Irshaad Ahmad
VP, Pension Fund and
Chief Investment Officer
CANADA POST
1 DUNDAS ST WEST, SUITE 700
TORONTO ON M5G 2L5

CANADAPOST.CA

Irshaad Ahmad
VP, Caisse de retraite et directeur des placements
POSTES CANADA
1 RUE DUNDAS O BUREAU 700
TORONTO ON M5G 2L5

POSTESCANADA.CA

February 11, 2022

Sent via Email (Word and PDF)

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

Care of:

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario
M5H 3S8
comment@osc.gov.on.ca

Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs
Autorité des marchés financiers
Place de la Cité, tour Cominar
2640, boulevard Laurier, bureau 400
Québec (Québec) G1V 5C1
consultation-en-cours@lautorite.qc.ca

RE: Consultation on Proposed National Instrument 51-107 Disclosure of Climate-related Matters

Dear Sir/Madam,

Thank you for the opportunity to provide our comments on the Proposed National Instrument 51-107 Disclosure of Climate-related Matters (the “Proposed Instrument”) and its companion policy (the “Proposed Policy”)[1].

[1] https://www.osc.ca/sites/default/files/2021-10/csa_20211018_51-107_disclosure-update.pdf

This submission is made on behalf of the Canada Post Corporation Pension Plan (the "Pension Plan"), which is one of Canada's largest corporate sponsored pension plans, with over $30 billion in assets under management. As outlined in the Pension Plan's Corporate Governance Principles and Proxy Voting Guidelines[2] (excerpt below), climate change presents a material financial risk to the Pension Plan, and we require high quality and decision-relevant climate disclosures from companies in which we invest or may invest:

> *"Climate change is a systemic and material risk to the global economy and humanity. Failure to act will have catastrophic and pervasive consequences including for capital markets and asset valuations. Consequently, climate considerations, with respect to physical and transition risk, are considered in our investment strategy, engagement activity and voting practices.*
>
> *The Intergovernmental Panel on Climate Change (IPCC) has reported that, in order to avoid catastrophic impacts from climate change, we must limit the average global temperature rise to no more than 1.5°C above the preindustrial era. To achieve this target, global carbon emissions must decline by approximately 45% relative to 2010 levels by 2030, and reach net zero by 2050 at the latest. This will require unprecedented multi-stakeholder action including by individual companies. Accordingly, we expect all companies to align with this ambition and clearly articulate climate strategies and transition pathways that will deliver net zero emissions by the middle of the century. Climate targets should be built around robust methodologies, such as the Science Based Targets Initiative (SBTi) framework. Climate strategies should include near- and medium-term targets and provide investors an understanding of how capital allocation will be adjusted over time to support the transition of the business.*
>
> *We believe that high quality and decision-relevant climate disclosures are critical to enabling change and we support the recommendations of the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures (TCFD). We expect companies to report climate risks, strategy, policies and performance in line with the TCFD disclosure framework. This should include stress testing of business models and assets against various climate change scenarios."*

A. Overall Comments

Overall, we are pleased that the Canadian Securities Administrators have proposed *National Instrument 51-107 Disclosure of Climate-related Matters* and its companion policy but we encourage you to consider imposing more stringent requirements that would better address the urgency of our need to transition to a sustainable, resilient, low-emissions society and the rapidly increasing climate-related disclosure expectations of issuers and investors globally. Our recommendations in this regard are included in the comments in respect of specific questions below.

In addition, we recommend that the National Instrument 51-107 Disclosure of Climate-related Matters should be reviewed regularly and no later than two years after it comes into force.

Investor expectations for climate-related disclosure from issuers is growing quickly and so are regulatory requirements elsewhere in the world. The consultation assumes the proposed disclosures would not be due until 2024 (fiscal years ending December, 31, 2023) at the earliest but as noted in the consultation, some other jurisdictions are moving much more quickly, and Canadian requirements should be reviewed in 2024 with a view to harmonizing with internationally recognized standards. While we expect

[2] https://www.cpcpension.com/homepage/gov_governance_docs-e.asp (updated November 2021)

alignment with internationally recognized standards such as what will emerge from the International Sustainability Standards Board, investors in Canadian issuers cannot wait for improved standards to emerge and should instead focus on quickly improving Canadian requirements.

Several jurisdictions are moving toward mandating climate disclosure as noted in the consultation. For example, the Government of New Zealand has introduced legislation to make climate-related disclosures mandatory for some organizations. This requirement would apply to publicly listed companies and large insurers, banks, non-bank deposit takers and investment managers. Similarly, the United Kingdom has announced its intention to make TCFD aligned disclosures fully mandatory across the economy by 2025. In the United States, the SEC Chair has indicated that pending climate risk disclosure rules will require companies to detail and measure their commitments to mitigate climate change. Scope 1 and Scope 2 emissions will be required disclosures in many jurisdictions.

Since the CSA released its draft, the IFRS International Sustainability Standards Board (ISSB) has also published draft prototypes[3] for general sustainability disclosures and climate-related disclosures and announced that Canada will have a leading role in supporting the ISSB through a Montreal office. It is important that Canadian capital markets are integrated into and be consistent with the evolving international landscape related to such disclosures and the ISSB. That said, we recognize that a significant amount of work will be required by the ISSB before these prototypes crystalize into international standards. As such, the CSA should not wait to begin requiring climate-related disclosures but should embed in its processes and priorities a more iterative and frequent review and update of the disclosure requirements as international practice, regulation and data in this area continue to evolve. This nimble approach will keep Canadian capital markets globally competitive.

Lastly, while this consultation is limited to reporting issuers, efforts should be undertaken to encourage parallel requirements for non-reporting issuers as has been done in other jurisdictions, like the United Kingdom. Climate-related disclosure requirements should not hinder capital formation and indeed, good disclosure could enhance access to foreign investors that are increasingly seeking climate-related disclosure.

B. Comments in Respect of Specific Questions

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?**

The Proposed Instrument should require mandatory scenario analysis by all issuers. Further, we recommend that companies be required to consider a scenario that limits global warming to 1.5°C[4] with limited or no overshoot.

This type of disclosure is critical to helping investors understand corporate preparedness for various potential future outcomes. The Task Force notes that scenario analysis is an important tool for organizations to use in their strategic planning processes, and can help organizations consider a broader range of assumptions, uncertainties, and potential future states when assessing financial implications of climate change. Further, the TCFD's 2021 guidance document, *Implementing the Recommendations of*

[3] https://www.ifrs.org/groups/technical-readiness-working-group/#resources

[4] The Glasgow Climate Pact "*recognizes* that the impacts of climate change will be much lower at the temperature increase of 1.5°C compared with 2°C and *resolves* to pursue efforts to limit the temperature increase to 1.5°C."

the Task Force on Climate-related Financial Disclosures, included a specific update to the guidance on the scenario analysis in that the recommended disclosure has been "revised to more explicitly address disclosure of potential financial impacts on organizations".

The Bank of Canada and the Office of the Superintendent of Financial Institutions (OSFI) concluded from their recent pilot that scenario analysis is a useful tool for identifying potential risks in an environment of considerable uncertainty, and that it provides a flexible "what-if" framework to explore how the risks may manifest in the future[5]. The pilot report noted that they hear from pilot participants that bottom-up scenario analysis "helped them identify data gaps, explore new methodologies and develop a deeper understanding and awareness of the impacts of the climate transition on their portfolios".

We recognize that not all issuers have developed the capabilities to undertake scenario analysis. Thus, the CSA could vary requirements for reporting on climate scenario analysis for firms as a reflection of the material risk they face and resources. For example, higher standards should apply to larger firms due to their importance for financial sector or general market stability. Whereas smaller firms that face material financial risk from climate change could be given the flexibility to utilize qualitative or narrative-based scenarios aimed at improving their understanding of key issues such as changing carbon prices or potential physical risk exposures under different temperature scenarios. Expectations could become more rigorous over time as capacity builds.

It is important to note that the ISSB's Climate-related Disclosures Prototype[6] (developed by the Technical Readiness Working Group) includes disclosure of scenario analysis, including:

- which scenarios were used for the assessment and the sources of the scenarios used,
- an explanation of why the entity believes the chosen scenarios are relevant to assessing its resilience to climate-related risks and opportunities,
- the time horizons over which the analysis has been conducted,
- the inputs into the scenario analysis, management's assumptions about the way the transition to a lower-carbon economy will affect the entity, and
- the results of the analysis together with an assessment demonstrating how the entity's financial position and financial performance supports the resilience of the entity's strategy and business model over the short, medium, and long term.

Thus, it is likely that most Canadian issuers will be required to undertake disclosure on scenario analysis in the foreseeable future and the Proposed Instrument should be aligned with this direction of travel.

The CSA could play a critical role here by establishing standardized assumptions and/or issuing minimum requirements for scenario analysis. We encourage the CSA to work with other regulators and standard setters to ensure global consistency. There are already many open-source resources to assist issuer (e.g. through the TCFD knowledge hub[7], etc.).

---

[5] https://www.bankofcanada.ca/wp-content/uploads/2021/11/BoC-OSFI-Using-Scenario-Analysis-to-Assess-Climate-Transition-Risk.pdf

[6] https://www.ifrs.org/groups/technical-readiness-working-group/#resources

[7] https://www.tcfdhub.org/

5. **The TCFD recommendations contemplate disclosure of GHG emissions, where such information is material.**
   a. **The Draft Regulation contemplates issuers having the option to disclose GHG emissions or explain why they have not done so. Is this approach appropriate?**
   b. **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?**
   c. **Should disclosure of Scope 2 GHG emissions and Scope 3 GHG emissions be mandatory?**
   d. **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, when significant[8], the most relevant Scope 3 emissions using GHG Protocol methodology. With regards to determining the significance of Scope 3, the Task Force refers to the Science Based Target Initiative (SBTi) 40% threshold[9].

Further, the CSA should encourage disclosure against the six other cross-industry categories of metrics as set out in the 2021 TCFD *Guidance on Metrics, Targets and Transition Plans*[10] (see Table 1).

Table 1: TCFD Cross-Industry, Climate -Related Metric Categories

GHG Emissions*	Absolute Scope 1, Scope 2, and Scope 3; emissions intensity
Transition Risks	Amount and extent of assets or business activities vulnerable to transition risks
Physical Risks	Amount and extent of assets or business activities vulnerable to physical risks
Climate-Related Opportunities	Proportion of revenue, assets, or other business activities aligned with climate-related opportunities
Capital Deployment	Amount of capital expenditure, financing, or investment deployed toward climate-related risks and opportunities
Internal Carbon Prices	Price on each ton of GHG emissions used internally by an organization
Remuneration	Proportion of executive management remuneration linked to climate considerations

* The Task Force believes all organizations should disclose absolute Scope 1 and Scope 2 GHG emissions independent of a materiality assessment. The disclosure of Scope 3 GHG emissions is subject to a materiality assessment; however, the Task Force encourages organizations to disclose such emissions.

[8] The TCFD guidance defines this as more than 40% of an entity's total emissions, consistent with the Science Based Target Initiative (SBTi).
[9] A criteria for a company's target(s) to be recognized by the SBTi is: "If a company's relevant scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions, a scope 3 target is required" as pert the SBTi Criteria and Recommendations (Version 5.0, October 2021) https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf
[10] https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf

The Task Force highlights these specific cross-industry metric categories[11] because they are important proxies for measuring climate-related risks and opportunities, form the basis for estimating climate-related financial impact, are widely requested, and are important inputs into investment, lending, and insurance underwriting decisions. The CSA should consider phase-in of mandatory disclosure of these metric categories in future reviews of the Draft Regulations.

For greater clarity, there should not be an option for covered issuers to avoid disclosing Scope 1 and 2 GHG emissions information as it provides a baseline for how the organization is managing climate risks and opportunities. Further, it is not practical or helpful to make only Scope 1 GHG emissions disclosure mandatory. This would put Canadian issuers behind what is happening in other markets.

Carbon offsets should be disclosed on a standalone basis, accompanied by sufficient disclosures to permit investors to evaluate their effectiveness and credibility.

About question 5d regarding the location of the GHG emissions disclosures, please refer to our responses to questions 7 and 8 below.

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.**
    a. **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?**
    b. **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?**
    c. **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 is appropriate for all issuers. Where companies have not used the GHG Protocol methodology, they should be required to explain why not.

The GHG Protocol methodology is the most widely used and recognised international standard for calculating GHG emissions, and the TCFD Guidance specifically states that "GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions".

The Partnership for Carbon Accounting Financials (PCAF) *Global GHG Accounting and Reporting Standard for the Financial Industry*[12], uses the GHG Protocol in its methodology. As PCAF is emerging as the central standard used by the financial sector to assess its financed emissions, aligning mandatory reporting requirements with the GHG Protocol will provide important consistency.

[11] These specific cross-industry metrics are also included in the ISSB Climate-related Disclosure Prototype.
[12] https://www.carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf

The GHG Protocol *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*[13] can be utilized to report on scope 3 emissions. The PCAF standard specifically utilizes Category 15 of this standard to measure financed emissions and disclosure of financed emissions should be guided by the same methodology.

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 CSA should ensure that climate-related disclosures are produced with the same degree of quality and governance as financial data. In particular, the CSA should consider adopting measures to promote data quality.

There should be some form of assurance on GHG emissions reporting. At the very least it should be recommended as best practice for Scope 1 and Scope 2 GHG emissions and explanations should be required if assurance is not provided for sectors with high emissions.

We support a phased-in approach to auditing and verification, beginning with GHG emissions data. 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 GHG emissions reporting remains at an early stage, and firms providing assurance are in the process of upskilling. As global standards develop around non-financial reporting and auditing (e.g. the ISSB), we recommend the CSA monitor developments and update the proposed instrument to keep pace with new norms and standards. An integrated audit process could provide an important check on the accuracy of climate disclosures.

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?

We recommend that the CSA phase-in mandatory disclosure of an issuer's transition plan which demonstrates the degree to which the entity is working to limit global warming to 1.5°C and in alignment with the Canadian Net-Zero Emissions Accountability Act[14].

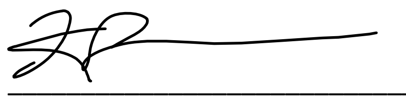
In fact, the TCFD's updated guidance *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures* (this 2021 version supersedes the 2017 version, which was referred to as the "Annex") specifically states that issuers should disclosure their transition plan as follows[15]:

> *"Organizations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy, which could include GHG emissions targets and specific activities intended to reduce GHG emissions in their operations and value chain or to otherwise support the transition."*

[13] https://ghgprotocol.org/standards/scope-3-standard
[14] https://www.parl.ca/DocumentViewer/en/43-2/bill/C-12/royal-assent
[15] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

The CSA should reference the recent TCFD Guidance Metrics, Targets and Transition Plans[16] for reporting issuers, and indicate a timeline by which such disclosures should be made. This TCFD guidance document itemizes key information that organizations should disclose regarding their plans for transitioning to a low carbon economy (see Table E1, Transition Plan Elements, on page 42).

Thank you again for the opportunity to comment. We would be pleased to discuss any aspect of this submission, if helpful.



Irshaad Ahmad
Vice-President, Pension Fund and Chief Investment Officer
Canada Post Pension Plan

Karen Lockridge
Director, ESG Investing
Canada Post Pension Plan

[16] https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf