

CSA Staff Notice 51-358

Reporting of Climate Change-related Risks

August 1, 2019

Executive summary

The focus on climate change-related issues in Canada and internationally has grown rapidly in recent years. In order to make informed investment and voting decisions, investors, particularly institutional investors, are seeking improved disclosure on the material risks, opportunities, financial impacts and governance processes related to climate change.

Securities legislation in Canada requires reporting issuers¹ (**issuers**) to disclose the material risks affecting their business and, where practicable, the financial impacts of such risks.² Although climate change-related risks are expected to be more pervasive than some other types of risk, they can be difficult to assess and quantify as they may be subject to greater uncertainty.

We recognize that, while disclosure of material climate change-related risks is important for investors to make informed investment decisions, this disclosure presents challenges and other potential burdens for all issuers, especially smaller issuers with more limited resources. The key objective of this notice is to provide issuers, particularly smaller issuers, with guidance as to how they might approach preparing disclosures of material climate change-related risks. In particular, the guidance contained in this notice is primarily focused on issuers' disclosure obligations as they relate to the MD&A and AIF. For purposes of those forms, information is likely material if a reasonable investor's decision whether to buy, sell or hold securities in an issuer would likely be influenced or changed if the information in question was omitted or misstated. Securities legislation imposes a different test for materiality in certain other contexts, and issuers should consider the applicable test when preparing disclosure in respect of climate change-related information or other information.

In addition to addressing regulatory requirements, these disclosures provide issuers with an opportunity to inform investors about the sustainability of their business model and to provide insights into how they are mitigating and adapting to these risks.

This notice does not create any new legal requirements or modify existing ones. It reinforces and expands upon the guidance provided in CSA Staff Notice 51-333 *Environmental Reporting Guidance* (SN 51-333) and should be read in conjunction with SN 51-333, which continues to

¹ In this notice, references to reporting issuers refer to reporting issuers other than investment funds.

² See section 5.2 of Form 51-102F2 *Annual Information Form* (the **AIF** or **Form 51-102F2**) and section 1.4(g) of Form 51-102F1 *Management's Discussion and Analysis* (the **MD&A** or **Form 51-102F1**).

provide guidance to issuers on existing continuous disclosure requirements relating to a broad range of environmental matters, including climate change.

Staff of the Canadian Securities Administrators (**Staff** or **we**) encourage boards of directors (**boards**) and senior management (**management**) of issuers to review this notice as it:

- provides an overview of the responsibilities of boards and management relating to risk identification and disclosure;
- outlines relevant factors to consider in assessing the materiality of climate change-related risks;
- provides examples of some of the types of climate change-related risks to which issuers may be exposed;
- includes questions for boards and management to consider in the climate change context; and
- provides an overview of the disclosure requirements if an issuer chooses to disclose forward-looking climate change-related information.



Why this guidance?

Climate change-related risks are a mainstream business issue. Issuers should consider these risks as part of their ongoing risk management and disclosure processes and they must disclose any such risks that are material to their business. Like other business risks, the materiality of climate change-related risks varies among industry sectors and issuers within those sectors.

This notice has been motivated by three key factors:

- Increased investor interest – Over the past several years, many investors, particularly institutional investors, have become increasingly focused on climate change-related risks and have expressed concerns that they are receiving insufficient disclosure of these risks from issuers. Securities regulators have a role to play in assisting issuers in their efforts to provide investors with the material information they reasonably need to make informed investment and voting decisions.
- Room for improvement in disclosure – Based on our reviews of the disclosure of a sample of TSX-listed issuers, we noted variations in disclosure practices.³ Of the 78 issuers we reviewed, 22% provided boilerplate disclosure on climate change-related risks and another

³ The detailed results of our review are summarized in CSA Staff Notice 51-354 *Report on Climate change-related Disclosure Project (SN 51-354)*.

22% provided no disclosure at all. The disclosures lacked comparability among issuers and in some instances omitted information necessary to provide sufficient context for the disclosure.

- Domestic and global developments – We have 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 (**SASB**) published in October 2016 (the **SASB Framework**), and the final recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (**TCFD**) published in June 2017 (the **TCFD Recommendations**). The TCFD Recommendations contemplate voluntary disclosure in four areas: governance, strategy, risk management and metrics and targets. We have also noted a number of global and domestic initiatives since the publication of SN 51-354 which acknowledge the importance of climate change-related risks.⁴

This guidance is intended to assist issuers, including their boards and management, to identify material climate change-related risks and to improve their disclosure of such risks. Disclosure of climate change-related risks provides an opportunity for issuers to explain to existing and potential investors how they are adapting their business model to any material risks that they are facing and to address questions regarding the sustainability of the business model.



What are the roles and responsibilities of the board and management?

The **board** (including, for some responsibilities, its **audit committee**) has a role in strategic planning, risk oversight and the review and approval of an issuer’s annual and interim regulatory filings.

- Strategic planning – The board should adopt a strategic planning process and approve a strategic plan which takes into account, among other things, the opportunities and risks of the business.⁵
- Risk oversight – The board should adopt a written mandate explicitly acknowledging its responsibility for, among other things, identification of the principal risks of the issuer’s

⁴ In Canada, the Bank of Canada has recently issued a report which identifies climate change as one of the vulnerabilities in the Canadian financial system and the Government of Canada’s Expert Panel on Sustainable Finance has published its final report which includes recommendations on issues related to sustainable finance, including climate change-related disclosure. Internationally, the International Organization of Securities Commissions recently published a statement on disclosure of environmental, social and governance matters by issuers and there are many ongoing policy initiatives focused on climate change and capital markets, such as the ongoing work of the TCFD and the Central Banks’ and Supervisors’ Network for Greening the Financial System.

⁵ See paragraph 3.4(b) of National Policy 58-201 *Corporate Governance Guidelines* (**NP 58-201**).

business and ensuring the implementation of appropriate systems to manage these business risks.⁶

- Review and approval of disclosure –
 - The audit committee is required to review an issuer’s financial statements and MD&A before the issuer publicly discloses this information. The audit committee must be satisfied that adequate procedures are in place for the review of the issuer’s public disclosure of financial information extracted or derived from the issuer’s financial statements (other than the issuer’s financial statements, MD&A and annual and interim earnings press releases) and must periodically assess the adequacy of those procedures.⁷
 - The board must approve the annual and interim financial statements and MD&A. The board may delegate approval of interim financial statements and MD&A to its audit committee.⁸

Management also has a key role to play in risk management and the preparation of the issuer’s annual and interim regulatory filings.

- Risk management – It is management’s responsibility to implement systems to manage business risks.
- Preparation and certification of disclosure –
 - Management is responsible for preparing the issuer’s annual and interim regulatory filings.
 - Certifying officers⁹ must certify, among other things, that the issuer’s financial statements and the other financial information included in the issuer’s MD&A and AIF, if applicable, fairly present, in all material respects, the issuer’s financial condition, financial performance and cash flows.¹⁰

Why is this relevant in the context of climate change-related risks?

Climate change-related risks and their potential financial impacts are mainstream business issues. However, they may differ from many other business risks because their impacts may be uncertain and are expected to develop over time. Despite the potential uncertainties and longer time horizon associated with climate change-related risks, boards and management should take appropriate steps to understand and assess the materiality of these risks to their business. This assessment should

⁶ See paragraph 3.4(c) of NP 58-201.

⁷ See subsections 2.3(5) and 2.3(6) of National Instrument 52-110 *Audit Committees*.

⁸ See sections 4.5 and 5.5 of National Instrument 51-102 *Continuous Disclosure Obligations (NI 51-102)*.

⁹ The term “certifying officers” has the meaning given to it in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings (NI 52-109)* and generally means the CEO and CFO.

¹⁰ See Part 2 of NI 52-109.

extend to a broad spectrum of potential climate change-related risks over the short-, medium- and long-term.

What does this mean for boards and management?

We encourage the board and management to assess their expertise with respect to sector specific climate change-related risks. This will enable them to ask the right questions about climate change-related risks and opportunities, and make informed decisions about both risk management and disclosure.

In preparing and approving risk disclosure, we encourage the board and management to avoid vague or boilerplate disclosure. Relevant, clear and understandable entity-specific disclosure will help investors understand how the issuer's business is specifically affected by all material risks resulting from climate change. This risk disclosure should provide context for investors about how the board and management assess climate change-related risks.

Below are select questions for boards and management to help inform their consideration of material climate change-related risks.¹¹ Discussion and analysis of the following questions may be helpful in evaluating and preparing appropriate climate change-related risk disclosures.

Select questions for boards

- *Is the board provided with appropriate orientation and information to help members understand sector specific climate change-related issues?*
- *Has the board been provided sufficient information, including management's materiality assessments in respect of the issuer's climate change-related risks, to appropriately oversee and consider management's assessment of these risks?*
- *Is the board comfortable with the methodology used by management to capture the nature of climate change-related risks and assess the materiality of such risks?*
- *Is the board aware of how their investors are factoring climate change-related risks into their investment and voting decisions?*
- *Is oversight and management of climate change-related risks and opportunities integrated into the issuer's strategic plan, and if so, to what extent?*
- *Has the board considered the effectiveness of the disclosure controls and procedures in place in relation to climate change-related risks?*

¹¹ These questions have been derived from the *Engagement Guide for Asset Owners & Asset Managers* published by SASB and CPA Canada's *Climate Change Briefing: Questions for Directors to Ask*.

Select questions for management

- *Does management have, or have access to, the appropriate expertise to understand and manage material climate change-related risks that may affect the issuer?*
- *Has management appropriately considered how each of the different categories of climate change-related risks may affect the issuer (e.g., physical and transition risks)?*
- *Has management considered which business divisions or units have responsibility for identifying, disclosing and managing material climate change-related risks and what their reporting lines are to senior management? To what extent are these responsibilities integrated with mainstream business processes and decision-making?*
- *Is management aware of current climate change-related litigation which may pose a litigation threat to the issuer now or in the future?*
- *Has management implemented effective systems, procedures and controls to gather reliable and timely climate change-related information for purposes of management analysis, decision-making and disclosure to investors, regulators and other stakeholders?*
- *Has management appropriately assessed the current and future financial impacts of material climate change-related risks on the issuer's assets, liabilities, revenues, expenses and cash flows over the short, medium and long-term?*
- *Do the issuer's regulatory filings contain the required disclosures in respect of material climate change-related risks? Is this disclosure boilerplate or entity-specific?*



Why is materiality important?

Materiality is the determining factor in any assessment of whether information is required to be disclosed in an issuer's continuous disclosure. Only material information needs to be included in an issuer's AIF and MD&A. For purposes of those forms, information is likely material if a reasonable investor's decision whether to buy, sell or hold securities in an issuer would likely be influenced or changed if the information in question was omitted or misstated. Securities legislation imposes a different test for materiality in certain other contexts, and issuers should consider the applicable test when preparing disclosure in respect of climate change-related information or other information. Issuers can also find guidance on assessing materiality in National Policy 51-201 *Disclosure Standards* and section 2.1 of SN 51-333.

The disclosure regime set out in NI 51-102 requires issuers to report matters that are material to the issuer. Omitting or misstating material information in an issuer's required continuous disclosure documents can lead to the board, management, and the issuer itself facing potential risks including litigation, enforcement, or other regulatory actions (e.g., refiling of continuous disclosure documents).

Under NI 52-109, certifying officers of a TSX-listed or other issuer which is not a venture issuer¹² are required to certify, among other things, that they are responsible for establishing and maintaining disclosure controls and procedures. Management of such issuers should have controls and procedures in place to ensure climate change-related information is accumulated and communicated to management to allow timely decisions regarding required disclosure, including materiality assessments. Securities legislation also contains general prohibitions against making statements that a person or company knows (or reasonably ought to know) are materially misleading or untrue. Misrepresentations in a continuous disclosure document also include an omission to state a material fact that is required to be stated or is necessary to be stated in order for that statement not to be misleading.

What are the guiding principles for determining materiality?

Many issuers, including those in non-carbon intensive industries, are or will be exposed to climate change-related risks, though these risks will affect issuers in different industries, and different issuers within the same industry, in different ways. The key question for an issuer is whether a particular climate change-related risk under consideration is material and requires disclosure. We generally consider information to be material if a reasonable investor's decision whether or not to buy, sell, or hold securities of the issuer would likely be influenced or changed if the information was omitted or misstated.¹³

The following guiding principles, derived from SN 51-333, are intended to serve as a general guide and not an exhaustive list of the factors to be considered when making materiality determinations. No new materiality obligations or principles are created by this notice. These guiding principles are not meant as legal or other advice as to whether a particular risk, including climate change-related risk, is material for a particular issuer.

- No bright-line test – There is no uniform quantitative threshold at which a particular type of information becomes material. The materiality of certain information may vary between industries and even between issuers within an industry according to their particular circumstances. An event that is “significant” or “major” for a smaller issuer may not be material to a larger issuer. In our view, issuers should consider both quantitative and qualitative factors in determining materiality.
- Context – Materiality depends on the nature and amount of the item judged in the particular circumstances of its omission or misstatement. Some facts are material on their own. When one or more facts do not appear to be material on their own, materiality must be considered

¹² The term “venture issuer” has the meaning given to it in NI 52-109.

¹³ See Part 1(f) of Form 51-102F1 and Part 1(e) of Form 51-102F2.

in light of all the facts available. An issuer should not “lose sight of the forest for the trees” by assessing the materiality of individual facts piecemeal.

- **Timing** – Determining whether information is material is a dynamic process that depends on the prevailing relevant conditions at the time of reporting. In assessing materiality, an issuer should consider whether the impact of an environmental matter might reasonably be expected to grow over time, in which case early disclosure of the matter might be important to reasonable investors. This would be particularly relevant where the issuer is in an industry with a longer operation or investment cycle or where new technologies are going to be required.
- **Trends, demands, commitments, events and uncertainties** – Generally, the time horizon of a known trend, demand, commitment, event or uncertainty may be relevant to an issuer's assessment of materiality. As with other types of disclosure, materiality in cases of a known environmental trend, demand, commitment, event or uncertainty turns on an analysis of:
 - the probability that the trend, demand, commitment, event or uncertainty will occur, and
 - the anticipated magnitude of its effect.

What are the specific considerations for determining materiality in the context of climate change-related risk?

We acknowledge that materiality assessments in relation to climate change-related risks may be more difficult than those in relation to other risks due to the evolving understanding of these risks, the potential difficulty in quantifying these risks, and, in some cases, the longer time horizon for certain of these risks to materially impact an issuer’s business. Despite these challenges and uncertainties, the disclosure issuers provide should reflect a thoughtful assessment of the information available as to the materiality of certain risks affecting their business and the impact of such risks. We encourage issuers to carefully consider if they have any material exposure to climate change-related risks – most industries and issuers have some exposure to these types of risks, even if they are not directly involved in a carbon-intensive industry. We encourage issuers to undertake an analysis before concluding they have no material exposure to climate change-related risks.

An assessment of materiality in relation to climate change-related risks may require issuers to adapt their existing approaches to risk assessments in order to better understand the potential impacts of climate change-related risks and their materiality. In some cases, this may involve adjusting their approaches to consider the longer time horizon associated with and how to effectively quantify these types of risks.

Issuers are reminded that there are resources to assist them in making their materiality assessments in this area. For example, the SASB Framework found that 72 out of 79 “sustainable industry classification” industries are significantly affected in some way by climate change-related risk.¹⁴ If

¹⁴ More information regarding SASB’s ongoing work in this area, including the SASB Framework and SASB’s Materiality Map, can be found at <https://www.sasb.org/standards-overview/materiality-map/>.

appropriate, issuers may consider benchmarking their climate change-related disclosure against their peers when determining their materiality assessments.

Timing

An issuer should not limit its materiality assessment to near-term risks. If an issuer concludes that a climate change-related matter would likely influence or change a reasonable investor's decision whether or not to buy, sell, or hold securities of the issuer, we expect it to be disclosed, even if the matter may only crystallize over the medium- or long-term or if there is uncertainty whether it will actually occur. The timing of realization of the risk and the uncertainty of it occurring may impact the analysis of whether the matter is material but not whether it needs to be considered and analyzed as to materiality. Even if the likelihood of the risk occurring diminishes the materiality of the matter, issuers should still consider whether it is appropriate to disclose the matter as a risk factor.

Measurement

As part of a materiality assessment, issuers should not only consider the existence of material climate change-related risks, but also, where practicable, quantify and disclose the potential financial and other impact(s) of such risks, including their magnitude and timing.

In certain instances, securities legislation may require the quantification of these types of risks. For example, Item 5.1(1)(k) of Form 51-102F2 requires an issuer to disclose the financial and operational effects of environmental protection requirements in the current financial year and the expected effect in future years.

In other cases, issuers should consider how to effectively measure and quantify climate change-related risks as part of their broader risk assessment process. While acknowledging that the precise impacts of climate change-related risks may be difficult to quantify or measure, we are of the view that issuers should consider both quantitative and qualitative factors in making their materiality assessments and may consider using assumptions and estimates which have a reasonable basis and are within a reasonable range. External resources and benchmarking against industry peers may also be appropriate in this regard.

Where to disclose material information about climate change-related risks?

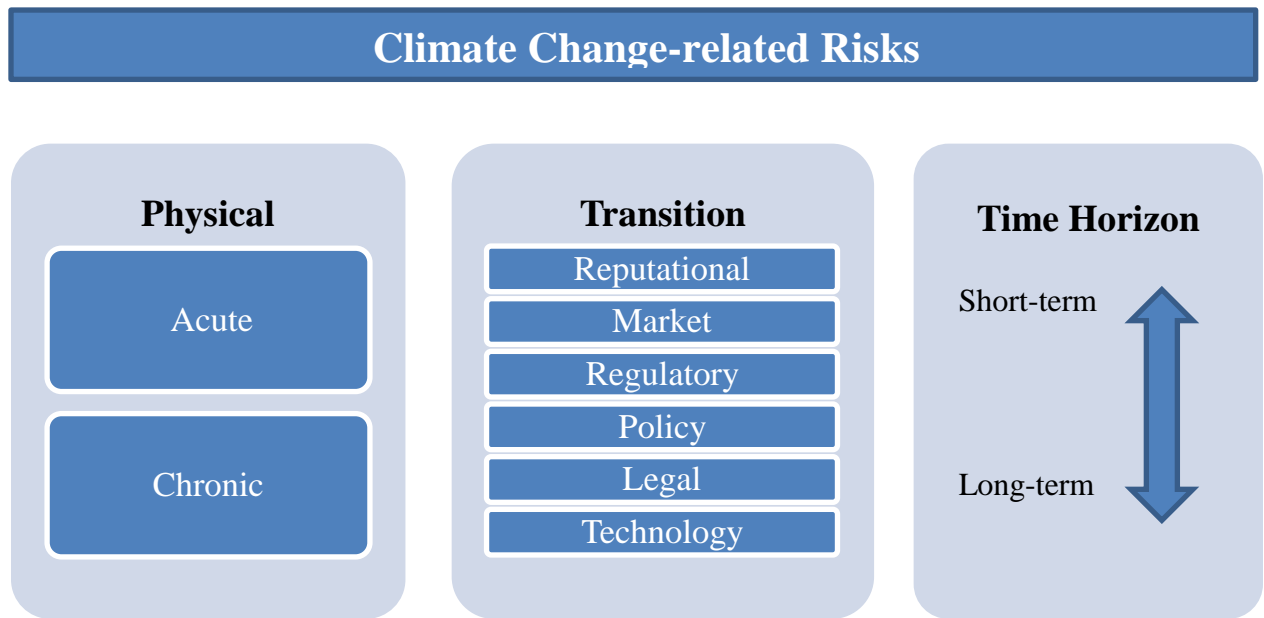
In general, issuers should disclose material information relating to climate change-related risks in an AIF (risk factors relating to the issuer and its business that would be most likely to influence an investor's decision to purchase the issuer's securities) and MD&A (analysis of the issuer's operations for the most recently completed financial year, including commitments, events, risks, or uncertainties that the issuer reasonably believes will materially affect its future performance).



What are potential climate change-related risks and why is their disclosure important?

Disclosure of climate change-related risks and opportunities provides investors with insights into the sustainability of the issuer’s business model.

Climate change-related risks can generally be grouped into the categories shown in the diagram below. The risks and their impact may occur over the short-, medium- or long-term.



Physical Risks¹⁵

Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organizations, such as direct damage to assets and indirect impacts from supply chain disruption. Issuers’ financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting their premises, operations, supply chain, transport needs, and employee safety.

Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods. Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

¹⁵ Derived from the TCFD Recommendations.

Transition Risks¹⁶

Transition risks include reputational, market, regulatory, policy, legal and technology-related risks. These risks may have a shorter to longer term impact.

- Reputational risks arise from changing internal and external stakeholder perceptions related to the way that an issuer is viewed as contributing to (or hindering) a transition to a low-carbon economy.
- Market risks arise from shifts in supply and demand for certain commodities, products and services as climate change-related impacts are increasingly considered in decision making.
- Regulatory risks arise from increased regulation of climate change-related matters, for example increased costs of greenhouse gas (**GHG**) emissions, enhanced disclosure requirements or regulatory action as a result of non-compliance with existing climate change-related disclosure requirements.
- Policy risks arise from policy actions that attempt to constrain actions that contribute to climate change or policy actions that seek to promote adaptation to climate change, such as carbon-pricing mechanisms, incentives for the adoption of lower emission sources of energy and energy-efficient solutions and the promotion of more sustainable land-use practices.
- Legal risks arise from exposure to legal action resulting from a variety of factors including, for example, failure to appropriately address climate change-related risks and insufficient disclosure of material risks.
- Technology risks arise from the introduction of new technology which displaces old systems and disrupts some part of the economic system and include the costs associated with investing in lower emission technologies and substituting products and services with lower emission alternatives.

Opportunities¹⁷

Efforts to mitigate and adapt to climate change also produce opportunities for issuers. These include resource efficiency and cost savings, the enhancement of existing processes or adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain.

¹⁶ Derived from SN 51-333 and the TCFD Recommendations.

¹⁷ Derived from the TCFD Recommendations.

How can climate change-related risks affect an issuer's business?

The climate change-related risks that an issuer is exposed to may have a variety of financial impacts on its business.

The following chart, while not an exhaustive list, outlines some categories of risks that may be associated with climate change and gives examples of risks that may fit into each category¹⁸ and the potential financial impacts on an issuer's business of those risks. We encourage issuers to carefully consider whether other climate change-related risks may apply in their particular circumstances and the impacts of those risks on their business.

¹⁸ In developing examples of climate change-related risks, we have referred to SN 51-333, SN 51-354, and a variety of international initiatives including the TCFD Recommendations, the SASB Framework, survey results published by the Carbon Disclosure Project and the Global Standards for Sustainability Reporting published by the Global Reporting Initiative.

Climate Change-related Risks and Potential Risks

Risks

Physical Risks

- Acute
- Chronic

Transition Risks

- Reputational
- Market
- Regulatory
- Policy
- Legal
- Technology

Potential Impacts on Operations and Business

Impacts of Physical Risks

- damage to assets
- supply chain and operational disruptions
- availability and quality of water
- availability of insurance and financing

Impacts of Transition Risks

- increased costs in a variety of areas, including GHG emissions
- restrictions on licenses
- increased regulation and litigation
- shifts in customer perceptions and preferences
- stigmatization of the issuer's market sector or industry
- increased shareholder concern or negative shareholder feedback

Potential Financial Impacts

Balance Sheet

Assets

- valuation/impairment
- stranded assets

Liabilities

- contingent liabilities
- legal claims
- regulatory sanctions or penalties
- reclamation liabilities

Income Statement

Decreased revenue due to:

- decreased demand
- regulatory restrictions
- supply chain and operational interruptions

Increased expenses due to:

- higher costs (water, energy, insurance, cost of capital, capital expenditures)
- legal claims, penalties, fin
- regulatory costs (carbon tax)

Questions for management in assessing the materiality of climate change-related risks and impacts

In assessing the materiality of climate change-related risks, an issuer's management should consider the above-noted categories of risk as well as any other categories of risk that may be applicable to the issuer's specific business or industry sector. Below are select questions for management to consider when assessing the extent to which applicable categories of climate change-related risks affect their issuer.

*Select Questions for Climate Change-Related Risk Assessments*¹⁹

Physical Risk

- *What is the issuer's exposure to the potential effects of extreme weather events?*
- *How does the issuer ensure the reliability and resilience of its networks and services to the impact of severe weather events?*
- *What is the exposure of the issuer's properties to risks, such as flooding or fires?*
- *What are the major risks associated with the issuer's water use, particularly in water stressed regions?*
- *What is the issuer's exposure to supply chain disruption climate change-related risks?*

Transition Risk

- *What is the issuer's exposure to emissions-limiting regulations? How does the geography of the issuer's operations factor into this analysis?*
- *How does the issuer incorporate emissions regulations and climate change considerations into its asset valuations?*
- *How does pricing and demand for the issuer's product/services and/or climate change regulation impact capital expenditure strategy for exploration and development of assets?*
- *What are the issuer's largest risks associated with environmental compliance, disposal and recycling costs, increased capex requirements, etc.?*
- *How does the issuer limit and manage risks associated with air emissions of pollutants in or near areas of dense population?*

¹⁹ In developing examples of questions management should ask themselves when assessing climate change-related risks, we have referred to the TCFD Recommendations.

- *What water quality permits, standards, and regulations apply to the issuer? How does the issuer work to maintain compliance with these requirements?*
- *How is the issuer managing energy consumption and related price and supply risks?*



Voluntary disclosure

In addition to the disclosure required by securities legislation, issuers may choose to voluntarily disclose climate change-related information in their continuous disclosure or in other publications such as sustainability reports, survey responses, corporate citizenship reports, carbon disclosure surveys and information published on an issuer’s website and social media posts. If issuers provide such voluntary disclosure, there may be certain additional requirements and factors to consider.

Voluntary disclosure can provide useful information to investors outside of issuers’ regulatory filings and should be prepared with the same rigour as the issuer’s regulatory filings. Issuers should consider the following:

- Material information in regulatory filings – Material information required to be disclosed under securities legislation must be disclosed in regulatory filings. It is not sufficient for this information to be contained only in voluntary disclosure. Boards and management should ensure that the materiality of information contained in any voluntary disclosure is assessed and, if the information is material, it must be disclosed in the issuer’s regulatory filings. In addition, voluntary disclosure should be consistent with the information included in continuous disclosure filings.
- No misrepresentations – Voluntary disclosure should not contain any misrepresentations. Voluntary disclosure may also be subject to the provisions in securities legislation regarding civil liability for secondary market disclosure. Boards and management should have a robust process for reviewing voluntary disclosure prior to its public release to ensure that the information is reliable and accurate.
- Obscuring of material information – Voluntary disclosure should not obscure material information.



Forward-looking information

Issuers may choose to include certain forward-looking information (**FLI**) in their continuous disclosure or in voluntary disclosure. FLI related to climate change could include, for example, a target to reduce GHG emissions or disclosure of an issuer's assessment of the potential business implications of climate change-related risks and opportunities under various scenarios.

If an issuer discloses FLI, they must comply with the requirements set out in Part 4A, Part 4B and section 5.8 of NI 51-102. Those requirements include:

- identifying the information as FLI,
- providing cautionary language,
- stating the material factors or assumptions used to develop the FLI, and
- updating certain previously disclosed FLI and describing the issuer's policy for updating FLI.

Guidance on those requirements can be found in Part 4A of Companion Policy 51-102CP *Continuous Disclosure Obligations* and CSA Staff Notice 51-330 *Guidance Regarding the Application of Forward-Looking Information Requirements under NI 51-102 Continuous Disclosure Obligations*.

The FLI requirements do not relieve issuers from disclosing material climate change-related risks even if they are expected to occur or crystallize over a longer time frame.

Conclusion

This notice is intended solely as an educational tool for issuers to support their compliance with their existing obligation to disclose material climate change-related risks. Investors, particularly institutional investors, are increasingly seeking entity-specific information regarding these risks. When issuers disclose better risk information, issuers and investors can better assess climate change-related risk and investors can make better informed decisions.

We will continue to monitor disclosure of climate change-related matters as part of our ongoing continuous disclosure review program.

Questions

Please refer your questions to any of the following:

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