

Goodmans^{LLP} Update

CSA Proposes Climate-Related Disclosure for Reporting Issuers

The Canadian Securities Administrators (CSA) has published a proposed rule, *National Instrument 51-107 – Disclosure of Climate-related Matters* (“Proposed Instrument”), that would impose climate-related disclosure requirements on reporting issuers.

The proposed disclosure requirements are generally in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, as well as the growing international movement towards mandatory climate-related disclosure standards, and will apply to all reporting issuers (except for investment funds, issuers of asset-backed securities, designated foreign issuers, SEC foreign issuers, certain exchangeable security issuers, and certain credit support issuers).

Summary of the Proposed Instrument

Disclosure Requirements

The required disclosures are oriented around four core elements (consistent with the TCFD recommendations):

- **Governance:** the board of directors’ oversight of climate-related risks and opportunities, as well as its role in assessing and managing the same.
- **Strategy:** the climate risks and opportunities the issuer has identified over the short, medium, and long term and the impact of same in the issuer’s businesses, strategy, and financial planning.
- **Risk Management:** how an issuer identifies, assesses, and manages climate-related risks and how these processes are integrated into its overall risk management.
- **Metrics and Targets:** the metrics and targets used to assess and manage relevant climate-related risks and opportunities where this information is material.

Under the Proposed Instrument, the “Governance” and “Risk Management” disclosures are mandatory, while the “Strategy” and “Metrics and Targets” disclosure would only be required where the information is material.

While the Proposed Instrument incorporates most of the TCFD recommendations, there are two substantive modifications. First, a reporting issuer would not be required to provide a “scenario-analysis” describing the issuer’s strategies to climate-related risks and opportunities. This disclosure would have described the effect on issuers of climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy and, where applicable, scenarios involving increased climate-related risks. Second, the Proposed Instrument permits issuers, instead of providing disclosure concerning Scope 1 (direct emissions from company-owned resources), Scope 2 (indirect emissions through purchased energy), and Scope 3 (emissions from activities not controlled by the organization) greenhouse gas (GHG) emissions, to omit such disclosures and instead include reasons for doing so. The CSA is seeking comments on whether the Proposed Instrument should make disclosure of Scope 1 GHG emissions mandatory for all reporting issuers.

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Location of Disclosure

The climate-related disclosure requirements relating to governance will have to be included in a reporting issuer's management information circular. For issuers without a management information circular, the governance disclosure should be set out in the issuer's annual information form (AIF), or its annual management's discussion and analysis (MD&A) if the issuer does not file an AIF.

The strategy and risk management and metrics and targets disclosures would have to be included in the reporting issuer's AIF, or its annual MD&A, if the issuer does not file an AIF.

Transition Phase

The climate-disclosure requirements in the Proposed Instrument will be phased in over a one-year period for non-venture issuers and over a three-year period for venture issuers. The Proposed Instrument is not expected to come into force before December 31, 2022.

The CSA invites comments on the proposed climate-related disclosure requirements and has set out a list of 18 questions in its Notice and Request for Comment on Proposed Instrument. All comments must be submitted on or before January 17, 2022.

For more information concerning the Proposed Instrument, please contact any member of our [Corporate Finance and Securities Group](#).

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