



## leadership beyond finance

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Ontario Securities Commission  
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February 16, 2022

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Corporate Secretary and Executive Director, Legal Affairs  
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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  
Office of the Superintendent of Securities, Northwest Territories  
Office of the Yukon Superintendent of Securities  
Ontario Securities Commission  
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

Dear Sir / Madam:

**Re: Consultation – Climate-related Disclosure Update and CSA Notice and Request for Comment Proposed National Instrument 51-107**

The Committee on Corporate Reporting (CCR) of Financial Executives International Canada (FEI Canada) is pleased to respond to the Canadian Securities Administrators (CSA) *Notice and Request for Comment - Proposed National Instrument 51-107 Disclosure of Climate-related Matters* (the “Proposed Instrument”).

FEI Canada is the all-industry professional membership association for senior financial executives. With 12 chapters and over 1,600 members, FEI Canada provides professional development, networking opportunities, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations.

CCR is one of several thought leadership committees of FEI Canada. CCR is devoted to improving the awareness of issues and educating FEI members on the implications of the issues it addresses and is focused on continually improving the standards and regulations impacting corporate reporting.

The CCR recognizes the importance of climate-related risks and corresponding disclosures to our membership and all stakeholders with respect to corporate reporting in Canada. Overall, we commend the CSA for its practical approach to the Proposed Instrument both with respect to integrating the well-accepted Task Force on Climate-Related Financial Disclosures (TCFD) framework and the clear benefits for preparers and users to limit the complexity associated with a myriad of potential frameworks and expectations. Many FEI members participate in the preparation of Environmental, Social and Governance (ESG) and other sustainability reporting and these are frequently aligned with the TCFD framework. Furthermore, we anticipate that a clear set of regulatory requirements will facilitate all issuers to participate in the capital markets as the impact of climate-related risks and disclosures continues to develop.

### **Costs and challenges of disclosures contemplated by the Proposed Instrument**

We concur with the CSA's noted concerns with respect to the regulatory burden and the additional cost of mandatory climate related disclosure. We believe that even with this practical approach, significant additional burdens are being placed on all issuers, and particularly smaller issuers and issuers with very limited climate related impacts or risks. As a result, the CSA may need to consider additional scope exemptions with respect to scale and applicability to all issuers or provide additional information with respect to what compliance with the proposed instrument would entail. Additionally, many issuers will not have sufficient internal resources to manage the necessary implementation and will incur significant costs to hire new professionals or external consultants as they prepare their corporate frameworks and governance structures.

### **Metrics and targets and disclosure of Green House Gas (GHG) Emissions and Scenario Analysis**

With respect to the GHG emissions disclosure requirements, we believe that the most practical approach is one that does not mandate disclosure of Scope 2 and in particular Scope 3 emissions. Scope 3 emissions are more judgmental and complex to prepare and therefore we believe it is appropriate for the CSA to diverge from the TCFD framework with respect to these disclosures. The above notwithstanding, the value to external stakeholders of GHG emissions disclosure is highly dependent on an issuer's nature of operations and the significance of their emissions, and

as such we believe that the application of materiality is critical to ensure that the Proposed Instrument does not significantly increase costs for issuers with only limited GHG emissions.

The CCR is also supportive that the Proposed Instrument has not mandated the TCFD's scenario requirements. Scenario analysis is critical with respect to an entities own planning, however we find that its publication presents numerous potential problems for all stakeholders. The most significant of these being: comparability; breadth and complexity of assumptions; inherent limitations with respect to changes in technology and business conditions, just to name a few. In summary, we believe that appropriately diligenced and articulated risk disclosures are a more effective mechanism to allow users to understand the entity-specific risks of an issuer. Given the complexity and judgments associated with scenario analysis, we believe that issuers should be subject to very clear requirements when issuing these disclosures on a voluntary basis.

Additionally, we note that although issuers will have the option not to disclose Scope 1, 2 and 3 emissions, that the consultation does require issuers to provide the other metrics and targets disclosures that are recommended by the TCFD. We find that the consultation paper is vague in this regard and recommend that should the instrument be adopted as proposed, that the CSA ensure sufficient implementation guidance is in place to allow issuers to meet the necessary requirements. We believe this element of the new instrument will be challenging and costly for most issuers.

The timing of inclusion of climate-related disclosures in either the annual information form (AIF) or annual management's discussion and analysis (MD&A) will be of practical concern to most issuers, in particular in the initial years of adoption. Many entities with material GHG emissions will require significant time to verify these emissions in accordance with newly implemented governance mechanisms and some will determine that external consultation and assurance are required. Additionally, the timing of these activities will coincide with the external financial reporting cycles, putting a strain on internal and external resources.

We believe that the CSA should consider additional alternatives with respect to the timing and disclosure of certain of the required information; specifically those detailed metrics and targets required in the TCFD framework. We suggest that these metrics and targets could also be provided in an alternative Annual Climate Disclosure filing to be prepared and filed at a date not to coincide with the other financial year end filings and to allow for a more effective allocation of an entities resources. An alternative to the above approach would be to allow for the disclosure of GHG emissions metrics and targets in the AIF or annual MD&A to have a different measurement cut-off period from the annual financial statements to better enable these filings to coincide.

### **Phased-in implementation**

Overall, we agree that a phased-in implementation of the Proposed Instrument is appropriate and agree that the distinctions in timing between venture and non-venture issuers are necessary. Many venture issuers will require significantly more time to complete their implementations. Further, with respect to non-venture issuers, we believe that the example of a one-year transition period commencing January 1, 2022 will be challenging for many issuers, particularly where Scope 1 emissions disclosures are required. The CSA may need to consider a further phasing of the adoption requirements where the Governance, Strategy and Risk management

recommendations are required in the first year of adoption, and the metrics and targets disclosures are delayed until the following year.

The CCR has appreciated the opportunity to comment on this important new national instrument.

Sincerely,



Celine Arsenault  
Chair – Committee on Corporate Reporting  
FEI Canada