

CONSULTATION RESPONSE

CANADIAN SECURITIES ADMINISTRATORS (CSA) REQUEST FOR COMMENT ON DRAFT REGULATION 51-107 RESPECTING DISCLOSURE OF CLIMATE-RELATED MATTERS

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This consultation response represents the view of the PRI Association and not necessarily the views of its individual members.

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INTRODUCTION

The United Nations-supported Principles for Responsible Investment (PRI) is the world's leading initiative on responsible investment. The PRI has over 4,375 signatories (pension funds, insurers, investment managers and service providers) to the PRI's six principles with approximately US \$121 trillion in assets under management. More than 200 PRI signatories are finance industry actors headquartered in Canada.

The PRI supports its international network of signatories in implementing [the Principles](#). As long-term investors acting in the best interests of their beneficiaries and clients, our signatories work to understand the contribution that environmental, social and governance (ESG) factors make to investment performance, the role that investment plays in broader financial markets and the impact that those investments have on the environment and society as a whole.

The PRI works to achieve this sustainable global financial system by encouraging the adoption of the Principles and collaboration on their implementation; by fostering good governance, integrity and accountability; and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation. The PRI welcomes the invitation by the CSA to provide feedback on the proposed National Instrument 51-107 respecting Disclosure of Climate-related Matters for public issuers.

ABOUT THIS CONSULTATION

On 18 October 2021, the CSA published its draft [Regulation 51-107 respecting Disclosure of Climate-related Matters](#) and [Policy Statement](#) for public comment, seeking feedback on the appropriateness of their content and implementation timeline.

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KEY RECOMMENDATIONS

Broadly, the PRI recommends that the Canadian federal government, all provincial and territorial governments and their respective regulatory bodies, require consistent mandatory climate-related disclosure for publicly traded and privately owned companies operating under their jurisdiction. As outlined in the recent [IEA Energy Policy Review for Canada](#), nothing less than an ambitious, significant and concerted whole of government approach to regulatory action will be enough to meet the challenge of Canada's 2030 and 2050 targets. This not only applies to decarbonising Canada's energy system, but also leveraging the financial sector to enable and drive deep decarbonisation of the economy.

The PRI recommends the Canadian Securities Administrators:

- **Require mandatory disclosure of scenario analysis for all reporting issuers**, allowing narrative-based reporting for the first year of the rule's enforcement. Forward looking scenario analysis is essential for companies and financial institutions to guide their climate-related decision making.
- **Require mandatory disclosure of Scopes 1 and 2 and the most relevant Scope 3 emissions categories using [GHG Protocol methodology](#).**
- **Phase in external verification of corporate reporting on Scopes 1 and 2 GHG emissions** in line with the GHG protocol.
- **Phase in mandatory disclosure against the 6 other cross-industry categories of metrics set out in the 2021 TCFD guidance on [Metric, Targets and Transition Plans](#).**
- **Phase in required disclosure of a corporate transition plan** which demonstrates the degree to which the entity is working to limit global warming to 1.5°C in alignment with the [Canadian Net-Zero Emissions Accountability Act](#).
- **Ensure regular biennial review of National Instrument 51-107 once in force.**
- **Actively engage with international standard setting developments led by the IFRS Foundation and the International Sustainability Standards Board. Canada's corporate disclosure regulations should build on as well as contribute to international standard-setting initiatives to establish a common baseline on sustainability reporting.**

DETAILED RESPONSE

DISCLOSURE OF GHG EMISSIONS AND SCENARIO ANALYSIS

4. Under the Draft Regulation, scenario analysis would not be required. Is this approach appropriate? Should the Draft Regulation require this disclosure? Should issuers have the option to not provide this disclosure and explain why they have not done so?

The PRI recommends requiring mandatory scenario analysis for reporting issuers. While not all issuers may have developed the capabilities to make all recommended disclosures – for example, on scenario analysis – a preferable approach would be to allow narrative-based reporting for the first year of the rule’s enforcement. It is important to note that the purpose of the scenario analysis exercise, as outlined by the TCFD, is that it should be used as an effective tool to assess the resilience of business activities and investment strategy. It is therefore not entirely necessary to conduct quantitative exercises, but to set in motion a learning process in prospective analysis. As issuers gain experience, the use of more quantitative information with greater rigor and sophistication may be warranted to illustrate potential pathways and outcomes.

Comprehensive and comparable disclosures from issuers on their exposure to climate risk is necessary to ensure that markets work well. Canada-based investors are dependent on disclosures not only from Canada-based companies, but also from companies headquartered abroad. Globally, as countries move to mandate TCFD-aligned, internationally consistent climate-related disclosure, a clear, decisive and concrete signal on a disclosure mandate from Canada could have the additional effect of encouraging similar ambition from other governments and improving the global ecosystem of information on climate risk.

Crucially, the 11 recommendations of the TCFD should be implemented holistically, where each recommendation within the 4 thematic areas is core to how corporations should approach climate-related disclosures. Forward-looking metrics are important to understand the financial impacts of climate change. The absence of this component through the removal of mandating scenario analysis leaves substantial concern given that climate risks and opportunities will continue to grow. A static, backward-looking approach will fail to capture the downside risks and upside potential of investment portfolios, creating systemic bias on these issues.

The Bank of Canada and the Office of the Superintendent of Financial Institutions (OSFI) have conducted a climate scenario analysis pilot and published a [report](#) in January 2022. The report highlights the usefulness of scenario analysis as a tool to identify potential risks in the face of growing climate-related uncertainty. The exercise is also necessary to recognise and assess the Canadian financial system’s vulnerability and exposure to transition risk. The report acknowledges that “delaying climate policy action increases the overall economic impacts and risks to financial stability.”¹

Requiring mandatory scenario analysis for issuers will provide the market with a foundation on which to build a “learning by doing” approach; issuers should be encouraged to disclose the outputs of their scenario analysis exercises alongside the methodologies, data and assumptions used. Doing so

¹ [Using Scenario Analysis to Assess Climate Transition Risk](#), BoC-OSFI, page 2

will allow for more forward-looking, comparable and relevant information on scenarios, providing investors with decision-useful information to evaluate the strategic resilience of a portfolio to a range of climate scenarios.

The PRI supports comparability and uniformity in reporting metrics and requirements for usability of reporting data for all stakeholders across the investment chain, which necessitates a mandatory disclosure of scenario analysis. The view that climate scenario analysis will necessarily be costly in 2022 is not evidence based. The PRI has [collated a list](#) of free-to-use and commercially available climate scenario tools to help investors accelerate the pace at which they start to explore climate scenario analysis. The PRI supports a number of publicly available transition risk assessment tools for companies and investors, and has helped to develop and popularise some of the following:

- Paris Agreement Capital Transition Assessment (PACTA) tool: portfolio-level analysis of transition risk in public equities and corporate bonds using asset-level data.
- 2° Investing Initiative: Portfolio-level analyses for equities and fixed income climate transition risks in power and some industrial sectors (cement and steel), by calculating the deviation of a portfolio from an optimally diversified portfolio in terms of energy and technologies under the 2-degree pathway as defined by the IEA, Greenpeace and Bloomberg New Energy Finance.
- The Transition Pathway Initiative (TPI): sector-level analysis of companies' preparation for the transition to a low-carbon economy by evaluating and tracking the quality of companies' management of GHG emissions and of risks and opportunities related to the low-carbon transition. TPI uses company-disclosed data.
- 2 Degrees of Separation: in-depth company and sector-level analysis of the oil and gas companies' upstream exposure to climate transition risks, using asset-level data to examine whether supply options of the largest publicly traded oil and gas producers are aligned with demand levels consistent with a 2-degree carbon budget.

5. The TCFD recommendations contemplate disclosure of GHG emissions, where such information is material.

- *The Draft Regulation 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 Draft Regulation 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 Draft Regulation should require all issuers to disclose their Scope 1 and 2 emissions and the most relevant Scope 3 emissions categories using GHG Protocol methodology. The PRI

recommends that the CSA establish a common and mandatory set of sector-specific key performance indicators and forward-looking metrics that build upon the TCFD Framework recommendations.

For greenhouse gas (GHG) emissions this should include:

- Scope 1 and 2, and the most relevant scope 3 emissions categories;
- Scope 3 separated by upstream/downstream and GHG; and,
- Split of emissions in estimated/measured.

This would provide investors with an urgently needed data point from Canadian companies and, for the reasons stated above, avoid the risk of reduced market and capital access for companies that fail to provide this information.

However, it should be noted that GHG emissions data is only proxy for climate-related risks and opportunities and as such only provides an incomplete picture. The TCFD, as the word “Financial” in the acronym would suggest, seeks to go beyond proxy data. PRI supports the updated TCFD [Guidance on Metrics, Targets and Transition Plans](#) which sets out 7 cross industry categories of metrics in the table below that should be common to all issuers. The CSA should consider how quickly to mandate the other 6 categories of metrics.

To limit issuer costs, PRI would suggest the CSA encourage disclosure against all 7 categories in the initial implementation period, but only *require disclosure of Scope 1 and 2 emissions and the most relevant Scope 3 emissions*. This approach would allow issuers to become familiar with reporting on all metrics before it becomes mandatory. Once in force, the regulation and disclosure practices should be reviewed biennially.

Category of metric	Example unit of measure	Example metrics
GHG emissions Absolute scope 1, 2 and 3; emissions intensity	MT of Co2e	<ul style="list-style-type: none"> • Absolute scope 1, 2 and 3 emissions • Financed emissions by asset class • WACI • GHG emissions per MWh of electricity produced
Transition risks Amount and extent of assets or business activities vulnerable to transition risk	Amount or percentage	<ul style="list-style-type: none"> • Percentage of turnover exposed to high carbon products or services
Physical risk* Amount and extent of assets or business activities vulnerable to transition risk	Location, amount or percentage	<ul style="list-style-type: none"> • Asset location data of companies’ main facilities and leading suppliers • Consideration of physical climate risk in business interruption plans • Losses from extreme weather events
Climate-related opportunities	Amount or percentage	<ul style="list-style-type: none"> • Revenues from products or services sold that support

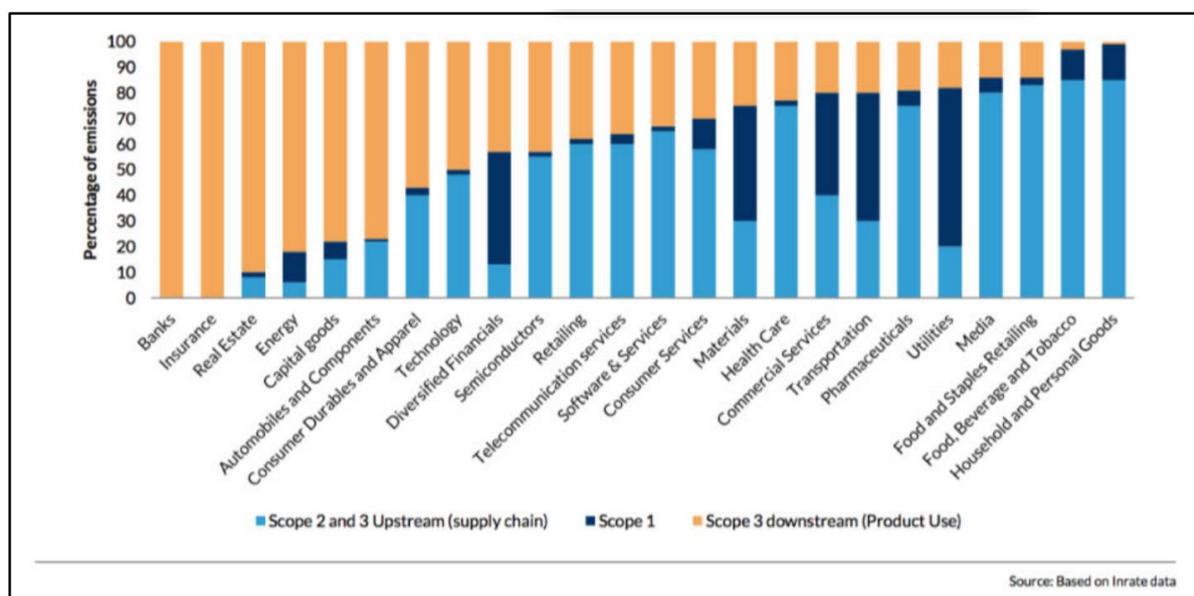
Proportion of revenue, assets, or other business activities aligned with climate-related opportunities		the transition to a net-zero carbon economy ()
Capital deployment Amount of capital expenditure financing or investment deployed towards climate-related opportunities	Reporting currency	<ul style="list-style-type: none"> Percentage of capex invested in zero carbon and high carbon products and services Investments in climate adaptation
Internal carbon prices Price on each ton of GHG emissions used internally by an organisation	Price in reported currency, per MT of CO ₂ e	<ul style="list-style-type: none"> Shadow carbon price, range & by geography
Remuneration The proportion of executive pay linked to climate considerations	Percentage, weighting or description	<ul style="list-style-type: none"> The weighting of climate goals on long term incentives for executive directors

*Note the example metrics for physical climate risk has been adapted in accordance to research by [IIGCC](#) and the UK Climate Financial Risk Forum's forthcoming report on data and metrics.

These categories of metrics also have forward-looking implementation examples listed below. Encouraging disclosure against these categories is recommended.

Cross-industry metric category	Example climate-related target
GHG emissions Absolute scope 1, 2 and 3; emissions intensity	<ul style="list-style-type: none"> Reduce net scope 1, 2 & 3 emissions to zero by 2050, with an interim target of 70% reduction by 2035 on the 2015 baseline
Transition risks Amount and extent of assets or business activities vulnerable to transition risk	<ul style="list-style-type: none"> Reduce the percentage of assets exposed to transition risk by 30%, relative to the 2019 baseline
Physical risk Amount and extent of assets or business activities vulnerable to transition risk	<ul style="list-style-type: none"> Ensure at least 60% of flood exposed assets have risk mitigation plans in place in line with the 2060 1:100 flood risks
Climate-related opportunities The proportion of revenue, assets, or other business activities aligned with climate-related opportunities	<ul style="list-style-type: none"> Increase net renewable energy capacity so it comprises of 85% of capacity by 2035
Capital deployment Amount of capital expenditure financing or investment deployed towards climate-related opportunities	<ul style="list-style-type: none"> Invest at least 25% of annual capacity expenditure into clean energy solutions in line with UK taxonomy
Internal carbon prices Price on each ton of GHG emissions used internally by an organisation	<ul style="list-style-type: none"> Assess capex plans against a rising carbon price (\$100 by 2030).
Remuneration The proportion of executive pay linked to climate considerations	<ul style="list-style-type: none"> Increase the amount of executive remuneration impacted by climate considerations by 10% by 2025

While Scope 3 emissions may be more difficult than others to report, these are also the most impactful kind of emissions for some industries (see graph below) such as oil and gas producers – leaving them out could mean that a large share of actual emissions are not reported. Scope 3 disclosures should be accompanied by robust methodological explanations of the underlying calculations used.



6. The Draft Regulation 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 Draft Policy Statement). 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?

The Draft Regulation should require GHG emissions to be calculated in line with the [GHG Protocol methodology](#) where possible, with the use of national reporting methodologies *only permitted where consistent with the GHG Protocol methodology*.

The [GHG Protocol methodology](#) is the most widely used and recognised international standard for calculating GHG emissions. CSA's adoption of the TCFD's guidance on the appropriate methodology would allow for aggregation and comparability of data across organisations and jurisdictions which is

the goal of standardising inputs. Where companies have not used the GHG Protocol methodology, they should be required to explain why not.

7. The Draft Regulation does not require the GHG emissions to be audited. Should there be a requirement for some form of assurance on GHG emissions reporting?

The PRI recommends the CSA phase in external verification of corporate reporting on Scopes 1 and 2 GHG emissions in line with the GHG protocol. This could include auditing the consistency of carbon intensive asset valuation in the front and back end of annual reports, reviewing GHG emissions data gaps, assumptions, judgements and estimations.

Assurance of climate-related disclosures beyond emissions reporting remains at an early stage. Firms providing assurance are in the process of upskilling and the absence of an accepted methodology across the 11 TCFD recommendations is a barrier to its adoption.

That said, the direction of travel is clear. Sustainability information is most certainly market relevant and widely used in investment decision-making. It should therefore become as reliable as financial information. External assurance can play an important role in upholding the quality of reporting, providing comfort to users that the standards used have been satisfied. Where feasible, reasonable assurance should be sought. For example, in Europe, the [Corporate Sustainability Reporting Directive](#) proposes limited assurance of reported information, with an option to move towards a reasonable assurance requirement at a later stage. Without external audit and assurance, firms can conceal or convolute negative information, leading to incomplete or inaccurate disclosures from issuers. This harms investors through the inability to fully rely on reported information and ultimately leads to an inefficient allocation of capital.

The CSA should monitor market practice and review the National Instrument 51-107 biennially.

8. The Draft Regulation 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 Draft Regulation?

The PRI recommends that all climate-related disclosures pursuant to Regulation 51 – 107 be included in the same document to ensure ease of access, analysis and cross-company comparison by investors.

USEFULNESS AND BENEFITS OF DISCLOSURES CONTEMPLATED BY THE DRAFT REGULATION

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?*

The PRI recommends the CSA establish a common and mandatory set of sector-specific key performance indicators and forward-looking metrics that build upon the TCFD Framework recommendations and more recent [Guidance on Metrics, Targets and Transition Plans](#).

Most recently, the TCFD advises that an organisation's climate-related targets should inform, and be informed by, its strategy and risk management, and be linked to its climate-related metrics. An entity's transition strategy or plan, guided by scenario analysis and sound climate science, should be integral to its overarching business strategy.

In addition to GHG reduction targets which cover the absolute GHG emissions as well as GHG-intensities, target dates, scope and coverage, issuers should be encouraged to report on the other 6 cross-industry metrics outlined in recent TCFD guidance and included in the response to Question 5. An organisation's transition plan and report on progress should be communicated to investors and stakeholders annually.

Financial and economic systems are part of wider social and natural ecosystems. Increasingly, investors are realising that their investment decisions have outcomes in the real world, be they positive or negative, intentional, or unintentional. Since the TCFD recommendations were formulated, many of the world's largest economies and numerous global investors have committed to aligning with sustainability objectives like achieving Net Zero by 2050. Measuring progress against such goals requires information beyond the climate-related risk exposures identified through TCFD reporting. Investors need to know what investments will help to decrease the risk of a [disorderly transition](#) and contribute to fulfilling their fiduciary duty as responsible stewards of capital.

The PRI, together with its partners the UN Environment Programme Finance Initiative and the Generation Foundation, have commissioned a legal analysis to determine the extent to which current law enables investors to incorporate sustainability impact in their investment decision-making. The recently launched project report, [A Legal Framework for Impact](#), includes a jurisdictional analysis for Canada in which the authors state that "support for the consideration of ESG factors exists both in Canadian securities law and in the principles of Canadian fiduciary law."² Furthermore, the authors believe that disclosure requirements for investors can incentivise sustainable investment activities from a reputational standpoint.

Increased transparency for corporates should have a similar effect. Over 25% of the world's largest publicly traded companies have made their own high-level sustainability commitments, but content of those commitments varies, and most have yet to disclose actual details on action plans³. One of the key objectives of [Climate Action 100+](#), a global investor initiative including more than 600 investors

² [A Legal Framework for Impact: Sustainability Impact for Investor Decision-Making](#), Canada, page 223, section 1.2.5)

³ According to Net Zero Tracker: <https://zerotracker.net/#companies-table>

with over \$60trn AUM, is to encourage companies to devise and disclose a strategy to achieve net zero emissions by 2050. It has established a comprehensive [benchmark](#) which is used to assess decarbonisation strategies and other relevant climate risk information which then informs investment decisions and engagement activities. The Canadian market has developed its own unique, national initiative, [Climate Engagement Canada](#), which demonstrates the investor momentum and appetite to engage with emitters to ensure transparency and alignment of their investments to their stated climate goals.

Voting on corporate climate transition plans is a nascent form of governance popularised by the ‘[Say on Climate](#)’ Initiative. For companies who have made no such commitment, investors’ ability to evaluate the compatibility of investee companies’ strategies with a 1.5°C scenario is constrained. Capacity is still evolving in this space. A rule such as that proposed here should involve a period of time for industry innovation, evolution and harmonisation on approaches and methodologies for alignment with the Paris Agreement and the [Canadian Net-Zero Emissions Accountability Act](#), as well as dialogue with key international initiatives and actors advancing good practice in this area. The CSA should reference the [TCFD guidance metrics, targets and transition plans](#) for reporting issuers, and indicate a timeline by which such disclosures should be made.

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

It is in the best interest of the international community to [avert a disorderly transition](#) which could have devastating yet avoidable ramifications for the global financial system and dire consequences for the ecosystems which sustain it. Mandating a robust and forward-looking climate risk disclosure regime for publicly listed companies should be part of a wider, concerted effort to ensure the entire economy moves toward operating safely within planetary boundaries. This effort will also contribute to building the credibility of the Canadian government’s [commitment to reduce national GHG emissions by 40-45% below 2005 levels by 2030](#).

In March 2021, the Supreme Court of Canada determined that global warming causes harm beyond provincial boundaries and that it is a matter of national concern under the “*peace, order and good government*” clause of the Constitution. It also stated that “Climate change is caused by greenhouse gas emissions resulting from human activities and it poses a grave threat to the future of humanity.”⁴

The Prime Minister of Canada has requested in his recent mandate letter to the Deputy Prime Minister and Minister of Finance that she “champion the adoption of a global minimum standard on carbon pricing” as well as “consider applying Border Carbon Adjustments to emissions-intensive imports”.⁵ He also asked that she work with the “Minister of Environment and Climate Change, provinces and territories to move toward mandatory climate-related financial disclosures based on the Task Force on Climate-related Financial Disclosures framework and require federally regulated institutions, including financial institutions, pension funds and government agencies, to issue climate-related financial disclosures and net-zero plans”. Change is coming to the Canadian

⁴ Case in Brief, [References re Greenhouse Gas Pollution Pricing Act](#)

⁵ [Deputy Prime Minister and Minister of Finance Mandate Letter](#)

market; corporate entities who have not already started preparing should take this cue seriously if they want to remain competitive.

As more and more investors here and abroad are required to report, they will benefit from accessing high-quality information on companies' exposure to climate-related risks and opportunities which is crucial to informed asset pricing and allocation of capital. Investors need to be aware of climate-related risks and opportunities facing companies, and of their plans to manage these, in order to make sound investment decisions. The proposed requirements would help to standardise climate disclosures across companies, at both the national and global level. This would reduce costs for investors through less time spent gathering, decoding and analysing information so that it can be used in investment decision-making.

Companies that disclose the climate-related information investors need will simply be adapting to current market expectations. They may face a lower risk of reduced market and capital access and may benefit from expansion and other commercial opportunities. Enhanced, standardised, mandatory climate-related disclosures would also lower costs for companies by preventing them from having to provide different data (or the same data in different formats) to each interested party and might provide them with a head start on meeting climate-related reporting requirements emerging under the International Sustainability Standards Board. It would also improve corporate monitoring of climate-related risks and opportunities from within, leading to better decision-making and enterprise value creation. As mentioned above, Canadian companies will need to prepare for the [increase of the minimum carbon pollution price from \\$65 per tonne in 2023 to \\$170 per tonne in 2030](#). Unfortunately, recent evidence shows outstanding [room for improvement in climate-related disclosures even from large and listed Canadian companies](#), with only 23% of S&P/TSX Composite Index constituents currently reporting in alignment with TCFD recommendations and a further 14% planning to align their reporting with TCFD according to Canadian ESG advisory firm Millani.

The European Commission has prepared an [impact assessment](#) on revising the Non-Financial Reporting Directive to require broad, standardised corporate sustainability reporting through the Corporate Sustainability Reporting Directive; it determines that the benefits outweigh the costs, and that legislation will provoke an overall decrease of reporting costs and increase corporate resiliency. *The companies which understand that increased transparency is rapidly becoming part of doing business internationally will have a competitive advantage over those who do not grasp the importance.* The Alliance for Corporate Transparency has prepared the business case [analysis of European sustainability reporting](#) which concludes that [“for companies who want better access to capital and at a lower cost, there is a clear incentive to pursue sustainability and to report it clearly”](#). *The longer the Canadian market waits to implement mandatory ESG disclosure for issuers, the greater the risk that it will be overlooked by global investors.*

COSTS AND CHALLENGES OF DISCLOSURES CONTEMPLATED BY THE DRAFT REGULATION

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

The costs are likely to be relatively low even for smaller issuers and are significantly outweighed by the benefits outlined in response to Question 10.

According to a [UK Financial Conduct Authority cost-benefit analysis of requiring climate-related disclosures](#), costs of complying with the proposed requirements could arise from:

- relevant employees familiarising themselves with the proposed rules and TCFD guidance;
- the coordination of inputs from various functions across an organisation;
- the integration of climate-related reporting within existing reporting and governance arrangements; and
- initial investments to be able to monitor climate-related metrics including but not limited to GHG emissions.

Reporting issuers could consider the incorporation of standardised reporting as sound business practice that may lead to new opportunities and increased access to capital.

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 Draft Regulation?

For the reasons outlined in response to Questions 10 and 11, venture issuers should not be exempted from any requirements of the Draft Regulation. Ensuring access to comprehensive data on one of the major systemic risks facing issuers and investors is necessary to maintain competitiveness.

Furthermore, the proposed scope of issuers would be consistent with action taken internationally. For example, the proposal for the [EU Corporate Sustainability Reporting Directive](#) covers all listed companies except for micro-enterprises.

However, venture issuers would also benefit from guidance on TCFD implementation for smaller companies and for specific sectors, such as the [guidance published by Japan's Ministry of Economy, Trade and Industry](#).

GUIDANCE ON DISCLOSURE REQUIREMENTS

14. We have provided guidance in the [Draft Policy Statement](#) on the disclosure required by the Draft Regulation. Are there any other tools, guidance or data sources that would be helpful in preparing these disclosures that the Draft Policy Statement should refer to?

The Draft Policy Statement should also refer to the [TCFD Guidance on Metrics, Targets and Transition plans](#), and the 2021 TCFD guidance on [Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures](#).

PROSPECTUS DISCLOSURE

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

Yes, an issuer should be required to disclose climate risk in the long form prospectus. As the objective of the 41-101F1 form is to provide investors with complete and accurate information on the issuer for investment decision-making, the form should be adapted to include climate among the risk factors, and it should be included in the filing of the preliminary prospectus.

PHASED-IN IMPLEMENTATION

17. The Draft Regulation 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 Draft Regulation 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 Draft Regulation provide reporting issuers with sufficient time to review the Draft Regulation 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 Draft Regulation, particularly for venture issuers? If not, how could these concerns be addressed?*

Mitigating climate change is an urgent issue and investors already require this information to make informed investment decisions. It is in the overall best interest for the Canadian economy to implement standardised, mandatory climate disclosure as quickly as possible.

FUTURE ESG CONSIDERATION

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?

The PRI encourages the CSA to adopt a broader ESG disclosure framework beyond climate change requirements at pace with the IFRS Foundation and International Sustainability Standards Board. Academic research and industry data continue to confirm the growing demand for, and influence of, environmental, social and governance issues on investment outcomes. Furthermore, it should be noted that:

- sustainability issues may influence a company's financial performance and value over the short, medium and long-term
- company impacts on key economic, environmental and social systems may have financial implications for a company, sector, or portfolio
- sustainability outcomes can be financially material
- alignment or significant misalignment with policy objectives and/or supervisory expectations are increasingly understood as financially relevant

A recent survey PRI survey of US investors⁶ concludes they require consistent and comparable disclosure on sustainability factors like:

- **environmental matters**, such as quantitative data on corporate actions to address climate change like year-over-year emissions of carbon dioxide, internal carbon price (in reporting currency/MT CO₂e) and data on current and potential future risks arising from climate change offered through scenario analysis
- **social matters** like board diversity and treatment of employees, through quantitative data on **Diversity, Equity & Inclusion** policies, and actions like diversity statistics across corporate levels
- respect for **human rights**, such as quantitative data on human rights policies and activities across supply chains to provide the number of contractors and contractor locations
- **governance issues** such as executive compensation links with climate targets, anti-corruption, lobbying and bribery policies, disclosure on climate lobbying

⁶ Principles for Responsible Investment, US PRI signatories support mandatory climate & ESG disclosure (June 2021), available at <https://www.unpri.org/pri-blog/us-pri-signatories-support-mandatory-climate-and-esg-disclosure/7849.article>