



**VIA EMAIL**

February 16, 2022

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Financial and Consumer Services Commission (New Brunswick)  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Registrar of Securities, Northwest Territories  
Registrar of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

**Attention:**

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**Re: Proposed National Instrument 51-107 *Disclosure of Climate-related Matters*  
Proposed Companion Policy to National Instrument 51-107 *Disclosure of Climate-related Matters***

Dear Sirs/Mesdames,

The purpose of this letter is to provide comments on the proposed National Instrument (the "*Proposed Instrument*"). and related Companion Policy **51-107 *Disclosure of Climate-related Matters*** (the "*Proposed Policy*"). We appreciate the opportunity offered by the Canadian Securities Administrators ("CSA") to share our perspective on this proposed regulation.

Intact Financial Corporation is a publicly traded company listed on the Toronto Stock Exchange and is the

largest provider of property and casualty insurance in Canada, with an estimated 21% market share and a market capitalization of approximately \$30 billion.

We acknowledge the efforts of the CSA to improve the overall clarity of climate-related disclosure through the Proposed Instrument and progress towards implementing practical and effective disclosure in this regard. As a purpose-driven business focused on helping people, businesses and society prosper in good times and be resilient in bad times, we believe that insurers have a duty to help build a climate-resilient society that can adapt to changing extreme weather patterns. This is why we have invested significantly in climate adaptation and reducing our own impacts. We understand the importance of complete and transparent disclosure given the challenge of comparability from one company to the other.

However, we have continued concerns on two issues:

We believe the Proposed Instrument should use the Task Force on Climate Related Financial Disclosure (“TCFD”) as its core framework, with certain elements of the TCFD to be implemented gradually over time. With respect to the disclosure of Scope 3 emissions, we believe that such disclosure should remain voluntary considering that there is no current consensus on what constitutes Scope 3 emissions for the Canadian P&C insurance industry. Where it is determined that Scope 3 data must be disclosed, it is our belief that such obligations should be phased in over time following continued consultation and consensus among industry and market participants.

Similarly, although we welcome the goal of disclosing the results of scenario analysis testing conducted by Canadian reporting issuers, we believe the Proposed Instrument should not make such analysis and disclosure mandatory. We believe it should be provided on a voluntary basis with the possibility of phasing in a mandatory requirement over time, following further consultation with Canadian reporting issuers.

Finally, we believe that Canadian climate-related disclosure under the Proposed Instrument should take into consideration important initiatives including the work of the International Financial Reporting Standards (“IFRS”) Foundation’s International Sustainability Standards Board (“ISSB”) as well as that of the U.S. Securities and Exchange Commission (“SEC”) and to the extent appropriate, align the approach to disclosure.

You will find our detailed comments in the appendix attached to this letter.

Yours truly,

*/s/ Frédéric Cotnoir*

**Frédéric Cotnoir**  
Executive Vice President and Chief Legal Officer  
Intact Financial Corporation

*/s/ Louis Marcotte*

**Louis Marcotte, FCPA, FCA**  
Executive Vice President and Chief Financial  
Officer  
Intact Financial Corporation

## OVERALL COMMENTS

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### 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?**

The Company supports the recommendations of the TCFD and has provided partial voluntary disclosure in this regard in its annual Social Impact Report. All four pillars of the TCFD: governance, strategy, risk management and metrics and targets, have been represented in the Company's disclosure. IFC took part in a pilot project coordinated by the United Nations Environment Program Finance Initiative ("UNEP FI") to examine how TCFD could be applied to climate-related disclosure by the non-life insurance industry. Disclosure in this area remains embryonic and requires a considerable amount of resources to produce meaningful data.

### 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?**

Yes, IFC currently discloses its GHG emissions on a voluntary basis in accordance with the GHG Protocol. We support the use of a recognized science-based target for GHG emissions disclosure. Once again, we reiterate our support for Scope 1 and 2 emissions disclosure, but believe that Scope 3 disclosure should remain voluntary and further work should be undertaken to develop industry standards that would promote comparability between issuers in the same industry. Any initiative to make Scope 3 emissions disclosure mandatory should be phased in over time or be part of future amendments or revisions of the Proposed Instrument.

- 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?**

IFC has conducted limited internal scenario analysis but has not publicly disclosed such analysis. Such analysis can be helpful in "stress testing" an issuer's ability to withstand potential negative impacts as a result of climate change. For an insurance provider such as IFC, this analysis can reveal impacts both from a product and customer perspective, as well as from an asset management perspective. The challenges in disclosing any such analysis is the difficulty in contextualizing such information by industry and being able to compare the

disclosure of one issuer against the disclosure of another. Broadly speaking, there are no other required scenario analysis disclosure requirements under IFRS or other relevant reporting standards. This information is generally provided to specific stakeholders, notably regulators.

**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?**

We agree that scenario analysis should not be required by the Proposed Instrument/and remain voluntary. As such, there would be no need for issuers to explain why they have not disclosed this information.

Should disclosure eventually be required, we favour a phased approach that would progressively prepare reporting issuers to conduct and disclose scenario analysis in accordance with TCFD recommendations over time, being mindful of the resources required to implement such a requirement. Should a disclosure requirement be considered in the future, we suggest further consultation on what the phases should look like.

**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?**

We believe that a comply or explain approach to disclosure of GHG emissions data is relevant only with respect to Scope 1 and 2 emissions data. Given the complexity of Scope 3, disclosure should remain voluntary.

- **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?**

Scope 1 emissions data is likely easily available to issuers, however many issuers are at different stages of maturity in emissions disclosure. We support voluntary disclosure for Scope 1 emissions as it relates to materiality..

- **Should disclosure of Scope 2 GHG emissions and Scope 3 GHG emissions be mandatory?**

We believe that Scope 2 and Scope 3 GHG emissions disclosure should be voluntary, particularly in the case of Scope 3 GHG emissions. Once again, Scope 3 GHG emissions

vary considerably from industry to industry and we feel that any disclosure requirement of Scope 3 GHG emissions data should be phased in over time as part of a future amendment of the Proposed Instrument focused on disclosure of material information only.

- **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?**

We believe there should be a degree of flexibility with respect to the timing of the disclosure of GHG emissions data. Requiring disclosure within 90 days of the financial year end may force issuers to disclose information based on estimates and assumptions rather than observed metrics, thereby lowering the quality and reliability of such disclosure.. Based on current proposals from the Canadian Securities Administrators, the AIF and annual MD&A will eventually be part of an integrated document with the same timeline for filing. This timeline may not be aligned where existing federal or provincial legislation already requires an issuer to report GHG emissions at a later date. The CSA could consider permitting this information to be included in the interim MD&A rather than the annual MD&A in an effort to provide alignment with reporting timelines found in existing regulations.

**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?**

The Company believes a specific reporting standard such as the GHG Protocol or another commonly accepted and recognized science-based methodology should be used. To facilitate comparability between issuers, the use of a specific reporting standard would be preferable.

- **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?**

We believe the GHG Protocol is appropriate for all reporting issuers for Scope 1 and 2 emissions. Although we typically favour including flexibility in disclosure requirements, we believe the GHG Protocol is sufficiently widespread in terms of its acceptability to be used for all reporting issuers. Such a decision promotes the comparability of issuer data. It is yet to be determined how appropriate the GHG Protocol will be for Scope 3 emissions.

- **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?**

We favour the GHG Protocol reporting standard but are not opposed to the use of other recognized science-based target methodologies. The IFRS-led International Sustainability Standards Board may provide guidance on this in the future.

**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?**

While we believe third-party assurance of GHG emissions data is a best practice being adopted by more and more issuers and which should be encouraged, we do not believe that this should be a mandatory requirement of the Proposed Instrument at this time. Such a requirement could be considered at a later date as issuer practices and investor expectations mature.

**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 favour the ability of issuers to incorporate disclosure such as GHG emissions data by reference to another document and believe this would be appropriate for the other disclosure requirements of the Proposed Instrument.

**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?**

We believe that investors consider information with respect to issuer climate risk modeling to be important to investment and voting decisions. A description of the risks and opportunities related to extreme climate events provides investors with insight into the resilience of an issuer in the context of climate change. In addition, it is our view that information with respect to Scope 1 GHG emissions provides investors with meaningful data points to assess issuer commitments to reduce their carbon footprint and comply with Net Zero pledges.

**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?**

The most significant benefit associated with providing the disclosures contemplated by the Proposed Instrument is to provide a baseline for disclosure of climate-related information by Canadian reporting issuers.

One of the most significant challenges with respect to climate-related disclosure is the multitude of methodologies, frameworks, benchmarks and standards used to disclose this information. By clearly adopting the recommendations of the TCFD, the Proposed Instrument provides a level playing field for investors, issuers and other stakeholders alike to align their expectations with respect to climate-related disclosure.

**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?**

Although disclosing Scope 1 GHG emissions data and, to a lesser extent, Scope 2 GHG emissions data, can be prepared in a relatively straightforward fashion, they do involve costs and resources to gather, review and disclose. Third party assurance of this data would add additional complexity and cost.

Scope 3 GHG emissions data presents a challenge of a different magnitude. Calculating emissions along the value chain and bringing comparability to such data involves a high level of industry coordination and collaboration to determine how, for example, an issuer's products are evaluated for the purposes of Scope 3 and whether such evaluation is consistent for all issuers in a given industry.

We would also encourage alignment with similar climate-related disclosure initiatives and requirements in other jurisdictions, notably the work of the International Sustainability Standards Board as well as the initiatives of the SEC in this area given the highly integrated nature of the North American marketplace.

**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?**

We believe, as we have stated previously, that the most significant challenge among the TCFD recommendations is disclosure with respect to scenario analysis. This challenge comes from, among other things, the forward-looking nature of scenario analysis as well as determining the hypothetical constructs to be used as part of the analysis. Finally, different approaches to scenario analysis depending on a given issuer's use of qualitative and quantitative information as well as the particular models employed to generate plausible and useful scenario analyses raise questions of comparability across issuers, both within the same industry and across the Canadian marketplace.

- 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 believe that venture issuers are best placed to address this question.

#### **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?**

It may be helpful to provide additional guidance in the form of a Frequently Asked Questions staff notice containing pertinent questions posed by issuers with respect to the interpretation and implementation of the Proposed Instrument along with the view of the Canadian Securities Administrators in response to such questions.

- 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?**

We believe that the guidance in the Proposed Policy provides a sufficient explanation. That being said, we also believe that issuers should be able to incorporate by reference the information required in Item 2 of Form 51-107B where it has been disclosed in other documents such as the Risk Factors section of the AIF or Annual MD&A.

#### **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?**

We believe that the requirements for climate-related disclosure for reporting issuers should form part of the information required in a prospectus under Form 41-101F1. From an implementation standpoint, we believe it makes sense to apply the disclosure requirement at the same time as venture issuers become subject to the Proposed Instrument.

### **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?**

We believe that it would be beneficial for non-venture issuers to have additional time to review the Proposed Instrument and prepare and file the required disclosures, such that if the Proposed Instrument comes into force December 31, 2022, non-venture issuers with a December 31 year-end would be required to include these disclosures in annual filings due in 2025 rather than 2024. We would support a similar extension of time for venture issuers such that the disclosures would be included in annual filings due in 2027 in their case. We would encourage those who wish to voluntarily disclose in the immediate term to do so.

We would also strongly encourage the Canadian Securities Administrators (“CSA”) to consider a subsequent phased-in approach for disclosure requirements related to Scope 3 GHG emissions as well as scenario analysis, should the CSA ultimately decide to make either of these disclosures mandatory under the Proposed Instrument.

- **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?**

As noted above, we believe an extended phased-in implementation timeline would better address concerns with respect to overall implementation generally and more particularly with respect to any potential requirement to disclose Scope 3 GHG emissions or scenario analysis.

Such extended timeline would also permit industry consultation and coordination among issuers to promote disclosure comparability and standardization.

### **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?**

We believe it is important to focus on the implementation of the Proposed Instrument and ensure its success before turning attention to broader sustainability or ESG topics. We support the work of the IFRS Foundation and the International Sustainability Standards Board to develop a comprehensive global baseline of sustainability-related disclosure standards, however we are mindful that this process is at its beginning and will take considerable time and effort to be fully developed.