadership in this space. The second perspective from which we write this submission is from BlackRock, Inc.'s experience as a U.S. corporate issuer that has, over the last two years, reported sustainability information to our stakeholders aligned to the Recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") and the sector-specific metrics identified by the Sustainability Accounting Standards Board ("SASB") as applicable to Asset Management & Custody Activities.

General Comments

BlackRock shares the CSA's concerns about the current landscape around climate-related disclosures and therefore, supports the Proposal and the policy objectives it is intended to address. BlackRock has articulated that climate risk is investment risk. We believe it is essential to integrate the assessment of climate-related considerations into our investment processes to contribute to better long-term risk-adjusted returns for our clients. With this backdrop, more complete, consistent and comparable climate-related disclosures, including both qualitative and quantitative metrics, are in both issuers' and investors' interests and clear regulatory expectations are very welcome at this stage.

BlackRock believes mandatory climate-related disclosures should include qualitative and quantitative disclosure elements based on the TCFD Recommendations, supplemented by sector-specific metrics, such as those identified by SASB¹. However, while there is value in mandating reporting, there are also benefits to allowing a phased or voluntary approach for quantitative metrics where methodologies are still emerging, which we discuss in more detail below. This would allow the CSA to monitor developments and respond accordingly.

We would also respectfully suggest that where a reporting issuer is cross-listed in Canada, that company is permitted to produce a group level TCFD report in order to satisfy the Canadian-specific requirements. This would reduce the regulatory burden resulting from having to comply with multiple disclosure requirements in different jurisdictions.

Specific Comments

In addition to the general comments outlined above, BlackRock would like to opine on three specific areas, which we have also articulated in our [response](#) dated June 2021 to the Request for Input on Climate Change Disclosures issued by then-acting-Chair Allison Lee of the Securities and Exchange Commission. We hope the

¹ Released in 2018, there are 77 industry-specific standards that have been developed by the SASB as guidance for each industry sector on the minimum set of financially material sustainability topics and metrics that companies should regularly disclose.

<https://www.sasb.org/standards/>

CSA will consider addressing the following areas in the Proposal or prioritize them in its regulatory agenda.

- I. **We believe Scope 1 and Scope 2 GHG emissions data is a good starting point for mandatory quantitative disclosure.** We recognize that methodologies and data availability for certain categories of Scope 3 emissions and other quantitative climate metrics are in more nascent stages of development and may require an alternative or phased approach. We respectfully suggest the CSA introduce a phased approach and/or a safe harbour for such quantitative metrics, with a commitment to mandate these additional disclosures as soon as practicable.
- II. BlackRock would like to see **the development of a single global baseline for sustainability disclosures to help investors make more informed investment decisions across markets for better long-term returns.** We encourage the CSA to continue to monitor international developments in this area to support the establishment of, and align with, a globally applicable baseline for climate-related reporting. In particular, we endorse global efforts to move to a uniform set of standards over time under the International Financial Reporting Standards (“IFRS”) Foundation’s recently established International Sustainability Standards Board (“ISSB”)².
- III. **Climate-related disclosure requirements should also include private markets in order to avoid regulatory arbitrage and fully address the need for more complete investment information in the market.** While the CSA may not currently have the regulatory ability to take action on its own, we respectfully request that the CSA work with other financial services regulators and the provincial and federal governments, to find innovative ways to require climate-related disclosures for the private markets. Without equivalent and transparent information across both markets, there may be an unintended “incentive” for assets to be divested from the public market to the private market, a result which would be detrimental to the global economy’s net-zero transition efforts.

Comments on Specific Consultation Questions

Below are our responses to the specific consultation questions posed in the Proposal. The questions have been included for ease of reference.

Experience with TCFD recommendations

1. For reporting issuers that have provided climate-related disclosures voluntarily in accordance with the TCFD recommendations, what has been your experience generally in providing these disclosures?

² As announced on [November 3, 2021](#), several leading investor-focused sustainability disclosure organizations, including the Value Reporting Foundation which houses the SASB Standards, will consolidate into ISSB.

As a founding member of the TCFD, BlackRock has been a strong supporter of the framework since its inception. To date, BlackRock has published two standalone TCFD-aligned reports³, which we believe reflect our commitment to managing our organization in line with our sustainability objectives. In both years, BlackRock provided disclosure in line with the eleven TCFD Recommendations and the Supplemental Guidance for Asset Managers, including scenario analysis.

We can provide the following general feedback on our experience in preparing our TCFD reports. First and foremost, we found the TCFD Recommendations to be an excellent starting point to help our firm articulate the climate-related risks and opportunities to which our organization may be subject as well as the governance, strategy, and risk management efforts in place to manage those risks and opportunities. In addition, the process of evaluating our organization against the TCFD Recommendations in order to produce the disclosure was valuable in identifying areas for continued improvement and analysis.

However, from a regulatory perspective, we believe that the greatest challenge for regulators in mandating climate-related disclosure is that the reporting standards, methodologies, and underlying data for the more quantitative aspects of the TCFD Recommendations, namely Scope 3 emissions and scenario analysis, are nascent and subject to ongoing evolution even within organizations, like ours, who have experience producing TCFD-aligned reports.

With respect to BlackRock's own TCFD reporting, we have taken the view that providing transparency to our stakeholders on a best effort basis, even if imperfect, is preferable to not reporting at all. However, within this context we have made significant efforts to be clear about the limitations of certain quantitative metrics, as well as the methodological choices we have made in the absence of clear standards for certain metrics. We also seek to be very clear when methodologies have changed year-over-year as well as our expectation that our methodologies and data will evolve and change significantly over time.

While this approach is workable in a voluntary reporting context, as the CSA looks to mandate these disclosures in a regulatory context, care will need to be taken to ensure that regulatory disclosures do not overstate the reliability of metrics whose methodologies and/or data sources are nascent as well as to protect companies who produce this information in good faith through a safe harbour provision. In addition, the CSA will need to ensure that sufficient time, informational resources, and clear regulatory guidance is provided to companies to help them navigate the complexities associated with quantitative disclosures and to clearly specify any limitations should they choose to require issuers to report this information.

³ See BlackRock's TCFD Reports for 2020 and 2021:

<https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/blk2020tcfdreport.pdf> and

<https://www.blackrock.com/corporate/literature/continuous-disclosure-and-important-information/tcf-report-2020-blkinc.pdf>

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?

BlackRock currently discloses Scope 1, 2 and relevant categories of Scope 3 GHG emissions on a voluntary basis. These are calculated in accordance with the Corporate 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?

BlackRock conducted its first climate-related scenario analysis in 2020, which was published in [BlackRock's 2020 TCFD report](#). In 2021, we sought to build on this foundational work and enhanced our climate scenario analysis. We published the high-level conclusions from this analysis in [BlackRock's 2021 TCFD report](#).

For all companies, regardless of industry, climate-related scenario analysis has proven to be one of the most challenging aspects of the TCFD Recommendations. By year-end 2020, only 13% of companies utilizing the TCFD framework included information in their disclosures about the resilience of their strategies under different climate scenarios – a much lower uptake than other TCFD Recommendations as reflected in the [TCFD's 2021 Status Report](#).

BlackRock believes that one of the benefits of preparing and disclosing climate scenario analysis is that it is a helpful tool to hone companies' understanding of climate-related risks and opportunities. Climate scenarios allow organizations to explore possible outcomes, the assumptions they depend upon, and the possible courses of action the organization can take to address climate-related risks and opportunities that may arise.

In terms of the challenges in preparing and disclosing climate scenario analysis, the lack of guidance specific to the asset manager business model would be one to highlight from our experience. In addition, predicting climate change and quantifying its impacts on the economy is inherently complex: how the consequences of climate change will impact asset values, how companies will react to regulatory and market pressures, as well as how clients will react and adapt to these impacts are all difficult considerations to assess and describe. There are a wide range of plausible climate scenarios, each with a wide range of potential outcomes with respect to climate change. Therefore, there is a vast amount of uncertainty with which businesses need to contend.

Another challenge is that performing corporate climate scenario analysis involves the use of material, non-public information such as business growth forecasts and other similar, highly proprietary and confidential information. It would not be reasonable, in any circumstance - including in the context of climate-related disclosures - to expect companies to disclose this type of information.

Finally, climate change can affect different sectors differently and it is difficult to regulate “one-size-fits-all” requirements across all sectors.

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?

Not requiring scenario analysis to be disclosed at this time is an appropriate approach to take due to the current lack of uniformity across issuers in various industry sectors on the (i) most appropriate climate-related assumptions to use, (ii) scenarios against which analysis should be conducted, and (iii) client response and product flow assumptions to utilize. Until there is further evolution leading to consistency on how climate scenario analysis “should” be conducted, the current disclosure landscape is not ready for a mandatory requirement. Thus, a “comply or explain” approach is appropriate.

Alternatively, the CSA may want to consider implementing a time-limited safe harbour should a company voluntarily choose to disclose scenario analysis. BlackRock believes that issuers should have the option of providing a discussion of their climate-related risks and opportunities, as well as a qualitative assessment of their organizations’ resilience to climate change. A company’s sustainability strategy, including its consideration of the transition to net zero, is valuable to an investor to understand how resilient a company may be to climate change. It provides insight into which climate-related risks and opportunities have been integrated into the company’s governance, operations and culture. As the conversation around a transition to net zero is a dominant one, understanding how a company’s strategic goals would change to address climate risks and opportunities - as formed by scenario analysis - would be useful for investors in making informed investment decisions.

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. 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?*

We respectfully note that the TCFD have updated their implementation guidance at around the same time as publication of the CSA's Proposal to now suggest reporting on GHG emissions "independent of a materiality assessment"⁴. As set out under "Specific Comments", we prefer and support the disclosure of GHG emissions, particularly Scope 1 and 2, regardless of materiality as an appropriate starting point for issuers to provide mandatory quantitative disclosure. We recognize that Scope 3 and any other quantitative disclosures may require a phased approach and/or an appropriate safe harbour⁵ where data and methodologies are still developing and maturing. In particular, a safe harbour provision would benefit investors because it may encourage issuers to disclose more detailed and specific information related to their climate practices rather than using boilerplate language. Being able to rely on a safe harbour may also allow directors and officers to feel protected from potential liability so long as there are adequate internal controls to demonstrate how the disclosures were created and finalized.

BlackRock believes there is value in companies initiating these types of quantitative metrics for the benefit of investors, while recognizing that methodologies are not finalized and data may be restated at a later date. We would encourage the CSA to consider a phased approach or safe harbour but support the CSA mandating disclosure of Scope 3 emissions as soon as practicable.

For issuers who are already required to report GHG emissions under existing Canadian legislation, BlackRock believes the CSA should permit GHG emissions disclosure with a sufficient time lag, such as 6-months or 1-year, if there is an expectation that the data will be reported in the issuer's AIF or annual MD&A in order to address any timing differences related to how current such information must be.

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?

The TCFD Recommendations are intended as a framework and are not an auditable standard. However, because of the quantitative nature of the GHG emissions data and the existing and consistent methodologies to measure and report them, we would support at least a limited form of assurance, particularly for Scope 1 and 2 emissions, to ensure consistent and reliable information. We also note that the ISSB is prioritizing a standard on climate-related reporting, which once finalized, will enable the development of an assurance standard. As such, it would seem to be in companies' interests to initiate assurance in the near term.

⁴ [Annex: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures \(October 2021\)](#).

⁵ Both the Ontario Capital Markets Modernization Taskforce and the federally appointed Expert Panel on Sustainable Finance support the implementation of a safe harbour as it relates to climate-related disclosures.

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?

BlackRock believes it would be appropriate for an issuer to reference another document that discloses GHG emissions, and we note that the CSA have provided helpful guidance on the data (i.e. format, methodology) that it expects to be disclosed by issuers in the draft form requirements. However, to reduce duplicative requirements which cover the same information, perhaps a better option would be for the CSA to explicitly permit the filing of another document that already discloses GHG emissions to satisfy the requirements of the Proposal if the content is substantively consistent, as determined by the filer, with guidance from the CSA on how to make such a determination.

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?

Based on our experience, there would be data management costs associated with compiling the GHG emissions information. Additionally, expertise is required to compute GHG emissions, which can be obtained from consultancies, technology solutions providers, and/or hiring personnel with expertise in GHG emissions disclosures to produce the necessary computations and reporting. These are anticipated costs and challenges to be considered as these skills may not currently reside within most issuers. There are also costs associated with data assurance, if undertaken, and legal costs related to the review of the new disclosures contemplated by the Proposal.

As the CSA has noted in its Proposal, investors and other users of climate-related disclosures are looking for consistent and comparable information. Regulators setting out clear regulatory expectations around these disclosures will equalize the playing field for all issuers and, over time, help reduce costs associated in complying with multiple reporting frameworks.

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 costs and challenges vary among the four core TCFD recommendations with scenario analysis and Metrics and Targets being potentially more costly, as they require subject matter expertise to prepare that does not reside within the normal business operations of many companies.

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?

Given the results of the Millani TCFD Disclosure Study examining the extent to which S&P/TSX Composite Index constituents provide climate-related disclosures which align with the TCFD Recommendations referenced in Annex G of the Proposal, there seems to be a good basis for suggesting that the transition provisions would provide sufficient time for issuers to produce the required disclosure, including GHG emissions. As well, given the current momentum both in Canada and globally for complete, consistent, and comparable climate-related disclosures, we believe the CSA should take a leadership role and implement these mandatory disclosure requirements as quickly as practicable.

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?

BlackRock is aligned with the CSA's desire to eventually develop a global baseline around sustainability reporting for climate-related information, including energy transition and climate risk. International consistency will continue to be an important element in achieving the regulatory goal of investor protection where geographic diversification is typically desired by many investors. A global baseline will reduce regulatory burden where issuers operate in multiple jurisdictions and mitigate against the risk of regulatory arbitrage across jurisdictions. We would encourage the CSA to continue its leadership role in mandating climate-related disclosures through its participation in various global initiatives such as the work of the IFRS Foundation⁶.

Another broader topic that we encourage the CSA to prioritize is addressing the gap between private and public markets in the availability and comparability of climate-related disclosures. This gap could result in regulatory arbitrage. A more concerning unintended consequence of this information gap is the potential that public companies may divest of carbon intensive assets to private companies, which could undermine the incentive to reduce emissions that greater transparency would otherwise encourage. Furthermore, as many investors deploy capital across both public and private markets, we believe that the CSA should work with other financial services regulators and the provincial and federal governments, to mandate climate-related disclosures with respect to large private market issuers.

⁶ For additional examples of significant converging global standards and frameworks, please see page 8 of our response to the Request For Input by the SEC referenced under "Specific Comments".

This would benefit all users of this information and may achieve the goals of both reducing information asymmetry and increasing more efficient allocation of capital.

Conclusion

To address the urgency posed by climate change to the environment, economy, and society, market participants and regulators must work together to provide consistent and comparable climate-related information. Corporate disclosures will play a key role in mitigating both physical and transition related risks by providing transparency to help accurately price assets and allocate capital more efficiently.

We appreciate the opportunity to respond to the CSA's consultation on the Proposal. We would be pleased to answer any questions you may have once you have had an opportunity to review our submissions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Margaret', with a long horizontal flourish extending to the right.

Margaret Gunawan
Managing Director, Head of Canada Legal & Compliance
BlackRock Asset Management Canada Limited