



February 16th, 2022

Alberta Securities Commission
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
Ontario Securities Commission
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Via email: timothy.robson@asc.ca; tonya.fleming@asc.ca; kyra.plata@asc.ca; jan.bagh@asc.ca

RE: Consultation – National Instrument 51-107 Disclosure of Climate-related Matters

Dear Sir/Madam,

Alberta Investment Management Corporation (AIMCo) welcomes this opportunity to provide commentary to the Consultation on the proposed National Instrument 51-107 *Disclosure on Climate-related Matters*.

AIMCo is a Crown Corporation that invests over \$153 billion on behalf of 32 clients, including Albertan pension plans, an endowment fund, and government funds. AIMCo is an active participant in Canada's equity markets and regularly advocates for best practices at public companies in our portfolios. We thank the Canadian Securities Administrators (CSA) for its efforts in assembling the proposed National Instrument and its companion policy and offering stakeholders an opportunity to provide feedback. AIMCo has chosen to respond in support of the consultation's overarching themes to provide consistent, comparable, and decision-useful climate-related disclosure to better inform the market and meet investor needs for robust climate data.

Please find our considered responses to select themes below:

Scenario Analysis

Under the proposed instrument, issuers would not be required to provide scenario analysis. AIMCo agrees that scenario analysis should not be mandatory at this time, given the current lack of standardization of approaches to scenario analysis across time frames, degrees of warming, and options for the pace and scale of transition and physical risk impacts. However, we expect eventual convergence around common approaches to scenario analysis, leading to standard assumptions and an accepted framework for scenario analysis. As such, the CSA may wish to regularly reassess its approach to requirement of disclosure of scenario analysis. Climate change



will eventually impact all industry sectors with potential disruptions to business operations along the entire value chain.

Investors seek assurance that issuers are conscientiously conducting stress tests of their business under various climate warming, regulatory and market sentiment assumptions. As such, climate scenario analysis should inform and bolster issuers' business strategy and risk mitigation plans. At this point in time, AIMCo suggests that NI 51-107 require an issuer to disclose, on a comply or explain basis, whether it has conducted scenario analysis for various warming, regulatory and market-related scenarios and whether and how this exercise has informed current business strategy, capital allocations and/or related implications.

AIMCo fully expects issuers to disclose material ESG information, which may inform investors' decision-making and their consideration of ESG factors within investment processes. AIMCo has publicly supported both the Sustainable Accounting Standards Board (SASB) and the Taskforce on Climate-related Financial Disclosures (TCFD) as suitable models for issuers to employ for their ESG disclosure. Considering climate change is a systemic risk, the question of whether an issuer is reporting in alignment with the TCFD framework in its entirety is helpful to investors to assess whether a company has adopted a sufficiently climate resilient strategy. Scenario analysis is one of the central pillars of the TCFD framework and is vital to informing company strategic decision-making based on the company's assessment of the probability and impacts of climate-related risks and opportunities to its business and operations.

AIMCo recognizes issuers may face certain barriers and uncertainties when conducting scenario analysis, however, we believe the benefits of undergoing this exercise outweigh any potential barriers. Many companies in carbon intense sectors that are highly exposed to climate risk routinely conduct and disclose the results of their scenario analysis results which serves to reassure investors that the investee firm is taking climate risks into account. We believe that adoption of this practice will benefit Canadian issuers, investors, and the market as whole. There is an abundance of guidance, examples and ready-to-use off-the-shelf scenarios that can assist companies in their approach to scenario analysis. Both the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) are well respected, industry accepted sources for scenario analysis.

GHG Emissions Disclosure

The proposed instrument contemplates whether reporting of Scopes 1, 2 and 3 greenhouse gas (GHG) emissions is material, whether it should be mandatory to disclose Scopes 1-3 and whether related standards and guidance should follow.

AIMCo views climate change as a systemic risk, and as such considers full lifecycle GHG emissions to be material for all industries. Our view is that standard, verifiable disclosure of Scope 1 (produced) and 2 (purchased) GHG emissions should be required for all issuers. While Scope 3 (downstream) GHG emissions accounting continues to have challenges, it can represent the majority of an issuer's lifecycle emissions throughout the value chain. Recognizing this, AIMCo agrees that a comply-or-explain approach to Scope 3 emissions is appropriate at this time. Regardless of whether the firm chooses to disclose its Scope 3 GHG



emissions or explains why it has not done so, we recommend it disclose its overarching strategy to meaningfully reduce its Scope 3 GHG emissions. AIMCo recognizes that carbon accounting is a field that continues to evolve, and that the market requires time to build expertise around Scope 3 measurement and reporting.

AIMCo believes that to ensure consistency between Canadian issuers and with the international community, reporting in alignment with the Greenhouse Gas Protocol should be required. This is also the approach recommended by the International Sustainability Standards Board (ISSB)'s Climate-related Disclosures Prototype. AIMCo recommends that the Greenhouse Gas Protocol reporting standard be followed for measurement and reporting of Scopes 1, 2 and 3 GHG emissions.

While the Proposed Instrument would not require GHG emissions to be audited, AIMCo encourages publicly traded companies to have their emissions independently verified and audited where possible, while acknowledging that this may need to be done in a phased manner, commencing with internal verifications. AIMCo is of the view that issuers' reporting of material ESG information, including climate related data, should be subject to the same rigour as financially-material data, with respect to underlying methodological assessments, verification and assurance protocols and related disclosure requirements.

Usefulness and benefits of disclosures contemplated by the proposed instrument

The CSA asks what climate-related information is more decision-useful for investors and what benefits the disclosures outlined in the Proposed Instrument would bring to the climate disclosure landscape.

AIMCo has publicly supported the TCFD recommendations since they were first published in 2017. Corporate disclosure as outlined in the TCFD framework allows investors and the market to discern an issuer's approach, governance and strategy to climate-related risks and opportunities; and to better understand how these factors are measured and incorporated into risk management processes and strategic planning. This information helps to assure investors the company is appropriately managing its climate-related risks and opportunities.

As stated in AIMCo's Proxy Voting Guidelines, AIMCo may "vote against or withhold from relevant directors in situations where the issuer has failed to provide relevant climate-related disclosures, and/or insufficient action is being taken to address climate-related risks & opportunities". Disclosure as outlined in the Proposed Instrument serve to inform AIMCo's voting decisions when assessing an investee's climate-related disclosure and strategy.

Phased-in implementation and forward-looking information disclosure

AIMCo supports the recommendations of the Expert Panel on Sustainable Finance with respect to endorsement of a phased comply or explain approach to entities' adoption of the TCFD recommendations, beginning with large companies and eventually extending to smaller entities. It is reasonable that implementation of NI 51-107 also follows a phased approach to allow time for the further development of standardized reporting and verification protocols and allow issuers sufficient time to prepare and file the required disclosures.



With respect to considerations for disclosure of material, forward-looking information, while each company's specific circumstances may differ, the board of directors and management are accountable for assessing any long-term impacts, including material ESG risks and opportunities on the company's operations. A safe harbour provision for the proposed instrument, especially when considering the evolving nature of the data landscape for climate-related data may serve to encourage issuers to provide more robust and authentic, forward-looking climate-related disclosures as opposed to boilerplate disclosure which is not useful to investors. Issuers should be advised to include caveats that caution users of forward-looking data that actual results may vary, especially for Scope 3 GHG emissions disclosure and scenario analysis.

In closing, AIMCo again commends the CSA's effort to provide the Canadian market with consistent, decision-useful climate-related disclosures in alignment with the TCFD framework and with emerging standards and regulations in Canada and globally.

Sincerely,

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Chief Fiduciary Management Officer

Sincerely,

Alison Schneider

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Vice President, Responsible Investment