



Canadian Life & Health
Insurance Association
Association canadienne des
compagnies d'assurances
de personnes

June 17, 2022

Via e-mail to rule-comments@sec.gov

Ms. Vanessa A. Countryman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors

Release Nos. 33-11042; 34-94478; File No. S7-10-22

The CLHIA is pleased to provide its comments to the United States Securities and Exchange Commission (SEC) on the Notice of Proposed Rulemaking (NPRM) on the Enhancement and Standardization of Climate-Related Disclosures for Investors (“the notice”).

OVERARCHING COMMENTS

CLHIA members support the U.S. Securities and Exchange Commission’s (SEC) efforts to encourage disclosure of consistent and comparable climate-related information. This data is critical for investors to effectively incorporate climate related risks and opportunities in their investment analysis.

We also agree with the SEC’s current proposal to not amend Form 40-F for Canadian issuers under the Multijurisdictional Disclosure System (MJDS). This would recognise the significant work underway in Canada to develop and implement world class climate-related risk disclosures for Canadian issuers. It would also avoid potentially creating conflicting disclosures that would limit the usefulness of disclosed climate-related information for investors.

We have provided more details on these comments and further comments below for your consideration.

ABOUT THE CLHIA

The Canadian Life and Health Insurance Association (CLHIA) is a not-for-profit, membership-based organization that represents 99 per cent of Canada’s life and health insurance companies. CLHIA’s member companies help Canadians protect themselves and their families against the financial risks surrounding premature death, illness and retirement through a wide range of products including individual and group life insurance, supplementary health insurance and individual and group annuities. In 2020 CLHIA members provided coverage to 29 million Canadians and made \$97 billion in benefits payments. Assets held by Canadian life and health insurers on behalf of policyholders outside of Canada amounted to over \$1 trillion at the end of

2020. Three of our members are amongst the 15 largest insurers in the world with two of them being dually listed in Canada and the U.S. and report under the MJDS framework.

Canadian life and health insurers are supportive of all governments taking steps to reduce, mitigate and adapt to the risks of climate change. Life and health insurers are closely assessing the impact of climate change on mortality, morbidity and public health. We are also working closely with our national banking and insurance regulator, the Office of the Superintendent of Financial Institutions (OSFI), to assess the potential balance sheet implications of a transition to a lower carbon economy. The life and health insurance industry can also play an important role as large institutional investors supporting this transition.

IMPORTANCE OF AVOIDING DUPLICATIVE REPORTING REQUIREMENTS

The MJDS is a joint initiative by the Canadian Securities Administrators (CSA) and the SEC to reduce duplicative regulation in cross-border offerings, issuer bids, take-over bids, business combinations, continuous disclosure and other filings. We believe that this regime has operated efficiently to date. Requiring Canadian MJDS issuers to be subject to SEC climate-related disclosure requirements would be a departure from this policy.

Given the significant efforts undertaken to establish high-quality risk management and disclosure frameworks in Canada, we are confident the Canadian issuers will be subject to a robust climate risk reporting regime. It is important that Canadian issuers are not subject to duplicative disclosure requirements under MJDS. This would risk creating confusion for investors. Therefore, we support the SEC's current proposal to not amend Form 40-F used by Canadian issuers under MJDS.

CANADA IS DEVELOPING A ROBUST CLIMATE-RELATED FINANCIAL DISCLOSURE REGIME

We support climate-related risk disclosures as they allow all parties (financial services providers and clients/investors) to account for climate-related risks in investment decisions. As both issuers and investors, our members are monitoring disclosure requirements closely. We provide climate-related financial information to our investors while also being active users of this information on our own investments. Climate-risk disclosures from asset managers enable insurers to better assess exposure to climate-related risks in their investment portfolios and identify opportunities that support a transition to a lower-carbon future.

Today many of Canada's life and health insurers disclose climate-related risk information in a number of documents including annual and quarterly reports and other regulatory filings; Task Force on Climate-Related Disclosure (TCFD) reports; and Environmental, Social and Governance (ESG) scorecards and reports. This disclosure helps provide information to investors, analysts and institutional clients and demonstrates the industry's commitment to being actively engaged in climate-related initiatives.

WE SUPPORT ALIGNMENT WITH TCFD RECOMMENDATIONS

We support the SEC's use of the TCFD framework (and GHG Protocol) as the basis of the requirements for enhanced climate disclosure requirements. Leveraging the TCFD framework, a clear global baseline, will help promote harmonization in global efforts to manage climate risk. We encourage the SEC to continue to align with international efforts. We also support the SEC's recognition of a need for safe harbor protection for the proposed disclosures.

This is clearly the direction we are heading in Canada. In Canada and internationally, there has been a convergence towards TCFD recommendations as the framework for mandatory disclosure. For example, the governments of New Zealand and the United Kingdom have recently passed legislation making TCFD-aligned climate-related risk disclosure mandatory for most firms on phased-in schedules.

In his December 2021 mandate letters, Canadian Prime Minister Justin Trudeau asked that the Minister of Finance and Minister of the Environment and Climate Change:

- Work with provinces and territories to move toward mandatory climate-related financial disclosures based on the TCFD framework; and
- Require federally regulated institutions, including financial institutions, pension funds and government agencies, to issue climate-related financial disclosures and net-zero plans.

The recent Canadian federal budget requires federally regulated financial institutions to publish climate disclosures aligned with the TCFD framework using a phased approach starting in 2024. OSFI also expect financial institutions to collect and assess information on climate risks and emissions from their clients. In May 2022, OSFI began consultations on draft [Guideline B-15: Climate Risk Management](#), which sets out OSFI's expectations related to federally regulated financial institutions' (FRFIs) management of climate-related risks. This guideline will introduce mandatory climate-related financial disclosures aligned with the TCFD's recommendations.

In addition, the CSA also recently concluded consultations on a proposed National Instrument on climate-related disclosure requirements. The proposed requirements address the need for more consistent and comparable information to help incorporate climate-related risks and opportunities into investment decisions. This consultation demonstrates the CSA's commitment to requiring mandatory climate-related disclosure standards. The requirements are largely consistent with the TCFD recommendations.

Finally, we note that the Canadian Sustainability Standards Board in Canada (CSSB) is being established to align Canada's accounting, auditing, and assurance standards setting boards. This includes developing and supporting the adoption of the IFRS Foundation's International Sustainability Standards Board's (ISSB) disclosure standards.

FURTHER CONSIDERATIONS IF CANADIAN ISSUERS ARE REQUIRED TO COMPLY WITH THE SEC DISCLOSURE REQUIREMENTS

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As noted above, we agree with the SEC's current proposal to not amend Form 40-F for Canadian issuers under the Multijurisdictional Disclosure System (MJDS). For issuers who are not MJDS issuers, we have provided comments on the SEC disclosure requirements for your consideration.

1. Companies continue to face data constraints

CLHIA members face constraints on obtaining decision-useful data and analytical capabilities, which are important inputs to improve the measurement and assessment of the risks posed by climate change. These constraints will reduce over time as climate-related disclosures become more common and climate-related data and metrics become more standardized.

We recommend that, in the interim, the proposed rule takes into account these constraints. For example, issuers should not be required to disclose identified physical risk, as large institutional investors with sizable real estate portfolios have significant data availability challenges for this level of granularity.

1. Requirements under the different scopes should be phased-in

We recommend that the SEC consider phasing in requirements for scope 3 disclosures after mandatory reporting for scopes 1 and 2 have been in effect for several years. We understand the SEC's intention and agree that information on scope 3 emissions will provide valuable information and play an important role as a leading indicator of exposure to revenue and supply chain risk in the future. However, at this point in time, given current limitations in data and a lack of a uniform approach, it is not clear that compliance with the disclosure standards is possible.

2. A limited number of third-party assurance providers will create challenges for the Canadian market

It is important to note that the SEC is an outlier among regulators in requiring large companies to obtain independent assurance of the accuracy of their scope 3 emissions (this is not required in TCFD reporting). Given the limited number of third-party assurance providers and the risk of a bottleneck creating delays in meeting timing requirements, we would encourage the SEC to provide additional guidance for assurance providers or consider alternative routes to providing assurance outside financial statements, such as in Form 10-K filings.

3. The safe harbor protection may be insufficient

While we support the safe harbor protection, we believe it is insufficient to protect long-term investors, such as CLHIA members, making required disclosures of data from inconsistent sources.

CONCLUSION

The Canadian life and health insurance industry appreciates the opportunity to engage with the US SEC on the NPRM on the Enhancement and Standardization of Climate-Related Disclosures for Investors. Should you have any questions or wish to discuss further, please don't hesitate to contact Devika Prashad, Vice-President and Chief Actuary at dprashad@clhia.ca.

APPENDIX: SPECIFIC RESPONSES TO CONSULTATION QUESTIONS

181. We have not proposed to amend Form 40-F, the Exchange Act form used by a Canadian issuer eligible to report under the Multijurisdictional Disclosure System (“MJDS”) to register securities or to file its annual report under the Exchange Act, to include the proposed climate-related disclosure requirements. Should we require a Form 40-F issuer to comply with the Commission’s proposed climate-related disclosure requirements? Should we permit a MJDS issuer to comply with Canadian climate-related disclosure requirements instead of the proposed rules if they meet certain conditions or provide certain additional disclosures and, if so, which conditions or disclosures?

It is not necessary to require Form 40-F issuers to comply with proposed climate-related disclosure requirements. It is vital for investors to have access to a single climate-related disclosure, rather than from multiple sources that only increase the burden for the producers of the information and confusion amongst users of the disclosures in investing decision-making. In addition, the Canadian Securities Administrators has already announced its intention to incorporate TCFD-aligned disclosures in regulatory filings for all public companies. For these reasons, we urge the SEC to allow Canadian issuers that report under the MJDS to comply with Canadian climate-related disclosure requirements.

189. If we adopt an alternative reporting provision, should that provision be structured to encompass reports made pursuant to criteria developed by a global sustainability standards body, such as the ISSB?

Yes. ISSB standards stem from both the TCFD framework (how information is structured and prepared) and SASB standards (industry-specific standards for what should be reported). As the standards get developed and start being adopted globally, it will be increasingly important to allow foreign issuers to use standards that are comparable to the SEC standards, especially global standards such as the ones being developed by the ISSB.