Goodmans LLP Update

Canadian Securities Regulators Release Report on Climate Change-Related Disclosure Project

On April 5, 2018, the Canadian Securities Administrators (CSA) released CSA Staff Notice 51-354 – *Report on Climate change-related Disclosure Project*, which sets out the CSA's findings from its review of current disclosure by public companies regarding risks and financial impacts associated with climate change. While no new disclosure standards are being proposed, the report highlights the increased focus on climate-change related disclosure and provides helpful guidance to companies seeking to ensure their disclosure regarding climate change and other emerging risks addresses issues important to investors.

Background

The project was primarily aimed at assessing whether the existing disclosure framework under Canadian securities laws (including CSA Staff Notice 51-333 *Environmental Reporting Guidance*, which provides specific guidance on climate change-related disclosure issues) is sufficient for Canadian public companies to provide climate change-related information investors need to make informed voting and investment decisions, and whether sufficient disclosure is being provided. The project consisted of a number of components, including:

- a review of the climate-change related disclosure of 78 large-cap TSX-listed issuers,
- a voluntary online survey regarding current climate change disclosure practices sent to all TSX-listed issuers (to which 97 issuers responded),
- a significant consultation process with various stakeholders (including companies, investors, advisors, advocates and other users of climate-change disclosure), and
- a review of climate change-related disclosure requirements in select international jurisdictions and prominent voluntary disclosure frameworks.

Key Themes of the Report

The report reveals that a number of Canadian public companies (56% of those reviewed) are providing specific (i.e., non-boilerplate) climate change-related disclosure that tends to be focused on material risks companies currently face.

The report suggests evaluating the risks associated with climate change, and companies' disclosures with respect to those risks, are increasingly important areas of focus for many investors and other market participants. The report also indicates substantially all stakeholders are dissatisfied with the current state of climate change-related disclosure. In particular, many stakeholders expressed the view that climate-change related disclosure should encompass not only disclosure of acute climate-related risks by companies in environmentally sensitive industries, but should extend to disclosure of governance and oversight of potential climate change-related risks by companies across a broad range of industries.

Finally, there is divergence among stakeholders about how enhanced disclosure should be achieved. Some stakeholders (particularly companies) are advocating for continued application of the existing securities law disclosure framework, supplemented by additional guidance and education regarding climate change risks and disclosure, while others believe the new mandatory disclosure requirements should be imposed.

Next Steps

At this time, the CSA are not proposing any specific rule changes. However, the CSA plans to continue its work under the project by:

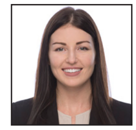
- developing guidance and education initiatives with respect to the business risks and opportunities and potential financial impacts of climate change,
- considering new disclosure requirements regarding corporate governance (including identification and oversight of material risks) that would apply to climate change-related disclosure but could also be relevant to other emerging risks, such as potential barriers to free trade, cyber security and disruptive technologies, and
- monitoring developments and evaluating public disclosure in this area on an ongoing basis.

Conclusion

Climate change-related disclosure is likely to continue to be an important focus of market participants and regulators going forward. Boards and management – even of companies in industries that are not necessarily viewed as environmentally sensitive – should consider formalizing their evaluation of climate-change related risks, and disclosing not only any material risks identified, but also their process for risk evaluation and oversight (even if no material risks are identified as a result of that process). Similar considerations also apply to other emerging risks, particularly those driven by technology.

For further information on climate change-related disclosure or to discuss potential changes to securities legislation that could impact your disclosure obligations, please contact any member of our Corporate Securities Group.

Key Contacts



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