



Magna International Inc.

337 Magna Drive
Aurora, Ontario, Canada L4G 7K1
Phone: (905) 726-2462
www.magna.com

VIA E-MAIL: rule-comments@sec.gov

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Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street NE,
Washington, DC, USA
20549-1090

Re: Comments in response to The Enhancement and Standardization of Climate-Related Disclosures for Investors (the “Proposed Rule”) (File Number S7-10-22)

Magna International Inc. (“Magna”) appreciates the opportunity to offer input on the Proposed Rule which addresses the important topic of climate change disclosure, and is submitting this letter in response to the request for comments by the Securities and Exchange Commission (“SEC”).

Background of Magna and our approach to Climate-related Disclosure

Magna is more than one of the world's largest suppliers in the automotive space. We are a mobility technology company with a global, entrepreneurial-minded team of 161,000 employees and an organizational structure designed to innovate like a startup. With 60+ years of expertise, and a systems approach to design, engineering and manufacturing that touches nearly every aspect of the vehicle, we are positioned to support advancing mobility in a transforming industry. Our global network includes 340 manufacturing operations and 89 product development, engineering and sales centres spanning 28 countries. Our common shares trade on the Toronto Stock Exchange (MG) and the New York Stock Exchange (MGA).

Magna is committed to being a responsible corporate citizen that conducts business in a manner that balances profits, people and planet. We recognize the reality of climate change and its impact on our planet – and are focused on doing the right things today so that our corporate interests do not come at the expense of the viability of life for the generations that follow. We took a significant step in this regard in early 2021 by announcing our goal to be carbon neutral in our European operations by 2025 and globally by 2030. We believe this commitment places us among industry leaders in Europe and North America.

We report annually on our progress in addressing climate change risks and opportunities through our Sustainability Report which already forms part of our continuous disclosure documents through our Annual Information Form filed with Canadian securities regulators, and Form 40-F filed with the SEC. Our Sustainability Report aims to provide our stakeholders with a better understanding of how we approach the creation of sustainable, long-term value and our management of sustainability-related risks. The report is structured to align with the Task Force on Climate-related Financial Disclosures (“TCFD”) framework, as well as the Sustainability Accounting Standards Board’s (“SASB”) Auto Parts Sustainability Accounting Standard, where possible. Magna also separately reports to CDP on GHG emissions, water use and other

data, as well as qualitative information on climate change risk and risk mitigation.

Magna reports to the SEC as an eligible issuer under the multijurisdictional disclosure system (“MJDS”) for Canadian issuers. As an MJDS issuer, the Proposed Rule currently exempts Magna from the new mandatory climate disclosure regime. However, Magna generally aims to provide a voluntary level of disclosure consistent with that required of our industry peers, the substantial majority of which are U.S.-domiciled SEC registrants. Additionally, Magna issues its financial statements in accordance with U.S. GAAP and, accordingly, any changes to U.S. GAAP required to effect the financial statement disclosure elements of the Proposed Rule would impact Magna despite the MJDS exemption.

Magna’s Submission

A. Support for a Consistent Global Approach to Climate Disclosure

Magna supports the objective of providing stakeholders with consistent, comparable and reliable climate-related disclosure. However, in addition to the Proposed Rule, we note that there are currently regulatory efforts in Canada, the E.U., and other jurisdictions regarding climate change disclosure, as well as transnational efforts under the auspices of the International Sustainability Standards Board (“ISSB”). While the Proposed Rule adopts many of the elements underlying the ISSB’s draft disclosure standards, there are areas where the two sets of disclosure standards diverge. In order to drive convergence in sustainability disclosures, we encourage the SEC to pursue full alignment of climate-related disclosure standards, including through engagement and coordination with IOSCO, the ISSB and/or other applicable global regulatory bodies.

B. Specific Commentary Relating to Elements of the Proposed Rule

With respect to the Proposed Rule, we have the following specific comments on selected topics:

1. Materiality Considerations

The Proposed Rule requires specific financial statement line item disclosures relating to severe weather events, transition activities and mitigation expenditures, where amounts exceed one percent of an applicable financial statement line item. We submit that the concept of materiality, as opposed to an arbitrarily low bright-line threshold, should remain the guiding principle for financial statement disclosure. However, to the extent the SEC moves forward with a bright-line requirement, we encourage the SEC to consider a significantly higher threshold in order to avoid disclosure of information that may be of little value to investors seeking to assess or understand an issuer’s financial position.

2. Industry-Specific Metrics

With respect to climate-related metrics, we believe that investors would benefit from a more nuanced, industry-specific approach, rather than the “one-size-fits-all” approach reflected in the Proposed Rule. Accordingly, we strongly encourage the SEC to consider adopting the guidelines contained in the 77 industry-specific SASB Sustainability Accounting Standards which form a cornerstone of the ISSB’s proposed disclosure standard.

3. Scope 3 Emissions Disclosure

Fundamental challenges with the collection and verification of Scope 3 emissions data create concerns for issuers that cannot be overcome simply by providing a safe harbor. Whereas data related to Scope 1 and 2 emissions is generally determinable and reliable, Scope 3 emissions data represents a significant challenge for issuers like Magna which have complex, multi-tier, global supply chains. Impediments to effectively determining and verifying upstream Scope 3 emissions currently include: differing levels of supply chain sophistication and resources; lack of control over data, data collection processes and timeliness of supplier response; quality, accuracy and uniformity of data; costs of supply chain outreach and training on emissions computation; and inability to mandate compliance by supply chain actors,

particularly those which would not be subject to the Proposed Rule or equivalent requirements under laws applicable to such suppliers. For downstream Scope 3 emissions, similar impediments exist with respect to data collection, accuracy and uniformity. Overall, mandating disclosure of Scope 3 emissions would impose a substantial burden on companies, including significant financial costs, without certainty that the data will be reliable. Accordingly, we believe such disclosure should not be required at the present time. However, we recognize that it may be appropriate to mandate such information in the future as Scope 3 data quality and reliability improve with increased maturity in issuers' processes.

4. Board Governance/Composition Considerations

Finally, we have some concerns regarding elements of the Proposed Rule requiring identification of board members who are: (a) climate-risk experts; and (b) responsible for oversight of climate-related risks. We believe that the first of these requirements misses the mark by effectively prescribing a mandatory skillset for boards. Fundamentally, climate change risks faced by issuers are a matter of corporate strategy and boards collectively must have the expertise to understand how such strategy may be impacted by exogenous climate factors. This does not necessarily require designated "climate-risk experts" akin to "audit committee financial experts"; instead, it requires boards which collectively reflect a breadth of skills, experience, perspectives and backgrounds to approach strategy with a view informed by climate-risk considerations. While boards and management teams can and should engage internal and/or external climate-risk experts as needed to augment their understanding of climate-risk considerations, it is not necessary to effectively mandate that boards include such experts.

Additionally, both requirements – identification of climate-risk experts and board members responsible for climate-risk oversight – could have the effect of placing undue responsibility and liability on such directors. Boards operate and make decisions as collective bodies – potentially singling-out one or more directors for elevated oversight responsibility goes against the very notion of a board, and may also undermine the SEC's apparent intent by making it harder for boards to attract such candidates.

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We respectfully submit the comments in this letter for your consideration.

Regards,

"Bassem A. Shakeel"

Bassem A. Shakeel
Vice-President & Corporate Secretary

"Giuseppe N. Cosentino"

Giuseppe (Joseph) N. Cosentino
Senior Legal Counsel