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Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission, New Brunswick
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Nova Scotia Securities Commission
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
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario
M5H 3S8
Fax: 416-593-2318
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
Fax: 514-864-6381
consultation-en-cours@lautorite.qc.c

Consultation Climate-related Disclosure Update and CSA Notice and Request for Comment Proposed National Instrument 51-107 Disclosure of Climate-related Matters

LSEG (London Stock Exchange Group) welcomes the opportunity to submit comments on the Proposed National Instrument 51-107 Disclosure of Climate-related Matters and commend the Canadian Securities Administrators leadership in advancing this instrument which will form the foundation to build a strong climate related disclosure framework.

LSEG is a diversified global financial markets infrastructure and data business. Our role in the global capital markets places LSEG in a strong position to integrate sustainable and green solutions into both investment and capital raising. Across our diversified business model, we have been supporting investors and issuers in the transition to a low-carbon and sustainable economy for over a decade, developing innovative products and services in close collaboration with clients and thought leaders.

Our sustainable finance offering is focused on two key areas: green and transition financing for issuers (both debt and equity) and data and analytics, including indices that enable investors to incorporate climate and sustainability considerations into their investment process. Our data and analytics business, Refinitiv, has been delivering ESG data and solutions for over 15 years and offers one of the richest ESG databases in the industry. This includes standardized ESG data points and analytics for 80% of global market cap based on publicly reported company data. Our global benchmark and index business, FTSE Russell, serves institutional and retail investors globally, with approximately $18 trillion being benchmarked to its indices, and has been providing ESG indexes for over 20 years. Through FTSE Russell's Green Revenues and ESG models, the investment community can access the tools – data, analytics, and benchmarks – they need to shift capital allocations towards a greener and more sustainable economy.

Refinitiv led the formation of a new multi-member alliance. In January 2020, we launched the Future of Sustainable Data Alliance ("FoSDA") with the World Economic Forum in Davos. FoSDA's goals include (1) articulate the future data requirements that investors and governments need to accurately integrate ESG data into decision-making processes, (2) highlight new technology and data sets, in a post-COVID-19 world, there is even more need to channel stimulus that can support a just transition to sustainable development, and (3) determine data needs and how to satisfy them for investors who want to take greater account of SDG-related risks and impacts.

In response to the CSA's questions for comment, we provide the following main points, explained in more detail below:

1. **Scope 1, 2, and 3 GHG emissions disclosure should be mandatory.**

2. **Independent assurance requirements should be introduced for key metrics.**

3. **TPI and CA100+ should be referred to as tools to align disclosure metrics with investor expectations.**

Experience with TCFD

Since its inception in 2017, we have supported the Financial Stability Board's ("FSB") Task Force on Climate-related Financial Disclosures ("TCFD"). LSEG is also a member of the UN's Sustainable Stock Exchange Initiative and chaired the development of their "Model ESG Reporting Guidance," which provides a basis that each securities exchange could use to develop consistent ESG reporting guidance for their respective markets. In October 2021, we published TCFD-aligned guidance for all companies listed on the London Stock Exchange's markets.[1]

Many issuers and asset owners already make voluntary TCFD-consistent disclosures. We believe that TCFD continues to drive the business community towards more standardized and globally consistent, decision-useful disclosures regarding climate risk. We believe further international cooperation and focus on developing and requiring globally coherent, comparable, and pragmatic climate-risk disclosures will improve the quality and integrity of climate reporting, allowing market participants to evaluate and understand climate risk.

Disclosure of GHG Emissions and Scenario Analysis

While many companies and sectors have come to grips with Scope 1 and 2 emissions, Scope 3 has proved harder to pin down. Agreeing comparable and equitable definitions and measurements of these emissions has proved challenging. However, as the TCFD considers the data and methodology are now sufficiently mature that disclosure of Scope 3 emissions is appropriate for all sectors and industries, we support mandatory disclosure for GHG Emissions for scopes 1, 2, and 3. This is particularly important for companies where Scope 3 emissions constitute 40% or more of total emissions.

Scenario analysis has become a useful tool for businesses to understand the strategic implications of climate-related risks and opportunities. While it is an important element of the TCFD framework, it is also often the area for which companies have the least experience, and few boards contain significant climate-modelling expertise. There are many publicly available scenarios which can be very useful, either to be used as they are, adapted, or used as the basis of an in-house scenario, the best known of which are those of the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA), and the Network for Greening the Financial System (NGFS). While we believe scenario analysis is a valuable exercise, we also understand as a regulation it is not easy to implement in a consistent manner. The CSA should encourage scenario analysis and revisit it as a requirement as the methods and models develop.

Reliability is one of the major issues concerning non-financial reporting. This includes qualitative evaluations and quantitative data where accuracy is crucial as it is used in investment decision

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[1] Your guide to climate reporting: Guidance for London-listed companies on the integration of climate reporting best practice and TCFD implementation. October 20, 2021 *available at* https://www.londonstockexchange.com/raise-finance/focus/low-carbon-transition-climate-reporting

making. To enhance the quality and reliability of non-financial information, we recommend the CSA consider introducing independent assurance requirements. While this is already mandatory in certain jurisdictions, it is still not widely utilized.[2] Independent assurance models allow companies the discretion to choose between the two forms of disclosure (limited assurance and reasonable assurance). Given this creates additional costs for issuers, the scope of assurance should be limited. We recommend the CSA provide guidance clearly defining what data requires independent assurance and provide flexibility for smaller issuers to ensure a proportionate cost burden.

Usefulness and benefits of disclosures contemplated by the Proposed Instrument

Companies reporting on climate should be aware that investors are looking for information that gives them confidence that companies understand climate-related issues, how they impact the business and what action they are taking as a result. Many investors with diversified portfolios are also asking for consistent data across all companies they invest in to be able to apply consistent methodologies to inform the level of investment they are making in each company. Therefore, to ensure that the efforts put in by those preparing the report have the desired impact in informing shareholders of the climate-resiliency of their company, information should be shared in a standardised format and include the content that investors are looking for. There are several initiatives that can help in this alignment process.

One such example is the Transition Pathway Initiative (TPI) which assesses companies' preparedness for the transition to a low-carbon economy. The TPI tool complements existing initiatives and frameworks, by aligning with prevailing disclosure initiatives and with investors' climate change and sustainability expectations. It is also being aligned with the requirements of TCFD and is used for the disclosure assessment of the Climate Action 100+ (CA100+) Net-Zero Company Benchmark – an assessment of the world's largest corporate greenhouse gas emitters on their progress in the transition to the net-zero future. Issuers can use the analysis already conducted by TPI on their own company, or if they have not been evaluated by TPI, they can use the analysis of a competitor or similar industry analysis to determine the baseline scenario analysis.

Phased-in implementation

We support the CSA's approach to a phased-in implementation based on non-venture or venture status. Additionally, we support the proposed timeline which allows companies time to assess and develop necessary reporting resources prior to required disclosure.

Future ESG considerations

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[2] Spain, Italy, and France require mandatory independent assurance while many other jurisdictions continue to rely to voluntary independent assurance. Accountancy Europe, "Towards reliable non-financial information across Europe," February 19, 2020, *available at* https://www.accountancyeurope.eu/publications/towards-reliable-non-financial-information-across-europe/

Looking forward the CSA must also think beyond today's requirements. While this Proposed Instrument is focused on climate change, it is important to develop a holistic understanding of sustainability risks and opportunities. There are thousands of raw environmental, social and governance (ESG) indicators that can provide insights into the performance of companies. There can be a wide variety of potential measures for any one theme. Some indicators can be far more relevant for certain industries than others. We recommend the CSA encourage the development of these datasets to meet evolving needs (e.g., biodiversity related data and future stress-testing requirements to support net zero targets).

Sincerely,

Claire O'Dea
Director, Government Relations and Regulatory Strategy, Americas
London Stock Exchange Group