Goodmans LLP Update

CSA Provides Guidance Aimed at Improving Disclosure of Material Climate Change-Related Risks

The Canadian Securities Administrators (CSA) published Staff Notice 51-358 *Reporting of Climate Change-related Risks* (the **"Staff Notice"**) on August 1, 2019. The purpose of the Staff Notice is to provide guidance to boards of directors and management of reporting issuers as to how to properly identify and assess material climate change-related risks so that they may improve their disclosure of those risks. The Staff Notice does not modify or create legal obligations for reporting issuers. Rather, it reinforces the existing guidance in CSA Staff Notice 51-333 *Environmental Reporting Guidance*. The Staff Notice is intended solely as an educational tool for issuers to support their compliance with the requirement to disclosure material climate change-related risks.

Background

The CSA believes that climate change-related risks are becoming more pervasive than other types of risks, but are often difficult for companies to assess and quantify. This creates difficulties for reporting issuers in attempting to meet their disclosure obligation to disclose material risks, and where practicable, the financial impacts of those risks.

The Staff Notice was motivated by three key factors:

- *Increased investor interest.* The CSA believes investors are becoming increasingly focused on climate change-related risks and some have expressed concerns that they are receiving insufficient disclosure of these risks from issuers.

- *Room for improvement in disclosure.* Based on a review of the disclosure of a sample of TSX-listed issuers, the CSA noted variations in disclosure practices with some issuers providing boilerplate disclosure or none at all.

- *Domestic and global developments.* The CSA has observed growing interest by stakeholders, including Canadian issuers and institutional investors, in voluntary disclosure frameworks, such as the Climate Risk Technical Bulletin published by the Sustainability Accounting Standard Board published in October 2016 and the final recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures published in June 2017.

Guidance

To assist directors and management of reporting issuers in identifying and assessing material climate change-related risks, and improving climate-related risk disclosure, the Staff Notice:

- details the board's and management's responsibilities relating to risk identification and disclosure;

- outlines relevant factors to consider in assessing the materiality of climate change-related risks;

- provides examples of potential climate change-related risks issuers may be exposed to;

- includes questions boards and management should consider in the climate change context; and

- provides an overview of the disclosure requirements specific to forward-looking climate change-related information.

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The publication of the Staff Notice reinforces the need for reporting issuers to continuously assess the risks associated with their business and, in particular, the impact of climate change on their business and the associated risks. The CSA repeatedly emphasizes that although climate change risks can be uncertain and have a long time horizon, the risks are nonetheless mainstream business issues that require adequate disclosure. Issuers should not limit their assessments to near-term risks, and issuers should quantify the risks where possible, both in terms of financial impact and magnitude.

For further information on the Staff Notice, please contact any member of our Corporate Finance and Securities Law Group.

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