TO:
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

The Secretary,
Ontario Securities Commission
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Consultation on proposed NI 51-107 - Disclosure of Climate Related Matters
Request for Comment

February 14, 2022

Background on Ceres

Ceres is a nonprofit organization that has worked for over 30 years on climate change with leading global investors and companies. From our founding in 1989, disclosure has been at the core of our work. We create tools and standards that companies can use to meet mounting investor and public expectations for improved climate change and sustainability disclosure. Ceres' Investor Network on Climate Risk and Sustainability comprises almost 200 investors who collectively manage over $37 trillion in assets under management. Ceres works with investors including Canadian investors, on improving the disclosure and management of climate risk, among other financial risks.

Underpinning this work is Ceres' experience as a founding partner of several initiatives where climate change disclosure is a core element. These include, among others, Climate Action 100+, an investor-led initiative with more than 570 investors, responsible for over $54 trillion in assets under management. Designed by investors for investors, the initiative works to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change by improving climate governance, cutting greenhouse gas (GHG) emissions and strengthening climate-related financial disclosures. Ceres is also a founder of the newly launched Climate Engagement Canada, a finance-led initiative that drives dialogue between finance and industry to promote a just transition to a net zero economy.

Through this work, Ceres has developed a deep understanding of the significant gaps, weaknesses and inconsistencies in the current corporate disclosure regime, and the burden faced by investors in making investment decisions based on often fragmented and incomparable data. Climate change presents a profound, systemic risk to Canadian capital markets. We are already experiencing the effects of climate change and those effects will continue to worsen. We applaud the CSA's attention to these concerns through NI 51-107 - Disclosure of Climate Related Matters designed to facilitate consistent, comparable, and reliable reporting on climate change. Please find below our responses to the questions posed in CSA's current consultation.

Ceres Responses to questions 4, 5, 6, 7, 8 and 18 in CSA's Consultation on proposed NI 51-107 - Disclosure of Climate Related Matters

Question 4: Under the Proposed Instrument, scenario analysis would not be required. Is this approach appropriate? **No**. Should the Proposed Instrument require this disclosure? **Yes** Should issuers have the option to not provide this disclosure and explain why they have not done so? **No.**

The CSA should follow the TCFD Framework recommendations on use of scenario analysis and draw from the TCFD's resource of "Key Considerations: Parameters, Assumptions, Analytical Choices, and Impacts" in its scenario analysis guidance. NI 51 -107 should require the use of scenario analysis including disclosure of a net zero scenario analysis that standardizes disclosure related to the parameters, assumptions, analytical choices and impacts used in the analysis. This analysis should be assured at the reasonable assurance level and provided in a supplemental schedule to the financial statements.

CSA should assess investor interest in disclosures related to specific scenarios such as the influential International Energy Agency "Net Zero by 2050" scenario. Enhanced transparency through scenario analysis disclosure will reduce market uncertainty. For companies that can demonstrate the resilience of their strategies in a net zero environment, such disclosure will improve access to capital to pursue those strategies. Today, while many companies claim to perform scenario analysis, disclosures about such analyses tend to be superficial. There is no

mechanism to compare results because companies use different scenarios and different (often undisclosed) assumptions. Without transparency as to the assumptions used, there is little basis for confidence in either the quality of the company's earnings today or the company's ability to thrive, or even survive, in a net zero environment.

The need for robust, standardized scenario analysis is most acute with respect to companies in emissions-intensive industries. But the climate crisis will affect all companies in some manner, and thus disclosure of scenario analysis should be required of all issuers, possibly in phases, in order to enhance the quality of impairment testing and bolster confidence in asset values in the face of the crisis.

Question 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? **No** As an alternative, the CSA is consulting on requiring issuers to disclose Scope 1 GHG emissions. Is this approach appropriate? **In addition to Scope 1 requirements, Scope 2 and 3 should also be required.** Should disclosure of Scope 1 GHG emissions only be required where such information is material? **No – as per the TCFD Recommendations it should be required at all times.** Should disclosure of Scope 2 GHG emissions and Scope 3 GHG emissions be mandatory? **Scope 2 disclosure should be mandatory; and Scope 3 disclosure should be on a best effort basis where such disclosure is material; all organizations should be encouraged to disclose Scope 3 emissions because of its influence over indirect emissions.**

NI 51 -107 should require tabular disclosure of a company's estimated Scope 1, and 2 greenhouse gas (GHG) emissions, by category, assured at the reasonable assurance level, based on the GHG Protocol's well-accepted framework for measuring and reporting emissions, which covers direct and indirect emissions and the percentage of carbon, methane and other gases. Scope 3 reporting should be on a best effort basis where such information is material. Emissions reporting, including trends over time, is critical to investors' understanding of the quality of a company's earnings in the face of climate change and the energy transition as well as to an understanding of a company's liquidity and capital resources, especially in light of the climate commitments of financial institutions to restrict financing of emissions-intensive activities.

Many companies voluntarily report some information on emissions, but reporting is often incomplete and disconnected from securities disclosure. Because investors have signaled how important emissions disclosures are, some companies obtain limited assurance over their disclosures. But the absence of the discipline of mandatory requirements, backed up by regulatory monitoring and enforcement, has resulted in inconsistent assurance quality.

Question 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? **Yes.** Is the GHG Protocol appropriate for all reporting issuers? **Yes.** Should issuers be given the flexibility to use alternative reporting standards that are comparable with the GHG Protocol? **No**. 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? **In addition to GHG Protocol, SASB industry standards could be considered.**

The Greenhouse Gas Protocol is the leading global measurement framework for GHG emissions. It is widely used and many companies are already accustomed to reporting their emissions under this Protocol. It is a reference measurement system used in the SASB,CDP and many other disclosure frameworks. Many companies even obtain assurance, including investor-grade (reasonable) assurance, over GHG emissions measured under the GHG Protocol, demonstrating that disclosures under the Protocol are both measurable and verifiable. Indeed, GHG emissions are by far the most common sustainability subject matter for external assurance. The 2018 IRRCI report "The State of Integrated and Sustainability Reporting" found that, among the S&P 500 companies that obtained assurance on all or a portion of their voluntary sustainability reports, most obtained assurance over GHG emissions disclosures.

Question 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? **Yes**

Assurance is important to improving climate change disclosure, because it is neither practical nor efficient for staff to review all filings, and staff cannot access internal corporate data to validate disclosures. Therefore, Ceres recommends that NI 51 -107 should require high-quality assurance for any climate change disclosure standards it adopts At a minimum, disclosure of companies' GHG emissions, characterization of capital expenditures, and scenario analyses should be audited at the reasonable assurance level. Mandating high-quality assurance will be an extremely important mechanism to maintain robust and reliable climate disclosure. Today, many companies voluntarily obtain third-party assurance of their GHG emissions, but the scope of procedures, level of assurance, quality, and auditor expertise and independence vary considerably. One of the problems is that in many cases, although certainly not all, the level of assurance obtained is limited. This assurance does not result in an opinion that the disclosure is fairly presented in accordance with the applicable reporting framework (e.g., the GHG Protocol). In such cases, investors are left to question whether the underlying disclosure is actually reliable.

Question 8: The Proposed Instrument permits an issuer to incorporate GHG disclosure by reference to another document. Is this appropriate? **No.** Should this be expanded to include other disclosure requirements of the Proposed Instrument? **No.**

All GHG disclosure should be in the company's MD&A. This provides investors with greater confidence of both Board oversight and assurance of the disclosure. Emissions reporting, including trends over time, is critical to investors' understanding of the quality of a company's earnings in the face of climate change and the energy transition as well as to an understanding of a company's liquidity and capital resources, especially in light of the climate commitments of financial institutions to restrict financing of emissions-intensive activities. Placing this information in the companies' MD&A makes the information more readily accessible and usable by investors.

Question 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?

Ceres has identified a number of areas that pose emerging risks for investors. These include water risk, deforestation-driven climate risk, and human capital management risk in line with a Just Transition to a low-carbon economy. Diversity and inclusion are also areas for future consideration. We must also be mindful of Indigenous rights and the TRC's Article 92.

With the newly announced ISSB offices based in Montreal, Canada has an opportunity to be world leaders in addressing climate-related risks and other emerging ESG sustainability risks going forward. It is our hope that NI 51 -107 will take bold action and provide a strong directive that propels us in this direction.

Respectfully submitted,
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on behalf of Ceres,