



February 15, 2022

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Dear Sirs and Mesdames,

We appreciate the opportunity to share our views in response to the Canadian Securities Administrators' (CSA's) proposed National Instrument 51-107.

Investors across the business spectrum are increasingly asking for investment grade climate disclosures. Shareholder proposals related to environmental impact are on the rise in number and level of support. Many companies are proposing and/or carrying out actions in response to evolving perspectives on climate issues through corporate climate commitments such as—net zero, carbon neutral, carbon negative. PwC recently conducted an [Investor Survey](#) which highlighted global investors' recent focus on such information both in terms of climate and broader ESG issues.

Although current filings include some required disclosures on climate risk, companies often disclose even more climate information voluntarily in other public forums. As a result, the corporate reporting system currently does not consistently provide investors with comparable, objective, reliable, relevant, and timely climate information.

As part of its process, we believe the CSA should coordinate and collaborate with international bodies to build on work done to date and to contribute to a global system of reporting requirements. There is rapid progress being made by the International Financial Reporting Standards (IFRS) Foundation on the

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The Secretary - Ontario Securities Commission / Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs - Autorité des marchés financiers
February 15, 2022

formation of an International Sustainability Standards Board (ISSB) which we believe has the potential to address the primary issues that the CSA is currently exploring on climate disclosures. Furthermore, it was announced at the 26th Conference of the Parties (CoP 26) that Canada will be a key location for the ISSB's work meaning that Canada is expected to play a key role in such standards.

Accordingly, we think the goal should ultimately be to adopt the ISSB standards in Canada and if the CSA determines it is necessary to adopt its own rules prior to the ISSB standards being finalized any standard developed should be explicitly considered an interim standard which will be replaced in due course.

We note that the Independent Review Committee on Standard Setting in Canada (IRCSS) recently published a consultation which (among other things) explores the need for a Sustainability Standards Board in Canada. We think that the CSA should closely follow the IRCSS's consultation which has asked for feedback by March 31, 2022. Assuming that a Canadian Sustainability Standards Board is established and endorses standards based on the ISSB standards we believe it would be appropriate for the CSA to rely on the Canadian Sustainability Board Standards (and/or ISSB) standards in a similar manner to the way that the CSA permits IFRS to be applied in Canada.

We believe there is great value in the CSA contributing as an active participant in the development of the ISSB standards and through corresponding discussions regarding how to subsequently interpret, maintain, or expand disclosure requirements to keep pace with evolving investor demand.

Although we support the development of minimum disclosures applicable to all registrants, we also recognize that several industries have developed their own suggestions on climate or Environmental, Social and Corporate Governance (ESG) disclosures that they believe are important to their investors. Industry groups should be encouraged to be active participants in the ISSB standards and supplemental industry disclosures could be in addition to, but not a substitute for foundational disclosures.

Ultimately, to support informed decision making, investors should be provided with an integrated, holistic report including both financial and non-financial information. Investors are entitled to the same confidence in climate information as they currently expect from financial disclosures. Hence, any new requirements should be subject to internal control requirements and management certifications. Further, independent third-party assurance—that is made available to the public on ESG information—would provide investors with additional confidence in the quality of ESG information and enhance its credibility; a company's external auditor would typically be best placed to provide the objectivity, independence, requisite skills, knowledge, and experience to provide that assurance.

Given that many Canadian companies are United States Securities and Exchange Commission (SEC) registrants or look to United States peers, we believe that the CSA should monitor the development of



The Secretary - Ontario Securities Commission / Me Philippe Lebel
Corporate Secretary and Executive Director, Legal Affairs - Autorité des marchés financiers
February 15, 2022

standards in the United States and ensure that for those entities that are MJDS filers, only the Canadian rules can be applied and that the CSA should work with the SEC to ensure that this is permitted. Canada's rules should also consider the implications for entities that are listed cross-border such as for Foreign Private Issuers (FPIs). We believe that for registrants other than Multi-Jurisdictional Disclosure System (MJDS) filers the US rules should be permitted to be used in Canada.

We also believe it would be appropriate to allow interested parties the opportunity to provide additional comments once the SEC proposals are published to ensure that Canada is not a significant outlier compared to what the SEC proposes that SEC registrants report, understanding that Canadian rules may differ where warranted for our market.

We are aware that achieving symmetry in the confidence investors have in financial and ESG disclosures will take time. Not every company does or can produce high-quality ESG information right now. The effective date of any final rules should be phased and should also consider the time needed to develop and implement related systems, processes, and controls.

* * * * *

The Appendix provides more detailed information. We would be pleased to discuss our comments or answer any specific questions that you may have. Please contact Michael Walke [michael.walke@pwc.com], Scott Bandura [scott.bandura@pwc.com], or Sarah Marsh [sarah.e.marsh@pwc.com] regarding our submission.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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Appendix - Detailed Responses

Experience with TCFD recommendations

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

PwC supports the broader adoption of TCFD reporting and has been involved in assisting companies disclose such information or provided assurance on it in many locations around the world.

The disclosures will incent positive behaviours and enable stakeholders to make more informed decisions. The analysis needed will drive increased levels of awareness and knowledge throughout and across business.

For further details and a discussion of TCFD please see [PwC's Network TCFD Report](#).

We observe that increasingly entities are reporting on TCFD information voluntarily particularly where they are seeking global capital or are a globally integrated business. Although many entities are reporting TCFD information, a smaller population assert full compliance with TCFD. That is, many entities only select portions of TCFD guidance to comply with.

Because TCFD is a well accepted framework, we believe that the ISSB will ultimately leverage existing TCFD disclosures in its initial standards in addition to components of standards from the Value Reporting Foundation (VRF) similar to the approach in the prototype standards published by the Technical Readiness Working Group (TRWG).

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?*

In our experience most companies reporting emissions do use the GHG protocol although in our experience the majority focus on Scope 1 & 2 emissions and there is significant variability in the reporting of Scope 3 emissions.

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?*



Although we are not a reporting issuer, we currently provide climate scenario analysis support to clients.

While scenario analysis is often considered to be a tool for disclosure, many clients also use the analysis as an internal strategic tool. We have seen a number of cases where the results of climate scenario analysis have a meaningful impact on a client's business strategy.

An additional benefit of scenario analysis is that clients often require input from several different stakeholders on how climate change impacts their work. As a result, the process of conducting the analysis builds capacity and buy-in for a client to take meaningful action on decarbonisation and/or resilience.

Qualitative scenario analysis is less challenging than quantitative scenario analysis. The former can often be completed in-house with some external support from subject matter experts. Quantitative scenario analysis is more complex and almost always requires external support, such as from subject matter experts and/or from climate data tools (such as our Climate Excellence tool).

One of the major limitations in scenario analysis is the availability of data specific to the Canadian context. For example, for transition risk, the IEA's World Energy Outlook model, carbon prices reach USD 75-100/tCO₂ by 2030 and USD 125-140/tCO₂ by 2040; but Canada has a stated ambition to price carbon at CAD 170 t/CO₂ by 2030. These distinctions may be material for a quantitative analysis. For physical risk, downscaled climate projections are available but few clients have the capacity to use that data and model impacts on a given investment or asset.

The information used in scenario analysis is often different from estimates and judgements used in financial reporting because it is prepared for a different purpose. That is, scenarios are hypothetical impacts of a particular temperature change and this may not align with the company's best estimates or market participant assumptions regarding the impact of climate change. Accordingly, there is sometimes confusion about what these scenarios represent when compared to financial reporting information.

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?*

As a practical transitional measure, we do not disagree with the approach of initially making scenario analysis voluntary. However, if quantitative impacts of scenarios are not provided, we still think that qualitative analysis of the resilience of climate strategy to faster than expected increasing temperatures should be described.



Ultimately, we believe that it is in the best interest of stakeholders that the ISSB standards be adopted and therefore the same approach to scenario analysis required by such standards should ultimately be considered.

5. *The TCFD recommendations contemplate disclosure of GHG emissions, where such information is material.*
- *The Proposed Instrument contemplates issuers having the option to disclose GHG emissions or explain why they have not done so. Is this approach appropriate?*
 - *As an alternative, the CSA is consulting on requiring issuers to disclose Scope 1 GHG emissions. Is this approach appropriate? Should disclosure of Scope 1 GHG emissions only be required where such information is material?*
 - *Should disclosure of Scope 2 GHG emissions and Scope 3 GHG emissions be mandatory?*
 - *For those issuers who are already required to report GHG emissions under existing federal or provincial legislation, would the requirement in the Proposed Instrument to include GHG emissions in the issuer's AIF or annual MD&A (if an issuer elects to disclose these emissions) present a timing challenge given the respective filing deadlines? If so, what is the best way to address this timing challenge?*

While we understand the appeal of a comply or explain approach, we do believe that there are certain baseline metrics that should be presented by all companies based on the results of our Investor Survey.

Our [Investor Survey](#) noted that reducing Scope 1 and 2 emissions was the top cited ESG issue by investors (65%) while Scope 3 emissions were given less priority (34%). We note:

Particularly difficult, today, is the tracking and reporting of Scope 3 emissions (those resulting from activities not in a company's direct control, such as the use of its products and services). It's probably no coincidence that such emissions were lower on investors' ESG priority list. In fact, according to one investment firm's head of ESG we interviewed, "Many asset managers don't have the capability to fully assess the data they see for Scope 3 emissions" (which represent 65–95% of most companies' broader carbon impact, according to the **Carbon Trust**, a group that helps companies measure carbon emissions). Still, as regulations come into place, for investors such as investment firms, pension funds, and insurance companies to monitor and report on the carbon footprint of their portfolios, the importance of reporting on all types of emissions should only grow.

Accordingly, we think that Scope 1 and 2 emissions should be mandatory and, as a practical solution for transition, that Scope 3 emissions be subject to a comply or explain rule. However, the goal should be to incorporate Scope 3 emissions into disclosures, if that is aligned with the ISSB standards.



We note that certain entities will not have material Scope 1 & 2 emissions and primarily may be exposed to Scope 3 emissions (e.g. financial institutions) many of whose customers may be outside of the public markets and therefore not subject to reporting of emissions themselves. One suggestion may be to look to the Science Based Target Initiative which uses a benchmark for certain disclosures concerning Scope 3 emissions where they are 40% or more of the total of Scope 1-3 emissions.

In addition, we believe there is a risk of an entirely comply or explain regime that companies would still choose to present the information voluntarily outside of documents filed on SEDAR. SEDAR documents are more clearly within the scope of a company's Disclosure Controls and Procedures (DC&P). For example, where the issuer chooses or cannot report in time to meet the CSA deadlines for the related documents, they may explain that they are not presenting such information and then present it later outside of the continuous disclosure regime. Accordingly, it should be clear that entities would not be permitted to provide similar information outside of the scope of 51-107 if they choose to use the "explanation" exception.

We would however, be in favour of requiring certain disclosures for non-venture issuers and adopting a comply or explain approach for smaller and less complex venture issuers from a cost/benefit perspective. However, the appropriateness of this distinction should be re-evaluated once ISSB standards are finalized and there is more experience for preparers and auditors in applying such rules.

We acknowledge that there is a timing challenge for issuers to prepare non-financial reporting information on the same timeline as financial reporting or other annual documents like the AIF. However, we do believe that as financial and non-financial reporting become more integrated it would make sense to move towards a converged reporting timeline and the use of technology and other tools should help to achieve this.

Allowing a separate document to be filed with this information could be a transitional step with a sliding scale of filing deadlines over the next several years (e.g. shaving off a set number of weeks per year for the filing deadline to allow for companies to develop the necessary systems for more timely reporting).

Ultimately, we think it would be ideal to require reporting at the same time as financial statements and that the MD&A be integrated to discuss both the trends in financial and non-financial reporting. However, this may be a longer term goal and in the near term allowing separate documents and separate discussion of the trends of the reported numbers may be appropriate.

6. *The Proposed Instrument contemplates that issuers that provide GHG disclosures would be required to use a GHG emissions reporting standard in measuring their GHG emissions, being the GHG Protocol or a reporting standard comparable with the GHG Protocol (as described in the Proposed Policy). Further, where an issuer uses a reporting standard that is not the GHG Protocol,*



it would be required to disclose how the reporting standard used is comparable with the GHG Protocol.

- As issuers have the option of providing GHG disclosures, should a specific reporting standard, such as the GHG Protocol, be mandated when such disclosures are provided?*
- Is the GHG Protocol appropriate for all reporting issuers? Should issuers be given the flexibility to use alternative reporting standards that are comparable with the GHG Protocol?*
- Are there other reporting standards that address the disclosure needs of users or the different circumstances of issuers across multiple industries and should they be specifically identified as suitable methodologies?*

As previously mentioned, we think that the goal should be to adopt the standards issued by the ISSB and that this will help to drive global consistency. The lack of consistency may contribute to confusion in the marketplace and a lack of comparability amongst companies.

- 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?*

Investors are entitled to the same confidence in climate information as they currently expect from financial disclosures. Therefore, any new requirements should be subject to internal control requirements and management certifications. Further, independent third-party assurance—that is made available to the public—would provide investors with additional confidence in the quality of climate information and enhance its credibility; a company’s external auditor generally possesses the independence, requisite skills, knowledge, and experience to provide that assurance.

PwC’s Global Investor Survey highlights that 79% of respondents trust ESG information more when it has been assured. We already see companies opt for voluntary limited assurance on certain aspects of ESG reports, but the survey notes that 70% of the respondents don’t want companies to pick and choose the parts of reporting that they get assured.

- 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?*

We believe that ultimately integrated reporting would be appropriate. However, as a transitional step we believe that reference to another document is appropriate.

Usefulness and benefits of disclosures contemplated by the Proposed Instrument

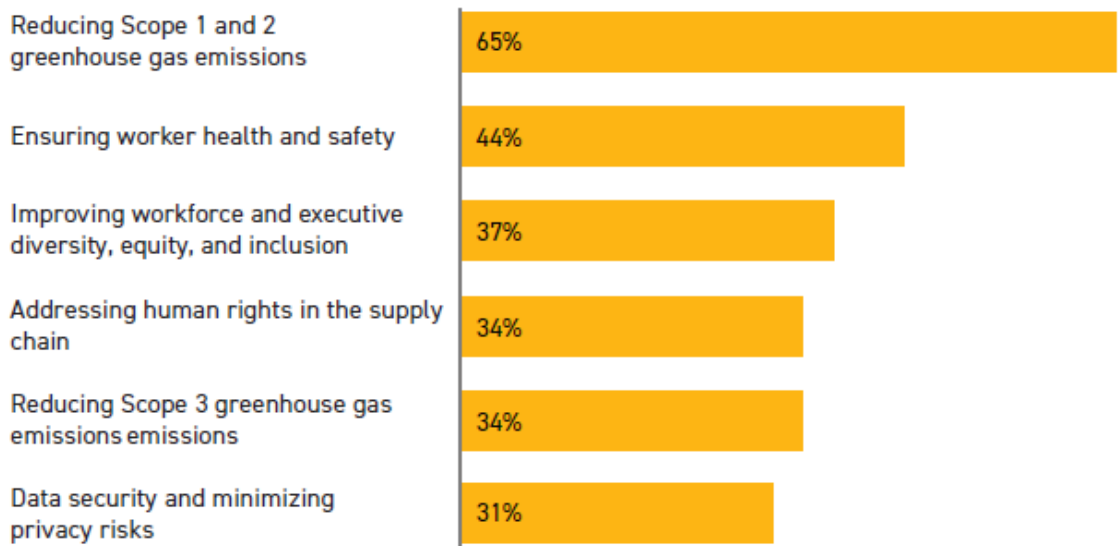
- 9. What climate-related information is most important for investors’ investment and voting decisions? How is this information incorporated into these decisions? Is there additional information that investors require?*



Our recent global Investor Survey noted the following:

Exhibit 3: Reducing Scope 1 and Scope 2 GHG emissions tops companies' ESG priorities

Top-cited ESG issues,¹ % of respondents



¹ Respondents were asked to select up to 5 issues from a list of 14 for companies in the main industry the respondent covers.

Source: PwC 2021 Global Investor Survey

We expect that Canadian investors have or will evolve to have similar interests in ESG information to the priorities in our recent PwC Network Global Survey results.

It should be noted from the above results that other ESG disclosure beyond climate is also high on investors' priority list and that climate is only one facet of information investors are interested in.

This is a rapidly evolving area and investors' needs may change quickly. An advantage of adopting the global ISSB standards would be that these could naturally evolve through the due process of the ISSB and would not require as much effort on maintenance by the CSA as would likely be required for distinct rules created specifically by the CSA.



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

One of the main benefits would be additional consistency/comparability amongst reporting issuers within Canada. However, such benefits would be diluted by a lack of consistency with global peers unless the ISSB standards are incorporated into the CSA rules.

Furthermore, additional disclosure may enhance the ability for reporting issuers to access capital markets (i.e. create additional interest for sustainability focused investors) and potentially reduce an entity's cost of capital.

The proposed rules do not incorporate industry specific metrics whereas the ISSB standards we understand are contemplated to include industry specific metrics which would enhance the usefulness of the disclosure for investors.

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?*

The incremental costs of applying the Proposed Instrument will depend on a number of factors:

- The entity's starting point (i.e. what sustainability information is already being prepared).
- The industry and whether it is carbon intensive.
- How centralized or decentralized the organization is and its geographic footprint.
- Whether Scope 1 and 2 or Scope 1-3 emissions will be required and whether sensitivity analysis will be required.

In some cases, the benefits may exceed costs (i.e. where cost of capital is reduced by the additional information) and in other cases the costs may exceed the benefits. Providing exemptions for venture issuers may help reduce the cost of compliance as discussed in Question 13.

Being required to comply with more than one disclosure regime would significantly increase costs to the extent that there are differences (e.g. complying and reporting under both US and Canadian rules).

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?*



As discussed in our response to Question 3, scenario analysis can be one of the more challenging areas. In addition, we acknowledge that Scope 3 emissions are comparatively more costly to tabulate than Scope 1 & 2.

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

We would be in favour of requiring certain disclosures for non-venture issuers and adopting a comply or explain approach for certain venture issuers. Whether the line to draw between the disclosure regimes should be solely based on venture or non-venture status or on other metrics might also be considered (e.g. market cap, industry etc.). However, the appropriateness of this distinction should be re-evaluated once ISSB standards are finalized and there is more experience for preparers and auditors in applying such rules.

Guidance on disclosure requirements

14. *We have provided guidance in the Proposed Policy on the disclosure required by the Proposed Instrument. Are there any other tools, guidance or data sources that would be helpful in preparing these disclosures that the Proposed Policy should refer to?*

As discussed, we think that the CSA should continue to monitor ISSB developments and consider how to best adopt those standards.

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

Yes, we think the interaction is sufficiently explained.

Prospectus disclosure

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



As discussed in our response to Question 9, our Investor Survey shows that investors are looking for ESG information in making investment decisions. Accordingly, we believe that for IPOs this will become an increasingly important disclosure.

We also believe that the investor focus on such information and the need for it to be trusted interacts with the discussion on assurance in Question 7 and the requirement for an auditor to provide a consent for opinions included in the document. Additional guidance may be required on how the auditor approaches such information in a document where it has not been subject to audit or review and where it is being relied upon by investors.

Accordingly, we believe that investors making decisions on both long-form and short-form prospectuses should have access to information about the company's ESG strategy and metrics. Arguably for a long-form prospectus this may be even more important since the investors may have less information about such entities compared to companies already traded on a public market.

We believe that the same considerations discussed in Question 13 regarding venture vs. non-venture issuers could be applicable to such prospectuses.

In terms of timing, we believe that long-form prospectus requirements should be adopted at the same time as reporting is required for the respective issuer category.

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?*
 - *Does the phased-in implementation based on non-venture or venture status address the concerns, if any, regarding the challenges and costs associated with providing the disclosures contemplated by the Proposed Instrument, particularly for venture issuers? If not, how could these concerns be addressed?*

We believe that a better approach may be to wait for the ISSB standards to be finalized and have a single transition to those standards rather than a transition to a specific regulatory framework followed by ISSB adoption.



We believe that it would be appropriate to finalize the plan to rely on the ISSB standards and coordinate with the Independent Review Committee on Standard Setting in Canada (IRCSS) to ensure that the ISSB standards can be incorporated into Canadian standards. Having such a mandate would encourage issuers to participate in the ISSB due process and in theory reduce the time necessary to adopt because work may commence on the types of information likely to be required by such standards in advance of their finalization.

Future ESG considerations

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?*

As discussed throughout our responses to the previous questions, we believe that the best approach is to wait until the ISSB standards are finalized but continue to allow voluntary reporting of TCFD information prior to the finalization of such standards and make a clear statement that the plan is to adopt the ISSB standards with a reasonably short transition period.

Climate is one of the highest priority areas for investors, but as discussed in Question 9 our Investor Survey shows that “Social” issues are also given a high priority by investors including health and safety of workers, diversity and inclusion and human rights considerations. We understand that the ISSB will initially focus on climate and that they will consider broader ESG topics and we will continue to encourage the IFRS Foundation and ISSB to act quickly on “Social” metrics that are important to investors.

As this is a rapidly evolving area the CSA should continue to monitor investor sentiment and the implementation of standards in other jurisdictions. We believe that the CSA should focus its mandate on developing policies that provide information that is material to capital market participants. We believe that many issues that are important to society as a whole would be important to capital market participants. However, there may be some areas that are important to society beyond what is material to capital market participants, but those issues would more appropriately be addressed by broader government policy.

Other comments

Given that many Canadian companies are United States Securities and Exchange Commission (SEC) registrants or look to United States peers, we believe that the CSA should monitor the development of standards in the United States and ensure that Canada’s rules also consider the implications for Foreign Private Issuers (“FPIs”). We believe that for registrants other than Multi-Jurisdictional Disclosure System



(MJDS) filers the US rules should be permitted to be used in Canada. For those entities that are MJDS filers, we believe that the Canadian rules should be applied and that the CSA should work with the SEC to ensure that this is permitted.

We also believe it would be appropriate to allow interested parties the opportunity to provide additional comments once the SEC proposals are published to ensure that Canada is not a significant outlier compared to what the SEC proposes that SEC registrants report, understanding that Canadian rules may differ where warranted for our market.