CSSB Exposure Drafts: Proposed CSDS 1, CSDS 2, and CSSB Consultation Paper: Proposed Criteria for Modification Framework

Responses to Exposure Drafts and Consultation Paper

A-D

July 2024

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86	County of Newell
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CSSB-CDS2 submission

The financial accounting and auditing entities that comprise The International Financial Reporting Standards Board, appear to be acting as sponsors of these draft reporting standards, of which the Canadian Disclosure Standard (CSDS 2) is the subject of my comments. (Climate Related Disclosures (CSSB-CSDS2). The governing protocols of accounting and reporting standards have long been defined by principles established over many years. that include mandated procedures and terms, which have been agreed and refined by all stakeholders, including governments.

These proposed standards will govern the criteria of "sustainability," which has no operational definition, also climate, where the science is far from "certain" and specific impacts are unknowable.

Introduction of an additional obligation for reporting on sustainability criteria, which is acknowledged by the sponsors to include subjectivity and be open to redefinition at future dates as technology evolves, imposes a significant cost and risks of consequential liability on companies that attempt to comply with the reporting requirements. The benefits of compliance to companies that do report are not defined, are questionable, and hitherto not publicly debated. Also, in the event that governments use legislation to enforce compliance with sustainability criteria the accounting and auditing firms that offer business consulting services become conflicted between their audit practices and business consulting arms.

Furthermore, the draft CSSB-CDS2 standards do not contain widely accepted scientific validation for selection of the physical substances identified, and on which reporting and performance monitoring is to be based.

Those companies and entities to whom the Sustainability Standards apply must be consulted prior to implementation of the Canadian Disclosure Standards 1 and 2.

Respectfully submitted for 11872745 Canada Association

J. D Zacharias- Director

June 7, 2024

Re : Addenda Capital's Response to the Canadian Sustainability Standards Board (CSSB)'s Consultation on Canadian Sustainability Disclosure Standards

Dear CSSB Members,

Please find below Addenda Capital's responses to the Canadian Sustainability Standards Board's (CSSB) consultation survey which were submitted today through the CSSB's survey tool, as follows:

- CSSB Exposure Draft – Proposed Canadian Sustainability Disclosure Standard (CSDS 1), General Requirements for Disclosure of Sustainability-related Financial Information;
- CSSB Exposure Draft – Proposed Canadian Sustainability Disclosure Standard (CSDS 2), Climate-related Disclosures; and
- CSSB Consultation Paper – Proposed Criteria for Modification Framework.

Please feel free to contact Roger Beauchemin, President and CEO, or Andrea Moffat Senior Director, Investment Stewardship (a.moffat@addendacapital.com) if you require further information or clarification on our submission.

Best Regards,

Roger Beauchemin
President and CEO
Addenda Capital

Andrea Moffat
Senior Director, Investment Stewardship
Addenda Capital

1. Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability related Financial Information

1. Scope of proposed CSDS 1 (proposed paragraphs 1-4 of CSDS 1)

(a) Do you agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is adequate? Please provide your reasons.

COMMENTS:

No. We recommend only one-year of transition relief with January 2025 as the expected reporting date. This timing will keep CSSB aligned with the one-year transition relief period provided for with ISSB S1. Currently, securities regulations already require that "material" information must be disclosed in a meaningful way in continuous disclosure documents which applies to sustainability information as it would other information. Therefore, companies should already be disclosing the information required in CSDS S1. The CSDS standards are still important for ensuring that this data is comparable and consistent across entities' disclosures.

We also recognize that meeting the standards will likely be a challenge for some companies who are in the early stage of their sustainability journey, however, a broad Canadian adoption of the standards that are aligned with the ISSB is required to ensure that companies are competitive, deepen their understanding of these material issues to their businesses (managing what you measure) and contributing to a sustainable economy. The inclusion of paragraphs 37-40 should provide sufficient accommodation as entities work towards compliance and improving disclosures over time.

(b) If you do not agree that the two-year transition relief is adequate, what transition relief do you believe is required? Please provide your reasons.

COMMENTS:

See above – We recommend aligning with the ISSB S1 approach to adopt only one-year of transition relief as we need to ensure that Canadian companies do not fall too far behind the global direction, standards and timing for disclosures.

2. Timing of reporting (proposed paragraphs 64-69 of CSDS 1)

The CSSB is not proposing changes but seeks feedback on the following matters:

(a) Is any further relief or accommodation needed to align the timing of reporting? If yes, specify the nature of the relief or accommodation and provide the rationale behind it.

COMMENTS:

We recommend keeping aligned with the ISSB recommendations on the timing of reporting with financial statements. This is important as ISSB and CSSB are framed as single materiality disclosures and therefore should be reported as part of financial statements.

However, we recommend considering a level of flexibility or grace period for this alignment for the first year of CSDS 1 disclosure as organizations develop their capacity and improve their internal systems and controls. You might also consider a process where organizations could apply for an extension of up to 3 months to address this challenge.

(b) How critical is it for users that entities provide their sustainability-related financial disclosures at the same time as its related financial statement?

COMMENTS:

The fundamental principle of CSDS 1 is that an entity's ability to generate cash flows over the short, medium and long terms is inextricably linked to its interactions with society, the natural environment and the economy. For this to be adequately prioritized within organizations the timing should be aligned with financial statements. The reliability and comparability of these disclosures is important, so as mentioned above some relief on the timing could be provided if needed in the near term, but a deadline will be required for this to be prioritized and adequate action to be taken by most entities.

Paragraph 37 also provides additional relief while the risks and opportunities are considered or actioned.

3. Other Issues

Do you agree that the requirements in the following sections are appropriate for application in Canada?

Please explain the rationale for your answer.

(a) Scope	Yes. It is very important to maintain alignment to international standards for broad comparability and maintain global competitiveness with many Canadian entities being part of global supply chains. Also important for the Canadian standards to note that CSDSs can be used even when IFRS is not the accounting standard used by an entity given the large scale of use of other standards in Canada. Note any CSA or provincial regulator adoption would only impact a select group of individuals. Inclusion of aligned requirements in the Canada Business Corporation Act is also important. To truly impact change, there needs to be a call for action from all companies in both the public and private sectors.
(b) Conceptual Foundations	Yes. It is very important to maintain alignment to international standards for broad comparability. We support the CSSB's statement that fair presentation also requires an entity to disclose information that is comparable, verifiable, timely, and understandable; and to disclose additional information if compliance with the specifically applicable requirements in CSDS is insufficient to enable users of financial reports to understand the effects of sustainability-related risks and opportunities on the entity's cash flows, its access to finance, and cost of capital over the short, medium and long term.[1] We also support the CSSB requirements in respect of materiality – see CSDS paragraph 17, 18. Consider ways to enforce the inter-operability of the standards where CSDS 1 & 2 are meant to be used together and not individually.
(c) Core Content	Yes. It is very important to maintain alignment to international standards for broad comparability especially as core content in the ISSB standards are leveraged from TCFD which has been widely used on a voluntary basis in Canada to date for many years.
(d) General Requirements	Yes. It is very important to maintain alignment to international standards for broad comparability and we support the details of the CSDS 1 paragraphs 60-64, 68, 70, 72-74 and B49-B59.

[1] CSDS 1, para 15.

(e) Judgments, Uncertainties and Errors	Yes. It is very important to maintain alignment to international standards for broad comparability.
(f) Appendices A-E	Yes. It is very important to maintain alignment to international standards for broad comparability.

2. Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures

1. Climate resilience (proposed paragraph 22 of CSDS 2)

(a) Is transition relief required for climate resilience disclosure? If so, for how long and why?

COMMENTS:

No. While we recognize this may be a challenge to those who have not yet started climate scenario analyses, broad Canadian adoption of the standards is essential. We support the CSSB's identification that an entity's assessment of climate resilience provides important information for investors and other stakeholders to understand an entity's exposure and response to its climate-related risks and opportunities.

Paragraphs 18, 19, 22 of CSDS 2 already provide flexibility for entities depending on their level of maturity of using climate scenario analysis and the disclosure of outcomes of this analysis. Having a Standardized Climate Scenario Exercise as part of CSDS 2 will support improved comparability across companies.

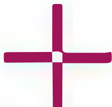
(b) Is further guidance necessary? If so, which specific elements require guidance and why?

N/A – see answers to other questions.

(c) Proposed CSDS 2 references the Task Force on Climate-related Financial Disclosures' "Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities" (2017) and its "Guidance on Scenario Analysis for Non-Financial Companies" (2020) for related application guidance. What additional guidance would an entity applying the standard require? Please be specific.

COMMENTS:

OSFI has also provided standardized climate scenario exercises for use by FRFI's, Québec's l'Autorité des marchés financiers' (AMF) proposed Climate Risk Management Guideline and there is growing guidance on scenario analysis from a number of other



organizations (i.e. Bank of England, UK Institute and Faculty of Actuaries).[2]

2. Scope 3 GHG emissions (proposed paragraph C4 of CSDS 2)

(a) Is the proposed relief of up to two years after the entity applies proposed CSDS 2 adequate for an entity to develop skills, processes and the required capacity to report its Scope 3 GHG emissions disclosures at the same time as the general-purpose financial reports? Please provide rationale.

COMMENTS:

We recommend staying aligned with IFRS S2 with one year of relief as this aligns with regulatory requirements from OSFI B-15. The importance of scope 3 emission reductions is recognized as critical as it is approximately 70-80% of the carbon footprint for many companies. Moving forward with these disclosures is a core requirement for ensuring that Canadian entities are credible and competitive as the global economy decarbonizes given scope 3 often speaks to the core products and services, and their competitiveness, in a global net-zero economy. Delay will impact Canadian entities negatively as they fall behind requirements in other countries. This is particularly important as other jurisdictions are moving forward with scope 3 emission requirements including CSRD in Europe and California's SB 253, a law that requires both public and private U.S. companies with revenues of more than $1 billion to disclose their Scopes 1-3 emissions. We also know that as of August 2022, there were 248 Canadian companies already reporting to SASB. CSDS 2 alignment with ISSB S2 requirements on disclosure of material scope 3, will reduce the burden on issuers, ensure consistency with global market practices and provide investors what they require.

The one year of transition relief provides a clear deadline for moving forward with the capacity and prioritization required within companies to put in the systems for expanding data availability and quality. In addition, we recommend that a Safe Habour provision be considered for scope 3 disclosures to encourage companies to provide these disclosures in good faith and with reasonable basis for conclusion. This allows for a time to learn and improve internal methods for calculation. The Safe Habour should be time limited and require entities to explain why they cannot collect and report the data or why they have

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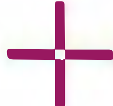
[2] L'Autorité des marchés financiers, Climate Risk Management Guideline (AMF, November 2023), Dra Climate Risk Management Guideline (lautorite.qc.ca); AMF, Ligne directrice sur la gesion des risques liés aux changements climaques.; Bank of England, "Measuring climate-related financial risks using scenario analysis" (2024); UK Institute and Faculty of Actuaries, Emperor's New Climate Scenarios- a warning for financial services (2023)



needed to restate their disclosures.

(b) If you do not agree that two-year transition relief is sufficient, what relief period do you believe is required? Please provide your rationale for the timing you have provided.

COMMENTS:

See above – One year of relief is enough time as there has been years of work on climate-related disclosure and methodologies, for example the GHG Protocol was launched 23 years ago, and the CSA released Staff Notice 51-333 in 2010 providing guidance on environmental disclosures. We believe that providing 'safe harbour' provisions on elements such as Scope 3 would be a better approach.

We support the use of the GHG protocol as the methodology that should be adopted and used by entities as part of their disclosures. This is the methodology that the market is most familiar with, and its consistency use will support the comparability of the CSSB and alignment with the ISSB. As this protocol further evolves entities can evolve their use within their own operations and supply chains.

The proportionality provisions in paragraphs 18 to 20 of CSDS 2 already represent an accommodation in respect of reporting Scope 3 emissions. Any further delay with this voluntary standard will result in Canadian entities falling beyond other jurisdictions and losing opportunities to attract investment.

3. Other issues

Do you agree that the requirements in the following sections are appropriate for application in Canada? Please explain the rationale for your answer.

COMMENTS:

(a) Objective	Yes. The CSDS 2 objective focuses on the information that will enable users to begin to assess the effects of climate-related risks and opportunities on enterprise value. It is very important to maintain alignment to international standards for broad comparability. All responses here are largely aligned with the responses to question 3 in the CSDS 1 section.
(b) Scope	Yes, we agree that CSDS 2 should apply to both climate-related physical and transition risks. It is very important to maintain alignment to international standards for broad comparability.
(c) Core content	Yes. It is very important to maintain alignment to international standards for broad comparability. This includes information about an entities' climate-related transition plan referenced in CSDS 2 paragraph 14 (iv).
(d) Appendices A-C	Yes. It is very important to maintain alignment to international standards for broad comparability.

3. Proposed Criteria for Modification Framework

1. **Do you agree with the CSSB's proposed criteria to assess modifications, namely additions, deletions and amendments to the ISSB's global baseline standards? Please provide reasons.**

COMMENTS

No. Investors require material sustainability-related information in order to make investment decisions that are in the best interest of clients or their fiduciaries. As active investors, our research process requires a deep understanding of the risks and opportunities facing portfolio companies. On a wide range of issues – from how companies manage their greenhouse gas emission and water risks, to how they are addressing human rights and labour issues – disclosure on sustainability topics enhances our understanding of a company and how they are positioned to generate long-term sustainable results. Companies are in the best position to provide high quality disclosers on these issues, rather than investment managers having to assess these issues solely from inferred estimates or alternative data from third parties.

Staying aligned as closely as possible with the global ISSB 1 and 2 standards and timelines is essential for interoperability, less duplication of effort, and ease of assessing companies across jurisdictions, which is valuable for both companies and investors. It is also essential for ensuring that Canadian entities are positioned to be competitive in the global economy and for attracting investment to Canada.

2. **Are there other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework?**

COMMENTS

In addition to minimizing deviations from the global standard there are several other key considerations for the CSSB.

Consultation with Indigenous Peoples

We support CSSB respecting the rights of First Nations, Metis and Inuit Peoples in its

consultation process and involvement in the development of the standards. Transparency as the process proceeds will be important for credibility and alignment with the United Nations Declaration on the rights of Indigenous People (UNDRIP) and Free Prior and Informed Consent (FPIC) along with other indicators or elements provided by Indigenous stakeholders.

We understand that the CSSB's planned consultation for 2024 may result in embedding additional requirements in CSDS 1 and CSDS 2. Meaningful consultation with Indigenous Peoples will assist in identifying additional material sustainability-related concerns and enhance accounting disclosure.

Focus on Canadian Public Interest

This is an important principle to the CSSB process, and we appreciate its inclusion and prominence. Ensuring that the CSSB aligns CSDS 1 and CSDS 2 to the maximum extent possible with IFRS S1 and S2 standards so that there is a high quality of sustainability disclosure in Canada is the best way that the Canadian public interest can be served. The Canadian Climate and Law Initiative's (CCLI) submission to CSSB provides clarity on what public interest includes in this context, "ensuring the standards protect the safety and soundness of the Canadian financial system; protect the billions of dollars in pension funds that provide pension benefits and retirement security to Canadians; and protect investors, depositors, insurance policyholders, and others whose investments, savings, and economic security are dependent on transparent, clear, comparable, science-based information as to where funds should be invested."[3]

In addition, it is important to ensure that all stakeholders understand what is in scope and what is out of scope of the CSSB standards particularly for the broader public and retail investors. For example, the CSSB takes an entity and investor-centric view of sustainability, versus a broader impact orientation.

Canadian Competitiveness and Attracting Capital

The ISSB standards have been widely supported globally, including by approximately 400 organisations from 64 jurisdictions as part of COP28 late last year.[4] Addenda Capital was

[3] Canadian Climate and Law Initiative (CCLI), May 22, 2024, Submission to the CSSB Consultation.

[4] ISSB, ISSB at COP28, December 4, 2023

one of the organizations declaring support as part of this initiative. There are many other global endorsements for the ISSB standards including the International Organization of Securities Commissions (IOSCO), which has called on its 130 member jurisdictions, regulating more than 95% of the world's financial markets, to adopt the standards.[5] Despite Canada's membership in IOSCO, we are falling behind on developing climate-related disclosure standards, leaving both companies and investors at a disadvantage for attracting capital as well as at risk for litigation and greenwashing.[6]

CSDS 1 and 2 show the connectivity between climate-related and sustainability related disclosures and information in financial statements, including the linkage of information in the financial statements to specific metrics and targets. These disclosures are critical to supporting the consistency of information for all users of financial information to make decisions that support the functioning of our financial systems and for attracting private capital to Canada's economy.

Linkages between CSDS 1 and CSDS 2 Disclosure Standards

The ISSB designed the sustainability (S1) and climate (S2) standards to operate in tandem in order to set a meaningful global baseline of disclosures. Globally, jurisdictions are recognizing the need for synergy across the standards and the IFRS recent media release indicates that nearly 55% of global GDP and greater than 40% of global market capitalization are using or deciding to align with the ISSB in their legal or regulatory frameworks.[7] Regulations in Canada that are developed from the CSSB process should not exclude provisions of the ISSB standards but should uphold this baseline to ensure the competitiveness of Canadian companies. In addition, the S1 standards includes many foundational aspects that are needed for the S2 climate standards including fair presentation, materiality, and other topics; general requirements (i.e., location of disclosures, timing of reporting, etc.); and judgements, measurement uncertainty, and errors.

In the absence of such consistency, the risk of regulatory fragmentation would exacerbate the reporting burden on companies and the comparability challenges that exist in the market today. Please note investors are raising concerns where markets are considering adopting

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[5] IOSCO, "IOSCO endorses the ISSB's Sustainability-related Financial Disclosures Standards", IOSCO/MR/19/2023, (25 July 2023).

[6] For a discussion, see Janis Sarra, *Canada's North Star in Climate Disclosure: Securities Regulators Must Align NI 51-107 with Global Developments* (CCLI, February 2024).

[7] IFRS, Jurisdictions representing over half the global economy by GDP take steps towards ISSB Standards, May 2024.

only some pieces of the ISSB standards (for example, only S2 on climate). Given our view that investors require information on all material sustainability risks and opportunities facing portfolio companies, we would be concerned if carve outs from the ISSB standard were to occur in the Canadian market.

June 10, 2024

Charles-Antoine St-Jean FCPA, FCA
Chair, Canadian Sustainability Standards Board

Re: Agnico Eagle Mines response to the Canadian Sustainability Standards Board's proposed Canadian Sustainability Disclosure Standards exposure drafts

Agnico Eagle Mines Limited (Agnico Eagle) is a Canadian based and led senior gold mining company, founded in 1957, and the third largest gold producer in the world, producing precious metals from operations in Canada, Australia, Finland and Mexico. It has a pipeline of high-quality exploration and development projects in these countries as well as in the United States. Agnico Eagle is a partner of choice within the mining industry, recognized globally for its leading environmental, social and governance practices.

Sustainability is embedded in the core of Agnico Eagle's business strategy, and we have received multiple awards for our sustainability disclosures. We follow the Mining Association of Canada's Towards Sustainable Mining, World Gold Council's Responsible Gold Mining Principles, Voluntary Principles on Human Rights, Conflict Free Gold Standard and comply with the *Extractive Sector Transparency Measures Act* (Canada) and the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada).

We welcome the efforts the Canadian Sustainability Standards Board is putting forward in trying to achieve more transparency, however, we also believe change is most effective when it is done in conjunction with the industry as a whole and wider Canadian adoption. To that effect, we support our peers' collective response put forward by the Mining Association of Canada to ensure we bring forward a standard that will have wider adoption and work towards continuous improvement to create meaningful change.

We thank you for the opportunity to review these exposure drafts and look forward to working with you to achieve their intended purpose.

Regards,

Carol Plummer
Executive Vice President, Sustainability, People & Culture

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June 10, 2024

Lisa French
Vice-President, Sustainability Standards
Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Re: Response to *Canadian Sustainability Disclosure Standards (CSDS) consultation*

Dear Ms. French,

Agriculture Carbon Alliance (ACA) respectfully submits these comments on the Canadian Sustainability Standards Board's consultation on the Proposed Canadian Sustainability Disclosure Standards, CSDS1 and CSDS2.

ACA was established to ensure that Canadian farmers' sustainable practices are recognized through a policy environment that maintains their competitiveness, supports their livelihoods, and leverages their critical role as stewards of the land. We are a coalition of 16 national farm organizations committed to promoting meaningful and collaborative dialogue around carbon pricing and agri-environmental policy. Our membership encompasses major agriculture commodities including grains, oilseeds, pulses, cattle, sheep, pork, fruit and vegetables, dairy, forage and grasslands, seed, ornamental plants and poultry. Collectively, we represent 190,000 Canadian farm businesses that steward over 62 million hectares of land, or 7% of Canada's land mass, to feed and fuel Canadians and the world.

ACA would like to share our concerns that the implementation of CSDS 1 and CSDS 2 will have unintended consequences for the agriculture sector and will counter the ongoing sustainability efforts of our farmers, ranchers and growers, delivering the opposite results of its intended objective.

It is our understanding that CSDS1 and CSDS2 are voluntary standards that would apply to publicly traded companies and financial institutions. It is, however, unclear at this juncture what size of publicly traded entity these standards are meant to apply to. Although there are not many publicly traded farms, as most Canadian farms are smaller family businesses, they will still be affected as the publicly traded companies start requiring additional paperwork from producers for their own reporting.

Additional concerns with the standards include the mandate to disclose water risk data, accounting of scope 3 emissions, reporting of operations on managed conservation lands, potential liability for gaps or misstatements, and mandatory climate risk scenario analysis.

Regarding water risk, agriculture takes place on lands that are prone to droughts and flooding, especially in the Prairies. Both droughts and floods are already risks to agriculture and expected to pose even greater risk in the future due to climate change. Water regulations and prioritization in case of droughts in Canada differ among the provinces.

Section 29a of CSDS2, Climate-related Disclosures, requires entities to report on scope 3 emissions. This will inevitably impact farmers, growers and ranchers as it would add to producer expenses and affect their margins, by increasing the regulatory burden as they would need to provide farm-level data to calculate scope 3 emissions.

ACA's concerns also rest with companies that adhere to the CSDS1 and CSDS2, demanding their suppliers - farmers, growers and ranchers - subscribe to certain climate change or environmental sustainability practices, particularly those practices that are not science-based or do not apply to the sector.

In addition, these standards do not prescribe a reporting format thus leaving it to each entity to decide what format it will publish its report and, for that matter, what the report will contain. If each entity requires producers to submit different types of disclosure documents, then it would further increase the paperwork burden for producers, leaving them with less resources to invest in innovative and sustainable practices.

Given that the CSSB falls under the International Sustainability Standards Board (ISSB)'s purview, ACA recommends assessing the situation in other jurisdictions such as the United States. In the US, for instance, regulators are not mandating Scope 3 emissions but rather only encouraging them, which permits greater flexibility for the agriculture sector south of the border. Additionally, while the standards were being developed in the US, the Securities and Exchange Commission (SEC) has drafted its own regulations around climate disclosures, which although currently in litigation, do not require Scope 3 emissions accounting. Under these regulations, climate analysis is voluntary. In Canada, ACA is concerned that the difference between our two jurisdictions could place our agriculture sector at a significant competitive disadvantage in accessing the American market.

Furthermore, producers might face the additional red tape when applying for loans with the financial institutions limiting their lending to farmers because of "climate-related risks" associated with the agriculture sector and to keep their reporting "green".

Agriculture is a unique sector with varying growing conditions and beneficial management practices across Canada. Therefore, CSSB must ensure the implementation of these standards do not increase producer burden and cause unintended consequences for Canadian farmers, growers and ranchers.

Thank you for your consideration of this submission, and please do not hesitate to reach out should you have additional questions.

Our members include Canadian Canola Growers Association, Canadian Federation of Agriculture, Canadian Cattle Association, Grain Growers of Canada, Canadian Pork Council, Chicken Farmers of Canada, Turkey Farmers of Canada, Fruit and Vegetable Growers of Canada, Canadian Hatching Egg Producers, Canadian Forage and Grassland Association, National Sheep Network, National Cattle Feeders' Association, Canadian Seed Growers' Association, Mushrooms Canada, Canadian Nursery Landscape Association and Canadian Ornamental Horticulture Alliance.

Sincerely,

Dave Carey
Co-Chair
Agriculture Carbon Alliance

Scott Ross
Co-Chair
Agriculture Carbon Alliance

June 10, 2024

Mr. Charles-Antoine St-Jean, Chair
Canadian Sustainability Standards Board (CSSB)
277 Wellington St W
Toronto, Ontario
M5V 3H2
Submitted through FRAS Canada Internet Portal

Dear Mr. St-Jean,

On behalf of the Alberta Chambers of Commerce, representing 108 community chambers and 22,000 Alberta businesses, we are submitting comments regarding the 'Exposure Draft – Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information'.

We have significant concerns about the proposed CSDS and the process with which feedback is being solicited:

1. **Unknown cost impacts:** no cost impact analysis for businesses has been provided. Analysis by the U.S. Securities and Exchange Commission (SEC) in 2022 suggested compliance costs could nearly double for the average publicly listed company. Australia's analysis estimated transition costs of $1.1 million with annual additional costs of $641,000. These figures do not account for smaller operations and the overall implications throughout the value chain. A thorough, transparent economic impact analysis is essential in considering recommendations to inform such a significant policy change.

2. **Disadvantage with trading partners:** the proposed CSDS could disadvantage Canadian entities compared to US and Mexican counterparts, who make up 80% of our export trade. The US SEC makes Scope 3 emissions reporting voluntary and includes safe harbour provisions to lower costs, and Mexico has not publicly considered similar disclosures. Alignment with our primary trading partners is crucial in an environment of significant global political instability and supply chain disruption.

3. **Scope 3 Emissions reporting are a moving target:** scope 3 emissions reporting methodologies are underdeveloped, and the data informing them subjective. The current Industry-Based Guidance, for example, is biased, imposing heavier burdens on oil and gas sectors compared to wind projects. Guidelines such as these do not provide a solid foundation for public policy.

We recommend aligning CSDS with US standards, or better yet, to implement them on a voluntary basis. Thank you for considering the perspectives of Alberta's job creators.

Sincerely,

Shauna Feth
President and CEO

#714, Ledgeview, 9707 110 St. NW · Edmonton, Alberta T5K 2L9
T. 780.425.4180 · Toll free in Alberta 1.800.272.8854 · F. 780.429.1061
www.abchamber.ca

May 20th, 2024

Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board (CSSB)
277 Wellington St W
Toronto, Ontario
M5V 3H2

Re: CSDS 2 Climate-related Disclosure Standards

Dear Chair St-Jean,

We appreciate the opportunity to provide stakeholder comment on the CSSB Climate-related Disclosures Standards.

The Alberta Enterprise Group (AEG) members employ more than 150,000 Albertans and generate billions of dollars in economic activity every year. Founded in 2007, our group focuses on business advocacy to make Alberta a better place to live and do business, while generating prosperity for all Albertans. Alberta's success is directly tied to the success of Canada. We inform public and policy makers on complex and challenging issues facing the province and the country, by stimulating and guiding the business climate and subsequently perpetuating real and necessary changes, the value of which benefits the entire nation and the globe.

After extensive consultation with our members, we must convey that we are in firm disagreement with CSDS 1and CSDS 2 as they are expected to bring about increased costs and uncertainties for businesses, particularly SMEs, with limited advantages for larger corporations, investors, or consumers. We must point out that these standards also contradict the values of a free market system by influencing investor choices and directing capital flows in a manner inconsistent with free enterprise.

We are disappointed that the CSSB's nine-month deliberation of the ISSB S1 and S2 disclosures failed to meaningfully incorporate the many critical comments and suggestions made in Canadian submissions. This is evident in the CSDS 1 and CSDS 2 standards, which are essentially verbatim copies of the ISSB S1 and S2 standards.

The current breadth of requirements and one-size-fits-all approach should be reconsidered to reduce the cost of compliance, especially for small and medium-sized enterprises (SMEs) who lack adequate representation on the CSSB. The following recommendations can address this issue:

1. While the capacity and methodology for obtaining, calculating, assessing, and assuring Scope 3 emissions data is still developing, requiring mandatory Scope 3 emissions accounting would be premature and overly burdensome, especially when our trading partners do not mandate it. **We recommend Scope 3 emissions accounting be voluntary.**
2. Climate scenario analysis remains an evolving practice of uncertain value, with costs ranging from $100,000 to $400,000 depending on the level of detail. Given that major economies like

the US, Mexico, and China do not mandate climate scenario analysis, it would be unwise for Canada to do so at this time. **We recommend that climate scenario analysis be voluntary**.

3. To limit potential liability and litigation, Canada should establish a permanent safe harbour for disclosures related to Scope 2 and 3 emissions data, climate scenario analysis, internal carbon pricing, emissions projections, and emissions reduction targets and goals. This safe harbour, similar to those in place in Australia and the US, would protect companies from legal risks associated with these types of forward-looking climate-related statements. **We recommend including a permanent safe harbour for Scope 2 and 3 emissions data, scenario analysis, internal carbon price, projections, and transition plans including targets and goals.**
4. The Industry-based Guidance is intended to provide clarity, but its structure does not reflect fairness across the different industries. For example, wind projects are not required to report on or account for their most emissions-intensive material and construction elements, while oil and gas companies must account for emissions from their reserves and from people using their products. This is an inequitable situation. Therefore, **we recommend that the mandatory requirement for using the Industry-based Guidance be removed, making its use optional instead.**
5. The Industry-based Guidance mandates the use of the WRI Aqueduct tool across 29 different industries. However, the Aqueduct tool was not designed nor intended for this purpose. Investors may mistakenly believe the Aqueduct data provides a reliable local and regional water assessment, when in fact the WRI has explicitly stated the tool is meant only for prioritization, not detailed regional analysis. This could lead to investors receiving misleading information. **We recommend that the mandatory use of the Aqueduct tool and the requirement to report baseline water stress data be removed from the standards.**
6. Double column accounting should be used to clearly demonstrate net emissions in the context of absolute emissions and national net-zero goals. **We recommend mandatory reporting of net emissions, alongside absolute or gross emissions.**
7. To understand the compliance costs Canadian enterprises might expect of the CSDS 1 and 2, we reviewed the Australian government's cost impact analysis. Converted into Canadian dollars, for publicly listed companies with at least 100 employees and $45 million in annual revenue, the average initial compliance cost is around $1.1 million, with $641,000 in annual recurring costs. We sent the Australian estimates to three different experts who concluded these estimates were very conservative. These sizable expenditures divert funds away from business improvements or shareholder returns. It's worth noting that climate consulting firms, who stand to benefit financially, have generally voiced support for the new standards. **We recommend adopting our previous suggestions in order to reduce the cost of compliance, particularly for SMEs, and to minimize the competitive disadvantage these standards will create for Canadian enterprises**.
8. The proposed Canadian standards seem to align more closely with the European Union than our North American trading partners. Only 8% of Canada's export trade goes to the EU, while 78% goes to the United States. The U.S. Securities and Exchange Commission has introduced a

climate disclosure rule, but it is currently being challenged in court. Even if the U.S. rule is upheld, key elements like Scope 3 emissions accounting, climate scenario analysis, industry-based guidance, and transition plans are voluntary. Additionally, the U.S. rule contains safe harbour provisions to limit legal liability.

In contrast, it is our understanding that Mexico is not considering any mandatory climate-related financial disclosures. This means Mexican manufacturers and food producers will not face the same financial or regulatory burdens as their Canadian counterparts. As a result, Canadian producers could be placed at a significant competitive disadvantage relative to their continental trading partners once the Canadian standards become mandatory. The stark differences between the approaches in Canada, the U.S., and Mexico could put Canadian companies at a competitive disadvantage in the North American market. **We recommend that Canada align more closely with its CUSMA trading partners, rather than other nations with which it conducts very minimal trade.**

Our mission is to champion Canada's economic growth and facilitate the prosperity of Alberta's businesses. We strive to minimize regulatory burdens and excessive compliance costs that could hinder progress. Unfortunately, as these standards are currently written, they will discourage investment rather than attract it. We kindly urge you to give due consideration to the recommendations we have provided.

Sincerely,

Catherine Brownlee
President
Alberta Enterprise Group
www.AlbertaEnterpriseGroup.com
403-861-2001 | catherine@albertaenterprisegroup.com

Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board (CSSB)
277 Wellington St W
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Submitted through FRAS Canada Internet Portal

Don Matthews
4919 Valiant Dr. NW
Calgary, AB
T3A 0Y4

16-May-2024

Feedback on CSSB CSDS 1 (Sustainability) and CSDS 2 (Climate-related) Financial Disclosures

Dear Chair St-Jean,

Thank you for receiving stakeholder comments. I strongly disagree with the objective and entire rationale of the Canadian Sustainability Disclosure Standards – General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1) and Climate-related Disclosures (CSDS 2). This constitutes an additional expense that will be incorporated throughout the value chain, including smaller operations (SMEs), with minimal benefits for larger enterprises, investors, or consumers.

Additionally, as a matter of principle, these standards contravene the heart of a free enterprise and free-market system that Canada is supposed to embody by skewing the playing field and distorting investor decision-making.

I am disappointed that the CSSB did not take seriously and incorporate any of the many critical comments and suggestions from the Canadian submissions during its nine-month deliberation of the ISSB S1 and S2 disclosures. This is evident from the fact that CSDS 1 and CSDS 2 are essentially a “cut and paste” version of the ISSB S1 and S2 standards.

There needs to be some kind of reconsideration of the breadth of requirements, and the seemingly one-size-fits-all approach, in order to lower the cost of compliance, particularly for SMEs, who are not adequately represented on the CSSB. This can be achieved through the following recommendations:

- **Scope 3 emissions accounting should be voluntary.** The capacity and methodology for obtaining, calculating, assessing, and assuring Scope 3 emissions data is still in its infancy. It is costly and our other trading partners are not mandating it, neither should we.
- **Climate Scenario Analysis should be voluntary.** It has not yet been demonstrated that climate scenario analysis is actually helpful or beneficial to an entity and the methodology is still evolving. Climate scenario analysis is also a very costly exercise that ranges from $100,000 to $400,000 depending on the detail of analysis. The US, Mexico, and China do not mandate climate scenario analysis, therefore, neither should Canada.
- A **permanent safe harbour** for Scope 2 and 3 emissions data, scenario analysis, internal carbon price, projections, and targets and goals ought to be included. In order to limit potential liability and litigation, other jurisdictions like Australia and the US provide a safe harbour for statements concerning Scope 3 emissions, climate scenario analysis, and transition plans, Canada should too.[1]
- **Industry-based Guidance should be voluntary.** These standards are intended to provide clarity but the structure of the Industry-based Guidance does not reflect fairness across the different industries. Wind projects do not have to report on or account for the elements of their construction that are most emissions intensive, while oil and gas exploration and production companies must account for the

[1] https://viewpoint.pwc.com/dt/gx/en/pwc/in_depths/in_depths_INT/in_depths_INT/navigating-the-sec-climate-related-disclosure-requirements.html

emissions in their reserves.[2] This is inequitable therefore, the mandatory requirement for using this Industry-based Guidance should be removed and its use should be optional.

- **The use of the WRI Aqueduct tool should be voluntary.** Within the Industry-based Guidance the use of the WRI Aqueduct tool is mandated in 29 different industries. The Aqueduct tool was never designed for this purpose. Investors will likely believe that the Aqueduct information has pulled together and analysed local and regional data to provide a reliable assessment. But the WRI has a disclaimer on the Aqueduct tool that says it was created as a prioritization tool and not for local or regional assessment.[3] This metric could provide misleading information for investors, therefore, the mandatory use of the WRI Aqueduct tool and the binary requirement of reporting baseline water stress data should be removed from the standards.
- **Net emissions need to be mandated alongside absolute or gross emissions.** There is a need for double column accounting to clearly illustrate net emissions in relation to absolute emissions and overall national net-zero targets.
- **All of the above and more within the standards, including their complexity, add up to significant costs of compliance.** In trying to figure out how much all of this will cost to be compliant, I was pointed to the Australian government's cost impact analysis for their ISSB-based disclosure standards.[4] Converted into Canadian dollars, for publicly listed companies with at least 100 employees and $45 million in annual turnover, the average initial transitional cost of compliance is about $1.1 million (Cdn) with annual recurring costs of $641,000 (Cdn). That is money that could otherwise go to improving products and services or paying profits to investors. That money is lost from the company; it is not an investment in the company, but rather it goes towards climate consulting firms – all of whom, by the way, seem to be cheering the standards for obvious reasons.
- **The standards need to be modified to prevent the competitive disadvantage for Canadian entities in the current iteration.** Canada ought to be more in alignment with our CUSMA trading partners than others in the international community with whom we conduct very little trade. Perhaps the decision to have sustainability and climate-related financial disclosures ought to be discussed with our trading partners to ensure comparability, alignment, and fair competition.

Just to emphasize the last point: These standards seem to align Canada with the European Union – only 8% of our export trade goes to the EU, whereas 78% of our export trade goes to the US. I understand the US Securities and Exchange Commission (SEC) introduced a climate rule, but it is before the courts. Even if the courts uphold the rule, Scope 3 emissions accounting, climate scenario analysis, transition plans, and industry-based guidance are all voluntary.[5] There are also safe harbour provisions that will lower legal and liability costs. Our understanding is that Mexico is not considering any climate-related financial disclosures. Mexican manufacturers and food producers will not have this added financial or regulatory burden, which will put Canadian producers at a competitive disadvantage. The standards being considered in Canada at the moment are so significantly different from what the US and Mexico are doing, that once mandatory, Canadian companies will be put at a competitive disadvantage with our continental trading partners. I want to see Canada's economy and businesses grow, not lose investment because of regulatory burden and excessive costs of compliance.

Sincerely,

[2] Vol. 11 Oil & Gas—E&P, p.80; Vol. 45 Wind Tech & Project Developers, p.399; Vol. 44 Solar Tech & Project Developers, p.388. *IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures.* https://www.ifrs.org/issued-standards/sasb-standards/

[3] https://www.wri.org/data/aqueduct-global-maps-40-data ; https://files.wri.org/d8/s3fs-public/2023-08/aqueduct-40-technical-note.pdf?VersionId=G_TxTR2LAnlgXGzy7xtdUP_5lmkXJY7d

[4] https://oia.pmc.gov.au/sites/default/files/posts/2024/01/Impact%20Analysis_0.pdf

[5] https://viewpoint.pwc.com/dt/gx/en/pwc/in_depths/in_depths_INT/in_depths_INT/navigating-the-sec-climate-related-disclosure-requirements.html

PO Box 22017 RPO Bankers Hall, Calgary, AB, T2P 4J1

Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board (CSSB)
277 Wellington St W
Toronto, Ontario
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Submitted through FRAS Canada Internet Portal

Kim Brauer
1715 26 Street Sw
Calgary, AB

May 17, 2024

Feedback on CSSB CSDS 1 (Sustainability) and CSDS 2 (Climate-related) Financial Disclosures

Dear Chair St-Jean,

Thank you for receiving stakeholder comments. We strongly disagree with the objective and entire rationale of the Canadian Sustainability Disclosure Standards – General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1) and Climate-related Disclosures (CSDS 2). This constitutes an additional expense that will be incorporated throughout the value chain, including smaller operations (SMEs), with minimal benefits for larger enterprises, investors, or consumers.

Additionally, as a matter of principle, these standards contravene the heart of a free enterprise and free-market system that Canada is supposed to embody by skewing the playing field and distorting investor decision-making.

We are disappointed that the CSSB did not take seriously and incorporate any of the many critical comments and suggestions from the Canadian submissions during its nine-month deliberation of the ISSB S1 and S2 disclosures. This is evident from the fact that CSDS 1 and CSDS 2 are essentially a "cut and paste" version of the ISSB S1 and S2 standards.

There needs to be some kind of reconsideration of the breadth of requirements, and the seemingly one-size-fits-all approach, in order to lower the cost of compliance, particularly for SMEs, who are not adequately represented on the CSSB. This can be achieved through the following recommendations:

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Sincerely,

Kim Brauer

[2] Vol. 11 Oil & Gas—E&P, p.80; Vol. 45 Wind Tech & Project Developers, p.399; Vol. 44 Solar Tech & Project Developers, p.388. *IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures.* https://www.ifrs.org/issued-standards/sasb-standards/

[3] https://www.wri.org/data/aqueduct-global-maps-40-data ; https://files.wri.org/d8/s3fs-public/2023-08/aqueduct-40-technical-note.pdf?VersionId=G_TxTR2LAnlgXGzy7xtdUP_5lmkXJY7d

[4] https://oia.pmc.gov.au/sites/default/files/posts/2024/01/Impact%20Analysis_0.pdf

[5] https://viewpoint.pwc.com/dt/gx/en/pwc/in_depths/in_depths_INT/in_depths_INT/navigating-the-sec-climate-related-disclosure-requirements.html

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Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board (CSSB)
277 Wellington Street West
Toronto, Ontario M5V 3H2
Sent via e-mail lfrench@frascanada.ca

June 10, 2024

RE: ABPA's comments on the proposed Canadian Sustainability Disclosure Standards (CSDS)

Dear Lisa French

We hope this letter finds you well. We are writing to provide our comments on the Exposure Drafts, "Proposed CSDS 1, Canadian Sustainability Disclosure Standard 1, General Requirements for Disclosure of Sustainability related Financial Information," and "Proposed CSDS 2, Climate-related Disclosures." We first assessed the "Consultation Paper Proposed Criteria for Modification Framework" because it will govern future decision-making on the standards in Canada.

Our main objective is to provide you with First Nations' perspectives and pioneering ways of ways of thinking towards your standards setting processes. We strongly believe that within the existing CSSB engagement and decision-making process there is opportunity to improve the interconnectedness of the capital markets ecosystem with First Nations' compliance requirements that are more aligned with the Truth and Reconciliation Commission of Canada's (TRC) Calls to Action. Secondly, we are providing solutions and risk management strategies throughout our eighteen (18) recommendations detailed below to ensure that the CSSB avoids red washing and is compliant with the United Nations Declaration of the Rights of Indigenous peoples (UNDRIP) and the Free Prior Informed Consent (FPIC) principles. Finally, we ground our thinking with examples from our Treaty area that impact sustainability reporting such as Anishinaabe inherent law in Treaty 3 and National Marine Conservation Project developed by the Mushkegowuk.

As June is celebratory for National Indigenous Peoples Month, we have included supplementary to our submission; a first of its kind primer called *'Pathways to Prosperity, Indigenous Engagement and Impacts: Transitioning the Economy Beyond Green for a Sustainable Future.'* This resource is a first in a series that provides the CSSB with an Indigenous lens on the paradigm shift of Indigenous relations and reconciliation in Canada.

The primary target audience of the primer are professional accountants responsible for sustainability reporting and assurance however the information can be useful for entrepreneurs, investors, shareholders, corporate directors, lawyers, regulators, financial institutions, and government. There are key takeaways from other jurisdictions from Australia and New Zealand that may be a significant consideration in this process.

With a small population spread across the world's second-largest country by land mass, Indigenous peoples are inherent rights holders, (not stakeholders) to 80% of the remaining biodiversity. In Canada there is a wealth of natural resources and vibrant capital markets that are essential to our economic success. Unfortunately, and systematically much of the riches generated by corporations have come at a cost to Indigenous peoples. To move forward in sustainable way, Indigenous peoples need to be in a leadership position driving climate action. As countries around the world navigate their own pathway toward greater sustainability, Canada's efforts to orient its resource-focused economy and capital markets toward a lower-carbon future offer important insights for all. As a country, free, prior, informed, consent of Indigenous peoples is our competitive advantage. This means that collaborating with Indigenous peoples and prioritizing our laws of the land is necessary.

There are issues related to Indigenous rights and reconciliation that will require better coverage from Canadian securities regulators. As the International Sustainability Standards Board (ISSB) has set a global baseline, they are leaving it up to each jurisdiction to determine their own concerns and consultation processes.

As a result, if done correctly, the CSSB is in a unique position to be a global leader from an Indigenous standpoint. It must be recognized that the accounting profession and regulators cannot do this work alone. To be successful this will require a deeper effort and stronger linkages for inter-operability, comparability and accountability with First Nations' principles and laws. Companies must focus with board oversight for Indigenous relations and climate-related governance, and clearly define data owners' roles and responsibilities. The CSSB would benefit from input from organizations like the Assembly of First Nations (AFN) and other territorial organizations like Nishnawbe Aski Nation, (NAN) whom have mandates related to sustainable development. As standards setting moves from voluntary to mandatory, the CSSB should include the Audit and Assurance Standards Board (AASB) in navigating the change management aspects of corporate and financial reporting. It will also be helpful to engage the Public Sector Accounting Board (PSAB) – Indigenous Advisory Committee in this matter.

The Anishnawbe Business Professional Association (ABPA) is a non-profit, member-based organization with an office in Thunder Bay, Ontario. The ABPA primarily serves the First

Nation business community and develops and expresses positions on business issues and other public issues relevant to First Nation business, on behalf of its members.

In Northern Ontario there is approximately more than 100 First Nations with more than 100,000 rights holders across Treaty 3, Treaty 5, Treaty 9, The Robinson Superior Treaty 1850, and the Robinson Huron Treaty. The current ABPA Board of Directors includes:

- Jason Rasevych, President, Ginoogaming First Nation
- Ron Marano, Vice-President, North Caribou Lake First Nation
- Jason Thompson, Secretary/Treasurer, Red Rock Indian Band
- Rachael Paquette, Director, Mishkeegogamang First Nation
- Brian Davey, Director, Moose Cree First Nation
- Steven McCoy, Director, Garden River First Nation
- Tony Marinaro, Director, Naicatchewenin First Nation

Over the past twelve (12) weeks, the ABPA established a First Nations-led technical working group to engage with our business members and First Nations leaders across Northern Ontario. While these exposure draft cover supplementary disclosure to financial statements and corporate reporting of sustainability disclosures and climate change, we wonder how these requirements will impact two complementary aspects, first finance/financing aspect of business and projects, also capital lenders including credit rating agencies. Another element that we are questioning is the perspective of others in the ecosystem such as government taxation at the Federal, Provincial, Municipal levels for example with nature-based climate solutions and the carbon offsets/credits system.

In conclusion, while there are areas that could be improved, the overall initiative is commendable. We appreciate the opportunity to provide our comments and are available to present our recommendations to your board.

Meegwetch,

Jason Rasevych, President
Anishnawbe Business Professional Association

Cc:
National Chief Cindy Woodhouse Nepinak, Assembly of First Nations (AFN)
Regional Ontario Chief Glen Hare, Chiefs of Ontario (COO)
Grand Chief Alvin Fiddler, Nishnawbe Aski Nation (NAN)

1. Consultation Paper Proposed Criteria for Modification Framework.

The CSSB has invited feedback from interested and affected parties in Canada to ensure a comprehensive and inclusive review process. We understand that there are three situations where the Board would make modifications:

- the application of which are not permitted by, or require modification to be consistent with, applicable Canadian law or regulation.
- where the ISSB recognizes that different provisions or practices may apply in different jurisdictions and Canada is such a jurisdiction.
- where it believes, such modifications are required to serve the Canadian public interest and maintain the quality of sustainability disclosures in Canada.

The ABPA acknowledges that corporate leaders are becoming more familiar with the Truth and Reconciliation Commission of Canada (TRC) Calls to Actions and specifically #92 which calls on corporate Canada to the adopt the principles, standards, and norms of the United Nations Declaration of Indigenous peoples into company policy. There is also a growing expectation by shareholders and investors to see evidence of how companies are engaging with Indigenous rights holders and putting in mechanisms to reduce operational risks and to create new business opportunities. The re-discovery of unmarked graves of children who died at residential schools is having a profound societal effect in Canada and this is slowly filtering into corporate behaviour.

It must be acknowledged that Canadian law requires the Section 35 duty to consult and accommodate Indigenous peoples on projects where their livelihood or rights are impacted. Additionally, the Constitution in Canada recognizes Indigenous peoples' inherent rights to self-government. Importantly, Bill C-15, an Act of Parliament respecting UNDRIP, received Royal Assent June 21, 2021. It affirms that UNDRIP "has application in Canadian law and provides a framework for the federal government to ensure that its laws are consistent with it." The CSSB must carefully consider how UNDRIP, FPIC and the TRC's calls to action may inform and impact their organization's operations, policies, standards, and practices.

1. *The ABPA recommends that an independent body be established to express the views of First Nation, Metis, Inuit peoples for sustainability reporting on their traditional territories.*

2. *Furthermore, the ABPA recommends the CSSB collaborate with other First Nation-led organization, Tribal Councils, Political Territorial Organizations and National Indigenous Organizations like the Assembly of First Nations (AFN) to create a better process for engagement with Indigenous peoples and that a future state of sustainability reporting be developed with robust data and involvement from the respective Indigenous organizations.*

An Indigenous-led sustainability reporting directive will enable UNDRIP / FPIC principles into the CSSB domain and ensure that other regulators can adhere to a grassroots community driven approach to development of standards in Canada that is more aligned with UNDRIP.

3. *To support the transition into an enhanced regulatory system the ABPA recommends that the CSSB support Indigenous-led organizations to gather their views on quality assurance and compliance requirements of the proposed sustainability standards for Indigenous relations and reconciliation.*

4. *We recommend that an Indigenous-led or governed entity that is independent from the CSSB be established to audit, evaluate, and verify the sustainability reporting that are submitted by corporations for Indigenous relation and reconciliation.*

2. Comments on the introduction to Exposure Draft CSDS 1 & 2

Page 2, Paragraph 4

It is factual that the rights of First Nation, Métis and Inuit Peoples are inherent and specific in Canada. At the same time, Indigenous peoples' rights are recognized under UNDRIP around the world. *''In collaboration with Indigenous Peoples, the CSSB will explore how best to address these rights in the context of CSDSs. All interested and affected parties are impacted when Indigenous Peoples' rights are not respected. Therefore, the Board will consider this in the development of its multi-year strategic plan.''*

It will be important to clarify the role for the CSSB to ensure that the framework of UNDRIP / FPIC is utilized as a mechanism for developing a grassroots community led approach to sustainability planning. While First Nations, Metis, and Inuit have rights under section 35 of the constitution to be consulted and accommodated by the crown on any project or decision that impacts their rights or way of life, First Nations in Northern Ontario have unique rights and responsibilities to the land that government and industry must adhere to.

One example is the Manito Aki Inakonigaawin which has been an inherent law to Anishinaabe in Treaty #3 territory since time immemorial. The law governs relationships with the land and its inhabitants throughout daily life. This includes:

- Respecting the lands and waters
- Giving offerings to spirits and Creator when you benefit from Mother Earth's gifts such as hunting, fishing, or transportation.
- Knowing the rights of a Treaty #3 member and
- Understanding the responsibility as a steward of the land

Since the law was formally written in 1997, it has helped uphold traditional land rights and create a nation-based law-making process in the territory. Manito Aki Inakonigaawin is written within and throughout nature- its spirit is within all living things on earth-from you to the animals, to the trees, and to the air that we breathe. It is the natural law that governs the natural cycles of life. Manito Aki Inakonigaawin has its own spirit, as it itself is also living.

Each individual First Nation has decision making authority and protocols for development on their traditional territory and may work together regionally with a tribal council, treaty wide secretariat or political territorial organization for example like Nishnawbe Aski Nation.

The CSSB must acknowledge that the UNDRIP / FPIC framework requires companies to work with local First Nation communities to understand their interests, laws, and practices for the land before proceeding with any project.

It must be acknowledged that other Indigenous peoples in other locations in Canada or parts of the world cannot speak for the impacted rights holders across the Treaty 3, Treaty 5, Treaty 9, Robinson Superior or Robison Huron Treaty areas.

5. *The ABPA recommends that the CSSB ensure the proposed disclosure standards direct companies to work with Nations impacted in a more robust way by respecting their laws, and protocols for the land.*

Social Equity and Equality Factors

Northern Ontario has First Nations that lack the basic infrastructure and are severely impacted by climate change. Remote First Nations that are only accessible by air or winter ice roads must also receive fair consideration for their living conditions.

The CSSB should explore the remote quotient factor developed by Nishnawbe Aski Nation that advises external proponents of how their remote location impact the socio-economic position of the First Nations in that area.

6. *We recommend that the CSSB ensures that companies work with First Nations to develop the tools and indicators that are required to enhance corporate disclosures for social impact and double materiality.*

Page 2, Paragraph 5

We commend the CSSB's commitment and dedication to upholding the rights of Indigenous peoples and ensuring their meaningful participation in shaping sustainability disclosure standards in Canada.

''Of significant importance to businesses is Call to Action 92 (CTA92), which directs corporations in Canada to adopt the UNDRIP and the FPIC framework.''

The Truth and Reconciliation Commission of Canada calls on companies to adopt a framework that goes beyond the duty to consult into one of achieving the free, prior, informed consent of Indigenous peoples. This requires companies to not only make aspirational statements on UNDRIP / FPIC but to also operationalize FPIC into its company's policies. Currently there are numerous resource extractive companies, crown corporations and accounting firms that have created a reconciliation action plan without consideration the risks of red washing and ensuring that the corporate boards understand the interpretation of FPIC as it pertains to its corporate policies. To mitigate this risk of red washing, a solution would be to implement an independent Indigenous audit/certification/verification process for companies operating in this space.

7. *The ABPA recommends that proposed CSDS on Indigenous reconciliation go beyond Indigenous employment and Indigenous spend to social impact concepts.*

8. *The ABPA recommends that any proposed CSDS verification on Indigenous business spend reference the National Aboriginal Capital Corporation (NACCA) definitions for Indigenous business.*

The current Sustainable Accounting Standard Board (SASB) point of focus, in its engagement plans and guidelines, seem to fall short on today's many opportunities and success of doing business with Indigenous peoples. More so, when talking about sustainable development, climate change, and governance of land, water, air, biodiversity preservation and restoration. For example, in the SASB Engagement Guide for Companies and Investors, Indigenous Peoples are mentioned in only 4 of 77 industries, those linked to natural resources industries namely Metals and Mining, Oil and Gas – Exploration and Production and Forestry management.

''The revolutionary 94 Calls to Action put into motion a commitment of a renewed nation-to-nation relationship between the Crown government and Indigenous peoples based on recognition of rights, respect, co-operation, and partnership, including the implementation of UNDRIP[1].'' (…)

For its part, the Global Reporting Initiative (GRI) has two points of focus under GRI 411: Rights of Indigenous Peoples 2016. First, how it manages UNDRIP and FPIC. This is exceptionally good news. The second requirement namely the total number of identified incidents of violations involving the rights of Indigenous peoples during the reporting period seems to focus on the threats aspect of doing business. From our perspective, we are missing some very material information, since there is no disclosure requirement on the opportunities aspect for the company doing business with Indigenous business, Government and Peoples.

9. *The ABPA recommend that the proposed sustainability standards adopt stronger language across all industries that impact Indigenous peoples in Canada and expand from an incident or litigation focused criteria to one of Indigenous reconciliation.*

[1] From 'Pathways to Prosperity; Indigenous Engagement and Impacts – Primer, Rasevych

Page 2, Paragraph 6

We thank the CSSB for its intention to use its influence to help inform international sustainability disclosure standards in a manner respectful of Indigenous Peoples' rights as defined by UNDRIP. However, the CSSB must be cautioned that if UNDRIP is implemented without acknowledging a defined local context such as Treaties, Hereditary or clan structures, or other unceded Nation to Nation self-governing agreements it may-create risks for the implementation of Indigenous peoples' rights to autonomy and self-government.

A solution to implement FPIC, would be to work within the rich and diverse ecosystem of First Nation, Métis and Inuit in Canada in this case a great starting point in this journey is with the Assembly of First Nations (AFN). This would enable the joint development of a framework for sustainability disclosures and climate change that their member Nations would like to see implemented.

10. *The ABPA recommends that the CSSB work in collaboration with the Assembly of First Nations (AFN) to adopt standards that this is aligned with First Nations' cultural values, laws, norms, and practices for the land.*

In the shorter term the CSSB could benefit from exploring the applicability of the European Sustainability Reporting Standards (ESRS) as a reference. The ESRS is based on the UN Guiding Principles on Business and Human Rights which are voluntary standards introduced in 2011 to close the gap between local and regional laws and international human rights laws to better ensure respect for human rights no matter what region / context companies are operating in.

There are also key aspects of the European Union's Corporate Sustainability Reporting Directive that could be useful. The double materiality approach is the defining feature of the ESRS and provides the criteria to determine whether a sustainability topic or information must be disclosed in reporting that impacts an entity's financial performance or position. Under ESRS, double materiality is the union of both a) impact materiality on people and the environment and b) financial materiality related to sustainability of business risk and financial performance. Adverse impacts on people and the planet may not immediately pose a risk to a company's bottom line but can become financially material over time.

The ESRS requires companies to complete a materiality assessment of the entire value chain to ensure discovery of the most significant impacts from their business activities for prioritization in management regardless of near-term financial materiality. This mirrors the

fundamental first step in a do no harm, human rights due diligence process aligned with the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinationals and the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Concepts of the ESRD and ESRS may be useful in Canada but also combined with an Indigenous lens to support modifications based on Indigenous rights, inherent rights and responsibilities and respond to corporate responsibilities in their operations that impact community wellbeing, cultural values and other risks related to social equity.

11. *The ABPA recommends that the CSSB ensure that double materiality approach include an Indigenous lens for modification to the CDSD S1 and S2.*

Page 2, Paragraph 7

When CSSB recognizes that advancing reconciliation with First Nation, Métis and Inuit Peoples in Canada is fundamental to the work of Canadian standard setting for sustainability-related disclosures, we wonder how your board will plan to advance the reconciliation process in Canada?

A critical first step for the CSSB is obtaining relevant foundational education on Indigenous histories, cultures, and perspectives, along with the direct and indirect impact of proposed CSDS will have on Indigenous peoples and the systemic barriers Indigenous peoples face.

12. *The ABPA recommends that the CSSB embark on cultural awareness training and Indigenous education to equip the board with insight to make informed decisions on CDSD and to further the CSSB strategic plan.*

Page 2, Paragraph 8

The CSSB is committed to respecting the rights, perspectives and priorities of First Nation, Métis, and Inuit Peoples in its consultation process. We wonder how the CSSB is planning to ensure that Indigenous peoples rights are respected? How it plans to include the Indigenous peoples' perspectives. Finaly how will the CSSB know/learn what are the priorities of First Nation, Métis, and Inuit peoples?

We are pleased that the Board's is committed to creating an engagement plan informed by the needs and interests of First Nation, Métis and Inuit Peoples, communities, governments, and businesses to ensure these groups participate in the development of its standards. We

are not sure that it covers the free, prior, and informed consent in the context of Indigenous peoples.

'' FPIC includes processes that are free from manipulation or coercion, informed by adequate and timely information, and occur sufficiently prior to a decision so that the rights and interests of Indigenous peoples can be incorporated or addressed effectively as part of the decision-making process – all as part of meaningfully aiming to obtain the consent of affected Indigenous peoples.''

We salute the CSSB's intentions to actively listen to, and collaborate with, Indigenous Peoples to shape sustainability disclosure standards in Canada. However, we are concerned that the existing consultation process may be lacking in scope and scale to achieve the perspectives required.

13. *The ABPA recommends that that CSSB ensures that there is a further opportunity for Indigenous leaders and other Indigenous organizations that may not have had time to submit a response to engage with the CSSB related to proposed modifications to the CSDC S1 and S2. This does not mean an extension of a company's requirements to adopt UNDRIP or FPIC in their policies.*

3. Specifics CSDS 1 & 2

Climate Action Planning and Reporting

While urban areas are grappling with poor air quality, many First Nation communities closest to wildfires suffer losses to forest ecosystems, infrastructure and services, homes, personal items, and often relocation or evacuation. First Nations in Northern Ontario are impacted even further due to losses of cultural and ceremonial items and activities and destruction of traditional and sacred places.

First Nations leaders must have a leading role in the transition to a low-carbon future, decarbonizing the economy and guiding how companies report on environmental, social and governance (ESG) aspects of their operations. It was recently reported that 70% of companies are abandoning acquisition due to their ESG concerns.

Companies must respect First Nations' inherent rights, knowledge systems and spiritual and cultural connections to the land that requires a seven generations way of thinking. This is detrimental to linking materiality risks to financial affects as the investor base is seeking disclosures on climate that material to their business.

Without the Indigenous component of ESG it will create a major blind spot and negatively impact the mergers and acquisitions activity which drives much of our capital formation and economy growth in Canada.

It needs to be highlighted that five percent of the world's population is Indigenous, yet we manage 80% of the world's remaining biodiversity. An important part of company policy will require a renewed approach to quality management systems and the collection, storage and access to data that inform critical decisions around climate reporting.

There are many examples of First Nations-led conservation or climate and land management initiatives across Canada. One unique project in Northern Ontario is the proposed Mushkegowuk National Marine Conservation Area, a project by the seven Nations of the Mushkegowuk Council, in collaboration with Fort Severn First Nation and Weenusk (Peawanuck) First Nation. The project creates a 20-km coastal buffer, known collectively as Aski-Gitchi Bayou (the place where "the land expands out into the waters"). With a study area spanning more than 91,000 sq km, this protected area will help fulfill the long-standing calls from First Nations to safeguard the lands and waters while protecting their Inherent and Treaty rights.

Projects like this will need to be a key consideration for the CSSB and how standards for climate reporting adhere to the local First Nations land management policy.

The benefits of aligning with a First Nations' land management policy like the Mushkegowuk conservation project will:

- Preserve and allow for Inherent and Treaty Rights of our people, including hunting, fishing, trapping, and gathering.
- Mitigate impacts for large-scale industrial uses, such as oil and gas development, drilling, mineral exploration, bottom trawling, and watershed dumping.
- Prioritize Free, Prior and Informed Consent, ensuring data-sharing and supporting research that braids Indigenous Knowledge with Western science.
- Ensure governance models respect the First Nations peoples as primary stewards in their marine and coastal territory.
- Protect biodiversity, including polar bears, beluga whales, caribou, wolves, geese and all the plants and animals that sustain traditional Indigenous diets and culture to support local food security, culture and livelihoods and healthy ecosystems.

Data Sovereignty

The CSSB must consider how climate emissions data and the tools the company is using to assess and quantify the biodiversity indicators of Indigenous peoples.

14. *The ABPA recommends that the CSSB ensure that CSDS includes consideration of a data framework that is more informed with Indigenous knowledge systems that help companies track and measure the biodiversity indicators and cultural benefits of First Nations impacted by company's activities.*

Integrating Indigenous knowledge systems when assessing, monitoring, financing, and developing business opportunities enhances project valuations by collaborating directly with the grassroots peoples of the land.

15. *The ABPA recommends that the First Nations principles of ownership, control, access, and possession (OCAP) be a priority and part of company policy for data management with regards to Indigenous relations.*

16. *The ABPA recommends that the CSSB work with Indigenous-led organizations like Tribal Councils, Political Territorial Organizations and National Indigenous organizations to ensure OCAP principles are applied to standards setting. It must also be acknowledged that the individual communities have the autonomy and authority to provide their cultural values and data and should be engaged in consent on storage and access to this data.*

17. *As standards setting moves from voluntary to mandatory the ABPA recommends that the CSSB include the Audit and Assurance Standards Board (AASB) in navigating the change management aspects of corporate and financial reporting. It is also beneficial to engage the Public Sector Accounting Board – Indigenous Advisory Committee in this matter.*

18. *The ABPA is not in support of the CSSB granting extensions to the relief period for resource extractive companies. We are also cautioning the CSSB of an example of the mining industry advocating for preferential treatment of junior companies or SMEs that are seeking a longer relief period.*

Appendix

Specifics CSDS 1

1. Scope of proposed CSDS 1 (proposed paragraphs 1-4 of CSDS 1).

(a) Do you agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is adequate? Please provide your reasons.

Yes, the ABPA is in support of the two-year transition relief. We are not in support of extensions beyond this.

(b) If you do not agree that the two-year transition relief is adequate, what transition relief do you believe is required? Please provide your reasons.

No comment.

2. Timing of reporting (proposed paragraphs 64-69 of CSDS 1)

No comment.

3. Other issues

Do you agree that the requirements in the following sections are appropriate for application in Canada?

Please explain the rationale for your answer.

Section Objectives page 9, third paragraph states in bold:

"This standard requires an entity to disclose information about all sustainability-related risks and opportunities that could be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium, or long term. For the purposes of this standard, these risks and opportunities are collectively referred to as "sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects."

While theses exposure draft cover supplementary disclosure to financial statements and corporate reporting of sustainability disclosures and climate change, we wonder how these

requirements will impact two complementary aspects, first finance/financing aspect of business and projects, also capital lenders including credit rating agencies process.

(a) Scope

In paragraph 9 ''This standard uses terminology suitable for profit-oriented entities, including public sector business entities. If entities with not-for-profit activities in the private sector or the public sector apply this standard, they might need to amend the descriptions used for items of information when applying CSDSs.''

The ABAP serves the First Nation business community, when stating that public sector business entities are included in the scope, is it that we can understand that First Nation business community would be included in the scope but the Indigenous government not-for-profit in public sector would need to amend descriptions?

The ABPA represents mostly small and medium enterprises (SME), so this aspect of business is significant. We understand that the CSRD applies to SME, we wonder how will CSDS 1 and 2 will apply to Canadian SMEs?

(b) Conceptual Foundations

(c) Core Content

(d) General Requirements

In paragraph 55 a) ''In addition to CSDSs:

(a) an entity shall refer to and consider the applicability of the disclosure topics in the Sustainability Accounting Standards Board (SASB) Standards. An entity might conclude that the disclosure topics in the SASB Standards are not applicable in the entity's circumstances.''

See our comment on SABS in Page 2, Paragraph 5.

(e) Judgments, Uncertainties and Errors

(f) Appendices A-E

The ABPA represents mostly small and medium enterprises (SME), so this aspect of business is significant. We understand that the CSRD applies to SME, we wonder how will CSDS 1 and 2 will apply to Canadian SMEs?

When looking at Appendix C Source of Guidance, as this appendix is an integral part of CSDS 1 and has the same authority as the other parts of the standard we see in paragraph C2 : ''In making that judgment, an entity may – to the extent that these sources assist the entity in meeting the objective of this standard (see paragraphs 1-4) and do not conflict with CSDSs – refer to and consider the applicability of:

(a) the Global Reporting Initiative Standards; and

(b) the European Sustainability Reporting Standards.''(ESRS)

In paragraph (b) when we look at the European level for example in the ''Corporate Sustainability Reporting Directive (CSRD)'' it applies to small and medium enterprises (SMEs) in the following ways: Starting January 1, 2026, SMEs designated as public interest SMEs are required to report under a more limited set of CSRD disclosures called ESRS LSME (Limited Scope for Small and Medium Enterprises). These SMEs must meet at least two of the following criteria:

- Between 50-250 employees
- More than 8€ million in annual revenue (and less than 40€ million)
- More than 4€ million in total assets or balance sheet (and less than 20€ million)

Small-medium enterprises that are publicly listed on a regulated market and do not have a larger parent entity report under the streamlined set of simplified LSME reporting requirements. Non-listed SMEs have the option to voluntarily report but are not required to do so currently.

When looking further it also addresses non-EU SMEs with a deadline.... Fiscal year 2026, with the first sustainability statements published in 2027 for Listed SMEs, including non-EU listed SME.

Our ask here, from a business strategic planning, should SME in Canda use these criteria to factor in an initial timeline plus two years for the implementation? And refer to EU SME public interest criteria to define the in-scope SME?

Specifics CSDS 2

1. Climate resilience (proposed paragraph 22 of CSDS 2)

The Board seeks views on whether transition relief and/or guidance would help preparers and users of proposed CSDS 2-related disclosure in their assessment of climate resilience.

(a) Is transition relief required for climate resilience disclosure? If so, for how long and why?

No comment.

b) Is further guidance necessary? If so, which specific elements require guidance and why?

No comment.

(c) Proposed CSDS 2 references the Task Force on Climate-related Financial Disclosures'

"Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities" (2017) and its "Guidance on Scenario Analysis for Non-Financial Companies" (2020) for related application guidance. What additional guidance would an entity applying the standard require? Please be specific.

2. Scope 3 GHG emissions (proposed paragraph C4 of CSDS 2)

(a) Is the proposed relief of up to two years after the entity applies proposed CSDS 2 adequate for an entity to develop skills, processes, and the required capacity to report its Scope 3 GHG emissions disclosures at the same time as the general-purpose financial reports? Please provide a rationale.

No comment.

(b) If you do not agree that a two-year transition relief is sufficient, what relief period do you believe is required? Please provide your rationale for the timing you have provided.

No comment.

(c) If you do not agree that a two-year transition relief is sufficient, what relief period do you believe is required? Please provide your rationale for the timing you have provided.

No comment.

3. Other issues

Do you agree that the requirements in the following sections are appropriate for application in Canada? Please explain the rationale for your answer.

(a) Objective

(b) Scope

(c) Core content

(d) Appendices A-C

No comment.

Chair, Charles-Antoine St-Jean

Canadian Sustainability Standards Board (CSSB)

277 Wellington St. W

Toronto, Ontario

M5V 3H2

June 9, 2024

Feedback on CSSB Disclosures

Dear Chair St-Jean,

I am writing to provide my feedback to the CSSB. My comments represent my views alone and are not attributable to any organization with which I may be associated.

My comments will focus on several macro themes, rather than on the details of the proposals.

My comments are based on my experience in the capital markets, the accounting profession and the global energy industry. In particular, they are based on i) my 8 year volunteer period with the CICA, including 4 years on the Accounting Standards Board and a term as its Chair in 1999, ii) my 27 year career with CIBC World Markets as a Vice Chairman and Head of Global Oil & Gas Investment Banking, iii) my 3 year term as a global task force member representing CPAB and presenting at the IFIAR (International Forum for Independent Audit Regulators) conferences in London, Tokyo, and Ottawa, iv) my recent focus as an active investor in numerous energy transition opportunities, and iv) my extensive experience advising clients and managing and investing capital in the public and private capital markets.

OVERVIEW COMMENTS and QUESTIONS FOR CONSIDERATION

I believe that CPA Canada and its related standards boards (ASB and CSSB) are not aligned with the best interests of Canada any longer. Canada is a country built by small business and very dependent on trade with the United States. The majority of Canadian CPA's work for small business or as advisors to small businesses. Canada and CPA Canada should be focused on policies

and standards which promote efficient Canadian capital markets, serve our public interests, and reflect our business realities. Unfortunately, we seem to have moved from focus on that mission to one of promoting social and political policies and agendas. Excessive reference to Indigenous special rights related to these standards is a prime example.

Our profession was founded on the basis of skepticism, professional judgement and critical thinking. Yet, we seem to be simply following narratives and standards proposed by others without careful cost/benefit analyses, fundamental research or critical consideration of the possible outcomes and potential unintended consequences.

Our accounting policies no longer properly consider the extent of small business enterprises nor the estimated 78% of our export trade with the US. Note that the proposed CSSB standards are very much related to the pursuit of social and political policies and agendas and the effects of certain climate policies are significant. The movement for this disclosure is driven by many of those in the western world advocating extreme climate policies that are now visibly affecting the lives of many people in the world. Worse yet, much of the impetus for these disclosures emanated from an anti-oil & gas movement, and critical analysis and recent reality indicates that affordable and available energy transition sources are not practical in the near term and that hydrocarbons will continue to drive the world's growing energy supply for decades to come, something that most of the people of the world welcome and seek. The lucky 1 billion of us in the "rich" western world are behaving in an arrogant, hypocritical and morally superior manner (perhaps even a delusion), that we should set policies restricting access for the other 7 billion people to the affordable and reliable energy sources they seek and need to improve their quality of life.

The proposed CSSB standards, in combination with the recently announced C-59 bill, will drive up the cost and reduce the availability of energy. Some advocate that the proposed CSSB standards are required to attract investment capital back to Canada. This is a false talking point. Capital flows where the risk/return parameters are most favorable and that is generally where the companies available for investment are left to make their own

decisions, rather than being subjected to ever-expanding requirements, restrictions and mandatory actions imposed by governments and regulatory bodies.

Further, there is real risk that the combination of the above- referenced proposed policies and laws will pressure many companies to avoid the public capital markets, or worse yet, to re-locate outside of Canada. How will that improve the functioning of our Canadian capital markets?

What research and analysis has CPA (and CSSB) completed to appropriately conclude that Net Zero by 2050 policies are good for the world and Canada? What will be the CSSB reaction if significant portions of the world abandon such climate policies in the face of energy shortages? Will the 7 billion poorer people of the world, including the estimated 2.8 billion who cooked their dinner last evening using biomass, follow this net zero path or will they rise to dictate a very different future global energy policy? Has Canada's net zero policies caused significant harm to many (including Germany) as it has contributed to our hoarding of natural gas rather than exporting LNG to those many allied countries requesting it?

Is it plausible that a single variable (CO_2) is the sole cause of all climate change, now defined as not only warming, but cooling and wet and dry conditions? If global CO_2 management is the objective, then what is an optimum strategy?

Should a global accounting and measurement system be implemented which considers the relative emissions of various energy sources on a comprehensive basis? That is the scope four concept. Would significant use of natural gas/LNG to replace coal be the most effective near-term strategy for global CO_2 management? Do current Net Zero and ISSB/CSSB proposals aid in achieving such possible strategies or promote contrary actions? Should the global measurement system be organized to account for emissions at the country and consumer level, rather than at the corporate level? Afterall, companies only produce the goods and services that consumers demand and use. Should this system consider the export component where countries produce for consumption elsewhere in the world? Such as Canada producing energy for use around the world? Should Net zero policies be adjusted to

consider this important factor? Should time/capital and focus be allocated to finding possible future, carbon-free and dense/efficient energy sources, rather than on marginal technologies and 100 year old failed energy alternatives?

Canadian CPA's are known for their critical analyses and a significant component of the exam to certify members has always been a comprehensive case question? Are CPA Canada and CSSB thinking critically and strategically about their mission and this climate issue or are we blindly following the narrative that emanated in Europe and is being pushed around the world? Are we just following along with ISSB since we did that with IFRS accounting? Many Canadian CPA's are disappointed with our profession and believe we have lost our view of mission and purpose, have become overly focused on social matters and trends du jour, and are no longer properly aligned with the business community and how it functions. Are we still passing the comprehensive case exam?

Disclosure of risks unique to an entity are most appropriate, and helpful, for investors. However, required disclosure of detailed, uncertain, quantitative emissions information presumes that emissions levels are much more important than the plethora of other information, especially future oriented and predictive information and analyses, that is not regulated by standards or the CSA bodies, and on which investors rely heavily. Note some estimates produced by the CFA bodies indicate that even financial statements now represent less than 20% of the information used by investors. The CSSB proposed sustainability and climate information will represent a very small percentage of the input used by investors to make key decisions and the most relevant information in this subject area will be about expected government policy and regulation and developing technologies, not necessarily around past emissions levels at an individual corporate level.

In January, approximately 45% of the trade on the TMX was from retail investors. Further, Institutional trade is mostly done on behalf of beneficiaries who are primarily a collection of individuals. Most individuals are not focused on this information as central to their trade decisions. Has CSSB done anything to understand and capture feedback from the ultimate investors (individuals) or is its feedback primarily limited to institutions such as

Blackrock? Some studies suggest only 2% of investors are characterized as social investors. The link below is to a paper discussing investor views regarding the need for this type of information. Their conclusion is that the best way to address climate change disclosure is to let investors and the market decide for themselves. https://scholarship.law.bu.edu/cgi/viewcontent.cgi?article=4543&context=faculty_scholarship)

Those institutional investors which may seek a framework for this type of information are, in many cases, requesting it for their upstream compliance purposes or to promote their own business strategies. Those issuers supporting a framework are possibly doing so for efficiency reasons and there is some merit in defining one framework for this information disclosure. I expect, though, that many issuers may come to regret their open support as compliance becomes ever-expanding and difficult and as liability and litigation on such information escalates.

Has CSSB applied any rigorous cost/benefit analysis in its efforts to produce the recommended standards? Why do investors need such disclosure now, when they apparently didn't need it for the last 40 years, even though climate and changes have existed during that period? Based on the behavior of Larry Fink and Blackrock one could reasonably conclude that the peak hype over ESG/social purpose occurred several years ago and is now in decline. Note Fink and Blackrock's move away from using the term ESG, their return to focus on profitability as the key measure for company performance, and the July 2023 appointment of the Saudi Aramco CEO to the Blackrock Board. Note also that JP Morgan is moving away from compliance with GFANZ and the many other recent examples of entities and countries moving away from these policies.

The capital markets work very efficiently and information that is important to investors will be provided by companies, or they will be valued accordingly by the market. These proposed disclosures are not critical to well-functioning Canadian capital markets. Beware of the biases of many self-interest parties promoting such disclosures for self-benefit. Unfortunately, these conflicted

parties include many of our major accounting organizations which seek new business opportunities around these proposed disclosures.

Finally, the structure for the CSSB is concerning, as it appears the CPA is seeking government funding for its function, something it has not done for the ASB. The risk this creates for lack of independence and influence by those wishing to push social and political agendas is concerning. I request that CPA Canada ensure that the structure, oversight and operations of the CSSB be closely monitored to minimize the risk of undue and biased influence by governments or by ideological or conflicted parties.

SUMMARY COMMENTS AND RECOMMENDATIONS FOR AMENDMENT

Harmonize with the US/SEC rather than ISSB

-minimize potential competitive disadvantages with our key trading partner (certainly that was our mission when I chaired the ASB in 1999 and we faced significant pressure from OSFI, and the technology sector given FASB's then more favorable merger accounting policies)

-certainly, required disclosure of scope 3 would represent a significant difference to SEC requirements and create a substantial competitive disadvantage for many Canadian companies

-I believe there is serious risk that these standards as proposed will cause many companies to operate privately, rather than in the public markets, and worse yet to relocate to the US or elsewhere rather than remain in Canada

Voluntary not Mandatory Disclosure

-setting a disclosure framework may be helpful to some investors and some reporting issuers, but let the market be the enforcer for compliance rather than mandating disclosure for all

-voluntary disclosure under a proposed framework will produce beneficial information to investors on a cost-effective basis

Proportionality/Size Considerations are Critical

-I believe we have failed to properly apply this consideration regarding required accounting policy; we should have an option for smaller companies to use historical cost accounting policies rather than IFRS

-we should not make the same mistake regarding application of these sustainability and climate disclosures

Financial Materiality Exemption is Critical

-I believe much of this disclosure information will represent immaterial information to the decision-making of most investors in most situations

-information and disclosure around some of the significant risks related to climate change issues and policies and government regulations, as well as developing technologies, and effects on relevant supply chains and inputs and other related items is important to many investors; I believe quantitative historical emissions levels disclosures are less relevant to most investors (other than to the extent of their upstream reporting requirements)

-this materiality exemption is critical and should be maintained if disclosures are not voluntary

-further, should an entity elect to make disclosures (that are otherwise exempted), it should be permitted to disclose as much or as little as it chooses, rather than being forced to comply with the entire proposed scope of disclosures

Safe Harbor

-the rise of liability and litigation around this subject area is significant

-note recent examples in Switzerland and Vermont

-note also the May 2024 passage by Parliament of Canadian Bill C-59, which will require issuers to prove their "innocence/accuracy" of information against some undefined international standard

-unfortunately, a catch 22 situation has developed whereby under proposed CSSB standards issuers will be pressured to disclose significant information

upon which anti-industry NGO's will make extreme claims, all to be judged by an undefined international standard; what could possibly go wrong?

Given all the above considerations, I strongly urge the CSSB to significantly modify the proposed standards to better reflect the interests of Canada, our business community and individual investors.

Thank you for your consideration and best of luck in finalizing the standards.

Yours truly,

Art Korpach FCA, FCPA, ICD.D, CBV

akorpach@gmail.com

403-829-6400 cell

cc.

Mr. Stan Magidson Chair CSA

Ms. Beth Wilson Chair CPA Canada

June 7, 2024

Lisa French
Vice President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, ON
M5V 3H2
Via email

Dear Ms. French:

Re: **[Draft] Canadian *Sustainability Disclosure Standard (CSDS) 1,* S1 *General Requirements for Disclosure of Sustainability-related Financial Information***

[Draft] *CSDS 2, Climate-related Disclosures*

ATCO Ltd. ("**ATCO**"), Canadian Utilities Limited ("**CU**") and CU Inc. ("**CUI**" and, together with ATCO and CU, the "**ATCO Group**") are pleased to provide comments on [Draft] CSDS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* ("**S1**") and [Draft] CSDS S2 *Climate-related Disclosures* ("**S2**" and, together with S1, the "**Exposure Drafts**") put forward by the Canadian Sustainability Standards Board ("**CSSB**").

The ATCO Group

As a global enterprise, ATCO Ltd. and its subsidiary and affiliate companies have approximately 20,000 employees and assets of $25 billion. ATCO is committed to future prosperity by working to meet the world's essential energy, housing, security and transportation challenges. ATCO Structures designs, builds and delivers products to service the essential need for housing and shelter around the globe. ATCO Frontec provides operational support services to government, defence and commercial clients. ATCO Energy Systems delivers essential energy for an evolving world through its electricity and natural gas transmission and distribution, and international operations. ATCO EnPower creates sustainable energy solutions in the areas of renewables, energy storage, industrial water and clean fuels. ATCO Australia develops, builds, owns and operates energy and infrastructure assets. ATCOenergy and Rümi provide retail electricity and natural gas services, home maintenance services and professional home advice that bring exceptional comfort, peace of mind and freedom to homeowners and customers. ATCO also has investments in ports and transportation logistics, the processing and marketing of fly ash, retail food services and commercial real estate. More information can be found at www.ATCO.com.

Sustainability is integrated into our governance framework, business strategy, risk management approach and day-to-day operations. Around the world, we create opportunities to innovate, advise and lead in the energy transition. We believe in building truly equitable partnerships with Indigenous communities. We collaborate with community partners to enhance economic and social development. And, we always champion a diverse and inclusive environment where inspired people can make a meaningful difference.

General Comments

Overall, ATCO supports the CSSB's initiative to create a Canadian benchmark for sustainability-related disclosure standards that provides consistent and comparable information about companies' financially material sustainability-related risks and opportunities. We also agree that materiality judgments should be made in the context of the sustainability-related financial information necessary for investors and other users of general financial reporting to assess enterprise value. With those outcomes in mind, we commend the CSSB for developing recommendations based on existing international standards, such as those created by the International Sustainability Standards Board (ISSB), the Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD), to ensure comparability and competitiveness with other jurisdictions with modifications that serve the Canadian public interest.

While we acknowledge that CSDS 1 and CSDS 2 will be adopted on a voluntary basis, our comments are provided with the understanding that the Canadian Securities Administrators (CSA) will consider the final CSSB standards when developing their requirements for Canadian issuers, and that investor best practice will be based upon the CSSB standards.

ATCO has voluntarily been reporting on sustainability and environmental, social and governance (“ESG”) matters for over 15 years and has been a strong proponent of efficient and transparent disclosure of sustainability-related information. We recognize that there are pain points for both investors and issuers in terms of standardized and comparable information. In our voluntary disclosures, we report on climate-related metrics, including scope one and two emissions, two of our more material scope three categories, and how we use scenario analysis to inform future strategy.

From this perspective, we assert that mandatory disclosures, especially those related to financial reporting, should be precisely defined and standardized. This is crucial to ensure comparability and competitiveness—across industries and internationally. Standardization provides a common language that enables investors, regulators, and other stakeholders to make meaningful comparisons across companies and industries. As information included in financial filings is automatically subject to greater scrutiny and review by audit firms, there must be sufficient maturity in definitions and application to allow

the issuer, the reviewer, and the user to assess compliance. Failure to achieve sufficient definition and standardization in disclosure requirements can lead to significant costs for issuers, both in terms of internal resources and external advisory fees.

Our concerns with the proposed Exposure Drafts are articulated in greater detail below.

Concerns with Proposals in Exposure Drafts

1. *Scope of Proposed CSDS1* Beyond Climate

We have concerns regarding the proposed blanket two-year transition period beyond climate-related risk and opportunities to all financially material sustainability-related risks and opportunities.

There are many topic areas where reporting has not yet been sufficiently defined and standardized. For example, the nature of ATCO's operations entails frequent and comprehensive engagement and partnerships with Indigenous communities—consequently, we have developed numerous Indigenous partnerships and joint ventures across Canada. As a result, Indigenous relations is likely to be considered a material topic for us; however, standardized reporting on Indigenous relations-related risks and opportunities is not sufficiently defined at this time.

We strongly believe that a multi-year, phased approach to incorporating additional material ESG risks and opportunities into standards based upon maturity and standardization is essential to provide meaningful, comparable metrics for investors. Accordingly, we suggest a longer and phased transition period based upon maturity and standardization.

2. Scenario Analysis and Forward-Looking Information

We have similar concerns regarding standardization as it pertains to scenario analysis, in addition to competitiveness concerns with quantitative forward-looking information.

Scenario analysis models are inherently complex and subjective. There is lack of standardized guidance around conducting scenario analysis across diverse industries and companies, including well defined time horizons, such that the outcome would not be comparable between different companies.

Until such time as methodology is sufficiently mature to allow the issuer, the reviewer, and ultimately the investment community to easily assess compliance, it should not be included in requirements.

In addition, for entities that prioritize energy transition as a fundamental aspect of their business strategy, providing detailed quantitative forecasts for the future could inadvertently reveal confidential information. Such disclosures might encompass business growth projections, cash flow data, and other highly sensitive proprietary details. This may be unduly detrimental to the interests of the issuer and cause competitive harm, as an unintended consequence, which may ultimately dilute enterprise value.

3. *Scope 3 Emissions*

While we voluntarily disclose Scope 1 and 2 emissions in alignment with the GHG Protocol, in addition to our two more material categories of Scope 3 emissions, we do not view mandatory reporting of Scope 3 emissions as practical at this time given the complexity and lack of maturity regarding the methodology. In particular, a higher level of estimation uncertainty results from estimation methodologies that are not consistent or well-developed/mature—potentially resulting in significant overestimation or underestimation of emissions. Further, requiring detailed Scope 3 reporting could put certain companies at a competitive disadvantage. Industries with complex supply chains, such as manufacturing, may face disproportionate compliance burdens.

From a competitiveness perspective, it is our understanding that this maturity challenge has been recognized by the recently released SEC reporting requirements, which do not require scope 3 disclosure at this time.

4. *Timing of Disclosure*

While there may be benefits to publishing sustainability-related information at the same time as financial information, we recommend a thorough analysis of the relative costs and benefits associated with aligning the timing of these disclosures.

To enable simultaneous disclosure, issuers would need to significantly accelerate their timelines for the reporting of sustainability-related data. This would require the realignment of internal controls, resources, and underlying processes—which would have significant implications for costs. For example, resources currently allocated to preparing financial disclosures would also be tasked with preparing sustainability-related disclosures simultaneously. This would intensify an already demanding year-end reporting cycle and necessitate significant additional resources. This requirement would extend not just to the companies themselves, but also to the consulting/audit firms involved.

In our view, the benefits of aligning sustainability-related financial information with general financial reporting do not outweigh the associated cost burden. We would propose a June 30th deadline annually for disclosure of sustainability-related financial information, which we view as more reasonable and

achievable. Alternatively, we would propose a transition period of at least three years to allow for simultaneous integration of sustainability metrics into financial reporting timelines.

5. Further Guidance on Short, Medium and Long-term

The phrase "short, medium and long term" is used throughout the proposals but is not clearly defined. More precise guidance would assist with the consistent assessment of the material risks to business. If such guidance is not provided, it will be very difficult to compare disclosures across companies and sectors, as different interpretations of "short, medium and long term" would likely result in inconsistent approaches to disclosure.

Conclusion and Recommendations

While we agree with the CSSB's goal of establishing a comprehensive sustainability disclosure framework, we strongly encourage some modifications to the Exposure Drafts to enable comparable and transparent disclosures across all sectors.

We believe it is important to have a thoughtful and phased approach to ensure:

- The costs of implementation are not prohibitive, especially in terms of additional incremental resource requirements;
- There is sufficient maturity of definitions and detail in the proposed framework so that issuers and reviewers can be confident in compliance and investors can be confident in comparability;
- There is sufficient time for the CSSB to continue work with various standard setters and regulators around the world to ensure consistency of requirements.

If there are further questions concerning our submission, please contact us at colin.jackson@atco.com.

Yours truly,

ATCO GROUP OF COMPANIES

Colin R. Jackson
Senior Vice President, Finance, Treasury, Risk & Sustainability

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June 7, 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
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Dear Vice-President French,

Barrick Gold Corporation is pleased to respond to the Canadian Sustainability Standards Board's (the "CSSB") Exposure Drafts (the "Drafts") on the Canadian Sustainability Disclosure Standard, General Requirements for Disclosure of Sustainability-related Financial Information ("Financial Disclosures" or "CSDS 1") and Canadian Sustainability Disclosure Standard, Climate-related Disclosures ("Climate Disclosures" or "CSDS 2").

Consistent with our July 29, 2022 comment letter sent to the International Sustainability Standards Board ("ISSB") in respect of the original ISSB Exposure Drafts, Barrick remains supportive of the common goal of providing a framework for the disclosure of "more consistent, complete, comparable and verifiable sustainability-related financial information". We also support the CSSB's goal to advance the adoption of sustainability disclosure standards in Canada that align with the global baseline developed by the ISSB. Therefore, we are in favour of the CSSB standards being aligned with the ISSB standards while also providing appropriate transition relief for Canadian companies. While we support the mutual objectives of the ISSB and CSSB, we have highlighted certain sustainability reporting matters in the final section of this letter ("Other Issues"), which we believe have not yet been addressed by either the ISSB standards or CSSB Drafts. We respectfully request that the CSSB continue to engage with the ISSB on these matters to ensure an aligned global standard that provides users with relevant information they need to make informed decisions.

In summary, we are concerned that the Drafts do not adequately ensure that users[1] receive decision-useful information and are not overwhelmed by a large volume of irrelevant or immaterial information. At the same time, we are also concerned that the disclosures prepared under the CSSB standards will not contain sufficient information to allow users to make meaningful comparisons across companies and industries. The quantity and level of detail required by the proposed disclosure could be overwhelming as annual reports for public companies are already lengthy documents, and the CSSB's proposed sustainability-related disclosure, particularly with respect to a company's value chain, metrics and scenario analysis, risks overwhelming investors with detail, regardless of its materiality for enterprise value or company risk.

We also question whether the application of the Financial Disclosures and Climate Disclosures will be comparable across companies, even companies in the same industry. While we

[1] In the Drafts, CSSB defines users (or primary users of general-purpose financial reports) as "existing and potential investors, lenders and other creditors." However, users of sustainability-related disclosures will include a broader set of stakeholders including analysts, governmental and non-governmental organizations, and local communities where companies' operations are located. While we agree with the focus on financial information most relevant to investors and lenders, Barrick encourages CSSB to consider the usability of information being proposed to be required under CSDS 1 and CSDS 2 to this broader group of stakeholders as well in revising the Drafts.

acknowledge that the ISSB and CSSB intend to issue additional standards on other specific sustainability-related issues, we recommend that the guidance provided with respect to the application of the standards include a more specific framework for companies to follow when identifying "significant sustainability-related risks and opportunities." Sustainability covers a broad spectrum of issues for companies and CSDS 1 should provide better guidance on how the standard will apply where the CSSB has not created an issue-specific standard. More guidance on the sustainability-related topics to be considered by companies and a framework for describing how they were assessed to determine materiality relative to applicable legal standards for public company disclosure may reduce the time and financial burden on companies when preparing sustainability-related disclosure and increase the comparability of that disclosure across companies within similar industries.

The remainder of this letter provides specific comments as requested by the CSSB as well as comments on other issues we consider significant. These comments are illustrative, not exhaustive, and we recommend that the CSSB review the Drafts holistically with an eye towards ensuring the usability and comparability of disclosures of sustainability-related information.

Part 1: Basic information

Barrick is a Large (500+ employees), multinational publicly accountable entity headquartered in Toronto, Ontario. Barrick is active in the Mining and Quarrying sector with a specific focus on gold and copper mining with operations across North and South America, Africa, the Middle East and Asia Pacific.

We do not object to our comments being made public.

Part 2: Proposed CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information

Effective Date and Transition Relief for CSDS 1 and 2 (proposed paragraphs 1-4 of CSDS 1)

Barrick agrees with the CSSB that certain disclosures contemplated under CSDS 1 (beyond climate-related risks and opportunities) and CSDS 2 (Scope 3) require additional transition relief and that two years of relief for each of CSDS 1 and CSDS 2 (Scope 3) is sufficient. However, Barrick believes that additional time is also required for entities to prepare their CSDS 2 (Scope 1 and 2) disclosures for the first annual reporting period, particularly since the CSSB has proposed a January 1, 2025 effective date for those disclosures and the final version of CSDS 2 is not expected to be released before Q3 2024. In addition, as noted in the introduction, additional guidance is still required from the CSSB in order for the Disclosures to be effectively implemented. This guidance is critical to achieving the goals of the CSSB and the fact that it is still pending should be taken into account when determining the appropriate effective date for reporting.

With an effective date of January 1, 2025, Barrick questions whether there is sufficient time for responding entities to undertake the necessary gap analyses, implement the necessary disclosure controls and procedures, collect the required data, and conduct the required due diligence to accomplish the goal of providing material, meaningful and accurate information to users for CSDS 2 (Scope 1 and 2) in 2026 and all CSDS 1 and 2 standards in 2027, as currently proposed.

Instead, Barrick suggests that the CSSB extend the effective date to January 1, 2026 while leaving the transition relief currently proposed by the CSSB of two years for each of CSDS 1 (beyond climate-related risks and opportunities) and CSDS 2 (Scope 3) unchanged. This revised

timeframe would provide companies with a more reasonable amount of time in which to prepare for the new reporting requirements. Specifically, this timeframe would allow for a gap analysis and self-assessment to be completed against the final CSSB standards in 2025, and an action plan to be implemented to close the identified gaps and collect the required data in 2026. With this work completed, the first CSDS 2 disclosures (Scope 1 and 2) could then be prepared and released in 2027 (in respect of 2026) with comprehensive disclosures aligning with all CSDS 1 and 2 requirements prepared and released in 2028 (in respect of 2027).

Extending the CSSB's proposed effective date from January 1, 2025 to January 1, 2026 would recognize the significant time and effort that will be required for companies to accurately identify and disclose the links between an entity's sustainability-related data and the entity's ability to generate cash flows. The time required to complete this critical work should not be underestimated. Alternatively, if the CSSB retains the currently proposed January 1, 2025 effective date, then the transition relief for each of CSDS 1 (beyond climate-related risks and opportunities) and CSDS 2 (Scope 3) should be extended by an additional year, respectively, to permit this work to take place.

Timing of reporting (proposed paragraphs 64-69 of CSDS 1)

Currently Barrick releases its annual audited financial statements and Management Discussion & Analysis ("MD&A") in February and its annual Sustainability Report by June. This timing reflects the reality that many aspects of Barrick's Sustainability Report can only be verified and assured following the publication of Barrick's audited financial statements. Barrick does, however, include preliminary sustainability disclosure within our annual MD&A in February of each year on critical topics such as corporate governance for sustainability matters, Barrick's sustainability scorecard and links to executive compensation, Barrick's contributions to our host countries and communities, human rights, progress on Barrick's climate and water targets (including our greenhouse gas ("GHG") emissions, and health and safety performance, with the caveat that the sustainability-related information and metrics have not received final assurance and are therefore subject to change.

We would also note that much of the sustainability information required by the Drafts is not updated and/or available on a frequency that aligns with the timing of Barrick's annual financial reporting (for example climate resiliency assessments) and may be disclosed separately from the annual disclosures (on the entity's website or in a separate climate report, for example). In addition, as discussed in further detail in Barrick's July 29, 2022 comment letter to the ISSB, not all information that is deemed material from a sustainability perspective will have a material financial impact (and vice versa), and therefore we do not believe it is critical for sustainability disclosures to be made at the same time or as an integrated report. Forcing these disclosures to be made concurrently risks compromising the quality of the sustainability disclosures and requiring disclosure in an integrated fashion risks burdening users of financial statements with information they do not deem material and/or relevant to their decision making.

We believe that Barrick's approach of disclosing financial and sustainability-related information in the first half of the year is an acceptable approach that achieves the same objective as concurrent disclosure. It also allows reporting entities to safeguard the quality of their disclosures while working within the very real constraints of limited assurance skills and resources currently available to the market.

Part 3: Proposed CSDS 2, Climate-related Disclosures Climate resilience (proposed paragraph 22 of CSDS 2)

Further to our transition relief comments in Part 2, scenario and resilience analyses are risk assessments, which are inherently subjective, lengthy and onerous to prepare and do not ensure comparability across disclosures, entities or industries. Comparability is a key element in the usability of these disclosures by investors and other users. The inability to compare this information is further highlighted in CSDS 2 (Appendix B (Application Guidance) paragraph B16) which itself acknowledges that this is an evolving field and that methodologies, circumstances and exposure will change over time.

Further, given the number of assumptions that relate to scenario analysis with respect to climate resilience, we query whether the proposed disclosure requirements will place a burden on companies to continually re-evaluate past disclosures and correct prior scenarios as information and evaluation techniques become more refined without a corresponding benefit to its investors or other users. How far does a company need to go in defining and updating the myriad of different scenarios and related variables and climate assumptions?

A reasoned approach to defining these scenarios is necessary and we believe that further guidance should be provided to clarify that corrections to prior scenario analyses are only required when considered material to the evaluation of enterprise value. It also needs to be made clear in the standards that these scenario analyses will change over time (and very frequently at first) and that restatement of disclosures should not be required every time they are updated.

Given all of the uncertainty relating to scenario analyses, we question the level of detail the Drafts would require at this stage. Additionally, given the disclosures would require inclusion of financial impacts, we suggest the requirement for scenario analysis be removed until there are more objective methodologies available to determine the potential financial impact.

Additionally, we request clarity from the CSSB as to whether scenario analyses are required for non-climate sustainability risks given they are referenced in CSDS 1 as well.

Scope 3 GHG emissions (proposed paragraph C4 of CSDS 2)

Barrick recognises the need to disclose its Scope 3 related emissions and Barrick has been in a process of developing and collecting metrics and data from its value chain necessary to support these disclosures since 2022 as detailed in our Sustainability Reports. However, during this process we have identified a number of significant challenges posed by Scope 3 emissions disclosure particularly as it relates to (1) obtaining reliable and complete information from our value chain and (2) receiving this information in a consistent and timely manner.

It must be noted that Scope 3 emissions are not designed to be comparable between companies, let alone industries. In our own experience, based on the multitude of acceptable methodologies across all Scope 3 emission categories, Scope 3 emissions are not even comparable within a company on a year-on-year basis. In our view, this inherent incomparability of Scope 3 emissions disclosure is not consistent with the objectives of the CSSB. This is reiterated in the International Council on Mining and Metals ("ICMM") Scope 3 guidance (page 7), published in September 2023:

> *What the guidance is not designed to do is allow for comparison of Scope 3 emissions in total or between categories for different companies or commodities. To do so would lead to misleading conclusions because no two companies' value chains are the same, due to several reasons including but not limited to distinctions in the unique geographic characteristics of different business operations, processes, extraction and transformation methodologies for specific commodities, different*

supplier selection priorities, diversity in customers and downstream activities, and respective sizes of each business.

The CSSB has already highlighted the measurement uncertainty (which is significant) inherent in Scope 3 emissions, and this uncertainty will increase exponentially when extrapolated further to determine potential financial impacts. This raises a question as to how useful this information will be for users of general purpose financial statements? Once this uncertainty and related assumptions are accounted for, we expect that Scope 3 emissions disclosure will be subject to such a wide margin of error that it may be of little practical value to users.

Furthermore, due to the "*undue cost or effort*" provisions in the CSSB standards, and given the significant burden and cost associated with obtaining Scope 3 emissions estimates from a company's value chain, this information is likely only to be disclosed by large corporations with the resources to overcome these obstacles. Paradoxically, the disclosure of Scope 3 emissions by large corporations could disproportionately impact them by impairing their ability to attract investment. Conversely, the lack of Scope 3 emissions disclosure by small corporations could harm them if they are unable to obtain and calculate this information and are accordingly excluded from investment on the basis of incomparable, imprecise and /or incomplete disclosure.

For these reasons we do not believe that a link should be made between financial materiality and Scope 3 greenhouse gas emissions estimates. Instead, Scope 3 emissions disclosures should be recognized for what they are: highly uncertain assessments of potential GHG emissions. The goals of the CSSB would be better served if large corporations instead focused on educating and strengthening the capacity of their value chains to determine and disclose their own Scope 1 and 2 GHG emissions.

Other Issues

Industry-Specific Metrics

We also support the approach taken by the CSSB to include industry-specific metrics as a core part of the standard, as well as to reference other frameworks and standards. This will increase the comparability of the disclosure within an industry. There are a number of frameworks on a variety of sustainability-related issues that are currently in use that could be utilized in lieu of adopting new standards. Such an approach has the dual benefit of improving consistency and comparability of disclosures among companies in the same or similar industries while also reducing the reporting burden on entities that would arise from complying with multiple reporting standards on the same sustainability-related topic. To reduce the burden on entities, we recommend the CSSB expand the sources of guidance in Appendix C of CSDS 1 to include relevant recognized, well-regarded, industry-specific standards. For the mining industry, relevant standards would include the ICMM's Global Industry Standard on Tailings Management, and the Water Reporting Good practice guide, among others.

Value chain assessments

We would like to reiterate our concern about the need for additional guidance on value chains. While we acknowledge that it is beyond the scope of these Drafts to provide industry specific guidance, the CSSB should provide more clear guidance on how companies should determine and describe the value chain analysed in their disclosures and provide specific allowances for the use of relevant industry specific standards. For example, as a gold mining company, our product, gold, is used in a myriad of industries and products, such as electronics, and is endlessly recyclable. Moreover, gold mining is largely a commodity business, and the downstream value chain is rarely tracked beyond the processing facility. Accordingly, the appropriate scope of our

value chain for analysis will differ greatly from other industries with more definite end uses and users. Guidance on value chains should also recognize that the availability of information required for reporting up and down the value chain is quite complex and will be difficult to reliably obtain within most annual reporting timeframes. By way of example, we note that "conflict mineral" reporting under U.S. disclosure rules (from which mining companies like Barrick are exempted) requires more narrowly focused information and still required a number of years before the information was reliably provided by manufacturers subject to those rules. And even then, annual "conflict mineral" reports are not required to be filed until May 31st, giving companies more time to gather and compile the data than is contemplated by the CSSB Drafts. We also note that an extended May 31st filing deadline already applies to Canadian companies submitting reports under the Extractive Sector Transparency Measures Act (ESTMA) and the Fighting Against Forced Labour and Child Labour in Supply Chains Act.

The value, accuracy and reliability of the sustainability-related information we provide to our investors and other users of our sustainability disclosure is of paramount importance. Our experience with Scope 3 emissions reporting has highlighted the challenges inherent in collecting data on the value chain that is meaningful to the users of our disclosure. Extending this value chain approach to aspects that are more complex, such as biodiversity, is likely to result in a significant amount of data that is generated for the purpose of disclosure but which lacks substance and may even distract from a company's core sustainability vision.

Financial vs Sustainability Materiality and Disclosure Boundaries

Currently the boundaries established for sustainability disclosure are often determined on the basis of operational control (as is the case at Barrick), while financial disclosures are determined by the IFRS Accounting Standards ("IFRS").

For this reason, information that may be material from a financial perspective may be excluded from sustainability disclosures where, for example, Barrick is a partner in a joint venture where it does not have operational control. Conversely, information that is not material from a financial perspective may be over-emphasized in sustainability disclosures where Barrick does have operational control. This reflects the reality that, as previously noted, not all information that is deemed to be material from a sustainability perspective will have a financial impact (and vice versa). Changing the boundaries for sustainability disclosures to align with the basis for financial statement disclosures will require substantial work including restatement of baselines and negotiation with joint venture partners regarding the assessments necessary to support those sustainability disclosures, all of which will further jeopardise an entity's ability to disclose accurate information to users within the CSSB's currently contemplated timeframes. Looking ahead to the future, when additional sustainability standards are likely to be developed on topics such as biodiversity, ecosystems, ecosystem services and human capital, we expect these challenges to be compounded particularly for topics that are not readily quantifiable or able to be allocated based on ownership share.

If you have any questions concerning our comments, please do not hesitate to contact us.

Regards,

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Lisa French, Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
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June 10, 2024

Re: Exposure Drafts - Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information; Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures; and Proposed Criteria for Modification Framework

Dear Ms. French,

We have read the above-mentioned Exposure Drafts that were issued in March 2024 and are pleased to have the opportunity to respond.

We strongly support the development of a set of sustainability disclosure standards that would be consistently applied across all types of entities throughout Canada. This position is consistent with BDO Global IFRS and Corporate Reporting's (BDO Global) view about the need for consistent global standards, as expressed in the BDO Global comment letters in response to the International Sustainability Standards Board's exposure drafts in 2022. We also agree with the premise that these standards would be voluntary until mandated by the appropriate regulators or authorities in Canada, but would serve to make available a consistent set of standards for these regulators and authorities to adopt. We note that a number of sustainability reporting initiatives are in different stages of progress or application, coming from various regulators and authorities in Canada. We encourage the CSSB to maintain ongoing open, flexible and transparent discussions with the regulators and authorities responsible for such mandates, such as the Canadian Securities Administrators, to minimize regulatory and reporting fragmentation and ensure that the adoption and implementation is practical and measured. This will reduce the risk of non-comparable, inconsistent information for investors and other users and the potential for significantly increased costs for preparers and assurance providers.

We believe that regulators and authorities will benefit from having the flexibility to determine the scope and time frame of adoption that is appropriate to the entities under their respective jurisdiction. This may include a narrower scope for some entities and/or a longer time horizon for adoption by other entities, sufficient to allow for preparation and resourcing, leading to a more robust adoption of the standards. For example, it may be appropriate for disclosures about particular climate-related matters to be prioritized, with a potential later effective date for other, broader climate or other sustainability disclosures.

The consistency of standards being used across sectors and industries throughout Canada is a highly desirable end state, and allowing the various regulators and authorities the flexibility to adopt the CSDSs on a scope and timeframe that meets the needs of users of information for the entities under their respective jurisdiction may be a viable pathway to achieving this goal.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

In line with the above, we generally agree with the approach to provide transition relief for disclosures within the proposed CSDSs. However, we strongly believe that careful consideration is needed to assess whether the effective dates proposed account for the volume of human, systems, expert, and education and support resources needed in Canada for the proposed timelines for adoption.

The above themes reflect our response to the proposed standards in general. Please also refer to Appendix A for detailed responses to certain of your specific questions.

Thank you for your consideration of the above-noted responses. We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me at 647-798-1331 or via email at ccross@bdo.ca.

Yours sincerely,

Craig Cross, CPA-CA
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BDO Canada LLP

Appendix A

1. CSSB Exposure Draft, Proposed CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information

1.1 Scope of proposed CSDS 1 (proposed paragraphs 1-4 of CSDS 1)

(a) *Do you agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is adequate? Please provide your reasons.*

Consistent with our cover letter we agree that a transition relief for disclosures beyond climate-related risks and opportunities of at least two years is required.

While we believe that the two year transition relief for disclosures beyond climate-related risks and opportunities is acceptable, we believe this relief should be reassessed once the disclosures for climate-related risks and opportunities is implemented. The initial implementation of climate-related risks and opportunities will provide insights into the capacity for entities to reasonably and robustly provide full disclosures on the proposed transition relief timeline. We also believe that careful consideration is needed to assess whether the various stakeholders, necessary experts and preparer resources are available to support the timelines for adoption. For example, preparers will need to be equipped with appropriate training, technical resources and illustrative examples to ensure they are ready for compliance in this new reporting regime. Similarly, experts such as environmental engineers, who's expertise may be required for metrics and reporting, would also need to have a thorough understanding of the reporting requirements and develop baseline standards of analysis and reporting to entities applying the CSDSs. Auditors and other assurance providers will also need sufficient time to understand the new requirements, train staff, and develop appropriate tools and procedures to ensure appropriateness of data for their own reporting. As such, a 'trial run' or 'soft-launch' period will likely be necessary for many preparers in order to facilitate a successful adoption and reporting under the CSDSs. Consistent with our cover letter, we believe that the requirements of regulators and authorities be encouraged to align with the requirements of the CSDSs. Such harmony will ensure successful and meaningful reporting across Canada and maximize the opportunity for consistency with global standards development.

1.2. Timing of reporting (proposed paragraphs 64-69 of CSDS 1)

(a) *Is any further relief or accommodation needed to align the timing of reporting? If yes, specify the nature of the relief or accommodation and provide the rationale behind it.*

Yes. We believe that the benefits of providing transitional relief for alignment of the timing of reporting outweighs the cost of not having integration of the timing of reporting of the financial statements and the sustainability disclosures. We acknowledge the potential benefit of integrated reporting and the ability to view an entity's operations and business practices more holistically. With the end user in mind, the financial statements together with the sustainability disclosures provides a more complete 'story' of the entity's business risk, opportunities and practices. Similarly, auditors and other assurance providers may be able to leverage their procedures, analysis and reporting when financial statements and sustainability reporting is done at the same time. The harmonization of this reporting will provide for better quality and more efficient reporting in the long run.

However, given the scope and scale of adoption of these new standards, we believe providing additional time for entities to report high quality and fulsome sustainability information is very important in the initial years of application. Consideration of at least one if not more years of timing relief should be undertaken to allow the disclosures under the CSDSs to be sufficiently robust rather than being ‘rushed’ to comply with a tight timeline in the formative years of application.

(b) *How critical is it for users that entities provide their sustainability-related financial disclosures at the same time as its related financial statement?*

Somewhat critical. Please refer to our response to the previous question.

1.3. Other Issues

Do you agree that the requirements in the following sections are appropriate for application in Canada? Please explain the rationale for your answer.

(a) *Scope*

Yes. While we are supportive of proposed CSDS 1 overall to achieve a consistently applied framework, we note that it would be voluntary until mandated by the appropriate regulators and authorities. We note that a number of sustainability reporting initiatives are in different stages of progress or application, coming from various regulators and authorities in Canada. We encourage the CSSB to maintain ongoing open, flexible and transparent discussions with the regulators and authorities responsible for such mandates, such as the Canadian Securities Administrators, to minimize regulatory and reporting fragmentation and ensure that the adoption and implementation is practical and measured. This will reduce the risk of non-comparable, inconsistent information for investors and other users and the potential for significantly increased costs for preparers and assurance providers.

(b) *Conceptual Foundations*

Yes. We have not identified any conditions or circumstances unique to Canada that would require amendments in the proposed standard from IFRS S1 to serve the Canadian public interest.

(c) *Core Content*

Yes. We have not identified any conditions or circumstances unique to Canada that would require amendments in the proposed standard from IFRS S1 to serve the Canadian public interest.

(d) *General Requirements*

Yes. We have not identified any conditions or circumstances unique to Canada that would require amendments in the proposed standard from IFRS S1to serve the Canadian public interest.

(e) *Judgements, Uncertainties, and Errors*

Yes. We have not identified any conditions or circumstances unique to Canada that would require amendments in the proposed standard from IFRS S1 to serve the Canadian public interest.

(f) Appendices A-E

Yes. We have not identified any conditions or circumstances unique to Canada that would require amendments in the proposed standard from IFRS S1 to serve the Canadian public interest.

2. Based on CSSB Exposure Draft, Proposed CSDS 2, Climate-related Disclosures

2.1 Climate resilience (proposed paragraph 22 of CSDS 2)

(a) Is transition relief required for climate resilience disclosure? If so, for how long and why?

Yes. Please also refer to our cover letter submitted in response to the CSSB Canadian Consultation on Adoption of CSDS 1 and CSDS 2 based on IFRS S1 and IFRS S2. We believe that the benefits to Canadian reporting entities from providing transitional relief for climate resilience disclosure will result in better quality and more efficient reporting in the long run. Given the challenges highlighted in the ED through scope and scale of adoption of these new standards, we believe providing additional time for entities to report high quality and fulsome sustainability information is very important in the initial years of application. Consideration of at least one if not more years of timing relief should be undertaken to allow the climate resilience disclosures to be sufficiently robust rather than being 'rushed' to comply with a tight timeline in the formative years of application.

2.2 Scope 3 GHG emissions (proposed paragraph C4 of CSDS 2)

(a) Is the proposed relief of up to two years after the entity applies proposed CSDS 2 adequate for an entity to develop skills, processes, and the required capacity to report its Scope 3 GHG emissions disclosures at the same time as the general-purpose financial reports? Please explain rationale.

No. We agree with providing transitional relief after the entity applies proposed CSDS 2 to report Scope 3 GHG emissions to allow sufficiently robust disclosures rather than being 'rushed' to comply with a tight timeline in the formative years of application. In this context, we have concerns that the two year relief period for adoption of Scope 3 GHG emissions disclosures may not be a sufficient timeframe.

We believe it may be challenging in the Canadian environment to obtain robust Scope 3 GHG 'value chain' information. In addition, given the challenges Canadian entities will face through scale of adoption of all requirements in these new standards, we believe providing additional time for entities to report high quality and fulsome Scope 3 GHG emissions information is more important in the initial years of application than presenting wider ranging but limited information. We also highlight that many Canadian entities operate in other jurisdictions, and in particular the United States of America (USA). We encourage the CSSB to consider implications on Canadian entities of adoption prior to the requirements of other key jurisdictions; for example, would costs of compliance with proposed Canadian reporting requirements result in potential for a competitive disadvantage to Canadian entities operating in USA.

(b) If you do not agree that two-year transition relief is sufficient, what relief period do you believe is required? Please provide your rationale for the timing you have provided.

We suggest additional transitional relief or potential indefinite deferral of mandatory reporting of Scope 3 GHG emissions disclosures should be considered to allow effective adoption after successful implementation by Canadian entities in the initial mandatory areas adopted.

2.3 Other Issues

Do you agree that the requirements in the following sections are appropriate for application in Canada? Please explain the rationale for your answer.

(a) Objective

Yes. We have not identified any conditions or circumstances unique to Canada that would require amendments in the proposed standard from IFRS S2 to serve the Canadian public interest.

(b) Scope

No. While we are supportive of proposed CSDS 2 overall to achieve a consistently applied framework, we note that it would be voluntary until mandated by the appropriate regulators and authorities. We note that a number of sustainability reporting initiatives are in different stages of progress or application, coming from various regulators and authorities in Canada. We encourage the CSSB to maintain ongoing open, flexible and transparent discussions with the regulators and authorities responsible for such mandates, such as the Canadian Securities Administrators, to minimize regulatory and reporting fragmentation and ensure that the adoption and implementation is practical and measured. This will reduce the risk of non-comparable, inconsistent information for investors and other users and the potential for significantly increased costs for preparers and assurance providers.

(c) Core Content

Yes. We have not identified any conditions or circumstances unique to Canada that would require amendments in the proposed standard from IFRS S2 to serve the Canadian public interest.

(d) Appendices A-C

Yes. We have not identified any conditions or circumstances unique to Canada that would require amendments in the proposed standard from IFRS S2 to serve the Canadian public interest.

3. Based on CSSB Consultation Paper, Proposed Criteria for Modification Framework

3.1 Do you agree with the CSSB's proposed criteria to assess modifications, namely additions, deletions, and amendments to the ISSB's global baseline standards? Please provide reasons.

Yes. Please also refer to our cover letter submitted in response to the CSSB Canadian Consultation on Adoption of CSDS 1 and CSDS 2 based on IFRS S1 and IFRS S2. We support the CSSB's proposed criteria for evaluating amendments to the ISSB's global baseline standards. These criteria will ensure that amendments are made for Canadian factors while ensuring to incorporate the ISSB standards to the fullest extent possible:

- Compliance with applicable Canadian laws and regulations,
- Consideration of jurisdictional disparities where Canada is impacted,
- Deliberate adjustments deemed essential by the Board to uphold the Canadian public interest and maintain the quality of sustainability disclosures within Canada.

> *3.2 Are there other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework?*

Yes. Consistent with our cover letter, we note that a number of sustainability reporting initiatives are in different stages of progress or application, coming from various regulators and authorities in Canada. We encourage the CSSB to maintain ongoing open, flexible and transparent discussions with the regulators and authorities responsible for such mandates, such as the Canadian Securities Administrators, to minimize regulatory and reporting fragmentation and ensure that the adoption and implementation is practical and measured. This will reduce the risk of non-comparable, inconsistent information for investors and other users and the potential for significantly increased costs for preparers and assurance providers.

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9 June 2024

Canadian Sustainability Standards Board

Re: Canadian Sustainability Disclosure Standards and the Proposed Criteria for Modification Framework

BHP (hereinafter "we," and "our") appreciates the opportunity to provide comments in response to the Canadian Sustainability Standards Board's ("CSSB") consultation paper on the proposed Canadian Sustainability Disclosure Standards ("CSDS") general approach and Proposed Criteria for Modification Framework. We have been an early supporter of sustainability and climate-related disclosures and commend the CSSB's commitment to implement standardised, internationally aligned requirements for disclosures in Canada.

We believe the move toward a globally consistent, practical and decision-useful sustainability-related disclosure regime, which seeks to meet increased demand for transparent and comparable disclosures from investors, will enable Canada to align with similar developments in international capital markets. We therefore support the CSSB's efforts to ensure maximum alignment of the CSDS with the International Sustainability Standards Board ("ISSB") disclosure standards released in June 2023. Similar to the CSSB, we believe this alignment at the jurisdiction-level with ISSB will benefit investors and support companies, such as BHP, that have placed sustainability performance and management at the forefront of their strategic agendas.

BHP's experience and engagement on sustainability-related disclosures

BHP is a global resources company producing some of the essential resources needed to support the global energy transition and responsible economic development, such as copper and nickel and in Canada we are moving into Potash. We strive to produce these resources responsibly, efficiently and ethically in line with our purpose is to bring people and resources together to build a better world. purpose is to bring people and resources together to build a better world.

As one of the world's leading mining companies, we are committed to playing our part to help accelerate the global pathways to decarbonisation. This includes increasing awareness of the vital role of the mining industry in providing essential commodities as building blocks for the renewable energy and other decarbonisation infrastructure required to enable a net zero greenhouse gas ("GHG") emissions future. BHP's Annual Report 2023 outlines our sustainability and climate change approach and our Climate Transition Action Plan 2021 outlines our approach to reducing GHG emissions and managing climate-related risks, including our climate change targets and goals, in detail.

As a long time Global Reporting Initiative reporter, we also began reporting in alignment with the Task Force on Climate-Related Financial Disclosures ("TCFD") framework in our Annual Report 2017, and were represented on the Task Force from its inception. Since then, we have voluntarily reported against numerous ESG-related standards and frameworks (see our 2023 ESG Standards and Databook) and have contributed to consultations on the development of proposals by the ISSB, the Australian Accounting Standards Board, and the United States Securities and Exchange Commission aimed at enhancing climate-related disclosures.

Supportive of standardised, internationally aligned sustainability-related disclosures

BHP supports the CSSB's move to ensure Canada remains aligned with international capital markets. We have voiced our support for international alignment in our recent submission to the Australian Treasury in relation to the Exposure Draft legislation to enact Australia's corporate climate-related financial disclosure requirements.

Further, while broadly supportive of the proposals, in our feedback to the ISSB's consultation in July 2022, we suggested a number of areas where additional guidance or definitions would contribute to consistent application and disclosure. Without guidance, varying disclosures may lead to misleading comparisons between entities, with consequential reduced consistency and usefulness to users. We encourage the CSSB to issue similar guidance to support any final requirements that deviate from the core ISSB Standards.

In addition, we also recommend that the CSSB incorporate a mechanism for periodic review to consider future alignment with other jurisdictions.

We have focused our feedback on the CSSB Consultation Paper in Appendix 1 on the practicality of implementation for multinational organisations and ongoing compliance.

Thank you for the opportunity to provide feedback.

Dr Fiona Wild

Group Sustainability and Climate Change Officer, BHP

Appendix 1 – BHP response to Consultation Paper

1. **Do you agree with the CSSB's proposed criteria to assess modifications, namely additions, deletions and amendments to the ISSB's global baseline standards? Please provide reasons.**

BHP supports, in principle, the proposed criteria to assess modifications. In the event the CSSB determines that requirements should be considered for modification, we encourage the CSSB to consider and clarify how the modifications will impact multinational entities reporting under differing regimes.

2. **Are there other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework?**

BHP considers the current criteria outlined in the Proposed Criteria for Modification Framework to be sufficient.

3. **Other comments**

Consideration and application of relief for multinational reporting entities

Noting a large portion of Canadian entities have overseas operations or investors and as a result will need to align to both the ISSB and other jurisdictional equivalent standards (such as those issued by AASB in Australia, as well as other jurisdictions which have recently made similar announcements including Singapore, Japan, New Zealand and Brazil), we recommend the CSSB consider providing appropriate relief for entities subject to multiple jurisdictional sustainability-related requirements. Such relief may include alignment of reporting periods and deadlines to existing financial-year reporting; express permission to cross-refer or re-purpose existing disclosures where equivalent; and/or express provision or exemption to report on a Group-wide basis where applicable.

Given the growing number of jurisdictions looking to align with their disclosure frameworks with the ISSB, it will be important to clarify the nature of any exemptions to be provided in circumstances where Canadian subsidiaries can rely on a sustainability report (or similar) where those Canadian subsidiaries are covered in a consolidated sustainability report (or similar) prepared by the foreign parent. Otherwise, it could result in duplication and significant costs to be incurred preparing a separate report for compliance with the Canadian regime specifically, and some information may not be readily available at the subsidiary level (e.g. regional transition plans or climate change-related targets and goals). Therefore, we recommend that clarification be provided on the ability to meet the CSDS though a report prepared in compliance with the requirements of the parent entity's home jurisdiction, provided such requirements are aligned with the ISSB standards. We note that a similar approach is proposed for Singapore, whereby large non-listed companies whose parent company publishes an ISSB-aligned sustainability report need not make such disclosures, as long as its activities are included in the parent company's report.

Applicability and adoption of the CSSB to Canadian and multinational entities

We acknowledge the CSSB does not hold the authority to mandate CSSB reporting for Canadian entities and this power lies with other regulatory bodies including the CSA. We also understand the CSA intends to adopt only those provisions within the proposed CSSB standards that are necessary to support climate-related disclosures. With this approach, there is a risk of misalignment with other jurisdictions that are adopting or have adopted ISSB-aligned standards which would impact the global

comparability of sustainability-related information as well as create additional reporting burdens and complexity for multinational entities.

In addition, as the CSA is relevant to public companies, a large proportion of Canadian entities would not be subject to reporting under the CSSB standards. Private entities, in particular large asset owners, have great potential for impact and influence given the capital and infrastructure they manage. Regulators in Canada should consider how to appropriately mandate the CSSB reporting obligations for large private entities, potentially through introducing monetary (turnover) or employee number thresholds for application to large entities.

Clarity on proposed timing to consult on and introduce changes

We note the CSSB's intention for the CSDS to apply from annual reporting periods commencing on or after January 1, 2025. This timing aligns with other jurisdictions, including Australia. Noting the current consultation is the first on the proposed CSDS, we encourage the CSSB to ensure sufficient timeframes are provided for any further consultation prior to the proposed commencement date. In addition, should any changes be made to the CSDS, or new standards be introduced over time, it is important sufficient timeframes are provided for meaningful consultation ahead of implementation. If circumstances require, the CSSB may wish to consider if deferral of commencement would be appropriate to allow entities to prepare fully for compliance.

May 22, 2024

Charles-Antoine St-Jean, Chair
Canadian Sustainability Standards Board

Re: Comment on CSSB Consultation on Proposed Canadian Sustainability Disclosure Standards

Dear Chair St-Jean,

Boston Trust Walden Company is an independent, employee-owned investment management firm with approximately $16.4 billion in assets under management.[1] Our firm has been integrating environmental, social, and governance (ESG) factors into investment decisions since 1975 — one of the longest track records of any institutional investment manager.

Simply stated, we seek to invest in enterprises with strong financial underpinnings, sustainable business models, prudent management practices, and a governance structure that supports these objectives. Consideration of ESG factors is part of our fiduciary duty to ensure client assets are invested in a set of securities well situated to produce attractive risk-adjusted returns over a long-term investment horizon.

Since 2017, Boston Trust Walden has served as a member of the Sustainable Accounting Standards Board (SASB) Investor Advisory Group (recently transitioned to the ISSB Investor Advisory Group) to support the development of a globally recognized framework for consistent, comparable, and reliable disclosure of financially material, decision-useful sustainability-related information. We are supportive of jurisdictional efforts to adopt disclosure requirements aligned with the IFRS Sustainability Disclosure Standards and welcome the opportunity to provide comment to the ongoing consultation.

With respect to the ongoing consultation by the Canadian Sustainability Standards Board, Boston Trust Walden would like to highlight the following key points for consideration.

- **We applaud the CSSB for substantially aligning the Exposure Drafts on Canadian Sustainability Disclosure Standards (proposed CSDS) with IFRS S1 & S2, save for certain minor extensions to the effective date and transition reliefs.** Access to consistent, comparable, and reliable information is critical to our ability to comprehensively incorporate ESG factors into investment decisions. While the growth in the absolute number of companies producing some form of sustainability reporting has been noteworthy, the quality of disclosure remains inconsistent and generally lacks decision-useful context that investors need to accurately price securities. By incorporating all requirements from IFRS S1 & S2 on a timeframe aligned with the interests of Canadian issuers, the proposed CSDS will deliver on the need for globally consistent sustainability disclosure standards that provide comparable and reliable sustainability information to the market.

  Boston Trust Walden supports — and actively encourages the CSSB to retain — the scope of the proposed CSDS S1 to include requirements for entities to disclose information related to a broader range of material sustainability-related risks and opportunities (beyond just climate). By focusing on all sustainability-related risks and opportunities likely to have a material impact on company performance, the proposed CSDS S1 will adequately tie to the financial

[1] AUM as of March 31, 2024, includes AUM of wholly owned subsidiary Boston Trust Walden Inc.

performance and outlook for the company the impacts it has on people and the planet, providing for a more robust assessment of enterprise value and the overall risk profile.

- **Maintaining faithfulness to IFRS S1 & S2 through the ongoing consultation is critical to enhancing investor access to timely, consistent, and comparable sustainability disclosures while reducing jurisdictional fragmentation and simplifying reporting obligations for issuers.** As a growing number of jurisdictions and regulators actively consider the adoption of sustainability disclosure standards based on IFRS S1 & S2, it is critical that the CSSB limit any substantial changes to the proposed CSDS to reduce the reporting burden for companies with cross-jurisdictional reporting requirements. For example, California's Climate-Related Financial Risk Act and Climate Corporate Data Accountability Act, the Basel Committee on Banking Supervision's proposed Pillar 3 disclosure framework for climate-related financial risks, and the Office of the Superintendent of Financial Institutions' (OSFI) update to Guideline B-15 are all grounded in the reporting requirements of IFRS S2. The ISSB has also published guidance to aid reporters in meeting disclosure requirements through the Corporate Sustainability Reporting Directive (CSRD).

  By maintaining faithfulness to IFRS S1 & S2, the proposed CSDS will strengthen the comparability of information for investors while also streamlining reporting requirements for preparers.

- **We support the proposal requiring that sustainability-related financial disclosures be provided at the same time as the financial statements to which they relate.** Given the scope of the proposed CSDS seeks only to include material sustainability-related financial information on significant sustainability-related risks and opportunities, we believe it is necessary that reporting occurs in parallel with traditional financial reporting. Doing so enables investors to integrate such information more readily and accurately within investment decision making.

  Investors and companies both need credible risk information to make prudent financial decisions. In practice, for both investors and reporters, it is challenging to integrate sustainability-related financial information into decision-making processes comprehensively and holistically without considering this information in tandem with financial statements. Moreover, requiring sustainability-related financial disclosures be provided alongside the financial statements enhances the likelihood of assurance, maximizing user trust and confidence in the information disclosed. Where a high degree of assurance is not feasible, such as with future events with uncertain outcomes, we find the guidance within Paragraphs 79-82 of CSDS S1 to be useful in aiding preparers.

  This requirement would resolve the siloed nature of corporate financial and sustainability-related reporting that exists today.

- **We support the inclusion of requirements for reporters to disclose information related to Scope 3 greenhouse gas emissions and climate resilience under varying warming scenarios.** Scope 3 emissions disclosure enables a robust evaluation of corporate transition plans, potential business model sensitivity to climate risk, and preparedness for a net zero emissions transition scenario. Companies increasingly recognize the critical importance of measuring these emissions. According to the Science-Based Targets Initiative, 90% of those companies with approved science-based targets include Scope 3 emissions in those goals.[2] Canadian market

[2] Labutong, Nicole, and Vincent Hoen. "How Can Companies Address Their Scope 3 Greenhouse Gas Emissions?" Science Based Targets (blog), May 25, 2018. https://sciencebasedtargets.org/blog/how-can-companies-address-their-scope-3-greenhouse-gas-emissions.

leaders across sectors, from Canadian National Rail to Restaurant Brands International to lululemon, are developing strategies for reducing Scope 3 emissions to reduce climate-related risk, meet mounting regulatory expectations, and address shifting consumer demands. To aid preparers, IFRS S2 provides substantial guidance for the measurement of Scope 3 emissions, including the use of estimates and assumptions, to ease the concerns related to measurement uncertainty and capacity challenges cited in the consultation brief.

Similarly, insight into how a company is evaluating and planning for climate resilience is extremely valuable for long-term investors seeking to ensure client assets are invested in a set of securities well situated to minimize risk and produce sustainable returns. This information helps in our evaluation of issuer transition risk management and preparedness to meet shifting consumer and regulatory demands. In recent years we have observed tremendous growth in the proficiency of third-party consultants to perform these types of analyses for corporations, mitigating the concerns cited in the consultation brief.

As an asset manager integrating sustainability-related information into investment decision-making since 1975, we are greatly encouraged by the prospects of the IFRS Sustainability Disclosure Standards to improve the consistency, comparability, reliability, and decision-usefulness of sustainability disclosures globally. These aims will only be fulfilled if individual jurisdictions adopt the requirements of the IFRS Standards in full, prioritizing any use of temporary reliefs over the omission or certain disclosure requirements.

Sincerely,

Amy D. Augustine
Director of ESG Investing

Jared Fernandez
Senior ESG Analyst & Manager, Proxy Voting

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June 9, 2024

Ms. Lisa French, Vice President Sustainability Standards
Canadian Sustainability Standards Board (CSSB)
277 Wellington Street West
Toronto, Ontario
M5V 3H2

Delivered via email to LFrench@frascanada.ca

Dear Ms. French,

Re: Consultation on CSSB Exposure Drafts

British Columbia Investment Management Corporation (BCI) is an investment manager with over CAD $233 billion in assets under management, and one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 725,000 people in our province, including university and college instructors, teachers, health care workers, firefighters, police officers, municipal and other public sector workers. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will deliver strong and stable financial returns.

As a long time supporter of the Sustainability Accounting Standards Board (SASB), and subsequently the International Sustainability Standards Board (ISSB), BCI welcomes the opportunity to provide feedback on the CSSB's first Exposure Drafts on Canadian Sustainability Disclosure Standards (CSDS). This development is a significant milestone in the establishment of a global baseline of climate and sustainability-related financial disclosures for the capital markets in Canada.

Global alignment of sustainability-related financial disclosures

As a large institutional investor, with a globally diversified portfolio, BCI strongly believes in the benefit of globally consistent, comparable, and reliable sustainability-related financial disclosures. This information is crucial to support investment decision making and allows investors to confidently assess and manage associated risk exposure. BCI believes the best way to achieve the desired global baseline across jurisdictions is through full alignment with the ISSB's standards. These standards, IFRS S1 and S2 specifically, build on existing and broadly accepted frameworks and standards, such as the Task Force for Climate-Related Financial Disclosures (TCFD) recommendations and the SASB industry-specific standards.

The IFRS standards have been endorsed by the International Organization of Securities Commissions (IOSCO) enhancing the prospect of global consistency, and success hinges upon the extent to which global jurisdictions adopt the standards as they are. Deviations from both the climate and sustainability standards, such as carve-outs, introduce the likelihood of reduced comparability and increase the burden and cost on issuers. We note that the ISSB's approach includes the phasing in of requirements which allow companies time to prepare for the new requirements.

With that view, we are pleased to see the close alignment between the ISSB standards and the proposed standards from the CSSB. Aside from additional transition reliefs, CSDS 1 and CSDS 2 have left the ISSB standards largely intact. BCI believes that this is the appropriate approach, and it is preferable to extend reasonable reliefs rather than limiting the scope of the standards.

We note the proposed CSDS would become voluntarily effective for annual reporting periods beginning on or after January 1, 2025, until the Canadian Securities Administrator (CSA) determines whether and how the CSDS will be incorporated into a CSA rule. While we see the benefit of voluntary application of CSDS until such time the standards are incorporated into the Canadian regulatory framework in that it allows Canadian preparers to ensure their readiness for mandatory reporting, we are cautious about future modifications, specifically modifications that reduce or leave items out of the scope of the standard.

Specifically, we do not think that carve outs for Scope 3, scenario analysis, and non-climate related disclosures should be contemplated during this period. BCI believes in, and is advocating for, the full and complete adoption of the global baseline in all jurisdictions, including Canada. This is a future-proof approach that will ensure Canadian issuers meet global investors' expectations and reduce costs and disruptions associated with ongoing regulatory consultations when expansion of the rules is contemplated.

We have reviewed the two exposure drafts and the Proposed Criteria for Modification Framework; our comments on the CSSB's specific questions and focus areas are below.

Criteria for Modification Framework

We agree with proposed paragraphs 1(a) and 1(b). Regarding paragraph 2, we support the ISSB's "building block" approach, which allows for additions to the global baseline and limits modifications or deletions (as per IFRS S1 BC78). Therefore, we recommend that the CSSB consider **only** additions to the ISSB baseline when unique circumstances arise in the Canadian public interest, such as addressing the rights of Indigenous Peoples. We believe this approach would best serve the ISSB's objective of achieving interoperability across jurisdictions.

Transition Reliefs

1. *Effective Date:* BCI believes the additional time afforded to Canadian issuers (January 1, 2025, vs. January 1, 2024) for CSDS 1 and CSDS 2 compliance is reasonable.
2. *Non-Climate Disclosure Relief:* BCI does not believe that an additional two years is needed to allow Canadian issuers to prepare to disclose material sustainability related information and

therefore, recommend only one-year of transition relief, as per the IFRS S1 standard. Where sustainability-related factors are material, they have the potential to present material financial impacts to companies' performance and is important information for boards and investors. Arguably, companies should already be collecting and disclosing the information prescribed in CSDS S1. The IFRS Foundation monitors the extent to which companies are using the SASB standards and according to this data, 60% of the S&P/TSX Composite is already utilizing these standards. This number has doubled since 2020 so if the CSSB and the securities regulators deviate from the global baseline, as a market, we risk losing significant momentum and not providing global investors with what they expect.

While we recognize that meeting the standards is more of a challenge for smaller issuers, the fact that CSDS 1 requires disclosure of only industry-specific standards provides helpful proportionality to guide preparers. Ongoing omission or delay in implementing CSDS 1 could impair the information derived from Canadian issuers as compared with the global baseline and place Canadian companies at a disadvantage to foreign entities that are reporting all material sustainability information.

Investors have consistently expressed our need to receive consistent sustainability-related information on an industry specific basis. This need was clearly demonstrated in 2020, when the CEOs of Canadas's eight largest pension plans and pension plan investment managers **publicly expressed** their expectation that companies measure and disclose their performance on material, **industry-relevant** ESG factors by leveraging the SASB standards and the TCFD recommendations.

3. *Scope 3 GHG Emissions Relief:* BCI is open to this relief, in principle, to give issuers additional time to prepare and to give securities regulators an opportunity to determine the most appropriate safe harbour provisions for this data. BCI recognizes the complexity and many assumptions required to report this data. However, we agree with the statements made by the CSSB about the significance of Scope 3 emissions in most entities total GHG emissions inventory and how critical this information is for understanding an entities exposure to climate-related risks and opportunities in the value chain. By taking steps to track, disclose and ultimately reduce Scope 3 emissions, Canadian issuers can provide evidence of transition risk management to investors. It can also help companies prioritize emission reduction strategies, encourage product innovation, and identify leaders and laggards in their value chain.

   While we share the concerns from preparers about potential uncertainty of Scope 3 GHG emissions measurement and challenges related to capacity, the proposed CSDS 2, consistent with IFRS S2, requires that entities use "reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort". We believe this proportionality allows entities to reduce the reporting burden of disclosing Scope 3 GHG emissions.

   In addition, we would note that according to Bloomberg data, over 50% of the S&P/TSX Composite is already disclosing Scope 3 emissions data. This disclosure is helpful for investors to

understand where risk may lie in a company's value chain including transition and physical risk. Provided companies acknowledge their estimation methodologies and use established emissions factors, investors appreciate the indicative nature of this data.

4. *Timing:* As users and preparers of this information, we understand the challenges of aligning reporting of sustainability-related impacts with financial statements and are open to supporting additional transition reliefs on this matter. We emphasize that the end-state should be one of alignment with ISSB and concurrent reporting, and issuers should consider starting efforts to eventually report concurrently. The CSSB could support preparers with additional guidance and support on this important requirement.

5. *Climate Resilience/Scenario Analysis relief:* BCI recognizes the limitations of scenario analysis for comprehensively assessing climate resilience. We understand that scenarios are not forecasts and are largely deterministic, modelling discrete pathways and potential outcomes. Expertise and judgement are required to understand the idiosyncrasies in assumptions and structures and there are inconsistencies to deal with when data is not complete. The research and techniques continue to evolve.

   That being said, scenario analysis is a powerful tool that allows companies and boards of directors to examine and understand possible future pathways and outcomes. It is an important strategic activity and is viewed as a best practice tool for understanding risks and opportunities of climate change for investors. Regulators such as OSFI and the Bank of Canada are utilizing common climate scenarios and requiring institutions in their purview to do the same[1]. BCI believes a transition relief in this area could disadvantage Canadian issuers, relative to foreign entities who disclose this activity. A better approach would be to provide guidance or help issuers develop their capacity in this area.

   Investors can also appreciate that this strategic exercise is likely to be qualitative in nature, at least initially, and we do not encourage an overly prescriptive approach to disclosure in this area. Based on engagement with companies where scenario analysis is particularly material, the process itself is most valuable in generating discussion and reflecting on impacts to the business model.

Thank you again for the opportunity to opine on this extremely important endeavour. We appreciate the prompt attention that the CSSB is paying and quick release of these exposure drafts. We believe Canada can demonstrate leadership by adopting a fully IFRS-aligned approach to sustainability disclosure.

[1] In March 2024, the Office of the Superintendent of Financial Institutions (OSFI) has announced updates to its Guideline B-15: Climate Risk Management, mostly aligning the operations of federally regulated financial institutions with global sustainability standards, specifically IFRS S2

For any clarifications related to this submission please contact Susan Golyak, Director, ESG at **susan.golyak@bci.ca**

Sincerely,

Daniel Garant
EVP & Global Head, Public Markets

cc Susan Golyak, Director, ESG

June 10, 2024

Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Re: Canadian Sustainability Standards Board ("CSSB") Request for Comment – Proposed Canadian Sustainability Disclosure Standard 1: *General Requirements for Disclosure of Sustainability-related Financial Information*, Proposed Canadian Sustainability Disclosure Standard 2: Climate-related Disclosures, and Proposed Criteria for Modification Framework

We are writing in response to the CSSB's Request for Comment on Proposed Canadian Sustainability Disclosure Standard 1: *General Requirements for Disclosure of Sustainability-related Financial Information* ("**CSDS 1**"), Proposed Canadian Sustainability Disclosure Standard 2: *Climate-related Disclosures* ("**CSDS 2**"), and Proposed Criteria for Modification Framework (the "**Consultation Paper**").

Thank you for the opportunity to comment on CSDS 1, CSDS 2, and the Consultation Paper. We understand that the proposals are the result of lengthy review, debate, and discussion that resulted in the recommendation of incorporation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* in Canada to the fullest extent possible with some adjustments made for the Canadian context.

We understand that adherence to the standards ultimately adopted by the CSSB will be voluntary for Canadian issuers, and that such standards will not, on their own, create reporting requirements. The Canadian Securities Administrators (the "**CSA**"), however, will consider the CSSB standards in developing new climate-related reporting requirements for Canadian issuers, and will undoubtedly incorporate the standards partially or fully into such reporting requirements; as such, our comments contemplate various parts of the CSSB standards eventually becoming Canadian requirements. Regardless of the interaction between the CSSB and CSA, we do believe most of our comments are relevant whether the reporting regime is mandatory or voluntary.

Basis for BD&P Comments

Burnet, Duckworth and Palmer LLP is a Calgary-based law firm that advises clients across a variety of industries and sectors, with many being heavily involved in the energy industry. We work with and advise clients ranging from small private companies to large public companies and those in between. We currently represent over 50 public companies listed on the Toronto Stock Exchange and the TSX Venture Exchange, with many of our clients also listed on U.S. stock exchanges and other international stock exchanges. In addition to our other areas of practice, we have significant expertise in both private and public company mergers and acquisitions, corporate finance, corporate governance, continuous disclosure, corporate and securities litigation and general securities law.

Summary of our Response

We recognize that the CSSB is looking for responses to specific questions; however, we have instead provided general comments with respect to the proposed new reporting requirements. We do agree that there needs to be a disclosure regime established in Canada for climate-related disclosures to ensure consistency of disclosure for the benefit of both issuers and investors; however, we also believe that some alterations to the regime proposed

by CSDS 1 and CSDS 2 are warranted. The following provides a summary of the topics covered by our response, which are all somewhat inter-related:

- Comparability to the United States is more important for Canadian issuers than comparability to other jurisdictions. As such, alignment of the Canadian climate and sustainability disclosure requirements to the U.S. Climate Disclosure Rules (as defined below) should be an important consideration for the CSSB.
- There should be appropriate transition periods for applicability of the new disclosure rules for all issuers and there should be longer transition periods for smaller issuers.
- Not all public companies will have the resources to comply with the new disclosure regime nor will investors in such companies be interested in enhanced disclosure relating to climate and sustainability. There should not be a one-size-fits-all approach to climate and sustainability disclosure requirements.
- Scope 3 greenhouse gas emissions ("**Scope 3**") disclosure and scenario analysis will be highly varied and inherently unreliable. In addition, preparing such disclosure will be time consuming and costly. As such, disclosure of Scope 3 and scenario analysis should not be mandated in Canada.

In addition to the above considerations, the CSSB should consider the impact the new rules will have on some recent trends in the Canadian market including waning productivity and the significant reduction in the number of public companies. In adopting any new requirements, careful consideration should be given to whether the proposed benefits of the new requirements justify the costs associated with the extra regulatory burden for Canadian public companies of compliance with such new requirements.

Comparability to the U.S. is the Most Relevant Consideration

We recognize the difficulty in developing disclosure standards relating to climate given the strong views on both sides of the debate about how stringent the disclosure standards should be. This is especially evident given the recent challenges the United States Securities and Exchange Commission (the "**SEC**") faced when it issued its final rules requiring U.S. registrants to provide climate-related disclosures (the "**U.S. Climate Disclosure Rules**"). As soon as the SEC published the U.S. Climate Disclosure Rules, a number of legal challenges were brought forth which ultimately resulted in the SEC voluntarily staying the implementation of the U.S. Climate Disclosure Rules until such legal challenges are resolved.

The United States is Canada's most important trading partner and also the jurisdiction with which we compete most heavily for both human and investment capital. For Canadian businesses and our capital markets to remain competitive with the United States, we need securities legislation that provides similar protections to U.S. securities legislation and a disclosure regime that provides for comparability with U.S. companies. It is equally important that the Canadian regime is recognized as being business friendly and does not place significant burdens on companies wishing to do business in Canada.

We recognize that through CSDS 1 and CSDS 2 the CSSB is recommending adopting IFRS 1 and IFRS 2 largely unchanged and that these standards have been adopted in other foreign jurisdictions; however, CSDS 1 and CSDS 2 impose significantly more burdensome disclosure requirements than the disclosure requirements set out in the U.S. Climate Disclosure Rules. We believe that compliance with CSDS 1 and CSDS 2 will require significantly more costs and management resources than the costs and resources required for U.S. companies to comply with the U.S. Climate Disclosure Rules. This ultimately could result in Canadian companies being less competitive than their U.S. peers. This is especially true given the significantly larger market size in the U.S. than in Canada.

We also do not believe having more onerous disclosure requirements in Canada will result in investors choosing to invest in Canadian companies over U.S. companies. Although an argument could be made that investors are seeking additional transparency, ultimately in a choice between an investment in a U.S. company with less burdensome regulatory requirements operating in a larger market versus a Canadian company with more burdensome regulatory requirements operating in a smaller market, an investor will choose the U.S. company regardless of whether the Canadian company has more fulsome climate and sustainability disclosure than the U.S. company.

It is equally important that the Canadian disclosure regime does not significantly lag behind the U.S. disclosure regime because investors need to have comparability between companies in the two jurisdictions. We believe the CSA has historically done a good job in aligning the Canadian regime with the U.S. regime while also recognizing the differences between the types of issuers in the two jurisdictions. In some cases the CSA has appropriately recognized that the securities regulation in Canada cannot be as burdensome as the U.S. regime due to the fact that Canadian issuers are generally significantly smaller in size with less resources than their U.S. peers.

While we recognize that the implementation of the U.S. Climate Disclosure Rules is currently paused pending the outcome of the various legal challenges, we do believe that the SEC has struck an appropriate balance in establishing the U.S. Climate Disclosure Rules. In particular, we note the following key aspects of the U.S. Climate Disclosure Rules:

- There is no requirement to estimate and disclose Scope 3 emissions.
- There is no requirement to prepare and disclose scenario analyses (unless the issuer uses a scenario analysis internally to assess its business in the context of climate-related risks).
- The SEC has adopted reasonable timelines for application of the new rules.
- The U.S. Climate Disclosure Rules bifurcate the application and timelines of the new disclosure rules amongst large accelerated files, accelerated filers and non-accelerated filers.

Ultimately, beyond the importance of comparability to the U.S. market, we believe the SEC struck the right balance in ensuring there are appropriate standards in place for consistency of disclosure among issuers, while recognizing that mandating certain types of disclosure may be burdensome for issuers, provide little benefit to investors and go beyond its mandate as a securities regulator. As discussed above, the CSSB and the CSA should adopt a regime that is no more burdensome than the U.S. Climate Disclosure Rules and it may in fact be appropriate to adopt less stringent requirements in Canada given the generally smaller size of Canadian issuers relative to their U.S. peers.

Proposed Timelines for Implementation of New Reporting Requirements

Many of the CSSB's specific questions relate to the timing for implementation of the new reporting requirements, and where transition relief may be appropriate. We believe what is considered reasonable will vary from one issuer to another, based on issuer size, industry and sector, and access to resources, among other factors. We believe a 'one-size-fits-all' model where the new requirements would apply to all subject issuers on the same timeline is inappropriate.

As noted above, we do believe the timelines adopted in the U.S. Climate Disclosure Rules are reasonable and appropriate and, depending on the timing for implementation of the Canadian rules, similar timelines could be adopted in Canada. The U.S. Climate Disclosure Rules differentiate the transition periods between large accelerated filers, accelerated filers and other issuers. In addition, even for large accelerated filers the required disclosures related to Scope 1 and Scope 2 greenhouse gas emissions (and certain other required disclosures)

would not be required until financial years beginning after January 1, 2026. The CSSB and CSA should consider adopting similar transition rules as the SEC has adopted in the U.S. Climate Disclosure Rules, while making appropriate adjustments for the Canadian market and the timing for implementation of the new rules.

Proposed Applicability of New Reporting Requirements

As drafted, the proposed CSDS 1 and CSDS 2 would have the same disclosure requirements for all subject issuers. It is our opinion that this would unfairly prejudice certain issuers, particularly those that are smaller, less established and have more limited access to capital and resources. Larger and more established issuers generally have greater resources to dedicate to climate and sustainability-related initiatives and their investors are generally looking for more transparency relating to the impact of their operations on the climate and the environment. Many smaller and less established issuers may not have resources to dedicate to such initiatives and generally their investors are more interested in the growth and development of the company and not as interested in detailed disclosure relating to climate and environment.

We once again note that the U.S. Climate Disclosure Rules have appropriately bifurcated the applicability of such rules based on the size of the issuer. Large accelerated filers will (following 2026) be required to provide all disclosures required under the U.S. Climate Disclosure Rules. Accelerated filers will also be required to provide all disclosures required under the U.S. Climate Disclosure Rules but will have a longer transition period. Non-accelerated filers will be required to provide some of the disclosure required under the U.S. Climate Disclosure Rules but will never be required to provide Scope 1 and Scope 2 greenhouse gas emission disclosures. We believe a similar approach would be appropriate in Canada.

The applicability of the disclosure requirements should be based on issuer size and not necessarily the exchange on which the issuer is listed on. For instance, similar to the United States, the full suite of Canadian climate disclosure rules could apply to only the largest of issuers listed on the senior exchanges such as the Toronto Stock Exchange with smaller issuers listed on the senior exchanges having a longer transition period and potentially slightly less onerous requirements. Canadian companies listed on the junior exchanges (such as the TSX Venture Exchange) should have much less onerous requirements with no requirement to disclose their greenhouse gas emissions.

Bifurcating the rules in such a manner would still satisfy the requirements of large institutional investors who are looking for greater transparency but who also do not generally invest in smaller issuers especially ones listed on the junior exchanges. In addition, this would allow junior companies an opportunity to establish and grow their businesses without being subject to onerous disclosure requirements with which they do not have the resources to comply. Junior issuers that are successful will likely begin providing more fulsome climate disclosure and transition to senior exchanges as they begin seeking more interest from sophisticated investors. This is also analogous to the approach that the CSA has taken with many of the other disclosure rules and obligations under Canadian securities legislation.

Proposed Scenario Analysis and Scope 3 Disclosure Requirements

Scenario analysis and Scope 3 disclosure are each problematic for distinct reasons, which are discussed in turn below, however they are also inherently problematic for some of the same reasons. As further discussed below, conducting scenario analysis and calculating estimates of Scope 3 emissions will be costly, resource intensive, highly variable among issuers and inherently unreliable. Ultimately, it is questionable whether the benefit of providing scenario analysis and Scope 3 disclosure outweighs the steep cost to issuers of conducting the requisite due diligence and preparing such disclosure, particularly for smaller and less established issuers.

Proposed Scenario Analysis Requirement

As drafted, CSDS 2 would require issuers to use scenario analysis to assess their climate resilience. Scenario analysis involves theorizing about scenarios, variables and other inputs, including providing information that is qualitative or quantitative and is obtained from external sources or developed internally. Scenario analysis is complex and inherently highly hypothetical. Most small and intermediate companies, which represent a large percentage of the public companies in Canada, will not have the internal resources necessary to prepare such scenario analyses and outsourcing the preparation of such resources could add significant general and administrative cost burdens for such companies, which could have a significant impact on the financial performance of such companies.

In addition, providing such disclosure is contrary to the fundamental principles relating to the disclosure of forward-looking information in Canadian securities legislation. In accordance with Canadian securities legislation, an issuer must only disclose forward-looking information if it has a reasonable basis for such forward-looking information.[1] In addition, where forward-looking information constitutes future-oriented financial information or a financial outlook, such information must be limited to a period for which the information can be reasonably estimated.[2] In addition, a company and its directors and officers are liable for misrepresentations in forward-looking information unless they can prove that they had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.[3]

The impacts of climate change on the environment, the economy, specific industries and specific businesses are far from settled with many experts having vastly different views. It is unreasonable for regulations to be imposed on issuers, who generally do not have any expertise in these fields, that require them to prepare and/or disclose a scenario of the impacts of climate change on their industry and business. In addition, even if the CSA incorporates safe-harbour rules protecting issuers from liability relating to scenario analyses disclosure, given the existing vastly different views it is unlikely that scenario analyses will provide comparability amongst issuers or useful information for investors.

Proposed Scope 3 Disclosure Requirement

As drafted, CSDS 2 would require issuers to include Scope 3 disclosure. In order to calculate such emissions, entities would be required to consider their entire value chain (upstream and downstream) and all 15 categories of Scope 3, as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). Unlike Scope 1 and 2 greenhouse gas emissions, which are within the control of a company, Scope 3 disclosure will require companies to gather information from a wide variety of third-party sources. There is no guarantee that the information that companies will need to rely upon will be available and if available, will be accurate. Due to the inherent uncertainty in estimating Scope 3, the disclosure will be highly variable between different companies and inherently unreliable. Requiring companies to disclose this information will place a significant liability burden on public companies. In addition, given the high variability and unreliability of this information, it is questionable whether there will be any value to disclosure of this type of information.

In addition, many smaller issuers will not have the internal resources to conduct the detailed analysis required to estimate and disclose Scope 3 emissions. While smaller issuers may be able to hire outside consultants to

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[1] Section 4A.2 of National Instrument 51-102 – *Continuous Disclosure Requirements* ("**NI 51-102**").
[2] Section 4B.2 of NI 51-102.
[3] Subsections 205.1(1)(b) and 211.04(9)(b) of the *Securities Act* (Alberta) and Subsections 132.1(1)2 and 138.4(9)2 of the *Securities Act* (Ontario).

assist with preparation of such estimates and disclosure, the costs of doing so may place a financial burden on such companies, which may have a detrimental impact on the financial performance of such companies.

This process of estimating Scope 3 emissions is especially complicated for oil and gas companies, as they have no control or visibility as to the end users of their product. Once oil and natural gas production is delivered into a pipeline, most upstream oil and gas companies (other than some major integrated oil and gas companies with upstream and downstream assets) have no control or visibility into who uses the product or for what purpose. Oil and natural gas can be used for a myriad of different purposes each with a different emission profile. While emissions from oil and natural gas products are relevant to the industry as a whole and investors who choose to invest in the industry, such emissions are not relevant on a company-by-company basis, as there is very little differentiation between the products each company produces and how those products are used.

We recognize that some companies will choose to disclose their Scope 3 emissions regardless of whether there are requirements to do so or not and as such having an established framework and methodology for estimating and disclosing Scope 3 emissions is of value to such issuers; however, the disclosure of Scope 3 emissions should be completely voluntary.

Additional Considerations

Ultimately the focus of the CSSB, and eventually the CSA when it determines what rules to adopt in relation to the CSSB's recommendations, should be on ensuring that Canada has an appropriate disclosure regime that fosters a fair and efficient capital market. The CSSB and the CSA should not be focused on regulating climate and the environment, which are not within the mandate of either of the CSSB or the CSA. In reviewing comments on the proposed regime from institutional and other investors who are supportive of the regime, consideration should be given to whether such comments are based on ideological views related to climate change or a legitimate need for such information for making investment decisions.

In addition, we also believe it is important for the CSSB and the CSA to consider the impact that the new proposed rules will have on some disturbing recent trends we have seen in Canada including the significant decline in productivity and the significant reduction in the number of Canadian public companies.

As noted by Carolyn Rogers of the Bank of Canada in her remarks on March 26, 2024 to the Halifax Partnership, Canadian productivity relative to the United States and almost all other G7 countries has continued to decline over recent years.[4] While productivity is a complicated problem with a variety of contributing factors that are not within the power of the CSSB or CSA to fix, as Ms. Rogers notes "[i]mproving productivity in Canada needs to be a priority for everyone…". As such the CSSB and CSA should consider the impacts that the new proposed sustainability and climate disclosure rules will have on Canada's productivity challenges. The new proposed rules essentially amount to a new regulatory burden on Canadian public companies, so careful consideration needs to be given whether the benefits outweigh the costs of such rules including the potential negative impact on productivity.

Over a number of years, we have seen a decline in the number of publicly listed operating companies especially in the oil and gas industry. While there are a number of reasons for the decline in public companies, from our own experience a number of our clients have chosen to remain private due to the costs and burdens of complying with the public company disclosure regime. We do believe that the adoption of CSDS 1 and CSDS 2 as currently proposed will result in more companies choosing to remain private, as they will not want (or be able) to dedicate the resources to complying with the new regime.

[4] https://www.bankofcanada.ca/2024/03/time-to-break-the-glass-fixing-canadas-productivity-problem/

Conclusion

We recognize the difficulty in developing such standards given the strong views on both sides of the debate about how stringent the disclosure standards should be, and we appreciate the opportunity to comment on CSDS 1, CSDS 2, and the Consultation Paper. As noted in this letter, we believe that the CSSB and the CSA should look to adopt rules that are analogous to the U.S. Climate Disclosure Rules, while making appropriate adjustments for the Canadian market. The Canadian rules should strive to balance the needs for transparency and consistency in climate-related disclosure with the burden that any such news rules will place on Canadian public companies.

If you have any questions on our comments or if we can clarify or expand on any of them, please feel free to contact Ted Brown, Lindsay Cox or Mardi McNaughton of our office.

Yours very truly,

BURNET, DUCKWORTH & PALMER LLP

signed "*Burnet, Duckworth & Palmer LLP*"

Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board (CSSB)
277 Wellington St W
Toronto, Ontario
M5V 3H2
Submitted via FRAS Canada Internet Portal

Blaine Johnson
President, C.O. Johnson & Sons Ranches Ltd.
Box 90
Scandia, AB
T0J 2Z0
June 5, 2024

Feedback on CSSB CSDS 1 (Sustainability) and CSDS 2 (Climate-related) Financial Disclosures

Dear Chair St-Jean,
Thank you for the opportunity to provide stakeholder comment on this proposed standard.

We are a ranching company that has been operating in the Scandia Alberta area since 1920, and have a long history of maintaining our land to a very high standard.

We strongly disagree with the objective and entire rationale of the Canadian Sustainability Disclosure Standards – General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1) and Climate-related Disclosures (CSDS 2). This is another layer of expense that will be added throughout the value chain, with little gain for larger companies, investors, or consumers. As a matter of principle, these standards violate the core of a free enterprise and free-market system that Canada is supposed to embody because they skew the playing field and distort investor decision-making.

The requirement of Scope 3 emissions in CSDS 2 will trickle down to all companies and operations. This is a costly and complicated undertaking to try to figure out all the emissions in all that a business does, especially in the field of agriculture. Furthermore, there is no credit system for the good work that many landowners are already doing. We could be carbon neutral or carbon positive and this is not considered. Scope 3 emissions accounting requires at this point means that there will be multiple counting of the same emissions and Scope 3 emissions accounting must be optional.

The use of the WRI Aqueduct tool is a problem because it was never designed for this purpose. Investors will likely believe that the Aqueduct information has pulled together and analysed local and regional data to provide a reliable assessment. But the WRI offers a disclaimer on the tool and states itself that “Aqueduct remains primarily a prioritization tool and should be

augmented by local and regional deep dives."1 For the 29 industries that Aqueduct is used, it is a binary question asking whether or not an operation is taking place in or is sourcing ingredients or livestock from areas of high to extreme-high water stress. This binary choice does not provide adequate and decision useful information for investors and actually could undermine investor decision-making, meaning Albertan livestock – because of the Aqueduct tool – could very well be disqualified from purchase by large processors or purchasers that are publicly listed. One of the water metrics only asks for absolute water drawn and doesn't differentiate between fresh or brackish water. Given these severe but little-known limitations of the Aqueduct program and its data, and the unfair treatment between different industries within the SASB standards, we request that the Industry-based Guidance be optional.

Canada needs to align with our USCMA trading partners, not the European Union, as the US is our main trading partner, at 78 % of our exports goes there. The US is not looking at implementing all these standards, so this will put us at a competitive disadvantage. The US is not having a mandatory Scope 3 or water risk assessment. It appears Mexico is not considering any climate-related financial disclosures. Mexican manufacturers and food producers will not have this added financial or regulatory burden, which will put Canadian food producers at a competitive disadvantage. The standards being considered in Canada at the moment are so significantly different from what the US and Mexico are doing. You will see more starving people in Canada as food will become much more unaffordable for many.

Please accept and seriously consider our above suggestions.

Sincerely,

Blaine Johnson

Blaine Johnson

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June 10, 2024

Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board (CSSB)
277 Wellington St W
Toronto, Ontario
M5V 3H2

Dear Chair St-Jean,

Subject: Feedback on CSSB Canadian Sustainability Disclosure Standards 1 & 2

On behalf of Calfrac Well Services Ltd. ("Calfrac"), we appreciate the opportunity to provide feedback on the proposed modifications to the IFRS Sustainability Disclosure Standards as they pertain to Canada.

Calfrac provides specialized oilfield services to exploration and production companies designed to increase the production of hydrocarbons from wells with operations focused throughout North America and Argentina. With approximately 1.2 million horsepower, Calfrac is the largest Canadian-headquartered pressure pumping company with values dedicated to safety, quality, and service. Consistent with these values, Calfrac is committed to transparent financial reporting and enhancing the sustainability of its business for all stakeholders. Minimizing the impacts of our business has been at the core of Calfrac's 25-year operating history, and we are making investments and allocating resources to mature our organization's management and disclosure of sustainability risks and opportunities, with a priority on climate-related matters. We have recently engaged outside ESG advisors, invested in ESG-specific reporting tools, commenced a fleet modernization plan to improve the operational- and emissions-performance of our equipment fleet and set up a Scope 1 and 2 GHG data collection and calculation process in anticipation of future GHG reporting.

We have carefully reviewed the CSSB's proposed modifications to the IFRS Sustainability Standards and wish to express our concerns on several areas, all of which will add significant costs to Canadian industry participants and harm competitiveness compared to our primary trading partners.

The similarities of CSDS 1 and 2 to the original IFRS S1 and S2 demonstrate that the unique characteristics of Canada's primary industries and stakeholders were not prioritized adequately in the development of these proposed standards.

Specifically, we would like to highlight the following areas of concern, which address both the elements for which the CSSB has requested feedback, and additional issues:

- **Logistical burden:** The proposed standards place significant logistical and cost burdens on Canadian businesses, especially for, but not limited to, small-cap issuers who typically lack the

personnel and financial resources to meet the standards as currently proposed. Additional consideration needs to be given around ways to lessen the reporting burden on all companies who are resource constrained.

- **Inherent challenges with Scope 3 reporting:** Given the complexity and breadth of Scope 3 reporting and the lack of standardized methodology for boundaries, collection, and measurement, the inclusion of Scope 3 emissions should be removed from the proposed standards or made a voluntary inclusion. Without detailed cross-sectoral alignment on who tracks which emissions, there is significant risk of duplicate counting on emissions resulting in an unfair an inaccurate assessment of true emissions. This issue is further compounded by differences in approaches between the Greenhouse Gas Protocol (the primary standard promoted by CSDS 2) and other relevant methodologies, such as Alberta's *Technology Innovation and Emissions Reduction (TIER)* system. We believe that focusing limited issuer resources on developing accurate and uniform Scope 1 and 2 reporting should be the heart of CSSB's GHG reporting efforts for the foreseeable future.

- **Feasibility of aligning the release of sustainability reports with financial statements:** The alignment of sustainability and financial reporting should be removed, at least in the initial years, to ensure consistency and accuracy of both reports, as well to minimize the burden on organizations that are already resource constrained at the annual reporting cycle.

- **Climate Scenario Analysis:** The benefit of climate scenario analysis remains unclear, and the methodology for such analysis is still evolving. Further, the proposed requirement will impose undo cost on companies and, in Calfrac's case, risks making us uncompetitive against our peers from the United States and Argentina where this costly analysis is not required. This applies not only to competition for customer engagements, but also access to capital. Climate scenario analysis can range from $100,000 to $400,000 depending on the extent of the analysis. This is simply not affordable for our capital-intensive business, particularly when its accuracy and benefit is unknown. The uncertainty of scenario analysis is magnified in businesses such as oilfield services where a significant number of externalities affect a company's performance and forecasting beyond a twelve-month period is unreliable. Layering climate-scenario analysis on top of an already volatile forecasting process is not practical or likely to provide any tangible benefit to stakeholders. Scenario analysis should be eliminated or alternatively made voluntary.

- **Simultaneous effective date of CSDS 1 and CSDS 2:** The CSSB's proposed extension for disclosure beyond climate-related risks does not negate the challenge of initiating CSDS 1 and CSDS 2, concurrently. To ease this challenge, the effective date of CSDS 1 and 2 should be staggered, allowing for best practices to be developed which should facilitate the adoption rate and increase the quality, consistency and integrity of the data and disclosure for users of general-purpose financial reports.

- **Lack of cost-benefit analysis for Canadian implementation:** The lack of a proper cost-benefit analysis on implementation of the proposed standards in Canada is a significant oversight by the CSSB. Before an implementation date can be set a full analysis needs to be completed on the financial cost for Canadian companies to produce the intended disclosures relative to the benefits to be obtained.

- **Unequal treatment of industries:** Overburdening a selection of industries and creating allowances for others goes against the core intention of creating disclosure standards and will deter compliance. Concerns around the fairness of the industry-based guidance from the Sustainability Accounting Standards Board, specifically the fair treatment of the hydrocarbon industry, needs to be addressed by the CSSB.

- **Requirement for Permanent Safe Harbour:** Currently, measurement and methodology for emissions data and scenario analysis are limited and variable. This often means that business owners will be required to use estimates. This inherent inaccuracy and uncertainty disincentivizes voluntarily disclosures given the growth of climate-related litigation. To encourage widespread adoption of sustainability reporting in the face of the growing litigation risk, Canada should provide safe harbour for statements concerning emissions estimates, climate scenario analysis and transition plans that are made in good faith and based on reasonable diligence.

Should you wish for further clarification on any of the points highlighted above or other areas relating to Calfrac's work around sustainability reporting, please contact me at your convenience.

In conclusion, we believe that the standards proposed by the CSSB would unfairly burden different industries, place an unfeasible cost on companies seeking to comply and would tangibly damage Canada's competitiveness relative to our closest trading partners. The importance of these issues is magnified given the Canadian Security Administrators intend to use these standards as the basis for future mandatory reporting requirements. We urge the CSSB to fully address these concerns before moving forward with the proposed implementation of CSDS 1 and 2. This delay and further work to consult with industry and significantly amend the proposals will be critical to getting compliance of these standards by issuers and to yielding the quality disclosures desired by users of general-purpose financial statements.

For twenty-five years, Calfrac has been a significant employer and contributor to the Alberta and Canadian economies. We are proud to be an international company headquartered in Calgary, Alberta, but we are concerned about the competitive impacts these standards could have on Calfrac and the oil and gas industry, as well as the desirability of doing business or investing in Canada. Thank you for considering our feedback on this important matter.

Sincerely,

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June 10, 2024

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Re: Cameco Corporation survey responses on the Canadian Sustainability Standards Board Exposure Drafts

Dear Ms. Fashesin,

Cameco Corporation (Cameco) has prepared the attached survey responses and recommendations as part of the Canadian Sustainability Standards Board (CSSB) open consultation on the proposed Canadian Sustainability Disclosure Standards (CSDS) general sustainability-related disclosure (CSDS 1) and climate-related disclosure (CSDS 2) exposure drafts.

Cameco is one of the largest global providers of uranium fuel needed to energize a clean air world. Our competitive position is based on our controlling ownership of the world's largest high-grade uranium reserves and low-cost mining operations, as well as significant investments across the nuclear fuel cycle, including ownership interests in Westinghouse Electric Company and Global Laser Enrichment. Utilities around the world rely on Cameco to provide global nuclear fuel solutions for the generation of safe, reliable, carbon-free nuclear power that is critical to support a net-zero economy by 2050. At Cameco, we are guided by four key values that establish a framework for everything we do: Safety and Environment; People; Integrity; and, Excellence. As the foundation of our culture, these values, and their aligning value statements, define who we are as a company and are at the core of everything we do, helping to embed sustainability principles and practices as we execute on our strategy in pursuit of our vision – energizing a clean air world.

Since Cameco was formed in 1988, we have worked in close collaboration with northern Saskatchewan communities, the majority of which are Indigenous. We believe that Indigenous Peoples and local communities should benefit from resource development on or near their communities or traditional lands, through employment, training, business opportunities, community investment, and environmental stewardship. We regularly work with more than 17 Indigenous communities around our northern Saskatchewan mining and milling operations and are supported by our community liaisons in seven communities.

Cameco is also recognized as the largest industrial employer of Indigenous people in Canada. More than half of the workforce at Cameco' s operations in northern Saskatchewan are of First Nation or Metis heritage. In 2022, more than 80% of the services required to operate Cameco's northern operations were contracted from Indigenous-owned companies based in Saskatchewan's north. Since 2004, Cameco has procured approximately $4.22 billion in services from Indigenous companies.

We are committed to transparency and hold ourselves accountable for quality reporting on sustainability matters to our providers of capital, customers, employees, regulators, local Indigenous Peoples, communities around our operations, and other stakeholders. For over 15 years, we have disclosed our sustainability performance through an extensive range of environment, safety, social, economic, and governance indicators. As part of our effort to continually evolve the robustness of our sustainability and climate-related commitments and communications, we generally align our performance indicators and metrics with those recommended by the Sustainability Accounting Standards Board (SASB) and the Taskforce on Climate-related Financial Disclosures (TCFD).

In recent years, we have actively participated in open consultations held by the International Sustainability Standards Board (ISSB) on the IFRS S1 and IFRS S2, future agenda priorities and internationalization methodology. Cameco's participation in these processes has been both direct and through various industry associations, such as the Mining Association of Canada (MAC) and the World Nuclear Association (WNA). Throughout these consultations, our feedback has supported the intention of ISSB to consolidate the many existing sustainability and climate-related reporting frameworks, standards, and approaches to reduce resource burden for reporters and improve performance comparability for users of this information. We have also advocated for the importance of maintaining a technology agnostic approach where standards seek information on energy generation sources, because at times, nuclear energy appears to receive a biased position when compared to other low-emissions sources, such as solar or wind power. This position runs contrary to science-based positions on nuclear energy from the Intergovernmental Panel on Climate Change and the International Energy Agency on the potential paths to achieving a net-zero economy by 2050.

Cameco recognizes the effort the CSSB is undertaking to support the uptake of globally recognized and Canadian context appropriate sustainability and climate-related disclosure standards based on those first published by ISSB. Cameco has prepared the following feedback related to CSDS 1 and CSDS 2. As well, Cameco would also like to state our support for the consultation feedback provided to CSSB by MAC in the letter June 10, 2024.

1. Materiality

Cameco generally supports the CSSB's use of individual organizational financial materiality thresholds to determine reported sustainability and climate-related risk and opportunity topics. This approach ensures we have the flexibility required to maintain strategic focus on the topics that are most impactful to us and the Canadian context in which we operate.

2. Timing of Reporting

Cameco strongly discourages the proposed required alignment of timing for sustainability and climate-related information reporting with annual regulatory financial reporting. In our organization, various sustainability data inputs for the previous year, such as final municipal water and power utility bills, grid emissions intensity factors, and National Pollutant Release Inventory (NPRI) data are not available until late Q1 annually. If required to align the timing of sustainability reporting with financial reporting, then organizations like Cameco, will be forced to use estimates when publishing information. We do not believe data estimates are appropriate for sustainability or climate-related information because no generally accepted practices for estimating sustainability-related data values or application of accuracy standards exist today. Further, not all users of this information will have the resources required to "re-examine" sustainability metrics that change after initial estimate publication creating the opportunity for multiple versions of the same metric being used to evaluate performance and guide decision making. Sustainability information is gathered by various ESG rating agencies, customers, and investors, then inputted into models to support decision making. This should be completed with accurate and final data to avoid misleading outcomes, or we risk negatively impacting trust in this information, immediately reducing the value of the intended CSSB and ISSB standards.

3. Scope 3 Emissions

We believe that Scope 3 emissions should remain a voluntary reporting metric until consistent global methodologies are agreed on and in wide use, increased data availability for Scope 1 and 2 emissions is achieved to improve the reliability of Scope 3 emissions information, and issues related to emissions double counting are resolved. Furthermore, given the United States Securities and Exchange Commission (US SEC) does not require Scope 3 reporting for climate-related disclosure, we would recommend that the CSSB consider keeping Canadian climate-related reporting requirements harmonized with those in the US, our closest trading partner and where many organizations are dual-listed.

4. Climate Resilience

Cameco agrees with feedback noted by CSSB, as received by ISSB related to IFRS S2, regarding the high level of resources, new technical skills, and enhanced analytic capacity required to complete scenario analyses by organizations in Canada. Scenario analysis work is resource and time intensive. For instance, Cameco has been working to complete a physical climate risk assessment for all owned and operated facilities since 2022 and we are targeting completing this work by year-end 2026. Therefore, Cameco recommends that disclosure related to climate resilience and the use of scenario analyses be delayed at least an additional year through a new transition relief.

Furthermore, Cameco recommends reporting requirements related to scenario analysis remain qualitative in nature, allowing for flexibility in implementation based on the degree of exposure to physical and transition-related climate risks and opportunities and the skills and capacity of each organization. The recommended approach remains in alignment with the original guidance from the TCFD and existing reporting requirements as part of the MAC Towards Sustainable Mining Climate Change Protocol.

Cameco takes issue with CSDS 2 statement B7, regarding the extractives and mineral processing industry and CSSB's position that this industry has sufficiently available skills, capabilities, and resources to comply with the proposed requirements given "scenario analysis is established practice". Although scenario analysis regarding climate-related physical and transition risks and opportunities has become more common in our industry in recent years, this growth in maturity is the result of significant investments in internal resource time across multiple departments and often expensive third-party technical expertise and guidance. The increased quantitative depth and breadth of analyses and public reporting sought by CSDS 2 will pose yet another significant challenge to many organizations in this space regardless of previous efforts. CSSB should be cautious when making assumptions about the availability of skills, capabilities, and resources within other industries to satisfy increasingly onerous sustainability reporting requirements.

In closing, Cameco appreciates the opportunity to provide feedback on the CSSB CSDS1 and CSDS 2 exposure draft consultation. We welcome future dialogue with CSSB for any clarification or discussion on these comments and recommendations.

Sincerely,

R. Liam Mooney
Vice President
Safety, Health, Environment, Quality & Regulatory Relations
Cameco Corporation

May 28, 2024

VIA ONLINE PORTAL AND EMAIL

Lisa French
Vice-President, Sustainability Standards
Sustainability Standards Board
277 Wellington Street West Toronto, Ontario M5V 3H2

Re: Consultation Paper on CSSB Standards (the "Consultation")

The Canadian Advocacy Council of CFA Societies Canada[1] (the "CAC") appreciates the opportunity to provide the following general comments on the Consultation and respond to the specific questions posed below. We are supportive of the CSSB's intent to continue to consult on climate and sustainability disclosures in Canada, with a particular focus on how the disclosures meet the needs of investors.

Criteria for additions to, deletions from, or other amendments of IFRS Sustainability Disclosure Standards

The CSSB recognizes the benefits of global standardization of sustainability disclosure standards to the Canadian public interest and therefore, supports the incorporation of IFRS Sustainability Disclosure Standards in [Canadian standards] to the fullest extent possible. The Board also recognizes that there may be circumstances where amendments are required in the Canadian public interest. The following sets out criteria for the circumstances in which the Board would make amendments to the IFRS Sustainability Disclosure Standards in setting Canadian standards based on them:

1. *Subject to paragraph 2 below, the CSSB will generally limit additions to, deletions from, or other amendments to an IFRS Sustainability Disclosure Standard to the following:*

[1] The CAC is an advocacy council for CFA Societies Canada, representing the 12 CFA Institute Member Societies across Canada and over 21,000 Canadian CFA charterholders. The council includes investment professionals across Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada. Visit www.cfacanada.org to access the advocacy work of the CAC.

As the global association of investment professionals, CFA Institute sets the standard for professional excellence and credentials. The organization is a champion of ethical behavior in investment markets and serves as the leading source of learning and research for the investment industry. CFA Institute believes in fostering an environment where investors' interests come first, markets function at their best, and economies grow. Spanning nearly 200,000 charterholders worldwide across 160 markets, CFA Institute has 10 offices and 160 local societies. Find us at www.cfainstitute.org or follow us on LinkedIn and X at @CFAInstitute.

(a) Requirements or guidance, the application of which are not permitted by, or require addition, deletion or amendment to be consistent with, applicable Canadian law or regulation.

(b) Requirements or guidance, where the ISSB recognizes that different provisions or practices may apply in different jurisdictions and Canada is such a jurisdiction.

2. The CSSB may make additions, deletions and/or amendments to IFRS Sustainability Disclosure Standards with respect to requirements or guidance beyond those described in paragraph 1 above (including effective dates and transition periods) where it believes such additions, deletions or amendments are required to serve the Canadian public interest and maintain the quality of sustainability disclosure in Canada.

CAC response:

While we are in agreement with the above criteria, in particular since it provides the opportunity to address Canadaspecific issues such as the connectivity between our natural resources/extractive sectors and Indigenous rights and title, we feel that there are certain limiting thresholds / guardrails that should be put in place should the CSSB decide to diverge from the IFRS Sustainability Disclosure Standards.

These guardrails are important for Canadian issuers to remain competitive on an international basis and to ensure cross-jurisdictional comparability and interoperability between the CSSB standards and IFRS Sustainability Disclosure Standards. We believe there are serious risks to orphaning Canadian issuers from international investors and sources of capital should Canadian disclosure requirements not meet the needs of comparability with other jurisdictions' disclosures.

These guardrails should take the form of guiding principles and objective tests that should form a documented process and litmus test for any potential deviation from the IFRS Sustainability Disclosure Standards. This should include specific qualifying criteria to justify any departure from the IFRS Sustainability Disclosure Standards in Canadian standards. The criteria and justification for any changes should be clear and unambiguous, rather than simply relying on the fact that Canada is a different jurisdiction.

In addition, we generally believe that any changes to the IFRS Sustainability Disclosure Standards should be additive and not subtractive to the established international baseline, i.e. the IFRS Sustainability Disclosure Standards should not be diluted. CSSB should in our view look to add additional standards and requirements where required, but should not delete requirements from the IFRS Sustainability Disclosure Standards in creating Canadian standards.

Ensuring there is a solid governance process and procedures as part of the CSSB's due process for any additional requirements or deviations from the IFRS Sustainability Disclosure Standards, including how the criteria are determined, applied and tested, is

also key to maintaining the integrity of the CSDS requirements and obtaining local and international buy in.

Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information

Paragraph in IFRS S1	Paragraph in proposed CSDS 1	Rationale
Effective date		
E1 An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact and apply IFRS S2 *Climate-related Disclosures* at the same time.	E1 An entity shall apply this standard for annual reporting periods beginning on or after January 1, ~~2024~~2025. Earlier application is permitted. If an entity applies this standard earlier, it shall disclose that fact and apply CSDS 2 *Climate-related Disclosures* at the same time.	The effective date has been extended by one year due to the expected timing of CSDS 1's issuance. However, Canada's regulators and legislators will determine whether CSDSs should be mandated, and if so, who will need to apply the standards and over what time frame.

CAC response:

E1: The CAC acknowledges that since the standards have not been released yet, extending the effective date by one year from that required by the IFRS Sustainability Disclosure Standards is practical and acceptable, though cautions against further delays.

Transition		
E5 In the first annual reporting period in which an entity applies this Standard, the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements in this Standard only insofar as they relate to the disclosure of information on climate-related risks and opportunities. If an entity uses this transition relief, it shall disclose that fact.	E5 In the first two annual reporting periods in which an entity applies this draft standard, the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with CSDS 2) and consequently apply the requirements in this standard only insofar as they relate to the disclosure of information on climate-related risks and opportunities. If an entity uses this transition relief, it shall disclose that fact.	The transition relief for disclosures beyond climate-related risks and opportunities has been extended by one year to allow entities in Canada more time to prepare for adoption. **Illustration:** Assuming a calendar year end, if an entity applies the standard for the first time in the reporting period beginning on January 1, 2025, the entity will be required to disclose information on all sustainability-related risks and opportunities from the reporting period beginning on January 1, 2027.

CAC response:

E5: The CAC recognizes the need for entities to adequately prepare. However, since the standards will be voluntary in Canada at this time, the CAC does not see a need for an additional year of transition relief for disclosures beyond climate. Delay could have the perverse effect of discouraging entities that are already in a strong position to commence disclosure, and in any event, the timing for any mandatory adherence to the standards will be determined by regulators upon their adoption, and likely come at later implementation dates than considered here. Furthermore, considering that the CSSB standards will lag behind the IFRS Sustainability Disclosure Standards by one year, granting another year of relief will not benefit Canadian issuers from an international competitiveness perspective, particularly for those who will be prepared to disclose.

E6 If an entity uses the transition relief in paragraph E5: (a) in the first annual reporting period in which the entity applies this Standard, it is not required to disclose comparative information about its climate-related risks and opportunities (see paragraph E3); and (b) in the second annual reporting period in which the entity applies this Standard, it is not required to disclose comparative information about its sustainability-related risks and opportunities, other than its climate-related risks and opportunities.	E6 If an entity uses the transition relief in paragraph E5: (b) in the ~~second~~ <u>third</u> annual reporting period in which the entity applies this draft standard, it is not required to disclose comparative information about its sustainability-related risks and opportunities, other than its climate-related risks and opportunities.	Paragraph E6 has been revised to align with the modification made to paragraph E5. **Illustration:** Assuming a calendar year end, if an entity applies the standard for the first time in the reporting period beginning on January 1, 2025, and applies the relief in E5, to delay reporting about its sustainability-related risks and opportunities (other than disclosure of information on only climate-related risks and opportunities), it will be required to disclose comparative information on all sustainability-related risks and opportunities from the reporting period beginning on January 1, 2028.

CAC response:

E6: No comments.

Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures

Paragraph in IFRS S2	Paragraph in proposed CSDS 2	Rationale
Effective date		
C1 An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact and apply IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* at the same time.	C1 An entity shall apply this standard for annual reporting periods beginning on or after January 1, ~~2024~~ 2025. Earlier application is permitted. If an entity applies this standard earlier, it shall disclose that fact and apply CSDS 1, *General Requirements for Disclosure of Sustainability-related Financial Information*, at the same time.	The effective date has been extended by one year due to the expected timing of CSDS 2's issuance. However, Canada's regulators and legislators will determine whether CSDSs should be mandated, and if so, who will need to apply the standards and over what time frame.

CAC response:

C1: While the CAC acknowledges the rationale behind extending the effective date by one year due to the unreleased standards and agree with this compromise, we would like to emphasize that climate risk and other material sustainability or ESG risks are fundamental for sound risk management by investors, and the voluntary nature of these standards prior to legislative or regulatory mandate should not preclude or in any way dissuade issuers who are ready to make additional disclosures consistent with this standard from making those disclosures at the earliest opportunity. Issuers' dissemination of this information to the market at the earliest opportunity is crucial for Canada and its issuers to remain competitive with peers and keep pace with the rest of the global market. While we understand the rationale for the delay, the current lack of legislative or regulatory mandating of these standards does not necessarily demand codified delays, and would encourage the CSSB to craft standards and timelines that encourage issuers that are ready to report at the earliest opportunity, as we believe this would create important signaling for other issuers that are still preparing their disclosures and supporting processes.

Transition		
C4 In the first annual reporting period in which an entity applies this Standard, the entity is permitted to use one or both of these reliefs:	C4 ~~In the first annual reporting period in which an entity applies this Standard, the~~ An entity is permitted to use one or both of these reliefs:	(a) Language has been modified to align with modifications made to C4.
(a) if, in the annual reporting period immediately preceding the date of initial application of this Standard, the entity used a method for measuring its greenhouse gas emissions other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), the entity is permitted to continue using that other method; and	(a) if, in the annual reporting period immediately preceding the date of initial application of this standard, an ~~the~~ entity used a method for measuring its greenhouse gas emissions other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), the entity is permitted to continue using that other method in the first annual reporting period in which an entity applies this standard; and	
(b) an entity is not required to disclose its Scope 3 greenhouse gas emissions (see paragraph 29(a)) which includes, if the entity participates in asset management, commercial banking or insurance activities, the additional information about its financed emissions (see paragraph 29(a)(vi)(2) and paragraphs B58–B63).	(b) in the first two annual reporting periods in which an entity applies this standard, ~~an~~ the entity is not required to disclose its Scope 3 greenhouse gas emissions (see paragraph 29(a)) which includes, if the entity participates in asset management, commercial banking or insurance activities, the additional information about its financed emissions (see paragraph 29(a)(vi)(2) and paragraphs B58-B63).	(b) The transition relief has been extended for disclosure of Scope 3 greenhouse gas (GHG) emissions by one additional year to allow entities in Canada more time to prepare for adoption. **Illustration**: Assuming a calendar year end, if an entity applies the standard for the first time in the reporting period beginning on January 1, 2025, it will be required to disclose its Scope 3 GHG emissions from the reporting period beginning on January 1, 2027.

CAC response:

C4: The CAC recognizes the need for entities to adequately prepare for scope 3 emissions disclosures. However, since the standards are already delayed by one year as compared to IFRS Sustainability Disclosure Standards (see item C1), and since the standards are also voluntary at this time, the CAC does not see a need for an additional year of codified transition relief for scope 3 disclosures in the standards. For issuers that choose not to adopt scope 3 emissions disclosures at this voluntary stage for the standards, explanation as to their rationale should be encouraged or required as a secondary (but noted as an inferior) disclosure.

Conclusion

We thank you for the opportunity to provide these comments and would be happy to address any questions you may have. Please feel free to contact us at cac@cfacanada.org on this or any other issue in future.

(Signed) *The Canadian Advocacy Council of CFA Societies Canada*

The Canadian Advocacy Council of
CFA Societies Canada

Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board (CSSB)
277 Wellington St W
Toronto, Ontario
M5V 3H2

Submitted through FRAS Canada Internet Portal

Mike Doyle
CAGC
6806 Railway Street SE
Calgary, AB
T2H 3A8

May 27, 2024

Feedback on CSSB CSDS 1 (Sustainability) and CSDS 2 (Climate-related) Financial Disclosures

Dear Chair St-Jean,

Thank you for receiving stakeholder comments

We are the Canadian Association of Geophysical Contractors (CAGC) operating in Canada. The CAGC represents the business community of the seismic sector within the Canadian Resources Industry. The seismic sector directly supports numerous industries across Canada, including oil and gas, potash, hydrogen, helium, lithium, geothermal, waste injection, carbon capture, utilization and storage, and mining. The sector is an important part of the Canadian resource industry that affects the lives of every Canadian and contributes $120 billion per year to the national economy.

We strongly disagree with the objective and entire rationale of the Canadian Sustainability Disclosure Standards – General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1) and Climate-related Disclosures (CSDS 2). This constitutes an additional expense that will be incorporated throughout the value chain, including smaller operations (SMEs), with minimal benefits for larger enterprises, investors, or consumers.

Additionally, as a matter of principle, these standards contravene the heart of a free enterprise and free-market system that Canada is supposed to embody by skewing the playing field and distorting investor decision-making.

We are disappointed that the CSSB did not take seriously and incorporate any of the many critical comments and suggestions from the Canadian submissions during its nine-month deliberation of the ISSB S1 and S2 disclosures. This is evident from the fact that CSDS 1 and CSDS 2 are essentially a “cut and paste” version of the ISSB S1 and S2 standards.

There needs to be some kind of reconsideration of the breadth of requirements, and the seemingly one-size-fits-all approach, in order to lower the cost of compliance, particularly for SMEs, who are not adequately represented on the CSSB. This can be achieved through the following recommendations:

- **Scope 3 emissions accounting should be voluntary.** The capacity and methodology for obtaining, calculating, assessing, and assuring Scope 3 emissions data is still in its infancy. It is costly and our other trading partners are not mandating it, neither should we.
- **Climate Scenario Analysis should be voluntary.** It has not yet been demonstrated that climate scenario analysis is actually helpful or beneficial to an entity and the methodology is still evolving. Climate scenario analysis is also a very costly exercise that ranges from $100,000 to $400,000

depending on the detail of analysis. The US, Mexico, and China do not mandate climate scenario analysis, therefore, neither should Canada.

- A **permanent safe harbour** for Scope 2 and 3 emissions data, scenario analysis, internal carbon price, projections, and targets and goals ought to be included. In order to limit potential liability and litigation, other jurisdictions like Australia and the US provide a safe harbour for statements
- **Industry-based Guidance should be voluntary.** These standards are intended to provide clarity but the structure of the Industry-based Guidance does not reflect fairness across the different industries. Wind projects do not have to report on or account for the elements of their construction that are most emissions intensive, while oil and gas exploration and production companies must account for the emissions in their reserves.[1] This is inequitable therefore, the mandatory requirement for using this Industry-based Guidance should be removed and its use should be optional.
- **The use of the WRI Aqueduct tool should be voluntary.** Within the Industry-based Guidance the use of the WRI Aqueduct tool is mandated in 29 different industries. The Aqueduct tool was never designed for this purpose. Investors will likely believe that the Aqueduct information has pulled together and analysed local and regional data to provide a reliable assessment. But the WRI has a disclaimer on the Aqueduct tool that says it was created as a prioritization tool and not for local or regional assessment.[2] This metric could provide misleading information for investors, therefore, the mandatory use of the WRI Aqueduct tool and the binary requirement of reporting baseline water stress data should be removed from the standards.
- **Net emissions need to be mandated alongside absolute or gross emissions.** There is a need for double column accounting to clearly illustrate net emissions in relation to absolute emissions and overall national net-zero targets.
- **All of the above and more within the standards, including their complexity, add up to significant costs of compliance.** In trying to figure out how much all of this will cost to be compliant, we were pointed to the Australian government's cost impact analysis for their ISSB-based disclosure standards.[3] Converted into Canadian dollars, for publicly listed companies with at least 100 employees and $45 million in annual turnover, the average initial transitional cost of compliance is about $1.1 million (Cdn) with annual recurring costs of $641,000 (Cdn). That is money that could otherwise go to improving products and services or paying profits to investors. That money is lost from the company; it is not an investment in the company, but rather it goes towards climate consulting firms – all of whom, by the way, seem to be cheering the standards for obvious reasons.
- **The standards need to be modified to prevent the competitive disadvantage for Canadian entities in the current iteration.** Canada ought to be more in alignment with our CUSMA trading partners than others in the international community with whom we conduct very little trade. Perhaps the decision to have sustainability and climate-related financial disclosures ought to be discussed with our trading partners to ensure comparability, alignment, and fair competition.

Just to emphasize the last point: These standards seem to align Canada with the European Union – only 8% of our export trade goes to the EU, whereas 78% of our export trade goes to the US. We understand the US Securities and Exchange Commission (SEC) introduced a climate rule, but it is before the courts. Even if the courts uphold the rule, Scope 3 emissions accounting, climate scenario analysis, transition plans, and industry-based guidance are all voluntary.[4] There are also safe harbour provisions that will lower legal and liability costs. Our understanding is that Mexico is not considering any climate-related financial disclosures. Mexican manufacturers and food producers will not have this added financial or regulatory burden, which will put Canadian producers at a competitive disadvantage. The standards being considered in Canada at the moment are so significantly different from what the US and Mexico are doing, that once mandatory, Canadian

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[1] Vol. 11 Oil & Gas—E&P, p.80; Vol. 45 Wind Tech & Project Developers, p.399; Vol. 44 Solar Tech & Project Developers, p.388. *IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures.* https://www.ifrs.org/issued-standards/sasb-standards/

[2] https://www.wri.org/data/aqueduct-global-maps-40-data ; https://files.wri.org/d8/s3fs-public/2023-08/aqueduct-40-technical-note.pdf?VersionId=G_TxTR2LAnlgXGzy7xtdUP_5lmkXJY7d

[3] https://oia.pmc.gov.au/sites/default/files/posts/2024/01/Impact%20Analysis_0.pdf

[4] https://viewpoint.pwc.com/dt/gx/en/pwc/in_depths/in_depths_INT/in_depths_INT/navigating-the-sec-climate-related-disclosure-requirements.html

companies will be put at a competitive disadvantage with our continental trading partners. We want to see Canada's economy and businesses grow, not lose investment because of regulatory burden and excessive costs of compliance.

Sincerely,

____
Mike Doyle
CAGC President

June 6, 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board (CSSB)
277 Wellington Street West
Toronto, Ontario M5V 3H2
(online via https://www.frascanada.ca/en/cssb/)

Dear Ms. French:

Re: Canadian Sustainability Standards Board and Climate-Related Disclosure Standards CSDS1 and CSDS2

CAPP and our member companies respectfully submit the following comments for consideration regarding the Proposed Canadian Sustainability Disclosure Standards and the Proposed Criteria for Modification Framework. CAPP is a non-partisan, research-based industry association that advocates on behalf of companies that explore for, develop, and produce oil and natural gas across Canada. Our members produce nearly three-quarters of Canada's annual oil and natural gas, contributing significantly to the economy and employment. We work collaboratively with all levels of government to ensure a thriving, competitive, and responsibly operated oil and gas industry.

Public Submission to the Canadian Sustainability Standards Board (CSSB)

Considering the discussions on harmonizing Canadian sustainability and climate-related disclosure standards with those of the International Sustainability Standards Board (ISSB), the Canadian Association of Petroleum Producers (CAPP) presents its considerations. While acknowledging the need for alignment, it is crucial to recognize the distinct dynamics of the Canadian market and the operational realities faced by Canadian corporations. CAPP suggests that any changes to disclosure requirements influencing the regulatory landscape should be thoughtful and should ensure that Canadian businesses remain competitive. Moreover, while the Canadian market has its unique characteristics, there is also a call for greater consistency with the regulatory approaches seen in other regions, particularly the United States where many Canadian companies may have operations or be dual listed.

Current Canadian Context and CSSB Proposed Adjustments

The CSSB is planning to integrate the ISSB standards, as detailed in the proposed Canadian Sustainability Disclosure Standards (CSDS), through a staged approach with minor modifications to extend effective dates and transition reliefs to better suit the Canadian context. This approach

allows Canadian companies to gradually meet the new sustainability-related (CSDS1) and climate-related (CSDS2) disclosure guidance.

These draft standards encompass governance, strategy, business model, value chain impacts, financial performance, and detailed climate-related metrics and targets. While mirroring the ISSB's S1 and S2 standards, the CSSB has proposed minor modifications to better suit the Canadian context—such as extended timelines and a phased approach for greenhouse gas (GHG) emissions disclosures.

While these standards are set to be voluntary, they could influence future mandatory disclosure rules applied by Canadian securities regulators, serving as a proposed reference point. CAPP recommends enabling the voluntary nature of the CSSB's proposed standards, by allowing companies the discretion to identify where they can derive value based on their understanding of the needs of primary users.

CAPP recommends that any mandatory disclosure requirements prioritize the most valuable information for users to reduce the burden on companies. This includes evaluating the competitiveness of any mandatory disclosure standards, especially considering the frameworks established in other regions, most notably the United States, Canada's largest trading partner.

In addition, the CSSB's approach of obligating companies to fully disclose all requirements commensurate with their skills and then offer release from obligation if the entity perceives it does not have the skills nor resources with explanation creates ambiguity and inconsistency between companies. Creating clarity to elicit the most relevant and impactful information for users and taking a phased approach for implementation could result in a more consistent, cost-effective, and less onerous disclosure framework for Canadian companies.

Integration of Global and Local Standards

CAPP recognizes the necessity of providing sufficient transparency and disclosure to maintain international competitiveness and compliance. We recommend that the CSSB consider prioritizing a climate-first and phased-in approach that is consistent with Canadian securities legislation, including materiality requirements. For example, the U.S. Securities and Exchange Commission (SEC) finalized their rule on climate disclosures with a strong focus on **materiality**—what information the investment community deems necessary for making investment decisions without being overly burdensome on registrants. This approach allows for flexibility, acknowledging the diverse operational contexts of companies while still adhering to rigorous environmental stewardship. Moreover, considering that the SEC's framework is particularly relevant for investors in Canadian companies, there is a compelling argument to ensure our standards are not more burdensome compared to those of our largest trading partner to maintain competitiveness.

CAPP recognizes the efforts of the CSSB to develop high-quality, internationally recognized sustainability disclosure standards. The proposed CSDS 1 and CSDS 2 are closely aligned with those set by the ISSB. However, the requirements based on the ISSB standards may be overly demanding and should be scaled back to a baseline that ensures global consistency at minimum. Global standards may not fully address the unique regional and economic contexts of Canada. The approach taken by the SEC illustrates the importance of addressing the specific needs and capacities of the market while easing some of the more burdensome requirements, such as mandatory Scope 3 GHG emissions reporting.

Challenges associated with the implementation of CSDS 1 and CSDS 2 include:

- **Data Collection, Timing and Verification Costs**: Adopting CSDS 2 requires significant resources, particularly for collecting Scope 3 emissions data. This challenge is amplified by the associated costs and timeline of data verification, which, while not mandatory, is recommended to ensure accuracy. This assurance process, combined with regulatory reporting timelines, makes aligning climate reporting with financial reporting onerous for companies. Climate-related risks, if material, are already disclosed by companies in their respective annual financial disclosures. Asking for more detailed climate-related information on this accelerated timeline will be burdensome for issuers.
- **Increased Operational Costs**: If the CSDS 1 and 2 are adopted as mandatory, Canadian companies will need to invest in internal sustainability data controls, information technology systems, and legal and assurance services to comply with these standards.

CAPP advocates that reporting frameworks should be designed to reflect the principles of Credibility, Consistency, and Competitiveness.

Our focus is ensuring that the initiatives promoted by this sustainability reporting framework align with industry's long-term sustainability goals, fostering transparency and reducing carbon intensity in a manner that is practical and applicable across a broad spectrum without resorting to overly complex or subjective criteria. Implementing such measures will reinforce the credibility of the Canadian corporate sector, while ensuring that our strategies align with national economic growth and emissions reduction goals, thereby demonstrating our commitment to responsible and sustainable practices.
Given these considerations, CAPP urges the CSSB to reconsider its trajectory of closely adhering to the ISSB's global standards. Instead, we advocate for the CSSB to consider more general principal-based, less prescriptive disclosure requirements and provide more flexibility, which balances rigorous environmental stewardship with practical economic and operational considerations specific to a company. Such an approach will allow Canadian and multijurisdictional reporters to align with their United States counterparts more consistently from a disclosure perspective, providing comparable and practicable data for users in these various regions.

Specific Recommendations to the CSSB:

1. **Materiality-Based Disclosure Requirements:** Adopt and emphasize disclosure requirements that are subject to materiality, focusing on what is most significant to investor decision-making processes. While IFRS S1 and IFRS 2 disclosures are subject to materiality, the included list of prescriptive requirements may be interpreted as mandatory and potentially lead to the unintended consequences of overly burdensome, boilerplate disclosures, thereby reducing their usefulness to the user.

   We advocate for the CSSB to consider more general principle based, less prescriptive disclosure requirements and provide more flexibility to allow for considerations specific to a company. Some prescriptive requirements such as those for scenario analysis, targets and goals, scope 3 emissions, and industry-based SASB standards, could be relocated and included as guidance that could be considered but not mandated to be considered.

2. **Flexibility in Reporting:** Companies should have the flexibility to choose their methodologies and reporting boundary for reporting Scope 1 and 2 emissions. This mirrors the SEC's approach and offers necessary flexibility while ensuring transparency and verifiability. This flexibility also needs to be extended to other sustainability topics when required.

3. **Safe Harbor Provisions:** Disclosure of forward-looking information should remain voluntary and not part of mandated requirements. Forward-looking information cannot be disclosed without the appropriate safe harbor provisions. Certain information, such as scenario analysis, transition plans, goals and targets, and opportunities, could constitute forward-looking information subject to regulatory and legal requirements and might be more appropriately included as optional guidance. Local regulators could then introduce the necessary safe harbor provisions if such guidance is implemented in their regions. This would protect companies from legal liability provided they make disclosures in good faith, encouraging more thorough and forward-thinking climate-related disclosures.

4. **Voluntary and Scope 3 Emissions:** The exposure drafts suggest requiring additional details about how Scope3 emissions are measured or calculated; however, the standards do not specify methodologies for doing so. We propose deferring a mandate for Scope 3 disclosure until there is increased data availability and a widely adopted, consistent global methodology, and then where such disclosures are not mandated, but encouraged if material.

5. **Narrow Scope of Disclosure:** Narrow the scope of disclosure by removing the requirement to include a company's value chain, from the disclosure requirements including the effects

of sustainability-related and climate-related risks and opportunities on the value chain, and Scope 3 GHG emissions. This alteration would mean that sustainability-related and climate-related risks and opportunities involving a company's value chain would generally not need to be disclosed unless they have materially impacted, or are reasonably likely to materially impact, the company's business model, results of operations, or financial condition. This shift aligns with a more focused approach which enables a company to assess material risks posed by its value chain without having to request input from 3rd parties.

6. **Timing of Sustainability Reporting:** The requirement to disclose sustainability information at the same time as financial reporting year-end is challenging due to the later timing of regulated provincial reporting and third-party verification and assurance processes. Climate-related risks, if material, are already disclosed by companies in their respective annual financial disclosures. It is not clear what the benefit would be to users if the timing of sustainability and financial disclosures were aligned. We propose allowing additional time following the filing of the annual report to provide sustainability information; such as aligning with the filing date for the following Q2.

7. **Scenario Analysis:** The required level of scenario analysis disclosure includes the scope of risks included in the analysis, details of the assumptions made and the description of how the scenarios will affect the company. Quantitative disclosure to this level of detail for scenario analysis is not useful at this stage. There is no best practice on scenario development and these scenarios are hypothetical and subject to significant uncertainty with no "safe harbor" provisions, resulting in some companies offering only qualitative commentary. CAPP supports the goal of taking a stepwise approach in requiring issuers to complete scenario analysis once there is a greater scope on common assumptions and a framework for scenario creation, allowing flexibility to focus on how management is assessing resilience, as well as providing adequate liability protections for disclosing forward-looking information.

Conclusion

CAPP urges the CSSB to adopt a - voluntary framework that balances transparency and accountability with practical economic and operational considerations. By incorporating elements from the proposed approach above, the CSSB can ensure that sustainability disclosure standards are both effective, practicable, and comparable, fostering an environment where Canadian companies can compete on a global stage while upholding rigorous standards of environmental and social governance. This approach will support Canadian companies in maintaining compliance with international standards while also adhering to local regulations, thus facilitating smoother participation in global markets, and fostering equitable growth alongside our economic partners.

We look forward to discussing all aspects of our recommendations with the CSSB.

Sincerely,

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June 10, 2024

Ms. Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board (CSSB)
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Ms. French:

Re: CBA[1] Comments on the CSSB's Exposure Drafts on Canadian Sustainability Disclosure Standards (CSDS) 1 & 2 and the Proposed Criteria for Modification Framework

Thank you for the opportunity to provide comments on the CSSB's Exposure Drafts *CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information* (Draft CSDS 1) and *CSDS 2, Climate-related Disclosures* (Draft CSDS 2) (together, the Standards) along with the *Proposed Criteria for Modification Framework*. We also welcomed the opportunity to participate in the CBA/CSSB roundtable session on May 7th to share preliminary views from individual banks on the CSSB consultation questions.

In this letter, we highlight our key issues from an industry perspective. We are mindful that adoption of the final Standards will be voluntary, and that Canada's regulators (e.g., OSFI, Canadian Securities Administrators (CSA)) will determine whether the Standards should be mandated in Canada. We encourage the CSSB to engage with the CSA and OSFI to discuss interoperability of all aspects of the proposed standards. We support OSFI and the CSA's initial focus on climate-related disclosures along with the CSSB's proposed transition relief of two years for disclosures beyond climate-related risks and opportunities. Further, we understand that such proposed transition relief provisions are intended to be effective from the date of adoption of the final Standards by regulators.

1. Operational implementation concerns

a. Transition Relief

We support all transition relief proposed by the CSSB[2] as there are significant data challenges associated with the accurate measurement and disclosure of certain elements.

We acknowledge that both CSDS 1 and CSDS 2 are voluntary and Canadian regulators have indicated that their initial focus will be on climate-related disclosures. However, we would like to highlight the challenges associated with CSDS 1 implementation and want to ensure that there is sufficient transition

[1] The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals. www.cba.ca

[2] Although we are mindful that Federally Regulated Financial Institutions (FRFIs) will need to comply with specific aspects of CSDS earlier (e.g., GHG emissions) per OSFI Guideline B-15.

relief and guidance for preparers of CSDS 1 disclosures. Some challenges include:

i. methodologies to measure most sustainability-related risks and opportunities beyond climate are still nascent and under development.
ii. lack of available data.
iii. lack of sufficient direction and specificity on the selection of material, comparable, or reliable metrics, and targets for disclosure (i.e., are entities expected to consider Global Reporting Initiative Standards, European Sustainability Reporting Standards, etc.).

As noted, we are supportive of the transitional relief for other sustainability disclosures of two years and suggest a further one-year deferral for disclosure of non-climate industry-specific quantitative metrics information under CSDS 1. As banks start to build the capability to identify, monitor, and report other sustainability-related risks and opportunities beyond climate, it is likely that they will start with qualitative disclosures and will require at least another year to develop appropriate processes and data sources to provide useful quantitative disclosures (i.e., for reporting periods after January 1, 2028).

b. <u>Timing of disclosures</u>

We recommend that jurisdictional regulators determine the appropriate timelines for disclosures under their purview. This should be done in consideration of optimal trade-offs between relevance/timeliness and verifiability/understandability/data availability. For example, OSFI Guideline B-15 requires climate-related disclosures to be published no later than 180 days after fiscal year-end. CSDS 1 provides similar transitional relief[3] for an entity to report their sustainability disclosures at the same time as its next second-quarter general-purpose financial report. OSFI's disclosure timeline is not transitional, while the CSSB's timeline relief is limited to the first year of adoption. We request that the CSSB consider modifying its standards to allow for sustainability disclosures to be published within 180 days after fiscal year-end as we have strong concerns with being able to provide financial reporting and sustainability reporting at the same time for the reasons noted below.

Data availability and quality remain key barriers to reliable, comparable, and timely disclosures. We would like to highlight that the energy consumption data collection and calculation for operating emissions, and financed emissions data collection and calculation typically takes many months to complete after the end of the annual emissions reporting period. Moreover, this may already conclude earlier than the banks' fiscal year-end (e.g., many banks report operational emissions for the period of August 1st to July 31st) to ensure sufficient data availability. By contrast, Canadian banks publish their annual financial reports within four to six weeks after their fiscal year-end. We believe that providing the disclosures in that short of a timeframe would result in greater use of estimates, and unintentionally increase the measurement uncertainty and complexity of key metrics and sacrifice the verifiability and understandability of the disclosed results. We believe that a lag between the financial statements and sustainability-related disclosures will not materially affect the decision-usefulness/ relevance of the information.

c. <u>Location of disclosures</u>

We also believe that jurisdictional regulators should determine the location of disclosures, and that the disclosures should not be required to be published in a “core” document (i.e., an issuer’s Management Discussion & Analysis, Annual Information Form or Management Proxy Circular (“core securities law documents”)). For example, OSFI has not required the climate-related disclosures to be included within

[3] CSDS 1 Transition Paragraph E4 (a).

the financial institutions' financial reporting package. We request flexibility in location to avoid a reporting period mismatch between quarterly financial reporting information and annual sustainability information, which would be confusing for statement users if presented in the same location.

d. Reporting period misalignment

We appreciate the flexibility provided in paragraph B19 of CSDS 2 to use a different reporting period from an entity's own reporting period in relation to reporting of GHG emissions for entities in its value chain. We suggest this flexibility be extended to apply more broadly across all sustainability-related metrics as challenges also exist in the availability of data used for other sustainability-related metrics beyond GHG emissions in the value chain. We are concerned that using estimates for missing critical data elements, such as energy usage data, will provide distorted results that could mislead a reader in understanding a reporting entity's sustainability performance. Allowing for the lag would help to maximize the use of actual data, which we believe would serve the best interests of the primary users. Banks will make their best efforts to use the most recent and relevant data to apply in their calculations.

However, if the reporting period of sustainability disclosures must align to the financial reporting periods even when the underlying critical data are not yet available, we request the CSSB provide further implementation guidance, including consultation with the ISSB.

e. Industry Classification Systems

Organizations from different jurisdictions may follow different sets of classification systems (e.g., North American Industry Classification System (NAICS), Standard Industrial Classification (SIC), Nomenclature of Economic Activities (NACE), Global Industry Classification Standard (GICS), etc.). We recommend that the CSSB allow Canadian entities to continue using local industry classification codes rather than mandating a switch to GICS. We strongly recommend the use of NAICS, as any other alternatives will be highly challenging and costly for banks to implement. This would align with the principles outlined by the CSSB in its *Criteria for Modification Framework*, paragraph 2 which notes that the CSSB may consider amendments to the IFRS Sustainability Disclosure Standards for jurisdictional practices.

OSFI has required the use of NAICS for banks for their various climate risk disclosures and programs including Guideline B-15, the Climate Risk Returns, and the Standardized Climate Scenario Exercise (SCSE). OSFI supports the use of NAICS as both Statistics Canada and the United States Census Bureau frequently maintain NAICS codes to ensure they maintain their relevance and suitability. The codes are coordinated and standardized across both systems. The codes are also freely available to the public, along with detailed descriptions and technical information which facilitates their use.[4] In addition, the Basel Committee on Banking Supervision (BCBS) also allows jurisdictions to apply local industry classification codes as it is their view that it does not materially impact global comparability of banks reporting. Canadian banks use NAICS for all BCBS reporting.

It should be noted that GICS is not as granular as NAICS, especially in key transition sensitive sectors. There is no separation of oil from gas in GICS. Classification system granularity is important given the use of industry sectors in determining the financial risk adjustments.

2. Safe harbour

[4] Standardized Climate Scenario Exercise – Draft for consultation - Office of the Superintendent of Financial Institutions (osfi-bsif.gc.ca)

We strongly encourage the CSSB to work with the CSA to consider climate-related safe harbour protections, which are under its purview. Existing safe harbour protections for forward-looking information under securities legislation are very limited in scope and would not cover most climate-related disclosures. Climate-related safe harbour protections would be beneficial in encouraging robust climate-related disclosures, even in cases where methodologies are less clear, and data is imperfect.

For example, for draft CSDS 2, it is necessary to recognize that relevant climate science, data, standards, methodologies and regulatory guidance are still developing and include longer time horizons than traditional forward-looking information; and employ third-party standards and methodologies which may be based on estimates and which may be of poor quality. Consequently, we request that the CSSB reiterate to the CSA the current challenges in producing climate-related disclosures, to encourage meaningful liability safe harbour provisions with respect to disclosures for: (1) Scope 1, 2 and 3 GHG emissions, (2) climate-related scenario analysis, (3) internal carbon pricing; (4) climate-related transition plans, (5) targets and goals, (6) financial effects of climate-related risks and opportunities, and (7) entities' determination with respect to the materiality of climate-related disclosures.

We also support the CSSB working with the CSA to provide a safe harbour provision for any individual (e.g., director), board, committee, or equivalent body identified as having climate-related skills and competencies, similar to the one provided to other "expert" directors in some jurisdictions (e.g., financial experts who are members of audit committees), in order to avoid hindering an entity's ability to recruit and retain such experts.

3. <u>Climate resilience</u>

We recommend at least two years of transition relief in relation to the disclosure of an entity's assessment of its climate resilience (of which climate-related scenario analysis is an integral part). The nascency of the methodologies and current data limitations leads to challenges in driving decision-useful results from climate-related scenario analysis exercises.

For instance, standardized climate-related scenario analysis is still being developed by OSFI in a Canadian context with OSFI launching their SCSE this year. The SCSE will provide an opportunity for knowledge and capacity building across all impacted FRFIs in a Canadian jurisdictional context.

While climate-related scenario analysis is broader than the SCSE, this remains an emerging area still under development, and notably OSFI has not prescribed a specific date for disclosure of climate-related scenario analysis in Guideline B-15. Banks and Canadian companies from other sectors can leverage the lessons learned from OSFI's SCSE (customized to a Canadian context) to better inform their own climate-related scenario analysis programs to make higher quality climate disclosure once they reach a certain maturity level.

Thank you in advance for considering our comments. We would be pleased to discuss our submission at your convenience.

Sincerely,

Canadian Cattle Association Submission to CSSB's *Proposed Canadian Sustainability Disclosure Standards and Criteria for Modification Framework*

June 10, 2024

Canada is cattle country.

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Submission to CSSB's *Proposed Canadian Sustainability Disclosure Standards and Criteria for Modification Framework*

Thank you for the opportunity to provide a written submission to CSSB's *Proposed Canadian Sustainability Disclosure Standards and Criteria for Modification Framework*.

The Canadian Cattle Association (CCA) represents the 60,000 beef producers across Canada who are a global leader in sustainable production and export high-quality beef with the lowest greenhouse gas (GHG) footprints per unit of production in the world. Beef producers steward over 34 million acres of grasslands, which store at least 1.9 billion tonnes of carbon, and contribute to the largest proportion of potential wildlife habitat, providing 74% of the habitat wildlife needed for important reproductive functions on just 40% of total agricultural lands in Canada. While being a positive environmental contributor, the Canadian beef industry also contributes $21.8 billion to the Canadian economy (GDP), employs 347,000 Canadians, enables $51.6 billion in production of goods and services, and generates $11.7 billion in labour income.

CCA has been closely engaged with the CSSB through the Canadian Roundtable for Sustainable Beef (CRSB) in addition to individual discussions with CSSB staff. Our focus throughout these engagements has been ensuring a level playing field for Canadian beef producers within not only the agriculture and agri-food sector, but within the broader Canadian economy as well. In regard to disclosures of GHG emissions, we emphasize that there should not be additional barriers placed on beef cattle producers in this process. To this end, we call for any emissions reporting to be voluntary so as not to place any undue regulatory burdens on producers.

For the purposes of this consultation, CCA is predominantly focused on Scope 3 emissions given the complexity of the beef cattle industry from producers to retailers, however we will also comment on Scopes 1 and 2, which cover emissions from sources owned either directly or indirectly by a company.

Consequences for the Beef Cattle Industry

CCA understands the CSSB'S purported objective of fighting greenwashing by bringing sustainability and UN Sustainable Development Goals into all accounting. We recognize that the standards are meant to apply to the Canadian economy as a whole, but the reality is that agriculture and more specifically livestock production will be among those affected the most. To this end, in the process of disclosing their GHG emissions, publicly listed companies will be required to request that information from beef producers and other businesses within their supply and value chains. CCA is concerned that given the relatively small size of many businesses within the beef supply and value chain, there may be challenges in achieving an accurate representation of GHG emissions intensity. Nevertheless, the industry established ambitious goals for emissions intensity reduction, safeguarding 1.5 billion tonnes of carbon and

sequestering 3.4 million tonnes every year. We are also focused on maintaining and preserving the 35 million acres of native grasslands by supporting programs that incentivize conservation. At the same time, producers continue to employ best practices that enhance soil biodiversity and build soil organic matter. Additional biodiversity measures include working to protect Canada's natural wetlands, and to promote the role of wetlands as important carbon sinks, as well as in building resilience to drought and flood events.

While CCA recognizes the desire for sustainability reporting and disclosure of GHG emissions intensity, we are concerned about the consequences for beef cattle operations. The concerns are twofold – the mandatory Scope 3 emissions reporting and the declaration of livestock from areas of high to extreme-high water stress. The standards are meant for financial institutions such as banks, insurance companies, and private investors. For the beef cattle industry, large meat processing companies will be required to disclose under not only Scopes 1 and 2, but also Scope 3 emissions from across their supply chain. Producers do not have the resources to track and report their emissions intensity, which could lead to inaccurate calculations and representations in GHG reporting. There are also limitations in the available technology, which further limits the accuracy. The complexity of this field and data needs are not ready for this level of requirement. They may never be for food supply chains that are so dispersed, which is why a collective number for reporting is the solution the Canadian beef cattle industry suggests the CSSB uses for Scope 3 reporting requirements.

Scope of Proposed CSDS 1

Under the proposed CSDS 1, CCA considers the two-year transition relief for disclosures beyond climate-related risks and opportunities to be adequate, but with caveats. It permits the beef cattle industry more time to understand the reporting process and adapt their reporting with the new requirements. **However, it is imperative that the standard remain voluntary.** In doing so, the CSSB and other stakeholders should delegate an appropriate amount of resources and educational efforts related to the requirements. The complexity of farming operations in Canada means that there is no one-size-fits-all solution to GHG reporting so producers willing to accommodate the new standards will need time and resources to do so.

Scope of Proposed CSDS 2

We recognize that CSSB has heard from reporting entities about the level of resources, skills, and capacity required to prepare for climate resilience disclosures. CCA believes that transition relief is required for these disclosures given the complexity in generating accurate metrics and reporting. Transition relief will therefore be necessary to helping producers in the process of adopting these new methodologies. We urge CSSB to continue to clarify the requirements and provide guidance in reporting in this process.

While the time period for applying CSDS 1 standards is appropriate, CCA believes that the proposed relief of up to two years after an entity applies proposed CSDS 2 standards is insufficient, given the inherent complexities of Scope 3 emissions reporting under CSDS 2. As Scope 3 consists of emissions from the entire value chain rather than those either directly or indirectly from an entity, we have concerns given stakeholders are not familiar with reporting metrics. We echo other submissions that recommend accepting baselines that are scientifically established by industry, such as the National Beef Sustainability Assessment (NBSA). The NBSA consists of data from up and down the value chain from producers to retailers and everywhere in between. It also consists of publicly traded food sellers. This type of data is useful for those who would otherwise face challenges in their own emissions reporting.

CCA agrees that the two-year transition period is suitable but with the caveat that firms and industries be permitted to establish baselines acceptable under the CSSB standard. On the other hand, smaller suppliers will be challenged in providing accurate and representative data and will therefore not be able to provide that data under any timeline. Additionally, the compliance burden of reporting Scope 3 emissions of a company within the beef value chain, whether a restaurant, retailer, financial institution, or otherwise, is extremely high. It also carries with it economic risk to Canadian businesses who do business on both sides of the Canada-US border – American companies do not face this burden. For those that do have to work out and report their Scope 3 emissions, the supply chain is complex and diverse given the various stakeholders involved. For instance, a restaurant may not know where its steaks come from, though it may know the steaks come from a retailer. However, the retailer may not know how many cattle were used in the processing plant. This level of detail does not exist in Canada or other parts of the world. Requiring **all** members of a value chain to have this data available for the purposes of emissions intensity reporting is simply not feasible, but if this is to go through, for the beef industry it is imperative that one composite number be used for Scope 3 reporting, which could be derived from the NBSA.

Canada-US Harmonization

Given that the CSSB falls under the International Sustainability Standards Board (ISSB)'s purview, CCA urges the CSSB to assess the situation in other jurisdictions such as the United States. In the US, for instance, regulators are not mandating Scope 3 emissions but rather only encouraging them, which permits greater flexibility for the cattle sector south of the border. Additionally, while the standards were being developed in the US, the Securities and Exchange Commission (SEC) has drafted its own regulations around climate disclosures, which although currently in litigation, do not require Scope 3 emissions accounting. Under these regulations, climate analysis is voluntary. In Canada, CCA is concerned that the difference between our two jurisdictions could place our beef cattle sector at a significant competitive disadvantage.

Canadian regulators such as the Canadian Securities Administrators (CSA) will need to decide what size of company will apply the standards and if they should be voluntary and flexible. In doing so, the CSA should take a competitiveness lens to the decision. **It is CCA's firm position that Canadian requirements for reporting must not move beyond U.S. requirements for the same types of production.**

For more information contact:

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June 10, 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
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To whom it may concern,

The Canadian Centre for Audit Quality (CCAQ) is pleased to respond to the Canadian Sustainability Standards Board's (CSSB) request for input on the Exposure Draft of the Canadian Sustainability Disclosure Standard (CSDS) 1, *General Requirements for Disclosure of Sustainability-related Financial Information* and the Canadian Sustainability Disclosure Standard (CSDS) 2, *Climate-related Disclosures*.

We support the establishment of a global baseline for sustainability reporting, and we understand that there is widespread stakeholder support for the creation and adoption of a standardized sustainability risk assessment and a climate-related metric disclosure standard. We believe that consistency across all sustainability related disclosure standards leveraging IFRS S1 and S2 is vital. We do, however, have concerns relating to some of the acknowledged key challenges that preparers and assurance providers will have with the standards, as summarized below:

- Limited transition period and a lack of scaling for small to medium sized public enterprises.
- The significant resource burden to implement the standard and how to apply "undue cost and effort."
- The lack of standardization for entities performing scenario analysis and climate resilience quantification.
- Difficulty in calculating Scope 3 GHG emissions and other forward-looking information and the availability of verifiable information.
- A lack of safe harbour provisions for "good faith" estimates.

Further details on these concerns and other issues are outlined below.

The transition period and adoption date of CSDS 1 and CSDS 2

We believe that the adoption dates of January 1, 2025 for CSDS 1 and 2, and January 1, 2027 for Scope 3 GHG emissions disclosure may not provide enough time for preparers, board members and assurance providers to fully comply with the requirements of the standard. We are in support of a deferral; however, the deferral cannot be for an extended period. Appropriate consideration should be given to both the demands of the users and the reality that preparers and assurance providers will be significantly challenged by such a limited transition period, particularly small to medium sized entities who have less resources at their disposal to implement such requirements.

The speed at which this standard is expected to be implemented based on the proposed transition dates is inconsistent with previous major changes to IFRS financial reporting standards, and we are concerned that preparers and other professionals will be unable to implement these sustainability standards in the proposed period and produce high quality information.

Many companies will require additional time and incur costs to train and hire experts in sustainability reporting. Companies on the TSX-V may be challenged without additional time and investment to adopt these standards in the timeframe provided. The IFRS Sustainability Standards Board (ISSB) acknowledged this in their Effects Analysis, noting that the "costs of applying disclosure standards tend to fall largely on preparers in the form of direct costs. …These effects are expected to be more pronounced

in the case of IFRS S1 and IFRS S2 because the preparedness of companies and jurisdictions is highly variable[1]". The comment period for the exposure draft ends in June 2024 with a likely release of the standard in Q3 or Q4 of 2024. We understand that the issuance of the final standards by the CSSB will represent a significant step forward for Canada in sustainability reporting. We also understand that the responsibility for mandating the adoption of these standards by any Canadian company is outside of the responsibility of the CSSB; however, a transition date of January 1, 2025 (and January 2027 for Scope 3 emissions) may create unrealistic expectations that Canadian companies could be ready to report on this timeline. In our research, we do not believe that many Canadian companies will have the expertise, data or systems in place to meet that transition date. Assurance providers may be similarly challenged in attesting to these revised disclosure requirements if their clients are not prepared.

In the IFRS Foundation ("Foundation) adoption guide overview for IFRS S1 and S2, the Foundation acknowledged "that jurisdictions may consider the scaling and phasing-in of requirements in ISSB Standards based on different parameters, including the size and relative preparedness of companies, and the industries and market segments in which companies operate. …Jurisdictions may consider providing brief extensions of transition reliefs beyond the provisions included in ISSB Standards to facilitate the first-time implementation of ISSB Standards"[2], including Scope 3 GHG emission disclosure requirements. Providing additional transition relief particularly for smaller entities, such as public companies on the TSX-V or the CSE, will allow companies to develop their sustainability resources, establish internal controls and observe best practices. We recommend a "phased approach" [3], a method which did receive widespread support from Canadian commentators in the original IFRS S1 and S2 comment period in 2022[4].

In addition to an extended transition period based on the size and governance of an entity, we also recommend that additional guidance, illustrative examples, and resources tailored towards small to medium sized companies be made available upon adoption to decrease the implementation burden on these entities. We encourage the CSSB to balance the needs of sustainability information users with the complexity of implementing such a significant risk and reporting disclosure standard in a short period of time.

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[1] IFRS Sustainability, "*Effects Analysis: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures*". Published June 2023.

[2] IFRS Foundation, "*The jurisdictional journey towards implementing IFRS S1 and IFRS S2 — Adoption Guide Overview*". Published July 2023.

[3] We believe that the adoption approach by the SEC in their March 2024 ruling to "*Enhance and Standard Climate-related Disclosures for Investors*" should be considered. The SEC has scaled the implementation of the standard, requiring "large accelerated filers (LAF)" to implement the regulations first, followed by smaller filers in subsequent years. The climate-related disclosure rules were published by the SEC on March 6, 2024. Due to multiple court challenges, the SEC has paused on enforcing the ruling until the courts have established a verdict on the regulation's validity.

[4] Please refer to the following comment letters reviewed by the CCAQ:

- The CSA, in their July 25, 2022 comment letter, noted that "while we recognize the value these disclosures may have for investors, phasing in these requirements or introducing them initially on a non-mandatory basis would allow more time for the maturation of methodologies for preparing these disclosures and for improved reliability and availability of data to support these calculations and analyses"
- The Auditing and Assurance Standards Oversight Council (AASOC), in their July 28, 2022 comment letter, noted that "while it might be operationally feasible for large, experienced entities to, for example, align Scope 1 and 2 emissions disclosure with financial reporting within two to three years, this is not likely the case for Scope 3 emissions. Smaller entities are likely to face longer transition windows for the reasons outlined above. …There is broad recognition that small entities will require more time, and there are several ways to address near-term implementation challenges. These include flexible approaches (multiple ways to comply with a given requirement), phased-in requirements (prioritization of select disclosure requirements in the early stages of adoption, with others to follow) and graduated/staggered starts based on entity characteristics, such as workforce size or market capitalization. Certain of these measures will be at the discretion of local securities regulators and legislators".
- The Accounting Standards Board (AcSB), in their July 28, 2022 letter, noted that "most of Canada's publicly accountable entities are small to mid-sized. In order for the first phase of the global baseline to be broadly achievable, we recommend that the ISSB consider setting the requirements at a level that entities without extensive resources (e.g., smaller entities) would be able to meet".

Without undue cost and effort

Both CSDS 1 and 2 require the preparation of sustainability and climate-related disclosures using "all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort"[5]. The use of the phrasing "without undue cost and effort" is borrowed from specific IFRS accounting standards in areas where significant effort and judgment by the preparer is required. However, in practice it is very rare that a preparer determines that they could not obtain information supporting a significant judgment due to the undue cost and effort it would take to retrieve that data.

Much of the data necessary to comply with the CSDS 1 and CSDS 2 disclosure standards will be obtained from unrelated entities, which would have an impact on larger reporting issuers if they are relying on smaller, less sophisticated entities for climate-related information. It is unclear how the language "without undue cost and effort" could be applied by either those who have limited experience with sustainability reporting and are significantly resource constrained or by those who are relying on those entities for sustainability information, particularly in the first few years of implementation[6].

Scenario analysis

CSDS 2 does not provide a standardized approach to scenario analysis, a new concept for most Canadian reporting issuers who will require clear implementation guidance. The standard as currently proposed will allow an entity to use "climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity's circumstances … the entity may disclose a single amount or a range[7]". This provides an overview, but not detailed guidance. The consideration of skills, capabilities, resources, and industry practice, as highlighted by CSDS 2, in determining the approach to scenario analysis will require more guidance from the CSSB before implementation to ensure high quality reporting.

We are concerned that the lack of detailed guidance may result in a lack of comparability between entities within the same jurisdiction or industry, as some will choose a single amount and others a range of amounts to calculate climate resilience, and the format and segmentation of sustainability and climate related information may be completely different for two similar publicly listed entities. We recommend a more standardized approach, providing a few different and detailed alternatives that preparers can chose from based on the size and complexity of their sustainability-related activities, an approach previously supported by CPA Ontario and CPA Quebec[8]. Another possible approach could entail a phased transition period that permits the use of a qualitative analysis when an entity is unable to use climate-related scenario analysis, recognizing that smaller entities will be resource constrained in implementing the scenario analysis as proposed, and that it will take several years for them to appropriately comply. This is consistent with the *IFRS Adoption Guide Overview: Table 1*, which states that qualitative approaches to

[5] CSDS 1 Paragraph 37(a)

[6] We believe that the standard should clarify whether small to medium sized private enterprises will be scoped into this standard, either by virtue of their own reporting or through their relationships with larger publicly traded enterprises. According to Statistics Canada, 97.8% of all businesses in Canada as of December 2022 are considered "small businesses", and 1.9% are considered "medium-sized businesses". This significant volume of small-medium sized businesses relative to the number of large or publicly traded Canadian businesses should be considered by the CSSB and other regulators when determining the appropriate proportionality and scaling approach in the application of this standard. **Source**: "*Key Small Business Statistics 2023*", Statistics Canada. Last modified March 18, 2024. Link: https://ised-isde.canada.ca/site/sme-research-statistics/en/key-small-business-statistics/key-small-business-statistics-2023

[7] CSDS 2 Paragraph 22

[8] As noted in their July 29, 2022 comment letter, CPA Ontario and Quebec stated that "we recommend that the ISSB develop a phased-in approach for the implementation of scenario analysis until standardized assumptions and methodologies are developed. During this phased-in approach, entities could choose from one or two alternative approaches, such as qualitative information and stress tests to promote comparability and consistency of the information disclosed by entities. This will also provide the time for data collection and discovery."

climate-related scenario analysis should be considered for proportionality when an entity lacks skills, capabilities or resources[9].

Scope 3 GHG Emissions and Forward-Looking Information

We understand that there is still concern from preparers related to the lack of available data for Scope 3 GHG emission information, and in some cases, Scope 1 and Scope 2 data. This concern was raised in response to the original IFRS S1 and IFRS S2 exposure draft circulated for comment, and the revised CSDS 2 standard does not appear to address the impact that this lack of available information will have on preparers implementing this standard in the 2027 calendar year.

As noted by CPA Canada in their July 29, 2022, comment letter, “significant diversity in Scope 3 measurement and reporting practices that are allowed in applying the GHG Protocol’s standards limits the usefulness of such information for investors”[10]. The assumption in the standard that “Scope 3 greenhouse gas emissions can be estimated reliably using secondary data and industry averages”[11] might be premature given that preparers noted difficulties in 2022 of receiving data from other entities in their value chain[12], and we are concerned that these difficulties remain. We believe that Scope 3 GHG emission metrics should not be a required disclosure until there is broader consensus on appropriate measurement methodologies, reliable sources of information for each industry sector, and until the proliferation of reliable GHG data across the value chain has become available.

Preparers may be similarly challenged in applying the guidance for forward looking information, particularly how to connect short-, medium- and long-term metrics disclosure with their general purpose financial statements, and whether that disclosure will subject the company to increased legal liability and result in accruals with high estimation uncertainty. The entity is also responsible for defining its own interpretation of short-, medium- and long-term, which reduces the comparability of forward-looking information between similar entities. We recommend that the CSSB research and provide clear guidance on the connection between short-, medium- and long-term forward-looking metrics and financial reporting in general purpose financial statements. The CSSB should also consider limiting the parameters around the definition of short-, medium- and long-term in the context of forward-looking information to increase comparability and consistency across reporting issuers.

[9] IFRS Foundation, “*The jurisdictional journey towards implementing IFRS S1 and IFRS S2 — Adoption Guide Overview*”. Published July 2023.
[10] Please refer to CPA Canada’s July 28, 2022, comment letter to the ISSB regarding IFRS S1 and IFRS S2.
[11] CSDS 2 paragraph B57.
[12] Please refer to the July 28, 2022 comment letter on IFRS S1 and S2 as submitted by the Accounting Standards Board (AcSB).

Other Comments

While some of our comments below may not be under the direct responsibility of the CSSB, the following comments provide important context for the views we expressed above.

A Safe Harbour

We recommend that a safe harbour rule for "good faith estimates" be established to protect reporting issuers from legal liability. The SEC has provided in its most recent legislation a "safe harbor from private liability for climate-related disclosures related to transition plans, scenario analysis, internal carbon pricing, and targets and goals"[13], and this approach was supported by several Canadian stakeholders in the original 2022 comment period for the international standard[14].

Modified Audit Opinions

We are supportive of the standards and their adoption within a reasonable time period, however, there is concern that it may be more likely that preparers will be unable to provide sufficient, appropriate evidence to assurance providers to support an unqualified reasonable or limited assurance opinion on the sustainability related risks and disclosures. As a result, there may be an increase in the number of modified audit opinions on sustainability-related information in the early years of reporting. Some audit firms[15] are already anticipating that more assurance providers will be reporting a modified opinion over an entity's sustainability disclosures. The International Auditing and Assurance Standards Board (IAASB) also recognizes that more and more assurance reports will result in a modified opinion in the early years of standard adoption and have provided Illustrative Examples in Appendix 2 of ISSA 5000 (International Standard on Sustainability Assurance 5000: *General Requirements for Sustainability Assurance Engagements*), which include a modified limited assurance report on sustainability information (Illustration 4)[16]. It is unclear whether investors and securities regulators will accept modified assurance reports for sustainability information.

Assurance

Standard setters and regulators should consider whether assurance levels currently required by other established capital markets, including the United States, are appropriate. We recommend that the assurance requirements, whether they be limited or reasonable assurance, be comparable to other top capital markets. We believe it is important for standard setters and regulators to educate user groups on what constitutes limited and reasonable assurance.

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[13] Association of International Certified Professional Accountants (AICPA) and the Center for Audit Quality (CAQ): "*Summary of The Enhancement and Standardization of Climate-Related Disclosures for Investors*". As published on March 12, 2024. Link: https://www.aicpa-cima.com/resources/download/aicpa-summary-sec-proposed-rule-on-climate-related-disclosures

[14] Please refer to the following comment letters reviewed:

- The Canadian Bankers Association (CBA) noted in their July 29, 2022 letter that "entities will be required to balance the request for useful, transparent disclosure against the fact that methodologies and data continue to evolve, and so additional safe harbour protection may be beneficial to entities and encourage more transparency and decision-useful disclosures".
- CPA Ontario and CPA Quebec noted in their July 29, 2022 letter that they "recommend that the various regulatory jurisdictions provide for a safe harbor rule over sustainability-related disclosures relating to scenario analysis to potentially safeguard company directors and officers from legal or regulatory liability over forward-looking reported information and encourage companies to provide such analysis".
- The Business Council of Canada noted in their July 29, 2022 letter that "a 'safe harbour' provision is also necessary to protect issuers who make good faith efforts to report scope 3 emissions."

[15] Shannon, Mike (Global Head of ESG Assurance), KPMG "*Limited vs reasonable assurance over ESG*". Published February 24, 2024. Link: https://kpmg.com/xx/en/blogs/home/posts/2024/02/limited-vs-reasonable-assurance-over-esg.html

[16] In their explanatory memorandum for ISSA 5000, the IAASB commented in paragraph 129 that "stakeholders noted that modified assurance reports on sustainability information are expected to be more common given that sustainability reporting is still maturing, and therefore a report illustrating a qualified conclusion would also be helpful."

We believe that a "phased approach", as proposed by the SEC, would be appropriate[17]. We are concerned that users may not understand that limited assurance and reasonable assurance are substantially different, and that sustainability reports may not have the same level of assurance as the general purpose financial statements.

Comparability with the United States Climate Legislation

Although the SEC recently paused the introduction of their climate disclosure rules, their March 2024 legislation would not require scenario analysis[18] nor Scope 3 GHG emission disclosure. We recommend that the CSSB conduct research to determine whether a lack of comparability in climate disclosure with the United States will create any negative consequences for multi-jurisdictional filers. We also encourage collaboration between the various standard setters with an eye to eventual convergence of sustainability disclosure requirements.

The Modification Framework

We agree that it is prudent to consider circumstances that are unique to Canada, such as Indigenous matters, when drafting Canadian-specific additions to the proposed standard, as larger, multi-jurisdictional filers will still be able to comply with those reporting requirements while also being able to claim compliance with IFRS S1 and S2. Broader amendments to the IFRS S1 and S2 standards, or the deletion of certain requirements would not be supported, however, except when the changes to the international standards relate to transitional provisions or making certain requirements voluntary with a "comply or explain" requirement. If the CSSB were to accommodate small to medium sized public and private enterprises, they could consider creating a separate, uniquely Canadian framework like Part II (ASPE) that would have less stringent disclosure requirements than IFRS S1 and S2, but that would still satisfy stakeholder requirements for additional transparency over sustainability risks and metrics.

We appreciate the work done by the CSSB on this critical area and the opportunity to comment on these proposals. If you have any questions or require additional information, please contact me at michael.walke@ccaq-ccqa.com.

Yours very truly,

M. C. Walke

The Canadian Centre for Audit Quality (CCAQ) is an independent not-for-profit Canadian corporation dedicated to supporting Canadian audit firms and public accountants in fulfilling their public interest role, and investors and other stakeholders with public policy and public interest issues. The CCAQ's founding members are the seven largest Canadian independent registered CPA accounting firms.

[17] Association of International Certified Professional Accountants (AICPA) and the Center for Audit Quality (CAQ): "Summary of The Enhancement and Standardization of Climate-Related Disclosures for Investors". As published on March 12, 2024. Link: https://www.aicpa-cima.com/resources/download/aicpa-summary-sec-proposed-rule-on-climate-related-disclosures

[18] The final ruling does not mandate the use of scenario analysis, however a public registrant must "disclose its use of such risk management tools only if its use of them is material or yields material information". Please refer to "Comprehensive Analysis of the SEC's Landmark Climate Disclosure Rule (March 15, 2024; Updated April 8, 2024) by Deloitte.
Link: https://dart.deloitte.com/USDART/home/publications/deloitte/heads-up/2024/sec-climate-disclosure-rule-ghg-emissions-esg-financial-reporting

Adoption of CSDS 1 and CSDS 2 based on IFRS S1 and IFRS S2

Response letter from the Canadian Climate Institute

Overall CSSB's proposed disclosure standards, including the proposed relief measures, align closely with the IFRS standards. However, following the lead of other jurisdictions, there are opportunities for CSSB to go beyond IFRS S1 and S2 as global baselines. We submit the following considerations under the CSSB's request for public consultation:

1) Standards for scenario analysis

While IFRS S2 addresses scenario analysis, it does not specify the number of scenarios that should be conducted or the degrees of warming that should be covered. In contrast, the Aotearoa New Zealand Climate Standards require at least three climate-related scenarios with at least two being for 1.5 degrees and over 3 degrees. Similarly, OSFI's Standardized Climate Scenario Exercise draft requires a below 2 degrees immediate action scenario, a below 2 degrees delayed action scenario, and a net-zero scenario. These scenarios are modelled on those offered by the Network for Greening the Financial System, which are quickly becoming mainstreamed by major financial institutions.

CSDS 2 could likewise convey some specific minimum standards for climate scenarios, while still providing flexibility to entities making disclosures.

2) Rigour around sustainability issues beyond climate

IFRS S2 is built around a clear metric—emissions—but IFRS S1 lacks detail on disclosing other sustainability-related risks and opportunities. The EU has made

greater progress here, with its principle of double materiality (i.e. risk to the entity and impacts of the entity are dual materiality perspectives) helping with the identification of important sustainability risks and the European Sustainability Reporting Standards (ESRS) going into detail on disclosure around nine sustainability issues in addition to climate.

Developing disclosure standards in Canada that cover these additional areas could align Canada more closely to how the EU has not only ESRS E1 (climate change), but also ESRS E2 (pollution), ESRS S1 (own workforce), and more. It would also align with the ISSB's intention to explore standards on biodiversity and human capital. Rigour could additionally be enhanced by applying a principle of double materiality in CSDS 1 for identifying sustainability-related risks and opportunities.

3) Assurance requirements

IFRS S1 recognizes the value of assurance and, although it does not mandate it, ISSB expects regulatory bodies to require some level of assurance. The EU again demonstrates leadership here with CSRD explicitly requiring independent, third-party assurance. Assurance improves the integrity of disclosures and requiring it in Canada would help address fears of greenwashing. In its 2023 survey of 1,001 Canadian investors, Responsible Investment Association (RIA) Canada found that greenwashing concerns deter nearly half of respondents from responsible investment opportunities.

4) Provide sector-specific guidance

The CSSB exposure drafts explore the notion of providing further interpretative guidance. Providing sector-specific guidance could add significant value when there are material differences between sectors. For instance, embodied emissions are of greater importance for the construction industry and enabled climate mitigation is relevant for critical mineral refiners. Accounting for sectoral differences has been a key part of work on Canada's green and transition finance taxonomy.

Dr. Janis Sarra
Professor of Law Emerita
University of British Columbia
Principal Co-Investigator, Canada Climate Law Initiative
sarra@allard.ubc.ca

22 May 2024

To:
Charlies-Antoine St-Jean, Chair,
Canadian Sustainability Standards Board
277 Wellington Street West Toronto, Ontario M5V 3H2
Charles-Antoine.St-Jean@cssb-ccnid.ca

and to:
Lisa French, Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West Toronto, Ontario M5V 3H2.
LFrench@frascanada.ca

Dear Monsieur St-Jean and Ms French,

Re: Canadian Sustainability Disclosure Standard (CSDS) Exposure Draft, CSDS 1 General Requirements for Disclosure of Sustainability-related Financial Information and CSDS 2 Climate-related Disclosures

The Canada Climate Law Initiative (CCLI) is making this submission to the Canadian Sustainability Standards Board (CSSB) as part of its consultation process on proposed Canadian Sustainability Disclosure Standard (CSDS) 1 General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1) and CSDS 2 Climate-related Disclosures (CSDS 2).[1] The CCLI supports the CSSB's efforts to adopt the International Financial Reporting Standards (IFRS) Foundation's International Sustainability Standards Board (ISSB) *IFRS S2 Climate-related Disclosures* (IFRS S2) and IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) almost in their entirety.

The CCLI is a collaboration of the faculties of law at the University of British Columbia and York University that examines the legal basis for corporate directors, officers, pension fiduciaries, and asset managers to manage and report on climate-related financial risks and opportunities, publishing guidance on effective climate governance and working closely with the accounting and legal professions and provincial and

[1] Exposure Draft, "CSDS 1, *General Requirements for Disclosure of Sustainability-related Financial Information*" (CSDS 1)and CSSB, Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures, Exposure Draft "CSDS 2, *Climate-related Disclosures* (CSDS 2).

federal regulators to publish guidance for boards and their audit committees in multiple sectors.[2] To date, our 15 affiliated research scholars from universities across Canada and our 70 Canadian Climate Governance Experts have made presentations to almost 200 corporate and pension boards on effective climate governance and disclosure, and we have held sessions at over 200 webinars, national and international conferences of directors, corporate counsel, asset managers, and pension fiduciaries. The CCLI is the Canadian partner of the global Commonwealth Climate and Law Initiative, founded at Oxford University, United Kingdom.

We answer your specific survey questions below, but wish to commence with some overview comments that we believe are important to your consultations regarding these proposed standards.

Proposed CSDS 1 and CSDS 2 are critically important to advancing the identification, oversight, and management of climate-related and sustainability-related financial risks and opportunities. There are significant benefits to Canada adopting the global standardization of sustainability disclosure, and failure to do so will place our economy and financial system at a disadvantage in efforts to attract much needed capital to Canada. Clear sustainability and climate-related standards are critically important to attracting investments and fostering sustainable economic growth. They help investors identify opportunities that align with their strategy and allow them to evaluate companies and projects to make informed investment decisions. Canada needs an estimated $115 billion in annual climate financing to make the transition to a net-zero carbon economy.[3]

In our view, it is essential that users of general-purpose financial reporting are able to access consistent, complete, comparable, and verifiable information, including consistent metrics, to enable users to assess an entity's exposure to and management of climate-related risks and opportunities. An entity must disclose information that enables users to understand the effects of material climate-related and sustainability-related risks and opportunities on its financial position, financial performance, and cash flows, and the anticipated effects over the short, medium, and long term, including how climate-related risks and opportunities are embedded in the entity's financial planning.

The CCLI has three recommendations, discussed in detail below:

1. The CSSB should fully adopt IFRS S1 and IFRS S2 in CSDS 1 and CSDS 2, with the only change being the effective date, January 2025 instead of January 2024.

2. The CSSB should not delay the requirement for Scope 3 emissions disclosure. It is important to begin disclosure as 70-80% of Canada's greenhouse gas (GHG) emissions are Scope 3 emissions.[4] The CCLI submits that the transition and proportionality provisions of paragraphs 37-40 in CSDS 1 and paragraphs 18-20 of CSDS 2 allow for accommodation of the size, skills, sophistication, and resources of entities, offering considerable accommodation and guidance for when an entity is not able to disclose quantitative information.

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[2] See for example, Helen Tooze, *Canadian Credit Unions and Effective Climate Governance Cooperating for a Sustainable Future* (CCLI and Canadian Credit Union Association, 2023); Janis Sarra and Norie Campbell, *Banking on a Net-Zero Future: Effective Climate Governance for Canadian Banks* (CCLI 2022); Janis Sarra, *Life, Health, Property, Casualty: Canadian Insurance Company Directors and Effective Climate Governance* (CCLI 2021); Janis Sarra, Roopa Davé, Meghan Harris-Ngae, and Ravipal Bains, *Audit Committees and Effective Climate Governance, A Guide for Boards of Directors* (CCLI, 2020).

[3] SFAC, *Taxonomy Roadmap Report Mobilizing Finance for Sustainable Growth by Defining Green and Transition Investments*, (September 2022), Taxonomy Roadmap Report - Canada.ca.

[4] Government of Canada, Government of Canada's Greenhouse Gas Emissions Inventory - Canada.ca (December 2023).

3. The CSSB should not delay the effective date for disclosures beyond climate-related risks and opportunities for two years. At this stage, the standards are voluntary, and there is no need to delay implementation deadlines. The same transition and proportionality provisions will accommodate differences in capacity, skills, and resources, and will support meaningful transition.

The CSSB's proposals largely align Canadian accounting standards with the global momentum in adoption of IFRS S1 and IFRS S2. To date, 400 organizations from 64 jurisdictions have committed to advancing the adoption or use of the ISSB's climate-related reporting.[5] Support for adoption of IFRS S1 and IFRS S2 also includes the support f the Financial Stability Board of the G20 countries, the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the World Bank, the Taskforce on Climate-related Financial Disclosures (TCFD), the Asian Development Bank, the Network for Greening the Financial System (NGFS), the Global Reporting Initiative (GRI), CDP, and the Taskforce on Nature-related Financial Disclosures (TNFD).[6] Investors with more than $120 trillion of assets under management (AUM) from around the world have also committed to the standards.[7] More than 25 stock exchanges have signalled their support, as well as the African Securities Exchanges Association which represents 27 securities exchanges and the Arab Federation of Capital Markets, representing 17 stock exchanges.

The CCLI's research indicates that 24 countries have introduced or are in the process of introducing IFRS S2. Of those jurisdictions, 54% have adopted the standard without amendment or with minor amendment, in many cases for timing of the effective date.[8] Only 3 jurisdictions are proposing significant amendments (5 or more) to the international standard (information on the other jurisdictions is not yet available in English or French). In Canada, the Office of the Superintendent of Financial Services (OSFI), regulating and supervising more than 400 financial institutions and 1,200 pension plans, has now aligned its B-15 Guideline Climate Risk Management with IFRS S2.

The CSSB was established to serve the public interest by setting and maintaining high-quality sustainability disclosure standards for Canadian entities and by contributing to the development of high-quality, internationally recognized, sustainability disclosure standards.[9] The best way that the CSSB can serve the Canadian public interest and maintain the quality of sustainability disclosure in Canada is to align CSDS 1 and CSDS 2 to the maximum extent possible with IFRS S1 and IFRS S2.[10] Public interest, in this context, includes ensuring the standards protect the safety and soundness of the Canadian financial system; protect the billions of dollars in pension funds that provide pension benefits and retirement security to Canadians; and protect investors, depositors, insurance policyholders, and others whose investments, savings, and economic security are dependent on transparent, clear, comparable, science-based information as to where funds should be invested. Aligning Canadian standards with global standards is critically important to Canada's commitment to moving our economy to net-zero carbon emissions and to developing sustainable businesses.

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[5] IFRS, (4 December 2023), IFRS - ISSB at COP28: close to 400 organisations from 64 jurisdictions, including associations gathering over 10,000 member companies and investors, join multilateral and market authorities to commit to advance the ISSB climate global baseline and IFRS - COP28 Declaration of Support; IFRS, Progress towards adoption of ISSB Standards as jurisdictions consult (3 April 2024), IFRS - Progress towards adoption of ISSB Standards as jurisdictions consult.

[6] IFRS - COP28 Declaration of Support—Further statements of support.

[7] IFRS, note 5.

[8] Helen Tooze, CCLI, "IFRS S1 and S2 Adoption" (May 2024), on file with CCLI, trottier@allard.ubc.ca.

[9] CSSB, Consultation Paper Proposed Criteria for Modification Framework.

[10] CSDS 1 at 1.

Also important is to align, as much as possible, sustainability accounting and disclosure standards with securities law disclosure. The ISSB standards have been endorsed by the International Organization of Securities Commissions (IOSCO), which has called on its 130 member jurisdictions, regulating more than 95% of the world's financial markets, to adopt the standards.[11] Canada is a member of IOSCO, but has seriously lagged in developing climate-related disclosure standards, leaving investors and issuers at considerable disadvantage for attracting domestic and foreign capital.[12] Lack of clarity in standards also leaves entities vulnerable to litigation risks because entities are having to guess at what level and type of disclosure is necessary to comply with materiality requirements and avoid regulatory sanction or civil liability lawsuits.

The CSSB's standards, once finalized, can help guide Canadian securities regulators to revise draft National Instrument 51-107 Disclosure of Climate-related Matters (NI 51-107) to align with global standards, in turn helping to foster our capital markets and protect investors. The Canadian Securities Administrators (CSA) announced in March 2024 that it will consider the final CSSB standards and may include modifications appropriate for the Canadian capital markets, "adopting only those provisions of the sustainability standards that are necessary to support climate-related disclosures".[13] While accounting standards apply to a much larger segment of the economy than just publicly-traded companies, it is important to align securities law disclosure requirements as much as possible to the CSSB's standards. IOSCO's strong support for IFRS S1 and IFRS S2 illustrates this need for alignment.

Proposed CSDS 1 and CSDS 2 highlight the connectivity between climate-related and sustainability-related disclosures and information in the financial statements, including the recommendations to disclose sustainability-related financial information as part of general-purpose financial reporting, to explain the connections between sustainability-related risks and opportunities and information in the financial statements, and to link information in the financial statements to specific metrics and targets. CSDS 1 and CSDS 2 will considerably enhance climate-related disclosure at a critically important time when Canada needs to safeguard and support its financial system.

The CCLI's view is that the benefits of implementing the requirements of CSDS 1 and CSDS 2 far outweigh the costs. The standards are aimed at enabling users of general financial reporting to make decisions that will set the trajectory of the financial system for the future. The costs of inaction are massive, the World Economic Forum reporting that climate inaction risks $23 trillion of global economic losses a year, amounting to permanent economic damage four times greater than the impact of the 2008 global financial crisis.[14] The adage that we manage what we account for and disclose is apt here.

Comments requested by the CSSB:

Re: Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information

1. **Scope of proposed CSDS 1 (proposed paragraphs 1-4 of CSDS)**

[11] IOSCO, "IOSCO endorses the ISSB's Sustainability-related Financial Disclosures Standards", IOSCO/MR/19/2023, (25 July 2023).
[12] For a discussion, see Janis Sarra, *Canada's North Star in Climate Disclosure: Securities Regulators Must Align NI 51-107 with Global Developments* (CCLI, February 2024).
[13] Canadian Securities Administrators, "Canadian securities regulators issue statements on proposed sustainability disclosure standards and ongoing climate consultation" (13 March 2024).
[14] World Economic Forum, "Climate change is driving a financial crisis – here's what needs to change" (15 November 2021), Ensuring the climate crisis doesn't drive a financial crisis | World Economic Forum (weforum.org); Climate change: The next financial crisis? | Euronews.

Question 1(a). Do you agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is adequate?

The CCLI does not support the CSSB's proposal to extend the one-year transition relief in IFRS S1 to two years for disclosures beyond climate-related risks and opportunities. In our view, one year is more than sufficient, particularly with the transition and proportionality provisions in paragraphs 37 to 40, which already account for time to achieve quantitative information based on availability, skills, resources, and capacities.

The objective of CSDS 1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity and that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. It is essential that this reporting comes into effect as soon as possible.

One year of transition relief is appropriate. Securities law already requires publicly-traded companies to disclose "material" information in continuous disclosure documents, including material information in respect of sustainability. Accounting standards also currently require reporting of material financial information publicly for publicly-traded companies and to shareholders for privately-held companies.[15] CSDS 1 provides specific guidance on the scope and content of that disclosure to ensure that data are comparable and consistent across entities' disclosures.

Paragraphs 37 to 40 of CSDS 1 already provide both transition measures and proportionality in terms of requirements and offer a better approach than delaying disclosure beyond climate-related risks and opportunities. Paragraph 37 specifies that "In preparing disclosures about the anticipated financial effects of a sustainability-related risk or opportunity, an entity shall: (a) use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort" and "(b) use an approach that is commensurate with the skills, capabilities and resources that are available to the entity for preparing those disclosures." Under paragraph 38, an entity need not provide quantitative information about the current or anticipated financial effects of a sustainability-related risk or opportunity if the entity determines that those effects are not separately identifiable; or the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful. Paragraph 39 specifies that an entity need not provide quantitative information about the anticipated financial effects of a sustainability-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information.

Key also is paragraph 40, which requires an explanation as to why the disclosures are not being made, specifying that where an entity determines that it need not provide quantitative information about the current or anticipated financial effects of a sustainability-related risk or opportunity, it must explain why it has not provided quantitative information; provide qualitative information about those financial effects, including identifying line items, totals, and subtotals within the related financial statements that are likely to be affected, or have been affected, by that sustainability-related risk or opportunity; and provide quantitative information about the combined financial effects of that sustainability-related risk or

[15] International Accounting Standards Board, Definition of Material, Amendments to IAS 1 Presentation of Financial Statements and IAS 8 (October 2018). The definition of material states: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are effective from 1 January 2020. See also Canadian GAAP.

opportunity with other sustainability-related risks or opportunities and other factors unless the entity determines that quantitative information about the combined financial effects would not be useful.

All of these provisions accommodate transition and are proportionate to size, skills, and resources, and alignment with IFRS S1 is a better option than delaying the effective date. Information about sustainability-related risks and opportunities is useful to primary users because an entity's ability to generate cash flows over the short, medium and long term is inextricably linked to the interactions between the entity and its stakeholders, society, the economy, and the natural environment throughout the entity's value chain.[16] The entity's dependencies on those resources and relationships and its impacts on those resources and relationships give rise to sustainability-related risks and opportunities for the entity.[17] Paragraphs 37 to 40 provide entities with considerable time and scope for developing risk management and governance practices aimed at transition, aligning Canada with the global baseline of how entities can best develop effective identification, management, and disclosure of sustainability-related risks and opportunities.

Question 1(b). If you do not agree that the two-year transition relief is adequate, what transition relief do you believe is required? Please provide your reasons.

One year, for reasons set out in response to question 1(a).

2. Timing of reporting (proposed paragraphs 64-69 of CSDS
Question 2(a). Is any further relief or accommodation needed to align the timing of reporting?

No, there is already considerable relief provided in paragraphs 37 to 40. It is important to align sustainability disclosures with financial reporting and hence with the IFRS S1 standards.

Question 2(b). How critical is it for users that entities provide their sustainability-related financial disclosures at the same time as their related financial statement?

It is essential that sustainability-related financial disclosures form part of annual financial statements. Uncoupling financial reporting and sustainability disclosures will create uncertainty in financial disclosures, create risk of fragmentation of disclosure, and greatly increase the risk of greenwashing. There is now global recognition of the link between factors relating to sustainability and financial statements. In order for investors, other stakeholders, and regulators to be able to assess the accuracy of financial disclosure, they require information regarding the entity's identification, management, and monitoring of sustainability risks and opportunities. The best way of ensuring the integrity of the disclosure is to ensure that entities are reporting sustainability as part of their financial disclosures with all the certifications and verifications that allow investors to rely on accuracy, year-over-year comparability, and allow comparisons with other entities in terms of making investment decisions.

The CCLI also notes that entities are protected from liability, and directors, pension trustees, and other fiduciaries are protected from personal liability, if they act in good faith and make duly diligent efforts to be as accurate as possible in their disclosures.[18] In our view, CSDS 1 works toward liability protection as it sets the scope of disclosures and clarifies how to report the processes to achieve them. Here again, paragraphs 37 to 40 protect duly diligent fiduciaries, who are to report based on all reasonable and

[16] CSDS 1 at para 2.
[17] CSDS 1 at para 2.
[18] *Peoples Department Stores Inc (Trustee of) v Wise,* 2004 SCC 68, [2004] 3 SCR 461 (SCC); *BCE Inc v 1976 Debentureholders*, [2008] 3 SCR 560 (SCC).

supportable information available to the entity without undue cost or effort; are to use an approach commensurate with the skills, capabilities, and resources that are available; and the entity need not provide quantitative information about the anticipated financial effects of a sustainability-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information.

3. Do you agree that the requirements in the following sections are appropriate for application in Canada?
Question 3(a). Scope

The CCLI strongly supports the CSSB's proposal to adopt IFRS S1 as CSDS 1 without amendment. The objective of proposed CSDS 1 is to require an entity to disclose information about its sustainability-related risks and opportunities, based on the fundamental principle that an entity's ability to generate cash flows over the short, medium and long terms is inextricably linked to the entity's interactions with society, the economy, the natural environment and other parties that it may impact.[19] Proposed CSDS 1 offers guidance, standards and definitions that allow entities to prepare a complete set of sustainability disclosures.

Our view is that climate-related risks are of an immediate and urgent nature, the Supreme Court of Canada having recognized that climate change is an existential threat to humanity. However, other sustainability risks and opportunities are material to an entity's sustainability, including protection of biodiversity; promotion of equity, inclusion, and diversity; building partnerships with Indigenous communities; and building effective governance. As noted above, if any of these factors are material, they must already be disclosed; but Canada lacks standards that offer guidance. We need standards aligned with international standards if Canada is to attract the capital necessary to make our economy sustainable over the short, medium, and long term. CSDS 1 offers structure and clear guidance on the disclosures required. To be clear, it is not that entities will have to consider every aspect of environmental, social, and governance (ESG) and other sustainability factors in their financial disclosures; rather, having identified which factors are material to the entity, CSDS 1 offers guidance on how to identify, measure, manage, monitor, and disclose sustainability-related matters.

Question 3(b). Conceptual Foundations

The CCLI supports the CSDS 1 statement that for sustainability-related financial information to be useful, it must be relevant and faithfully represent what it purports to represent, and that the usefulness of sustainability-related financial information is enhanced if the information is comparable, verifiable, timely and understandable.[20]

The concept of fair presentation is fundamental to all accounting, and is particularly important for sustainability reporting. The CCLI agrees that fair presentation requires disclosure of all relevant information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects, and that to achieve faithful representation, an entity must provide a complete, neutral, and accurate depiction of those sustainability-related risks and opportunities.[21] We support the CSSB's statement that fair presentation also requires an entity to disclose information that is comparable, verifiable, timely, and understandable; and to disclose additional information if compliance

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[19] CSDS 1 at 5.
[20] CSDS 1, para 10.
[21] CSDS 1, paras 11, 13.

with the specifically applicable requirements in CSDS is insufficient to enable users of financial reports to understand the effects of sustainability-related risks and opportunities on the entity's cash flows, its access to finance, and cost of capital over the short, medium, and long term.[22]

The CCLI also supports the CSSB's requirements in respect of materiality, specifically, that an entity must disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects; and information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of financial statements and sustainability-related financial disclosures make on the basis of those reports.[23] As noted above, this foundational concept aligns with accounting and financial reporting standards globally.

The CCLI supports the requirement that an entity's sustainability-related financial disclosures must be for the same reporting entity as the related financial statements;[24] the information must enable users to make connections between various sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects; must include disclosure of governance, strategy, risk management, and metrics and targets.[25] We agree that data and assumptions used in preparing the sustainability-related financial disclosures must be consistent, to the extent possible, with the requirements of IFRS Accounting Standards or applicable Canadian Generally Accepted Accounting Principles (GAAP) used in preparing related financial statements.[26]

Question 3(c). Core Content

The CCLI supports the core content of CSDS 1, requiring an entity to provide disclosures about the governance processes, controls, and procedures that the entity uses to monitor and manage sustainability-related risks and opportunities; the strategy the entity uses to manage sustainability-related risks and opportunities; the entity's risk management, including the processes the entity uses to identify, assess, prioritize, and monitor sustainability-related risks and opportunities; and metrics and targets, specifically the entity's performance in relation to sustainability-related risks and opportunities, including progress toward any targets the entity has set or is required to meet by law or regulation[27] These requirements align with IFRS S1 and with the framework of the TCFD.

Question 3(d). General Requirements

The CCLI agrees with the CSSB's sources of guidance in identifying sustainability-related risks and opportunities, again aligning identification of sustainability-related risks and opportunities to the greatest extent possible with IFRS S1, and drawing on other guidance such as OSFI's B-15 Guideline and the TCFD framework to best ensure the accuracy of disclosure.[28] The requirement states that in identifying applicable disclosure requirements about a sustainability-related risk or opportunity that could reasonably be expected to affect an entity's prospects, an entity shall apply the CSDS that specifically applies to that risk or opportunity, and in the absence of a specific CSDS, an entity shall apply judgment

[22] CSDS 1, para 15.
[23] CSDS 1, paras 17, 18.
[24] CSDS 1, para 20.
[25] CSDS 1, paras 21, 22.
[26] CSDS 1, para 23.
[27] CSDS 1, paras 26-53.
[28] CSDS 1, paras 54, 55, 58.

to identify information that is relevant to the decision-making of users of general-purpose financial reports and faithfully represents that sustainability-related risk or opportunity.[29]

In respect of location, while we appreciate that the CSSB is offering some flexibility in the location of the sustainability-related financial disclosures (as does IFRS S1), the entity is required to provide disclosures required by CSDS 1 as part of its general-purpose financial reports.[30] What is key here is that whatever format is used, for example, management's discussion and analysis (MD&A), the sustainability information must form part of the financial statements and disclosure embedded in such a way that investors and other stakeholders can understand the governance, strategy, risk management, and metrics and targets in their assessment of financial disclosures.

The CCLI supports the CSSB's requirement that an entity shall report its sustainability-related financial disclosures at the same time as its related financial statements and the entity's sustainability-related financial disclosures shall cover the same reporting period as the related financial statements.[31] Similarly, it is important that an entity disclose information about transactions, events, and conditions that occur after the end of the reporting period, but before the date on which the sustainability-related financial disclosures are authorized for issue, if non-disclosure of that information could reasonably be expected to influence decisions that primary users of financial reports make on the basis of those reports.[32] We also support the requirement to disclose comparative information in respect of the preceding period for all amounts disclosed in the reporting period.[33]

We submit that the requirement for a statement of compliance is particularly important, requiring the entity (through its fiduciaries) to make an explicit and unreserved statement of compliance and prohibiting statements that the entity is complying with the CSDS when it has not complied with all the requirements.[34] The CSSB has noted that its standard relieves an entity from disclosing information otherwise required by a CSDS if law or regulation prohibits the entity from disclosing that information.[35] We are a bit concerned about the exemption that allows non-disclosure of commercially sensitive information about a sustainability-related opportunity otherwise required by a CSDS, but we acknowledge this provision aligns with IFRS S1 and supports entities finding new opportunities to advance sustainability.[36] In assessing that decision, if later challenged by investors, the issue will be whether the non-disclosure somehow misled investors.

Question 3(e). Judgments, Uncertainties, and Errors

The CCLI supports the CSSB's requirement that an entity disclose information to enable users of general-purpose financial reports to understand the judgments that the entity has made in the process of preparing its sustainability-related financial disclosures and that have the most significant effect on the information included in those disclosures.[37] We appreciate that directors and other fiduciaries make judgments that can significantly affect the information reported in the entity's sustainability-related financial disclosures, including assessing materiality and assessing whether an event or change in

[29] CSDS 1, paras 56, 57.
[30] CSDS 1, paras 60-63.
[31] CSDS 1, para 64.
[32] CSDS 1, para 68.
[33] CSDS 1, paras 70, B49-B59.
[34] CSDS 1, para 72.
[35] CSDS 1, para 73.
[36] CSDS 1, para 73.
[37] CSDS 1, para 74.

circumstances is significant and requires reassessment of the scope of all affected sustainability-related risks and opportunities throughout the entity's value chain.[38] Here again, good faith and due diligence are an important part of exercising judgment and serve as protection from hindsight challenges to the judgment exercised. Canada's caselaw has been consistent for more that 20 years. The Supreme Court of Canada has held that courts will be reluctant to second-guess the application of business expertise to the considerations that are involved in corporate decision making.[39] However, the SCC has also held that courts "are capable, on the facts of any case, of determining whether an appropriate degree of prudence and diligence was brought to bear in reaching what is claimed to be a reasonable business decision at the time it was made".[40] Critically important is that CSDS 1 (and CSDS 2) offer the benchmark guidance against which prudence, diligence, and reasonableness can be assessed if there are later legal challenges to decisions made in the face of some uncertainty.

Another important part of CSDS 1 is the requirement of an entity to disclose information to enable users of general-purpose financial reports to understand the most significant uncertainties affecting the amounts reported in its sustainability-related financial disclosures, including identifying the amounts that it has disclosed that are subject to a high level of measurement uncertainty, the sources of measurement uncertainty, and the assumptions, approximations, and judgments the entity has made in measuring the amount.[41] CSDS 1 recognizes, as does IFRS S1, that when amounts reported in sustainability-related financial disclosures cannot be measured directly and can only be estimated, measurement uncertainty arises; and the use of reasonable estimates is an essential part of preparing sustainability-related financial disclosures and does not undermine the usefulness of the information if the estimates are accurately described and explained.[42]

Moreover, paragraphs 77 to 82 of CSDS 1 recognize that an entity may have difficult or complex judgments, and as the number of variables and assumptions increases, those judgments become more subjective and complex, and the uncertainty increases accordingly, so entities must be clear on their assumptions, the sources of and factors contributing to the uncertainty, as well as the expected resolution of an uncertainty and the range of reasonably possible outcomes. An entity must correct material prior period errors by restating the comparative amounts for the prior periods disclosed, unless it is impracticable to do so.[43] This level of guidance gives meaningful information that users can assess and clearly sets out expectations of fiduciaries, in turn protecting them and their entity from liability for hindsight discovery of errors if they have acted in good faith and with due diligence.[44]

Question 3(f). Appendices

The appendices are very helpful in setting out definitions, additional guidance on disclosing information about all sustainability-related risks and opportunities, and assessing materiality. They will assist entities in identifying sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects, and will enhance both qualitative and quantitative sustainability-related financial information.

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[38] CSDS 1, paras 74, B11.
[39] Janis Sarra, *Fiduciary Obligatons in Business and Investment: Implicatons of Climate Change* (CCLI, 2018) at 10-14.
[40] *Peoples Department Stores,* note 18 at para 67.
[41] CSDS 1, paras 77, 78.
[42] CSDS 1, para 79.
[43] CSDS 1, paras 83-86, B55-B59.
[44] *Peoples Department Stores ,* note 18 and *BCE Inc v 1976 Debentureholders*, note 18.

Re: Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures
1. Climate resilience (paragraph 22 of CSDS 2)

Question 1 (a). Is transition relief required for climate resilience disclosure? If so, for how long and why?

We support the CSSB's observation that an entity's assessment of climate resilience provides critically important information for investors and other stakeholders to understand an entity's exposure and response to its climate-related risks and opportunities. Climate resilience is defined as the "capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks. An entity's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties."[45]

Although the CSSB acknowledges that scenario analysis forms an integral part of identifying strategies that may be required to mitigate climate-related risks, it asks whether transition relief is necessary, given that scenario analysis methodologies are new for Canadian reporting entities. In our view, several features of CSDS 2 already contain transition provisions that accommodate all sizes and sophistication of entities and no additional transition relief is required.

Under CSDS 2, paragraph 18 specifies that "In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity, an entity shall: (a) use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort; and (b) use an approach that is commensurate with the skills, capabilities and resources that are available to the entity for preparing those disclosures." It provides entities with time to develops skills and capacity and exempts disclosure that is not possible without undue cost or effort. Paragraph 19 then specifies that "An entity need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity if the entity determines that: (a) those effects are not separately identifiable; or (b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful." In addition, an entity need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information.[46] In combination, these provisions provide substantive support to an entity growing into its capacity to disclose climate-related risks and opportunities, but equally, and very importantly, it encourages that journey to begin now.

We also note that there is growing guidance on scenario testing, including from OSFI,[47] the TCFD,[48] the Bank of England,[49] the UK Institute and Faculty of Actuaries,[50] the European Union,[51] and a host of other publicly available information. The CCLI suggests that entities need at least baseline scenario analysis in order to effectively manage financial risk and to undertake strategic planning. Beginning to adopt these tools should not be delayed. Prudential and securities regulators can signal that they will work with

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[45] CSDS S2, Appendix A.
[46] CSDS 2, para 20.
[47] OSFI, Standardized Climate Scenario Exercise – Draft for consultation (April 2024).
[48] TCFD, "The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities, Technical Supplement" (2017).
[49] Bank of England, "Measuring climate-related financial risks using scenario analysis" (2024).
[50] UK Institute and Faculty of Actuaries, *Emperor's New Climate Scenarios – a warning for financial services*, (July 2023). See also The Pensions Regulator, United Kingdom, "How trustees can help make climate scenario analysis 'decision-useful'" (29 August 2023).
[51] European Union, EU Reference Scenario 2020 (2020).

entities in the first years as they perfect testing, rather than enforce errors if they are made in good faith and with due diligence.

Question 1(b). Is further guidance necessary? If so, which specific elements require guidance and why?

No further guidance is necessary. Our view is that there is considerable guidance available in Canada and internationally. OSFI's Guideline B-15 and Québec's l'Autorité des marchés financiers' (AMF) proposed Climate Risk Management Guideline[52] offer important guidance, as do the references listed in the previous response.

Question 1(c). Proposed CSDS 2 references the Task Force on Climate-related Financial Disclosures' "Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities" (2017) and its "Guidance on Scenario Analysis for Non-Financial Companies" (2020) for related application guidance. What additional guidance would an entity applying the standard require? Please be specific.

As noted in the response to Question 1(a), there is considerable guidance on scenario testing, including from OSFI, the TCFD, the Bank of England, the UK Institute and Faculty of Actuaries, the European Union, and a host of other publicly available information. CPA Canada often issues Canadian-specific guidance on accounting practices and it, or the CSSB, could provide a summary of the international guidance for Canadian users of CSDS 2, including issues to be cognizant of. However, the requirement to undertake scenario analysis, even if it begins as basic risk analysis of possible scenarios an entity may face, should not be delayed. Former Governor of the Bank of Canada Mark Carney recently stated that scenario analysis/stress testing is one of the four fundamental building blocks required for boards, management, and prudential supervisors to anticipate and manage climate-related risks.[53]

2. Scope 3 GHG emissions (proposed paragraph C4 of CSDS 2)

Question 2(a). Is the proposed relief of up to two years after the entity applies proposed CSDS 2 adequate for an entity to develop skills, processes and the required capacity to report its Scope 3 GHG emissions disclosures at the same time as the general-purpose financial reports? Please provide rationale.

Under proposed CSDS 2, an entity is not required to disclose its Scope 3 GHG emissions in the first two annual reporting periods in which an entity applies this standard.[54] This bald exemption is problematic, as it does nothing to encourage the collection of Scope 3 emissions for an additional 2 years after the standard is effective. That will bring us close to 2030, the year in which it is broadly accepted that emissions have to have been reduced by 40% if we are to have any chance of stabilizing global warming. Rather than balancing "capacity to deliver disclosures concurrently with general-purpose financial reports"[55] with the urgent need to address climate-related risks, the two-year deferral is a weighting against both the public interest and the interests of investors. Here again, the proportionality provisions in paragraphs 18 to 20 of CSDS 2 offer the reporting entities transition relief and go a long way towards entities being

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[52] L'Autorité des marchés financiers, Climate Risk Management Guideline (AMF, November 2023), Draft Climate Risk Management Guideline (lautorite.qc.ca); AMF, Ligne directrice sur la gestion des risques liés aux changements climatiques.

[53] Mark Carney, Standing Senate Committee on Banking, Commerce and the Economy, (8 May 2024),https://senparlvu.parl.gc.ca/XRender/en/PowerBrowser/PowerBrowserV2?fk=637605&globalStreamId=3.

[54] Appendix C, C4 of CSDS 2 (see paragraph 29(a)), which includes, if the entity participates in asset management, commercial banking or insurance activities, the additional information about its financed emissions (see paragraph 29(a)(vi)(2) and paragraphs B58-B63).

[55] CSDS 2, at 5.

accommodated regarding disclosure of Scope 3 emissions; but they should start to collect these data once the standard becomes effective.

Scope 3 GHG emissions make up a significant part of many Canadian entities' total GHG emissions inventory, risks, and opportunities within their value chain. Entities have now known for years that they will be required to collect these data. One year of relief is enough time, as there has been years of guidance on climate-related disclosure and methodologies. The GHG Protocol was launched 23 years ago, and the CSA released Staff Notice 51-333 in 2010, almost 15 years ago, providing guidance on environmental disclosures, with further guidance in 2019.[56] The TCFD's recommendations to measure emissions was issued seven years ago. Any further delay will result in Canadian entities falling behind other jurisdictions, creating missed opportunities to attract investment.

Question 2(b). If you do not agree that two-year transition relief is sufficient, what relief period do you believe is required? Please provide your rationale for the timing you have provided.

The CCLI recommends staying aligned with IFRS S2 with one year of relief. The importance of Scope 3 emissions reductions is recognized globally, and in Canada, Scope 3 emissions comprise the vast majority of our emissions. Entities will best manage what they measure and disclose. Transparency of information regarding these emissions will drive capital flows to entities than are undertaking strategies to be sustainable in a net-zero emissions economy. The one year of transition relief provides a clear deadline for putting in place systems for enhancing data availability and quality. As noted above, the proportionality provisions in paragraphs 18 to 20 of CSDS 2 already represent an accommodation in respect of reporting Scope 3 emissions.

3. Other issues

Do you agree that the requirements in the following sections are appropriate for application in Canada?

Question 3(a). Objective

The CCLI submits that the objective of CSDS 2 is clear and very helpful. The objective of CSDS 2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.[57] This standard requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term, and the entity's prospects.

The objective aligns with the purposes of IFRS accounting standards generally, which is to standardize and create completeness, certainty, and comparability. A significant barrier to users of information has been the fragmentation of standards globally and the lack of comparability year over year, company to company, and across sectors. The CCLI believes the objective focuses on the information that will enable users to begin to assess the effects of climate-related risks and opportunities on enterprise value.

Question 3(b). Scope CSDS 2

The CCLI agrees that CSDS 2 should apply to both climate-related physical risks and transition risks to which the entity is exposed, and climate-related opportunities available to the entity.

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[56] CSA, CSA Staff Notice 51-333 - Environmental Reporting Guidance (osc.ca) (2010) and CSA, CSA Staff Notice 51-358 Reporting of Climate Change-related Risks (osc.ca) (2019).

[57] CSDS 1, para 1.

Question 3(c). Core content CSDS 2

The CCLI supports the core content requirements of CSDS 2. Disclosure of a company's governance of climate-related risks and opportunities enables users of the company's financial reports to understand the governance processes, controls, and procedures the company uses to monitor, manage, and oversee climate-related risks and opportunities.[58] Transparency in governance requires disclosure of information about the board, board committees, and individual managers that are given responsibility for oversight of climate-related risks and opportunities; how those responsibilities are reflected in the terms of reference, mandates, role descriptions, and related policies; how the board determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities; how and how often the board is informed and takes into account climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether it has considered trade-offs associated with those risks and opportunities; how the board oversees the setting of targets and monitors progress toward those targets, including whether and how related performance metrics are included in remuneration policies; management's role in the governance processes, controls, and procedures used to monitor, manage, and oversee climate-related risks and opportunities; and whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and how they integrate controls and procedures with other internal functions.[59]

The TCFD's rationale for requiring disclosure of governance and risk management irrespective of a materiality assessment is that climate-related risk is a non-diversifiable risk that affects nearly all industries and requires special attention so that users of annual financial reporting have insight into the governance and risk assessment context in which financial and operating results are achieved.[60] The CCLI supports this approach. Users should be entitled to know what governance processes and accountability mechanisms are in place that provide assurance of the veracity of the governance mechanisms and an understanding of how managers are accountable to the board. Legal opinions globally have recognized that directors have a fiduciary duty to ensure that companies are identifying and effectively managing climate-related risks and opportunities.[61]

Strategy disclosure is also core to CSDS 2. The objective of climate-related financial disclosures on strategy is to enable users of general-purpose financial reports to understand an entity's strategy for managing climate-related risks and opportunities. Directors are to disclose the climate-related risks and

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[58] CSDS 2, para 5.
[59] CSDS 2, paras 6, 29, 33-36.
[60] TCFD, "Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures," (June 2017), at 11, https://assets.bbhub.io/company/sites/60/2020/10/FINAL-TCFD-Annex-Amended-121517.pdf.
[61] Hansell LLP, 'Legal Opinion: Putting Climate Change Risk on the Boardroom Table' (June 2020), https://www.hanselladvisory.com/content/uploads/Hansell-Climate-Change-Opinion.pdf; Carol Hansell Legal Opinion, Climate Change Risk on the Boardroom Table, (7 June 2022), Climate Change Risk on the Boardroom Table – Hansell McLaughlin Advisory Group (hanselladvisory.com); Noel Hutley SC and Sebastian Hartford Davis, "Climate Change and Directors' Duties, Supplementary memorandum of Opinion", (26 March 2019), Australia Centre for Policy Development; Noel Hutley SC and Sebastian Hartford Davis, "Climate Change and Directors' Duties" (23 April 2021), Microsoft Word - CPB - Supplementary Opinion of Hutley and Hartford Davis 26.3.19 (002).docx (cpd.org.au); Noel Hutley SC and Sebastian Hartford Davis, "Climate Change and Directors Duties, Memorandum of Opinion", (7 October 2016), https://cpd.org.au/wp-content/uploads/2016/10/Legal- Opinion-on-Climate-Change-and-Directors-Duties.pdf; Legal Opinion on Directors' Responsibilities and Climate Change under Singapore Law, (April 2021), Legal-Opinion-on-Directors-Responsibilities-and-Climate-Change-under-Singapore-Law.pdf (ubc.ca); S Divan, S Yadav and R Singh Sawhney, "Legal Opinion: Directors' obligations to consider climate change-related risk in India", (7 September 2021), https://ccli.ubc.ca/wpcontent/uploads/2021/09/CCLI_Legal_Opinion_India_Directors_Duties.pdf; Alex Stock, SC and Jennifer Fan, "Legal Opinion on Directors' duties and Disclosure Obligations under Hong Kong Law in the Context of Climate Change Risks and Considerations", (19 October 2021), https://ccli.ubc.ca/wpcontent/uploads/2021/10/Hong-Kong-Directors-obligations-and-climate-change.pdf.

opportunities that could reasonably be expected to affect the entity's prospects; the current and anticipated effects of those climate-related risks and opportunities on the entity's business model and value chain; their effects on the company's strategic decision-making, including information about its climate-related transition plan.[62] Given the urgency of climate change and its financial impacts, transition planning is now essential.

The CCLI supports the CSSB's requirement that disclosure should also include information regarding the effects as well as anticipated effects of those climate-related risks and opportunities on the company's financial position, financial performance, and cash flows for the reporting period over the short, medium, and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning.[63] There must also be disclosure of the climate resilience of the entity's strategy and its business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities.[64]

The CCLI submits that verifiability is critically important to climate-related financial information. Verifiability gives stakeholders confidence that information is complete, neutral, and accurate. There should be third-party verification/assurance of climate-related data disclosed, allowing assurance of the inputs to financial statement, which in turn enables audit of the information contained in the financial statements. An important aspect of third-party verifiability is to ensure that auditors and other assurance professionals are given accurate inputs of data by the entity, in order to conduct a reliable audit of the information.

Appendix A of CSDS 2 defines climate resilience as the "capacity of an entity to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage climate-related risks and benefit from climate-related opportunities, including the ability to respond and adapt to climate-related transition risks and climate-related physical risks" including both its strategic resilience and its operational resilience to climate-related changes, developments, and uncertainties. The CCLI submits that it is essential that entities are assessing and disclosing the resilience of their strategies and business model to climate-related changes, developments, and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities. We agree that the entity is required to use climate-related scenario analysis to assess its climate resilience, using an approach that is commensurate with the entity's circumstances. It should disclose its capacity to adjust its strategy and business model to climate change over the short, medium, and long term, including the availability of, and flexibility in, the entity's existing financial resources to respond to the effects identified in the climate-related scenario analysis, and its ability to redeploy, repurpose, upgrade or decommission existing assets; and the effect of the entity's current and planned investments in climate-related mitigation, adaptation, and opportunities for climate resilience. We believe that the core elements required by CSDS 2 in paragraphs 22 and 23 are balanced and proportionate.

We also believe the risk management provisions are core to CSDS 2 disclosures. Users of financial reports must be able to understand an entity's processes and related policies to identify, assess, and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process; and how the entity assesses the nature, likelihood, and magnitude of the effects of risks.[65] Risk management processes assist users of financial

[62] CSDS 2, paras 9-14.
[63] CSDS 2, paras 15-21.
[64] CSDS 2, paras 9, 10, 22.
[65] CSDS 2, paras 24, 25.

statement in assessing how the entity prioritizes climate-related risks relative to other types of risks, including its use of risk-assessment tools such as science-based risk-assessment tools; the input parameters it uses, such as data sources and scope of operations covered; and whether it has changed the processes used compared to the prior reporting period; and the extent to which and how the climate-related risk and opportunity identification, assessment, and management processes are integrated into the entity's overall risk management process.

The CCLI submits that the required disclosures regarding metrics and targets need to align as completely as possible with IFRS S2, in order to provide comparability in information and to enhance accuracy in measuring and monitoring emissions reductions using science-based standards.

Question 3(d). Appendices A-C

The appendices are very helpful in setting out definitions, additional guidance on disclosing information about climate-related risks and opportunities, and assessing materiality. They clarify the transition and proportionality provisions such as "skills, capabilities and resources available" and offer guidance on selecting inputs and making analytical choices; financed emissions; guidance on Scope 1, 2, and 3 emissions, including recognition that an entity's measurement of Scope 3 GHG emissions is likely to include the use of estimation rather than solely comprising direct measurement; and cross-country industry metric categories.

3. Proposed Criteria for Modification Framework

Question 1. Do you agree with the CSSB's proposed criteria to assess modifications, namely additions, deletions and amendments to the ISSB's global baseline standards? Please provide reasons.

The CSSB recognizes the benefits of global standardization of sustainability disclosure standards to the Canadian public interest and, therefore, supports the incorporation of IFRS Sustainability Disclosure Standards in Canada to the fullest extent possible.[66] The CCLI agrees that the CSSB should limit deletions from or other amendments to an IFRS Sustainability Disclosure Standard to requirements that are not permitted by applicable Canadian law or regulation. We also support the criteria that the CSSB may make amendments to IFRS Sustainability Disclosure Standards where it concludes that additions, deletions or amendments are required to serve the Canadian public interest and maintain the quality of sustainability disclosure in Canada.

Question 2. Are there other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework?

We applaud the CSSB's announcement that it is dedicated to upholding the rights of Indigenous Peoples in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), 2007, and the *United Nations Declaration on the Rights of Indigenous Peoples Act,* SC 2021, c 14, and ensuring their meaningful participation in shaping sustainability disclosure standards in Canada, recognizing that that advancing reconciliation with First Nation, Métis, and Inuit Peoples in Canada is fundamental to the work of Canadian standard-setting for sustainability-related disclosures. We understand that the CSSB's planned consultation for 2024 is critically important and may result in embedding additional requirements in CSDS 1 and CSDS 2. Meaningful consultation with Indigenous Peoples will assist in identifying additional material sustainability-related concerns and enhance accounting disclosure.

[66] CSSB, "Consultation Paper Proposed Criteria for Modification Framework", (March 2024) at 2.

Conclusion

In summary, the CCLI strongly supports proposed CSDS 1 and CSDS 2. In our view, the standards are vitally important to advancing clear, consistent accounting standards that will protect the financial system, its users, and the public interest more generally. The CCLI submits that the CSSB should fully adopt IFRS S1 and IFRS S2 in CSDS 1 and CSDS 2, with the only change being the effective date, January 2025 instead of January 2024. The CSSB should not delay the requirement for Scope 3 emissions disclosure. It is important to begin disclosure as 70-80% of Canada's GHG emissions are Scope 3 emissions. The CCLI submits that the transition and proportionality provisions of paragraphs 37-40 in CSDS 1 and paragraphs 18-20 of CSDS 2 allow for accommodation of the size, skills, sophistication, and resources of entities, offering considerable accommodation and guidance for when an entity is not able to disclose quantitative information. The CSSB should not delay the effective date for disclosures beyond climate-related risks and opportunities for two years. At this stage, the standards are voluntary, and there is no need to delay implementation deadlines. The same transition and proportionality provisions will accommodate differences in capacity, skills and resources, and will support meaningful transition.

It is critically important that Canada adopt a consistent and comparable global baseline of climate-related and sustainability-related financial disclosures to meet the needs of capital and financial markets. The CCLI strongly supports the requirement for an entity to report on climate-related risks and opportunities in its value chain, including external relationships with customers, suppliers, society, and nature/biodiversity, as the value chain has an impact on the entity's ability to generate enterprise value over the short, medium, and long term. The CSSB standards will also support the much needed development of a Canadian green and transition finance taxonomy by offering guidance on the disclosures that will be required in order to assess projects' and entities' qualification for sustainable financing. CSDS 1 and CSDS 2 will ensure the integrity of sustainability- and climate-related financial accounting and disclosure in the interests of all Canadians. The CCLI applauds the work of the CSSB and we look forward to supporting your efforts as you move forward to finalize and implement the standards.

On behalf of the Canada Climate Law Initiative,

Janis Sarra

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Principal Co-Investigator, Canada Climate Law Initiative
Presidential Distinguished Professor, UBC, 2014-2019

I am honoured to work on the traditional, ancestral, and unceded territory of the xʷməθkʷəy̓əm (Musqueam).

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June 21, 2024

Lisa French
Vice-President, Sustainability Standards
Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Re: Consultation Paper Proposed Criteria for Modification Framework

Dear Ms. French,

I am writing on behalf of Canadian Fuels Association (CFA) and its member companies[1] to provide feedback on the CSSB's documents for consultation to advance the adoption of sustainability disclosure standards in Canada. Thank you for undertaking this important consultation. We recognize that we are past the consultation period, so we will keep our comments brief.

CFA represents the producers, distributors and marketers of transportation energy, including gasoline, ethanol, bio-based diesel, jet fuel, as well as specialty fuels and lubricants. Our sector represents 111,000 workers, 15 refineries, 8 Clean Fuels production facilities, 75 distribution terminals, and 12,000 retail and commercial sites. We supply 95% of the transportation fuels used in Canada, including over 75% of Canada's biofuels.

Recommendation 1: Change sustainability reporting date to June 1st of each year.

Allowing for a 6-month lag from the end of the previous year would align with existing National Pollutant Release Inventory and Greenhouse gas reporting requirements. This would give companies adequate time to precisely calculate various emissions totals; such as methane, CO_2, and VOCs. This would strike a fair balance between getting timely data while also ensuring that data is as accurate as possible.

Recommendation 2: Scope 3 emissions should be reported on a voluntary basis until U.S. SEC Climate Related Disclosure rules also include scope 3 emissions.

It is difficult to collect scope 3 data across the entire supply chain due to lack of data availability. We appreciate that accounting for scope 3 emissions is an important piece of the puzzle as we move towards a cleaner economy, and a voluntary system would be better for companies to work their way towards precise scope 3 reporting capabilities. Scope 3 emissions are not required reporting under the GHG Protocol Corporate Standard, nor are they required by the Securities and Exchange Commission's

[1] Canadian Fuels members: Braya Renewable Fuels, Federated Co-operatives Limited, Greenergy, Greenfield Global, Imperial Oil Limited, Irving Oil, North Atlantic, North West Redwater Partnership, Parkland Fuel Corporation, Petro-Canada Lubricants Inc., Shell Canada Products, Suncor Energy Products Partnership, Tidewater Midstream and Infrastructure Ltd., and Valero Energy Inc.

Climate-Related Disclosure rules. Aligning with U.S. Climate Related Disclosure rules would also help reduce the investment parity gap between Canada and the U.S. for green projects.

Again, thank you for undertaking this consultation. We look forward to seeing your Feedback Statement by end of year.

Sincerely,

Lisa Stilborn
Vice-President, Public Affairs
Canadian Fuels Association
LisaStilborn@CanadianFuels.ca

June 6, 2024

Submitted electronically through the FRAS Canada website (frascanada.ca).

Re: CSSB First Canadian Sustainability and Climate Disclosure Standards

The Canadian Gas Association (CGA) welcomes the opportunity to provide feedback on the Canadian Sustainability Standards Board's (CSSB) proposed Canadian Sustainability Disclosure Standards (CSDS).

The Canadian Gas Association is the voice of Canada's natural gas delivery industry. Its members are natural gas distribution and transmission companies, equipment manufacturers and suppliers and other service providers. CGA members, and the entire Canadian natural gas pipeline sector, work continuously to minimize the environmental impacts of its operations throughout the entire pipeline value chain, including many initiatives through the Canadian Energy Partnership for Environmental Innovation (CEPEI) - a program affiliated with the CGA. CEPEI has been in place for over 25 years and its members include gas distribution and transmission companies. The focus under CEPEI is to collect data, develop industry protocols and tools and other projects that support regulatory compliance and tracking emerging environmental issues. Under CEPEI we track and have a detailed inventory of emissions from the gas pipeline and storage infrastructure in Canada.

The CGA understands the CSSB's objective to create comprehensive sustainability disclosure standards aligned with the global baseline established by the International Sustainability Standards Board (ISSB), thus allowing investors access to consistent, decision-useful sustainability disclosures. We have several concerns outlined below.

- **Scope 3 GHG emissions:** Accurately assessing and reporting Scope 3 emissions in a comparable manner is complex and challenging due to the reliance on information provided by third parties and the lack of industry standards for measurement and reporting. The CGA believes there needs to be significant advancement in industry standards before Scope 3 disclosures will have the accuracy and comparability needed to be useful to investors. Recognizing these challenges, the CGA recommends that Scope 3 disclosures be excluded from the CSDS.

  Clarification and additional context are required on terminology in paragraphs B43-B54, that prioritizes "measured", "direct measured" data and "verified" data to inform Scope 3 emissions. Those terms currently used in the CSDS Standards are already included in existing jurisdictional GHG standards and the GHG Protocol definitions may be not have the same interpretation. Misinterpretation of those terms could have significant implications to process timing considerations and resourcing constraints across our value chain.

- **Quantitative climate scenario analysis:** The lack of standardized processes and assumptions and inherent uncertainty of potential long-term impacts of climate change limits the reliability and comparability of quantitative climate scenario analysis. As such, the CGA recommends that the CSDS should not require quantitative scenario analysis. If quantitative climate scenario analysis is required, there should also be consideration and care taken in the standardization of

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reporting methodologies to avoid creating a situation where there is disclosure of information that is considered proprietary or commercially sensitive. There are recognized benefits of standardization from a stakeholder/audience perspective, however, there could be inherent risks or limits of what should be disclosed from a commercial sensitivity perspective.

Standards for non-climate related topics: The Canadian Securities Administrators have stated they are only focusing on climate-related topics for their forthcoming sustainability disclosure requirements[1] and the U.S. SEC has included only climate-related topics in their final Rule on Climate-related Disclosures. Given this regulatory landscape, we recommend the CSSB first focus on developing climate-related disclosure standards, and subsequently develop additional topic-specific standards (similar to the CSDS 2 standard for climate-related disclosures) for other sustainability topics. This approach would allow disclosures for additional topics to be comparable and decision-useful and allow issuers to develop the necessary reporting capabilities and controls for the specific requirements in those additional topics.

- **Timing of reporting:** the CGA believes the reporting timing requirements must recognize the existing regulatory reporting timelines and processes for GHG emissions that our members face. Expediting the reporting of GHG emissions to align with annual financial reporting would create significant administrative burdens and may reduce the accuracy of the information provided. We request the CSSB allow GHG emissions disclosures in the second quarter filings to better align with regulatory emissions reporting timelines.

- **Non-GHG SASB Metrics:** We request clarification from the CSSB on the use of non-GHG SASB metrics, such as those related to air pollutants, water, waste, biodiversity, and ecosystems. The draft standards indicate these metrics should be used to identify climate-related risks and opportunities, but there is uncertainty about the specific scope. The intersection of these environmental metrics with GHG emissions can be complex, and overly prescriptive guidance may be difficult for companies to consistently implement. To ensure effective reporting, we ask the CSSB to provide balanced guidance on which non-GHG SASB metrics are expected to be included. Clear direction would help Canadian entities understand the expected scope and implementation.

Lastly, we note the US Securities and Exchange Commission (SEC) Rule on Climate-related Disclosures differs materially from the CSSB's proposed standards. Specifically, the SEC rule does not include requirements to report Scope 3 GHG emissions or quantitative climate scenario analysis and allows reporting of GHG emissions in an issuer's second quarter filings. To maintain competitiveness and alignment, Canadian standards should carefully consider the divergence between CSSB and SEC rules in these areas, and their potential impact on Canadian companies.

If there are questions regarding any specific aspects of this commentary please contact Christine Cinnamon, Executive Director, Canadian Energy Partnership for Environmental Innovation (email: ccinnamon@cga.ca , phone: 613-702-8492).

[1] https://www.securities-administrators.ca/news/canadian-securities-regulators-issue-statements-on-proposed-sustainability-disclosure-standards-and-ongoing-climate-consultation/

Sincerely,

Paul Cheliak
Vice President, Strategy and Delivery
Canadian Gas Association

C.C. Christine Cinnamon – CEPEI
Koray Onder – CEPEI Co-Chair
Michael Shaw – CEPEI Co-Chair

June 10, 2024

Omolola Fashesin, MBA, CPA, FCCA, FSA
Principal, Sustainability Standards
Financial Reporting and Assurance Standards Canada

Subject: CIA comments on the Canadian Sustainability Disclosure Standards

The Canadian Institute of Actuaries (CIA) is pleased to provide our comments on the Canadian Sustainability Disclosure Standards that were released by the Canadian Sustainability Standards Board in March 2024. Upon reviewing the standards, we note that they are very much consistent with Guideline B-15, issued by the Office of the Superintendent of Financial Institutions, and apply to federally regulated financial institutions in Canada. As such, we do not have any changes to suggest.

The CIA is focused on the development of guidance for members to assess and mitigate the impact of climate change, and we have also committed to include climate and sustainability topics in our education syllabuses. Going forward, we plan to apply our expertise to the estimation of Scope 3 disclosures and will continue to issue public statements on subjects in this area.

The CIA appreciates the opportunity to provide feedback on these issues, and we would welcome further discussion with you throughout this process.

If you have any questions, please contact Chris Fievoli, FCIA, Actuary, Communications and Public Affairs, at 613-236-8196 ext. 119 or chris.fievoli@cia-ica.ca.

Sincerely,

Steve Prince, FCIA
President, Canadian Institute of Actuaries

The Canadian Institute of Actuaries (CIA) is the qualifying and governing body of the actuarial profession in Canada. We develop and uphold rigorous standards, share our risk management expertise, and advance actuarial science to improve lives in Canada and around the world. Our more than 6,000 members apply their knowledge of math, statistics, data analytics, and business in providing services and advice of the highest quality to help Canadian people and organizations face the future with confidence.

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June 10, 2024

Canadian Sustainability Standards Board (**CSSB**)

Charles-Antoine St-Jean, CSSB Chair

Dear Chair St-Jean,

Thank you for the opportunity to comment on the CSSB's proposed disclosure standards – *Exposure Drafts General Requirements for Disclosure of Sustainability-related Disclosure Standard* (**CSDS 1**) and *Climate-related Disclosures* (**CSDS 2**), collectively the **CSSB Standards**, and the *Proposed Criteria for Modification Framework*.

CPP Investments is the professional investment management organization that invests Canada Pension Plan (CPP) funds not currently needed to pay benefits. Our public purpose is to help provide a foundation upon which the CPP's more than 22 million contributors and beneficiaries can build their financial security in retirement. As at March 31, 2024, we managed C$632.3 billion in net assets, with almost $76 billion invested in Canada. Our investment strategy is designed to fulfill our legislative mandate of maximizing returns without undue risk of loss.

As an investor, we accept the division of authority and responsibilities among shareholders, the board of directors, and management. While directors on boards of Canadian companies have a responsibility to act in the best interests of those companies, they are ultimately accountable to the owners of those companies. It is for this reason that we see a shareholder's right to appoint the board of directors as a foundational pillar of good governance.

Investors expect boards to consider material business risks and opportunities when setting and implementing strategy. Where investors conclude that boards have failed to discharge this duty, investors retain and regularly exercise the right to withhold support for the directors they deem derelict. Comprehensive, comparable and assurable sustainability-related disclosures by companies is critical to enable boards to deliver on this expectation. In addition to investors, boards of directors will be a primary beneficiary of this data, if used to inform corporate strategy.

We therefore commend the CSSB on its proposed standards that are in broad alignment with the International Sustainability Standards Boards' (**ISSB**) Sustainability Disclosure Standards, IFRS S1 and S2 (collectively the **ISSB Standards**), which are grounded in financial materiality, requiring companies to demonstrate that they are managing the most material risks confronting their businesses.

We believe that CSSB alignment with ISSB will facilitate global comparability of sustainability-related disclosures of Canadian reporting entities, ensuring Canadian directors have the information they need to appropriately oversee strategy, and companies' access to the deepest and most attractive pools of capital. We also believe that this will support investors like us to make more informed investment decisions, and will reduce the reporting burden for Canadian entities that operate or raise capital in multiple jurisdictions. The ISSB Standards also bring a significant advantage to SMEs through the principle of proportionality embedded in IFRS S1, allowing them to report within their capabilities while striving for incremental enhancements over time. We also

Canada Pension Plan Investment Board
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note that, while this reporting may represent a considerable lift for some Canadian entities today, significant investment is being made by the IFRS to support capacity building.

We recognize that the proposed CSSB Standards would become voluntary for annual reporting periods beginning on or after January 1, 2025, until the Canadian Securities Administrator (**CSA**) incorporates the CSSB Standards into a CSA rule. We view domestic regulators as well placed to consider when adoption should become mandatory and that the CSSB should remain focused on defining the standard to meet reporting needs of issuers and investors.

While we appreciate that recent sustainability reporting consultations and published standards in other markets may result in consultation responses advocating to carve out Scope 3 GHG emissions and non-climate disclosures, we view global adoption, including in Canada, of the ISSB Standards as proposed as the only credible route to secure the ISSB's equivalence with European Sustainability Reporting Standards (**ESRS**). Failure to adopt the global baseline in Canada will not only risk Canadian reporting entities falling short of meeting global and domestic investors' expectations, but also risk these companies having to adopt Canada's final standards as well as European reporting standards. This dual reporting would unequivocally result in more onerous reporting for Canadian reporting entities over time.

We have reviewed the exposure drafts of the CSSB Standards and provide our comments below.

- **Criteria for Modification Framework:** We *support* the ISSB's "building blocks" approach, which allows for additions to the global baseline, but not modifications or deletions. Therefore, we recommend that the CSSB only consider additions to the ISSB baseline when unique circumstances arise in the Canadian public interest, such as addressing the rights of Indigenous Peoples.
- **Effective date**: We *support* the timeline extension for CSDS 1 and CSDS 2 compliance to January 1, 2025, which is a year later than the ISSB's January 1, 2024, effective date. With the expected timing of CSDS 1 and CSDS 2 issuance almost a year after IFRS S1 and S2, this extension provides a reasonable relief for Canadian reporting entities.
- **Non-climate disclosures transition relief**: We are *not supportive* of the transition relief allowing companies two years during which an entity is permitted to disclose information on only climate-related risks and opportunities. We recommend alignment with ISSB, allowing issuers this transition relief only for the first reporting period. Where sustainability-related factors are material, they have the potential to present material financial impacts to companies' performance and is important information for boards and investors. We caution that this relief may place Canadian companies at a disadvantage of foreign entities that are preparing and reporting on all sustainability-related issues.
- **Scope 3 GHG emissions transition relief**: We are *open to this relief*, in principle, as it provides reporting entities more time to prepare. This relief could also give regulators time to determine the appropriate safe harbor given the assumptions and diligence required to report this data. However, we strongly encourage issuers to not unduly delay the measurement and reporting of Scope 3 emissions, as we view it as important to understand indirect climate change risk across the entire value chain and not just those directly impacting the business. While we share the concerns from reporting entities about potential uncertainty of Scope 3 GHG emissions measurement and challenges related to capacity, we believe the

proportionality included in the recommendations (in alignment with ISSB) allows entities to reduce the reporting burden of disclosing this metric.

- **CSDS 1: Timing of reporting**. We are *open to the relief* regarding alignment of reporting of sustainability-related impacts with financial ones, although we emphasize that the end-state should be one of alignment with ISSB and concurrent reporting. Reporting entities should consider starting efforts to eventually report concurrently. The CSSB could support companies with additional guidance and support on this important requirement.
- **CSDS 2: Climate resilience (scenario analysis)**. We recognize the limitations of scenario analysis in comprehensively assessing climate resilience due to data availability and market sophistication, among other things. We nevertheless *do not support the transition relief* on scenario analysis as we believe that reporting entities can greatly benefit from starting to conduct scenario analysis, even if just qualitatively, and learn as the practice, vendor capabilities and data evolve. Starting preparations early will allow Canadian reporting entities to enhance their readiness ahead of any potential mandatory application of CSDS standards, and to mitigate risks that are already presenting themselves. Regulators may decide to lighten this reporting burden on smaller issuers in alignment with the proportionality mechanisms in IFRS S1 and IFRS S2.

The CSSB's recommendations, in broad alignment with the global baseline provided by the ISSB focused on industry-specific, material sustainability factors, is an important step towards consolidating the myriad of voluntary ESG reporting frameworks plaguing companies with costs and confusion. Investors will benefit from comprehensive, comparable, assurable reporting of data, but the primary beneficiaries of this data, if used to inform strategy, will be the board of directors and the companies they oversee.

Finally, while we view domestic regulators as well placed to consider when adoption should become mandatory, failure to align their recommendations with the global standard has the potential to place Canadian reporting entities at a disadvantage with their global peers in accessing global capital. Canadian directors in turn may be challenged as to whether they are providing the appropriate oversight and if they are discharging their duties to companies if they do not have comprehensive, comparable, assurable sustainability-related data from the companies they oversee regarding the most material business risks and opportunities.

We look forward to the publication of the CSDS and remain available to provide further input or clarification as needed.

Sincerely,

Richard Manley, Chief Sustainability Officer
CPP Investments

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

June 6, 2024

Re: Comments on Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information and Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures

Dear Ms. French,

The Canadian Roundtable for Sustainable Beef (CRSB) appreciates the opportunity to provide comments on Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information and Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures.

The CRSB is a collaborative multi-stakeholder organization with a mission to advance, measure and communicate continuous improvement in sustainability of the Canadian beef value chain. We have 85 voting members representing beef producer associations; beef processors and associations; retail and food service companies; non-governmental organizations; and food and agriculture businesses.

While we understand that CSDS 1 and CSDS 2 may likely first apply to capital markets, the entire beef value chain will be impacted, from primary production through to retail and foodservice. We request that the Canadian Sustainability Standards Board (CSSB) consider the reporting burden that the standards will create on all entities in the value chain (directly and indirectly through supply chains) and that the CSSB provide detailed implementation guidance, data, methods and assistance for different entities that may be affected, including small and medium-sized entities.

Please find below our specific comments on CSDS 1 and CSDS 2.

Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information

The CRSB recommends adding the definition of 'sustainability' in Appendix A for clarity and consistency in reporting. For example, 'sustainable beef' is defined as a socially responsible, economically viable and environmentally sound product that prioritizes the planet, people, animals and progress. There are five guiding principles of sustainable beef: 1. natural resources; 2. people and the community; 3. animal health and welfare; 4. food; and 5. efficiency and innovation. The definition and principles align with the Global Roundtable for Sustainable Beef.

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Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures

The CRSB would like to provide an example of robust data for the Canadian beef value chain to report scope 3 greenhouse gas emissions without undue cost and effort.

The CRSB's National Beef Sustainability Assessment (NBSA) analyzes the environmental, social and economic sustainability performance of the entire Canadian beef supply chain. Included in the NBSA is an environmental life-cycle assessment (E-LCA), with an internationally recognized method regulated by the International Organization for Standardization (ISO) (ISO14040:2006/14044:2006). The E-LCA component of the NBSA included primary and secondary data. The primary data consisted of survey information from Canadian beef producers or from the previous assessment. When primary data were not available, secondary data were obtained from the literature, expert opinion, life cycle inventory tools (i.e., Ecoinvent v3.7; Agrifootprint 5.0), and Canadian government databases (i.e., Statistics Canada). The E-LCA results are available on our website (https://crsb.ca/nbsa/) and published in the *Canadian Journal of Animal Science*[1].

The NBSA meets B38, B39, B49 and B51 in CSDS 2. We encourage the CSSB to recognize data from the NBSA and to provide guidance on how frequently environmental life-cycle assessments should be updated. The CRSB has found that five to seven years is reasonable to reflect new science and datasets.

Thank you for your time and consideration.

Sincerely,

Monica Hadarits
Executive Director
Canadian Roundtable for Sustainable Beef

[1] Aboagye I. A., Valappil, G., Dutta, B., Imbeault-Tétreault, H., Ominski, K. H., Cordeiro, M.R. C., Kröbel, R., Pogue, S, J., McAllister, T. A. 2024. An Assessment of the Environmental Sustainability of Beef Production in Canada. *Canadian Journal of Animal Science*. (doi.org/10.1139/CJAS-2023-007)

Capital Group
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capitalgroup.com

May 24, 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Ms. French,

We appreciate the opportunity to comment on your open consultation regarding adoption of the International Sustainability Standards Board (ISSB)'s sustainability disclosure standards.

Capital Group (CG) is a global investment management firm founded in 1931 and headquartered in the US, with regulated subsidiaries in the major global financial centers. CG ranks among the world's oldest and largest investment management organizations, with over US$2.7 trillion[1] in long-term equity and fixed-income assets under management globally for institutions and individuals. We manage savings for tens of millions of individual investors, supporting their retirement and other financial needs.

Our mission is to improve people's lives through successful investing. Through our investment management subsidiaries, we actively manage assets in various collective investment vehicles and institutional client separate accounts globally. Our organization combines asset management expertise with fundamental research and long-term orientation; the latter is achieved via broad access to management and systematic engagement with corporate and sovereign security issuers around the world.

CG believes ESG issues can encompass material investment risks and opportunities. We therefore value clear, consistent and comparable data on them, which helps us exercise our fiduciary duty to clients. In addition, we are experiencing greater regulator and client demand for disclosure on ESG issues at a portfolio level. The quality of these reports is highly dependent on having globally consistent standards on company disclosure.

Given this context, we welcome CSSB's consideration of the ISSB's sustainability standards as a required disclosure framework for preparers in your market. We believe that doing so has the potential to position preparers in the Canadian market as leaders in how they communicate with global investors on material topics, and as such, to enhance their access to global capital markets.

As members of the ISSB's Investor Advisory Group, we are encouraged by the potential of the ISSB standards to serve as a global baseline. As such, we are sharing the below views in open consultations related to sustainability disclosure standards around the world, as markets consider appropriateness to local context.

We encourage you to fully adopt all published ISSB standards (currently S1 and S2). Below, we briefly share four reasons why we feel this would be valuable for both companies and investors.

1. **The "global baseline" reduces the reporting burden on companies.** We hear often from portfolio companies that the variety of different standards, frameworks and expectations on ESG issues can be confusing to navigate and resource-intensive to comply with. Most global investors have now coalesced around the ISSB as the preferred standard (as evidenced by the members of the ISSB's

[1] As of 3/31/2024

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capitalgroup.com

Investor Advisory Group). If ISSB standards are fully adopted across markets, companies operating across different geographies will be able to streamline disclosure to what matters most to investors.

2. **Investment managers require material sustainability-related information in order to make investment decisions that are in the best interest of their clients.** As global, fundamental investors, our bottoms-up research process requires a deep understanding of the risks and opportunities facing portfolio companies. On a wide range of issues – from how companies manage their labor force, to how they are adapting to and participating in the energy transition, to how they remain resilient to the evolving data landscape posed by artificial intelligence – disclosure on sustainability topics enhances our understanding of a company and how they are positioned to generate long-term sustainable results. We think companies themselves are in the best position to disclose on these issues, rather than investment managers having to assess these issues solely from inferred estimates or alternative data from third parties.
3. **ISSB Standards have been designed to meet the needs of global investors.** We appreciate the thoughtful design of ISSB standards, and the process by which they have been created. In particular, we value that they are:
   i. *Industry specific,* aligned with our view that risks and opportunities vary widely by industry;
   ii. *Market informed,* based on more than a decade of input by financial market participants into the Taskforce on Climate-related Financial Disclosure (TCFD) and the Sustainability Accounting Standards Board (SASB). This approach has built confidence that the final ISSB standards are indeed designed to meet the needs of investors; and
   iii. *Flexible.* As a global investor, we manage money on behalf of clients in geographies with different definitions of materiality. We appreciate that the global baseline allows us to meet client needs by providing a starting point relevant in all geographies, which can then be augmented as needed.
4. **The "global baseline" enables comparability for investors.** Capital Group invests in thousands of companies across dozens of markets. Consistent disclosure enables us as investors to better understand how companies are managing risks, adapting business models, and taking advantage of opportunities relative to global peers.

As markets around the world consult on and adopt the ISSB standards, we encourage jurisdictions to **adhere to a consistent global baseline**, and to **act in a timely manner**. This can bring benefits both for clients of global investors like CG who would benefit from richer, comparable and consistent information, as well as companies around the globe on communicating how they manage material risks and opportunities.

In the absence of such consistency, the risk of regulatory fragmentation would exacerbate the reporting burden on companies and the comparability challenges that exist in the market today. We note with concern where markets are considering adopting only some pieces of the ISSB standards (for example, only S2 on climate), given our view that investors require information on *all* material sustainability risks and opportunities facing companies.

We therefore support full adoption of ISSB standards as a baseline requirement for preparers in your market.

Thank you for your work, and for considering our perspective. We would be open to discuss any of these points in further detail. Please feel free to contact Agathi Pafili on our Government and Regulatory Affairs team at Agathi.pafili@capgroup.com.

Jessica Ground
Global Head of ESG

Ali Weiner
Head of ESG Engagement

Agathi Pafili
Government and Regulatory Affairs

Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board (CSSB)
277 Wellington St W
Toronto, Ontario
M5V 3H2

May 20, 2024
Re: CSDS 2 Climate-related Disclosure Standards

Dear Chair St-Jean,

Thank you for receiving stakeholder comments.

CBI Business Solutions is an expert team with over 75 years of combined experience, across all sectors, developing marketing strategies, headhunting expertise, generating lucrative sales and networking around the globe.

We strongly oppose the Canadian Sustainability Disclosure Standards – (CSDS 1) and (CSDS 2) due to the additional expenses and uncertainties they will impose on businesses, including SMEs like us, with minimal benefits for larger enterprises, investors, or consumers.

These standards also go against the principles of a free enterprise and free-market system by distorting investor decision-making and forcing capital to go in a certain direction. That all being said, there is a need to reconsider the requirements to lower compliance costs, especially for SMEs, who are underrepresented on the CSSB.

A re-evaluation of the breadth of requirements and the one-size-fits-all approach is necessary to reduce compliance costs, particularly for SMEs. To that end, we have the following recommendations:

- We recommend making Scope 3 emissions accounting and climate scenario analysis voluntary, as the methodologies are still evolving and costly. It is important to note that other trading partners like the US, Mexico, and China do not mandate these practices, and Canada should follow suit.
- It is essential to establish a permanent safe harbour for Scope 2 and 3 emissions data, scenario analysis, internal carbon price, projections, and targets and goals. Given that SMEs might also be held liable if they supply information that leads to greenwashing claims against larger corporations, it's essential that we consider mechanisms to mitigate these risks. To avoid potential liability and litigation risks, Canada should follow the example of other jurisdictions like Australia and the US by providing a safe harbour for statements related to Scope 3 emissions, climate scenario analysis, and transition plans.
- The current Industry-based Guidance lacks fairness across different industries. Wind projects are not required to report or account for the emissions-intensive aspects of their construction, while oil and gas exploration and production companies must account for emissions in their reserves. To address this imbalance, it is necessary to remove the mandatory requirement for using the Industry-based Guidance and make its use optional.

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- Within the Industry-based Guidance, the mandated use of the WRI Aqueduct tool spans across 29 different industries. However, it is important to note that the Aqueduct tool was not originally designed for this purpose; it was created as a prioritization tool. Investors may mistakenly believe that the tool has compiled and analysed local and regional data to provide a reliable assessment, which it has not. Therefore, the mandatory use of the WRI Aqueduct tool and the requirement of reporting baseline water stress data should be eliminated from the standards.
- Net emissions need to be mandated alongside absolute or gross emissions.
- The complexity of compliance creates substantial costs. We referred to the Australian government's cost impact analysis for their ISSB-based disclosure standards, converted to Canadian dollars. For publicly listed companies with a minimum of 100 employees and $45 million in annual turnover, the average initial transitional compliance cost is approximately $1.1 million, with annual recurring costs of $641,000. This financial outlay, which could otherwise be allocated to enhancing products, services, or distributing profits to investors, is diverted from the company. Instead of being an investment in the company, these funds are directed towards climate consulting firms.
- To avoid placing Canadian entities at a competitive disadvantage, adjustments must be made to the standards. Canada should strive for greater alignment with our CUSMA trading partners (US and Mexico) rather than focusing on international counterparts with whom our trade volume is minimal. Canada's export trade relies heavily on the United States, with a staggering 78% of our exports going to our southern neighbour. In contrast, only 8% of our export trade is directed towards the European Union. Yet, these standards are more in alignment with the EU than our biggest trading partners.
- It has come to our attention that the US Securities and Exchange Commission (SEC) has proposed a climate rule, which is currently undergoing legal proceedings and has been stayed indefinitely. However, even if this rule is upheld by the courts, it is important to note that the implementation of Scope 3 emissions accounting, climate scenario analysis, transition plans, and industry-based guidance will remain voluntary. Additionally, there are "safe harbour" provisions in place that offer legal protection and reduce liability costs.
- In contrast, it appears that Mexico has no plans to introduce climate-related financial disclosures. This means that Mexican manufacturers and food producers will not bear the additional financial and regulatory burden that Canadian producers might face. Consequently, this discrepancy in standards between Canada, the US, and Mexico could potentially place Canadian companies at a competitive disadvantage once these standards become mandatory.

As advocates for Canada's economic growth and business prosperity, we aim to avoid any hindrance caused by regulatory burdens and excessive compliance costs. Our goal is to attract investment rather than deter it. We ask that you please accept and seriously consider our above suggestions.

Sincerely,

Catherine Brownlee
President and CEO

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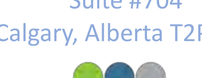
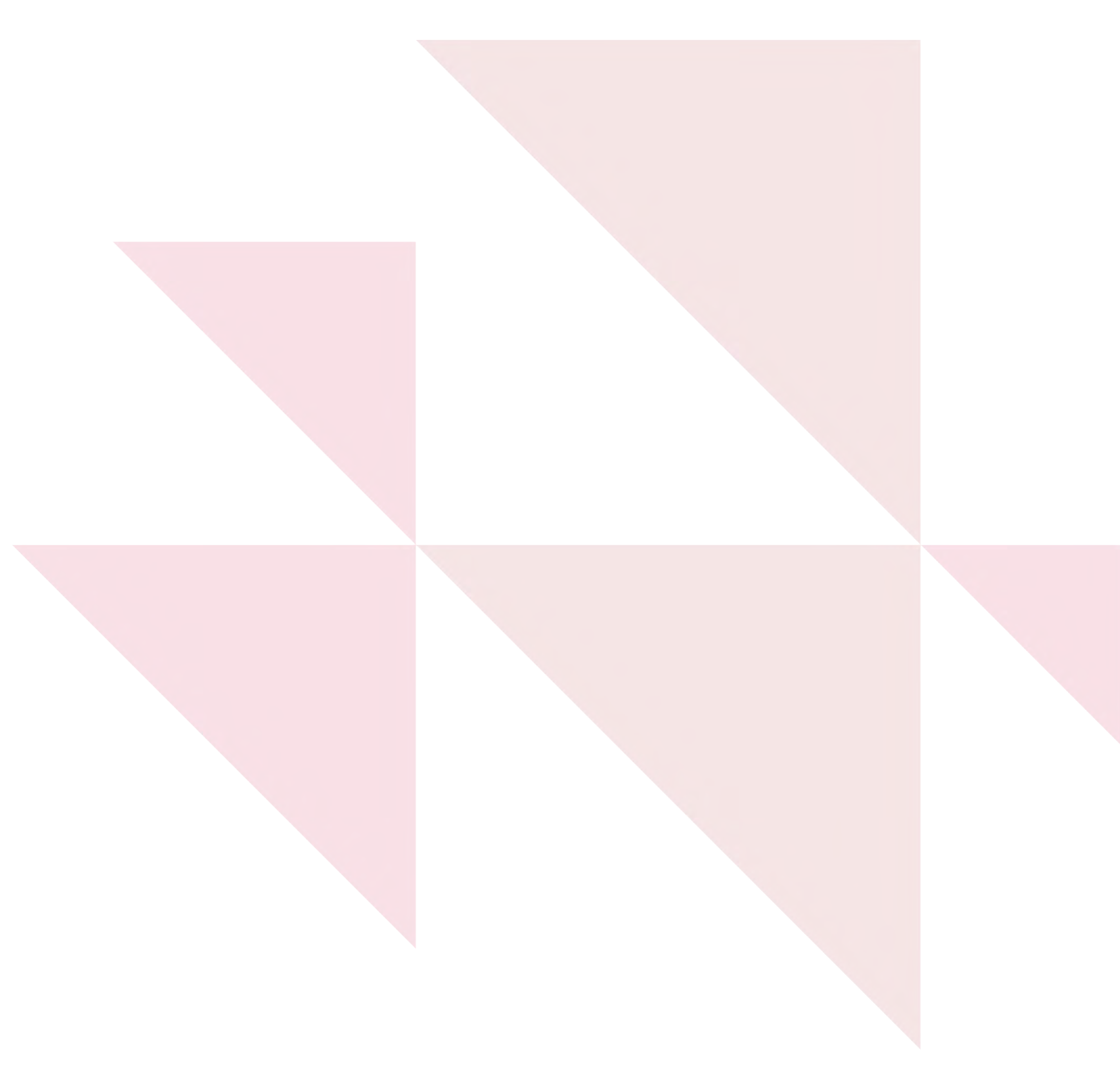


CSSB PUBLIC COMMENT ON EXPOSURE DRAFT

Canadian Sustainability Disclosure Standards (CSDS) 2 – Climate related disclosures

Comment from CDP

Authored by Darren McCrate



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Summary

CDP applauds the work undertaken by the Canadian Sustainability Standards Board in drafting and proposing for consultation the Canadian Sustainability Disclosure Standards (CSDS) 1 & 2 as well as the consultation paper on the Proposed Criteria for Modification Framework. The CSSB has effectively adapted the global International Sustainability Standards Board's (ISSB) IFRS S1 & S2 standards while equitably and responsibly including jurisdictional considerations unique to the Canadian context, especially in terms of indigenous rights and addressing the unique composition of Canadian corporate disclosure landscape and relevant capacity concerns. The following consultation from CDP emphasizes the current state of Canadian disclosure through CDP along with key insights, data, and expertise with an interpretation of the standards in light of corporate capacity, sectoral, and policy gaps within Canada. Our goal was to provide targeted comment to the specific prompts regarding environmental disclosures related to CSDS 2 and share more on what CDP is currently doing in the space and plans to do in the near future in order to provide material assistance and make our experts available to the CSSB for further consultation if needed.

Key recommendations

- Ensure global baseline via the ISSB's IFRS S2 and internal standards alignment, consistency and holding the transition relief consideration at 2 years to provide space for capacity building through added guidance or support, and ensuring Canadian companies are on an equal footing in the marketplace with their international peers.
- Inclusion of Scope 3 as proposed and aligned with ISSB IFRS S2 is critical to ensure key Canadian sectors and SMEs are responsibly and equitably included in the CSSB standards while providing for appropriate support and upskilling where needed.
- Guidance and capacity building efforts should run concurrent to implementation of the standards and accompany the final standards to equitably and responsibly upskill and bridge potential capacity gaps to disclosure. CDP should be considered a resource for implementation as well as an important disclosure mechanism.

CDP and the rationale for commenting on the standards

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. With more than 20 years on the front line of environmental disclosure for thousands of organizations around the world, CDP is familiar with driving ambition, bridging capacity gaps and providing an enabling environment for robust climate related disclosures, including the disclosure of scoped emissions and helping companies on their sustainability journeys through scenario analysis and developing credible transition plans.

CDP has the largest and most robust environmental reporting platform with the richest and most comprehensive dataset on corporate and city action. Each year CDP supports thousands of companies, cities, states and regions to measure and manage their risks and opportunities on climate change, water security and deforestation. We do so at the request of their investors, purchasers and city stakeholders. In 2024, **more than 700** Capital Market Signatories representing more than **US$142 trillion** in assets requested companies disclose through CDP. During the 2023 CDP disclosure cycle, **330+ major buyers**, with a combined purchasing power of **US$6.4 trillion** asked their suppliers to disclose through CDP, **23,000+ companies** representing two thirds of global market capitalization reported through CDP on climate change, forests and water security, alongside **1,100 cities, states and regions**.

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In Canada, **532 Canadian organizations** disclosed through CDP Questionnaires in 2023, along with **41 Cities** (**7 A-list** members - Calgary, Edmonton, Halifax, Montreal, Toronto, Vancouver, Windsor), and **5 Provinces.**

High-Quality Mandatory Disclosure

In 2023, CDP launched its most recent report on High-Quality Mandatory Disclosure (*Shaping High-Quality Mandatory Disclosure: Taking stock and emerging best practice*). Cited below are some of the key principles as they directly relate to the CSSB CSDS 1 & 2 exposure drafts and proposed standards broadly.

- **Principle 2:** Ensure consistency and interoperability of disclosure regimes across jurisdictions, building off global baseline disclosure standards. By aligning to the ISSB standards, CSSB places the CSDS 1 & 2 drafts along with Canadian disclosers at an equal footing with other jurisdictions implementing similar standards.
- **Principle 3:** Ensure policy consistency in disclosure requirements across policies within a single jurisdiction.
- **Principle 4**: Be rooted in science – in terms of the proposed CSDS 2, this would apply directly to transition relief considered for specific disclosures and ensuring that ambition is maintained and increased in light of global targets, goals and current science-based warming scenarios while allowing for capacity upskilling of disclosers amidst the unique aspects of the Canadian landscape.
- **Principle 5:** Bring into scope all businesses and financial institutions. While capacity and maturity of disclosers should be considered, effectively crafted standards should provide for avenues and pathways for all potential disclosers including key sectoral laggards and SMEs.
- **Principle 6:** Include expectations on disclosure of climate, water and nature transition plans.
- **Principle 7:** Ensure quality and reliability and set expectations on external assurance. With assurance becoming an increasing norm, clear requirements can help mitigate uncertainties and potential regulatory confusion.
- **Principle 10:** Cultivate an environment for innovation and advancing disclosure maturity.

CDP's alignment with IFRS S2

The CDP disclosure platform can be a valuable tool for existing and new Canadian companies brought under scope of CSDS 1 & 2 or the potential finalized Canada Securities Administrators (CSA) climate disclosures rule to help build capacity, disclosure preparedness, and assess alignment to various standards, frameworks and policies at the subnational, national, and international levels. CDP's new corporate questionnaire also offers frameworks and standards tagging visible on each question/module for disclosers (i.e. EFRAG, TNFD, or IFRS).

It is our intention to integrate all impactful, high-quality global and jurisdictional-level standards where feasible, and in 2024 we have progressed alignment with the European Sustainability Reporting Standards (ESRS) as well.

As of 2024, CDP's global environmental disclosure platform is aligned with IFRS S2 through its corporate and SME questionnaires ensuring a rapid early adoption of the global baseline standard for sustainability-related financial information.[1] CDP is the ISSB's key global climate disclosure partner. The ISSB's climate standard is the foundational baseline for CDP's climate disclosure. CDP's 2024

[1] IFRS - ISSB at COP27: CDP to incorporate ISSB Climate-related Disclosures Standard into global environmental disclosure platform

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questionnaire is aligned with IFRS S2 Climate-Related Disclosures. Together with the disclosed dataset, the questionnaire provides an effective tool to support companies on their path to ISSB compliance. By disclosing through CDP from June to September 2024, companies will disclose data directly to their stakeholders and subsequently the wider global market, including IFRS S2-aligned climate data. Where CDP questions are related to requirements of IFRS S2, this is referenced under the 'Connection to other frameworks' section of each question. The mapping table also provides a summary of these connections between CDP questions and sections of IFRS S2. The CDP questionnaire emphasizes the value of comparable and decision useful disclosure to investors with the global baseline while including building blocks for additional disclosure. Recent analysis also highlights that **49.6% of Canadian listed companies are already responding to the vast majority of datapoints in CDP's questionnaire aligned with IFRS S2.**

CDP aligned its questionnaire with the TCFD recommendations in 2018 and supports its adoption by businesses and financial institutions globally. Together with the International Finance Corporation (IFC) and the United Nations Sustainable Stock Exchange Initiative, CDP has trained over 20,000 people from 142 countries and 51 stock exchanges on TCFD disclosure.

Impactful disclosure goes far beyond companies simply inputting data. Global capital markets need high-quality disclosure to generate a comparable, actionable dataset to benchmark corporates, manage climate risks in their portfolios, and inform capital allocation. This requirement for consistency was the driving force behind the development of the ISSB standards and CDP is a powerful lever for making ISSB aligned climate disclosure a reality in the market.

Comment from CDP on CSSB Exposure drafts (CSDS 1 & 2)

In this public consultation response, CDP proposes that the CSSB ensure alignment with ISSB (IFRS S1 & S2) in both CSDS 1 and CSDS 2 respectively, both comprehensively and efficiently where feasible, while maintaining a supportive and concise transition relief when needed, that equitably and effectively bridges capacity gaps in the interim phase. Ensuring that disclosure requirements place Canadian companies at an equal footing with their global counterparts to encourage market readiness while accounting for jurisdictional considerations by including Scope 3 GHG emissions as aligned with the ISSB IFRS S2 standard. Adapting the global ISSB standards to the Canadian context is essential, but also, it is critical to maintain the same level of ambition and ensure Canadian companies are adequately prepared for disclosing in-line with the CSSB standards and upskilled in the face of increasing jurisdictional adaptation of the ISSB standards globally.

The CSSB has the opportunity to address key gaps in disclosure and CDP applauds the CSSB's inclusion of the rights of indigenous peoples. Addressing the role of the oil & gas sector in Canadian economy along with minerals and mining, and nature accounting (forests, lakes) along with the incorporation of indigenous rights should be seen as complimentary and essential within the jurisdiction of Canada.

Establishing a global baseline, interoperability and a building block approach are essential to responsibly adapting the ISSB standards to the Canadian context and ensuring national to international alignment and harmonization of disclosure practices is imperative to ensuring useability of data and harmonized disclosure regulations which do not overly burden companies.

Internal interoperability and alignment within Canada should also be considered given the recent OSFI announcement of requiring federally regulated financial institutions to align with the ISSB's climate disclosure standard, IFRS S2, and a potential finalization of the CSA climate-related disclosure rule which places the necessity for alignment to ISSB standards as nationally and internationally critical to

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ensure an even playing field and homogenization of disclosure standards and practices from both perspectives. Logistically, there should also be a consideration of the digital spaces for disclosure. SEDAR disclosures user interoperability and potential for these disclosures to be comparable with other platforms and via data tagging should also be a primary consideration. A related goal and aspect of effective policy should be to reduce the perceived reporting burden (disclosure fatigue) through alignment and interoperability of data. Addressing the potential for globally aligned data tagging (i.e. XBRL) to ensure the interoperability of data disclosures is an increasing component of other jurisdictional disclosures (i.e. US Securities and Exchange Commission and the Sustainability Standards Board of Japan) and CDP.

By aligning its platform with global standards and frameworks along with jurisdictional regulations and standards, CDP enables organizations to disclose against market and regulatory requirements while ensuring global capital markets and procurement teams have the most robust, decision-useful environmental data. This is where CDP's concept of "**Write once, read and use many**" is exemplified and supports implementing disclosure standards at scale in jurisdictions and to decrease the reporting burden of disclosers while ensuring data is end user-friendly, empowering companies to centrally disclose and have interoperable disclosure. Our alignment ensures that CDP disclosure serves as **a one-stop shop** for understanding and disclosing against the relevant market and regulatory demands, **supporting organizations on their path to compliance**. CDP is the only global disclosure database that brings into scope public and private companies, global standards and frameworks along with jurisdictional regulations, standards and requirements. By the end of 2024, CDP will be the largest single source through which investors and decision-makers can access consistent, globally comparable ISSB S2-aligned climate data. Last year, more than 740 investors managing a third of total global financial institution assets asked CDP to collect the climate data they need.

Regarding Transition relief broadly, Canadian companies are already lagging other major economies in net-zero targets and credible transition plans (further information and statistics below). We recognize that some transition relief is necessary to allow time to build required capacity and fill knowledge and data gaps that exist. However, extending that transition relief beyond what has already been proposed in CSDS 2 risks Canadian companies not acting urgently enough and consequently falling further behind global peers. These gaps risk becoming significantly more prominent as jurisdictional mandates and regulations, like the Corporate Sustainability Reporting Directive (CSRD) in Europe or the recently announced Japan Standards come into force.

Canada has the lowest penetration of the SBTi in leading equity indices of the G7 (source SBTi Monitories Report 2022); In CDP's report *Missing the Mark: 2022 analysis of global CDP temperature ratings* - "The highest temperatures are found in the G7 countries where the fewest companies have adopted targets. In Canada, which is looking at a rise of 3.1°C, 88% of all reported emissions come from companies lacking targets."

Consultation on Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures – requested areas for public comment

CDP has limited its response to prompts 3 & 4 primarily to concentrate on areas of differentiation from the ISSB standards which our disclosure data, insights, and expertise may have a more significant impact and are particularly salient to highlight the current state of Canadian disclosure. It is important to note that many of the companies under scope are already disclosing to CDP and reporting along many of the included disclosure standards as aligned with the ISSB S2 and CSDS 2. Additionally, CDP has many more resources and reports related Transition plans and other key aspects of the CSSB CSDS 1 and CSDS 2 proposed standards.

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Prompt 3: Climate resilience (paragraph 22 of CSDS 2)

Scenario analysis is a well-established method used to develop strategic plans that contemplate a range of plausible future states. As climate-related impacts grow increasingly uncertain, scenario analysis is an effective tool to help an entity assess alternatives that may significantly alter the basis for "business as usual" and to communicate its plans for responding to the potential risks and opportunities to investors. The CSSB supports the global baseline requirements on climate resilience, but acknowledges that:

- *climate-related scenario analysis is new to many entities; and*
- *preparers are concerned about the potential level of resources, skills, and capacity required to prepare these disclosures.*

The CSSB seeks views on whether transition relief and/or guidance would help preparers and users in their assessment of climate resilience.

CDP Comment

In Canada, companies are lagging behind their global counterparts in most disclosure data points. From Scopes 1 through 3 to uptake in target setting, net-zero commitments and transition planning. Overall, CDP notices that the percent of disclosers who have emissions reduction initiatives increases with familiarity and experience in disclosure: First-time disclosers report 38%; second-time disclosers report 48%; and third-time disclosers jump to 69%. The percent of disclosers who have set company-wide targets and goals sees first-time disclosers with 50%; second-time disclosers with 60%; and third-time disclosers at 66%.

These increases are not purely experiential, as CDP offers important support and knowledge sharing through its wide array of programs and subject matter expertise like the Reporter Services Program, CDP Technical Note on Scenario Analysis, and CDP Insight Note - Scenario Analysis.

Evidence box 1:
2023 Canadian disclosures related to Scenario Analysis

- **42%** of all Canadian organizations and **60% of investor-requested Canadian organizations** indicate that they use some type of scenario analysis to inform strategy. (this included the sum of those that answered: Yes, qualitative; Yes, quantitative, Yes, qualitative and quantitative; and Yes, qualitative, but we plan to add quantitative in the next two years)

From a global goals perspective, pushing beyond 2027, backs into 2030 and could negatively impact the time horizons and targets governments are operating against as it relates to their respective net-zero commitments. As well as further delays not being supported and grounded in science as the most recent Intergovernmental Panel on Climate Change (IPCC) Synthesis Report from 2023 highlighted the imminent need for action from policymakers in creating an enabling environment through regulation and guidelines to effectively help drive capital flows and mitigate the worst potential effects of climate change.[2]

While providing increased transition relief potentially decreases ambition within the short-term, there is sufficient logic in providing time for companies to upskill and bridge capacity gaps in the interim. Given the current state of Canadian companies' disclosures as they relate to Scenario Analysis (42% of all Canadian disclosers and 60% of investor-requested organizations reported using scenario analysis in 2023), this seems to be a prudent adjustment within the CSSB standards, as long as the

[2] IPCC_AR6_SYR_SPM.pdf

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focus is on ratcheting up the ambition and capacity during this period of transition relief and encourage international and Canadian companies to help bridge this divide through impactful collaboration through lessons learned and information sharing. Increased guidance and capacity building is the more effective option, if combined with appropriately restrained and finite transition relief. It is important to note that the 42% of Canadian disclosers using some form of Scenario Analysis includes a wide spectrum of proficiency from "plans to within two years" to "Yes, Qualitative and Quantitative" disclosures. Acknowledging that a potential impediment to this type of disclosure is maintaining competitive advantage, CDP offers an effective intermediary to share disclosure information where possible along with its subject matter and capacity building expertise and to provide for an effective disclosure mechanism with fewer perceived costs.

CDP recommends keeping the CSSB standards as proposed and with added guidance and resources to adequately support companies on their disclosure journeys as long as the implementation date remains as proposed (January 2025) with the consideration that if the standards delay this timeline, the subsequent transition relief should be adjusted to ensure timely implementation (i.e. – down to 1 year if delayed more than a year). To which CDP makes itself available for further consultation and as a resource for the CSSB as well as all Canadian companies exploring Scenario Analysis and other aspects of robust environmental disclosure.

Prompt 4: Scope 3 GHG emissions (paragraph C4 of CSDS 2**)**

It is widely recognized that, for many companies, Scope 3 GHG emissions make up a significant part of an entity's total GHG emissions inventory and contain important information about a company's exposure to climate-related risks and opportunities within its value chain. Preparers have raised concerns about:

- *measurement uncertainty; and*
- *process and capacity challenges to deliver disclosures at the same time as general-purpose financial reports.*

The CSSB's goal is to balance these concerns with the urgent need to address climate-related risks. Proposed CSDS 2 provides additional transitional relief by proposing that the entity is not required to disclose its Scope 3 GHG emissions in the first two annual reporting periods in which an entity applies the standard.

- *Is the proposed relief of up to two years after the entity applies proposed CSDS 2 adequate for an entity to develop skills, processes and the required capacity to report its Scope 3 GHG emissions disclosures at the same time as the general-purpose financial reports? Please provide rationale.*
- *If you do not agree that two-year transition relief is sufficient, what relief period do you believe is required? Please provide your rationale for the timing you have provided.*

CDP Comment

Canada offers a unique and valuable opportunity to address gaps in disclosure from key sectors which are prominent in the country. Many of the largest industries for the Canadian economy are also in the highest environmental impact sectors, including Manufacturing, Mining, Quarrying and Oil and Gas and Forestry.[3] Showcasing the importance and potential for the CSSB standards to simultaneously bring key lagging sectors to the table and to ensure robust, impactful disclosure standards while supporting companies experiencing capacity gaps and ensuring their market competitiveness.

The current state of Canada corporate disclosure through CDP highlights 532 companies representing 57% of the S&P/TSX Composite. An overview of the Canadian context highlights the country as:

[3] https://www150.statcan.gc.ca/n1/daily-quotidien/231130/dq231130b-eng.htm

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- A global leader in Mining: Home to almost half of the world's publicly listed mining and mineral exploration companies with significant global presence[4]

  - A total of 1,423 Canadian mining and exploration companies had Canadian mining assets (CMAs) valued at $320.2 billion in 2022, a 14.1% increase from 2021. Of these companies, 770 had CMAs located abroad worth $214.7 billion, which was up 11.7% from 2021.

  - In 2022, Canadian companies were present in 98 foreign countries and CMAs abroad accounted for about two thirds of the total value of CMAs. Exploration and mining companies that have their headquarters in Canada accounted for the largest portion of worldwide non-ferrous exploration budgets, reaching 38% in 2021[8]. Canada is also the world's fourth-largest primary aluminum producer.[5]

  - Canada has commodities used in clean energy applications and advanced technologies, such as rare earth elements, graphite and lithium. Canada is the global leader in the production of potash and ranks among the top five global producers for diamonds, gemstones, gold, indium, niobium, platinum group metals, titanium concentrate and uranium.[6]

- Key representation from the Oil & Gas sectors: Canada's oil production is set to jump by about 10 per cent over the next year and become one of the largest sources of increased supply around the world.[7]

  - In 2024, Canada could be the largest source of growth in global crude oil production. The country's expected jump in oil output of about 500,000 bpd is higher than the 400,000 bpd projected growth in the U.S.[8]

  - In 2022 Canada was fourth globally in crude oil production with 5.6% of the world's crude oil production (behind US, Saudi Arabia, Russia).[9]

- Manufacturing: As of 2021, manufacturing accounted for approximately $174 billion of Canada's GDP, representing more than 10% of Canada's total GDP. Manufacturers export more than $354 billion each year, representing 68% of all of Canada's merchandise exports.[10]

- Forestry: Canada's forest sector contributed $34.8 billion to Canada's nominal GDP in 2021, a 33% increase from 2020.[11]

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[4] https://natural-resources.canada.ca/maps-tools-and-publications/publications/minerals-mining-publications/canadian-mining-assets/19323
[5] https://natural-resources.canada.ca/our-natural-resources/minerals-mining/mining-data-statistics-and-analysis/minerals-and-the-economy/20529
[6] https://natural-resources.canada.ca/our-natural-resources/minerals-mining/mining-data-statistics-and-analysis/minerals-and-the-economy/20529
[7] https://www.cbc.ca/news/canada/calgary/bakx-oil-production-s-p-record-1.6993102
[8] https://www.cbc.ca/news/canada/calgary/bakx-oil-production-s-p-record-1.6993102
[9] https://economics.td.com/ca-oil-production-2024
[10] https://ised-isde.canada.ca/site/canadian-manufacturing-sector-gateway/en
[11] https://natural-resources.canada.ca/our-natural-resources/forests/state-canadas-forests-report/forest-industry-contribute/16517

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Evidence box 2:
Overview of Canadian Companies Disclosing through CDP in 2023

- **532 Canadian organizations** disclosed through CDP Questionnaires
- Canada Corporate disclosers rate of emissions reporting by scope:
  - **Scope 1 - 60%**
  - **Scope 2 - 56%**
  - **Scope 3 - 39%**
- **64% of CA companies disclosing** through CDP have a process for identifying, assessing, and responding to climate-related risks and opportunities.
- **36%** of CA companies disclosing to CDP have active emissions reduction targets.

"the CSSB recognizes the challenges associated with adopting these standards in the near term. While a later date could provide more preparation time, it could also delay subsequent standard setting activities, slowing down overall progress in sustainability reporting."[12]

CDP has noticed apparent revenue-based or company size trends in terms of the overall depth and robustness of companies' disclosures. In 2023, of the USD$1billion+ publicly registered companies in Canada, the disclosure rate was roughly 57% to CDP, with 51% at the USD$500million+ revenue threshold. In comparison to the US, where 50% of publicly registered companies with $1billion+ (USD) revenues disclosed to CDP and of those nearly 80% reported their Scope 3 emissions. It is a logical assumption, amidst the increase in jurisdictional regulations, that many more companies will begin or more concretely develop their capacities for reporting and disclosing Scope 3 emissions and environmental disclosures in general. In order to appropriately address concerns from companies at lower market caps or revenue thresholds, CDP has developed a specialized small and medium enterprise (SME) questionnaire pathway to decrease reporting burden and increase emissions reporting capacity of companies in larger corporate supply chains. CDP has further resources through its various programs (i.e. Supply Chain, and Supply Chain Member Guidance on Scope 3 reporting). There are specific sectoral impacts of Scope 3 disclosure as well, with the financial sector being key in terms of driving investment and accurately measuring portfolio emissions and fund impacts. CDP has estimated that Scope 3 emissions account for almost the entirety of the sector's emissions at 11.4x their Scope 1 and 2 emissions combined (see graph 3 below).

As these standards should be considered in view of emerging global standards, noting the European Sustainability Reporting Standards (ESRS) are widely considered to be more complex and yet are being phased in from 2025, FY 2024, for NFRD companies (very large corporates) and 2026 to all others. SMEs will start from 2028. Scope 3 is phased-in throughout the next 2 years. Highlighting that all Canadian companies with substantial operations in the EU will have to comply with ESRS either from 2025 or 2028 at the latest. These standards should also help them prepare for those and other jurisdictional disclosures including those within Canada and serve as a common implementation date.

The prioritization of direct measurement echoes high ambition and global recommendations but should also allow for the use of alternate means of measurement (i.e. modeling) only when direct measurement is either not feasible or overly burdensome. Direct measurement should be considered the primary and tantamount reporting method. CDP recommends that given the current state of Scope 3 disclosure in Canada, that the standards maintain the current level of ambition and ensure it is included in the final standards as currently written. Emphasizing the other national and international standards and regulations requiring Scope 3 disclosure (CSRD, ESRS, California laws – SB 253 & SB 261, US FAR Rule, etc.) should have an additional ripple effect on encouraging companies supply chains to report this information with increasing regularity. Globally Scope 3 disclosure rates for CDP

[12] CSSB-ED-CSDS-2.pdf

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disclosers were at 46%. Highlighting the gap in Canada versus global preparedness and capacity for disclosing information critical to investors in order to drive capital flows and for national governments in meeting their global goals and commitments.

A further consideration regarding the use of proxies. If companies do not have access to emissions data from their value chain, they will have to estimate emissions, and this can lead to widely different results from companies within the same sector - on Scope 3 it is important to highlight that adequate implementation guidance materials are essential to accelerating implementation responsibly and equitably. Furthermore, the implementation of Voluntary sustainability reporting standards is encouraged as it facilitates the standardization and obtention of data of SMEs who are not party of mandatory requirements for listed companies but provide much needed data to larger companies, especially in Scope 3 emissions categories. Otherwise, a situation where SMEs will be responding to a multitude of different corporate questionnaires asking for widely different information could result.

According to CDP's most recent Supply Chain report from March 2023, there is, however, hope to be found when comparing first-time and repeat respondents. **The percentage of companies disclosing at least one Scope 3 emissions category rises from 27% of the former to 53%** of the latter, demonstrating that disclosing through CDP year on year leads to improvements in Scope 3 disclosure.[13]

Evidence box 3:
Global disclosures through CDP

- **Scope 1 - 67%**
- **Scope 2 - 62%**
- **Scope 3 - 42%**

46% of disclosing companies globally have active emissions reduction targets & nearly **50% use scenario analysis**

Reporting area	CSDS 2 reporting requirements	Links with CDP's disclosure system
CSDS 2 – Scope 3 GHG Emissions: Paragraph C4	Assuming a calendar year end, if an entity applies the proposed standard for the first time in the reporting period beginning on January 1, 2025, it will be required to disclose its Scope 3 GHG emissions from the reporting period beginning on January 1, 2027.	☑
Scenario Analysis	Paragraph 22 and subsequent requirements regarding scenario analysis as is TCFD and ISSB IFRS S2 aligned. Also regarding Appendix section of CSDS 2: Skills, capabilities and resources – paragraph B7.	☑
Scope - Small and medium enterprises (SME's)		☑

[13] CDP-Supply-Chain-Report-2022.pdf

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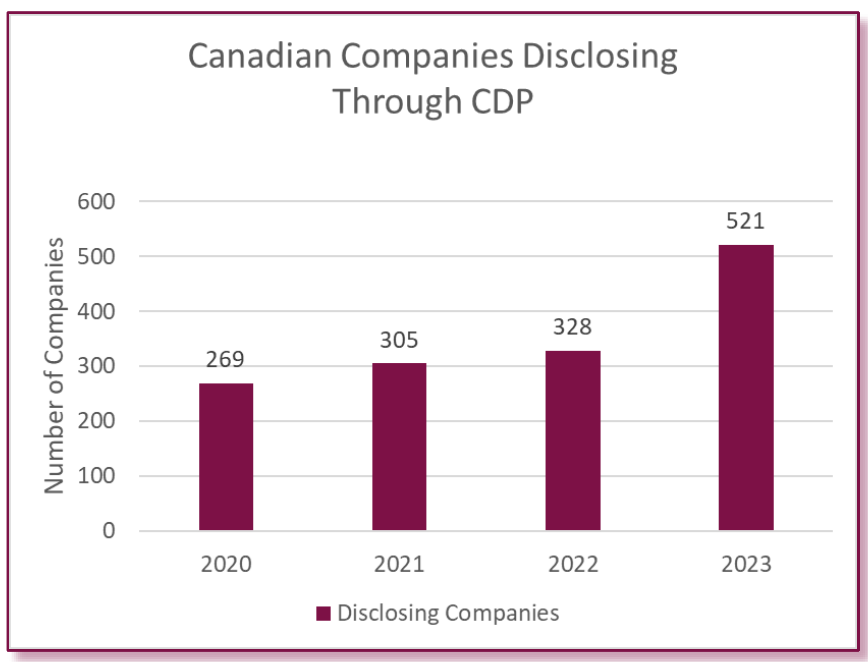
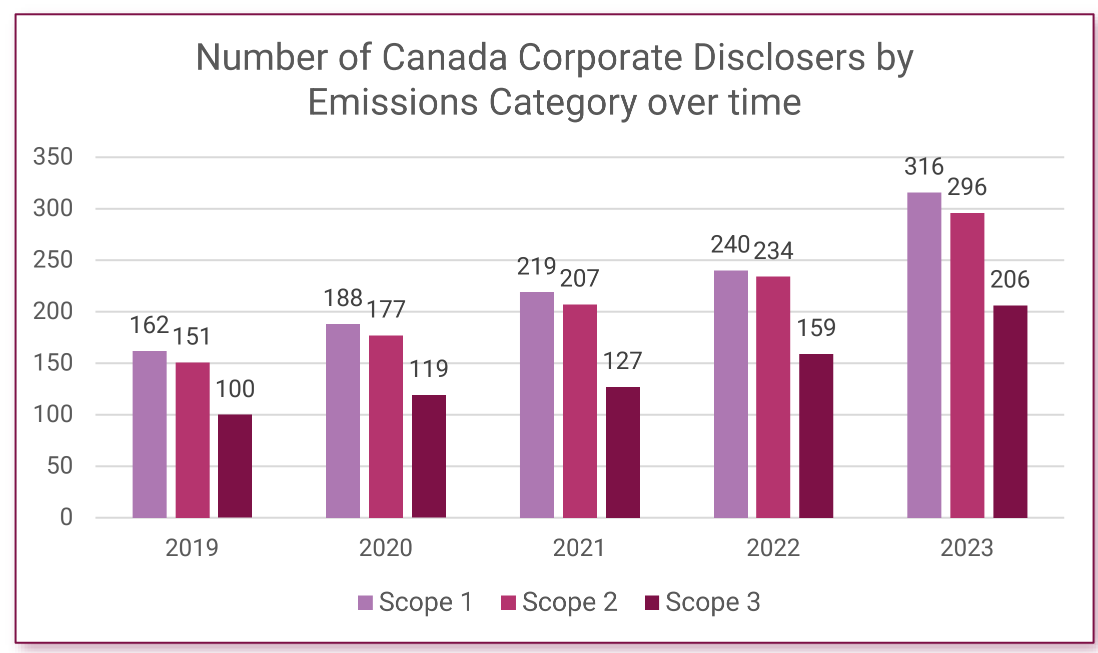
DATA INSIGHTS

- Ambition - Canada disclosers have relatively doubled in terms of reporting their scoped emissions over the past 5 years.
- Consistent year-over-year growth in emissions reporting, highlighting the developing norm and increased business practice of corporate environmental disclosure.

Graph 1.
GROWTH IN CANADIAN COMPANIES DISCLOSURE 2020-2023



Graph 2.
GROWTH IN SCOPED EMISSIONS (GHG) OVER TIME



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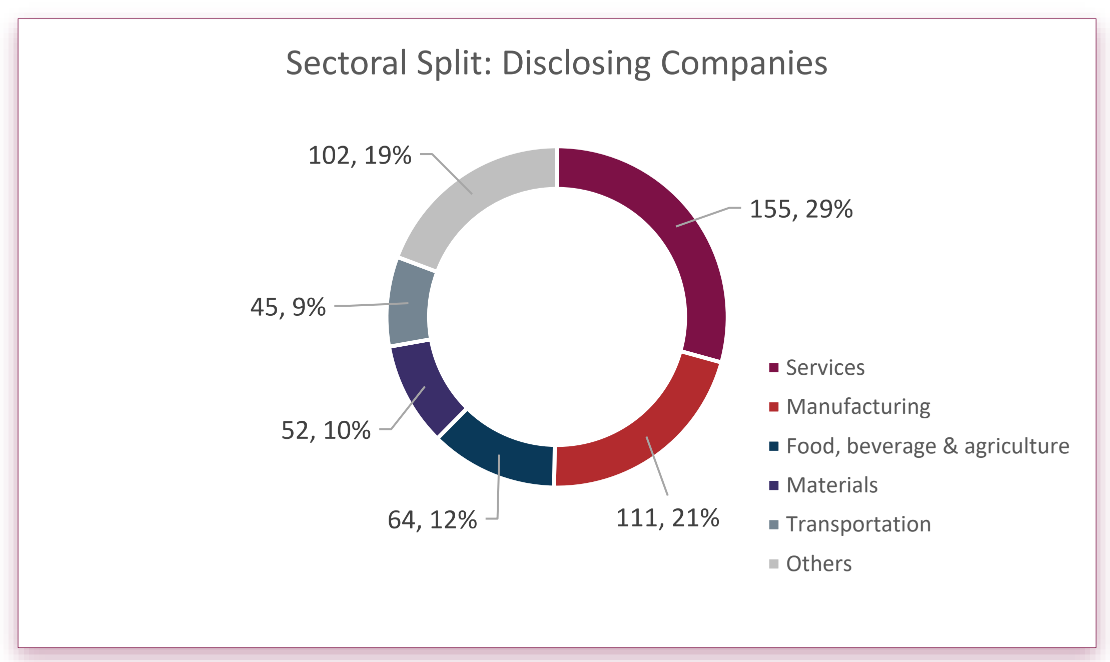
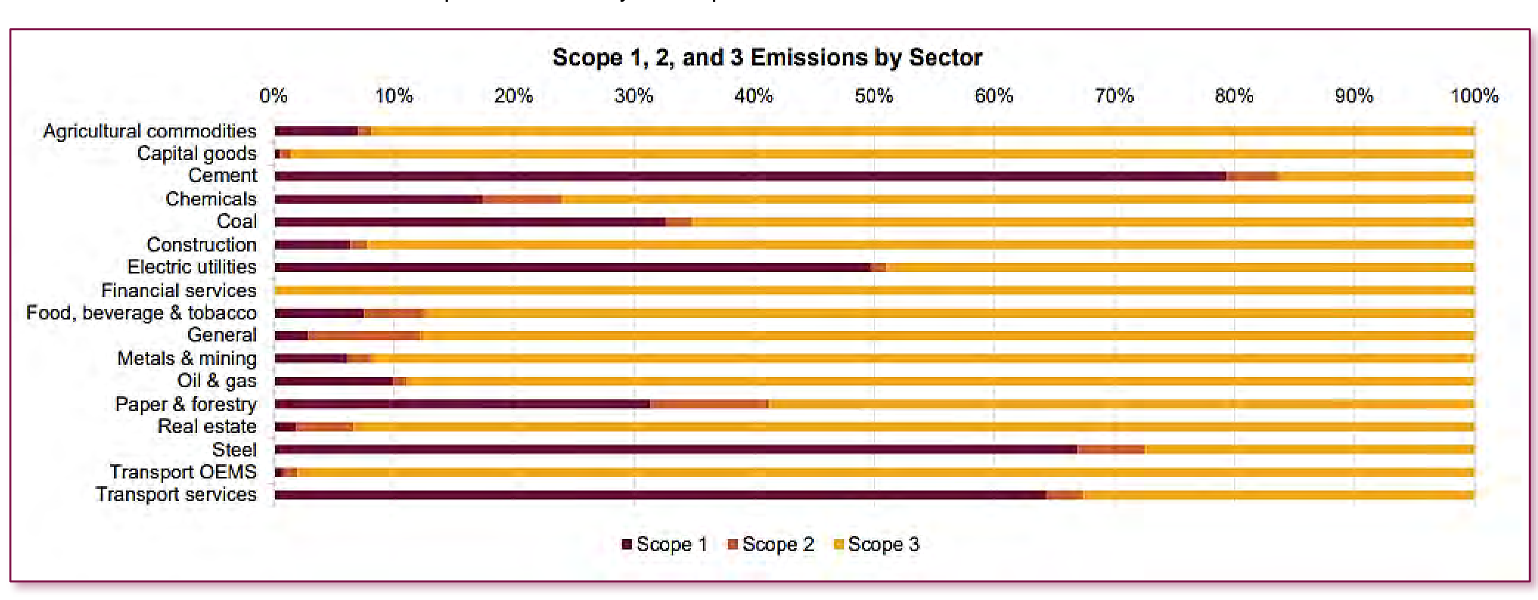
Graph 3
SECTORAL SPLIT OF DISCLOSING COMPANIES IN CANADA



Graph 4
GLOBAL SCOPE 1, 2 & 3 EMISSIONS PERCENTAGES OF TOTAL EMISSIONS BY SECTOR

Source: CDP-technical-note-scope-3-relevance-by-sector.pdf



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Additional recommendations for enhancing future Sustainability Standards in Canada

The ISSB-aligned standards exposure drafts are a great first step for driving the global baseline for climate disclosure, to emphasize the need for climate-related data for financial market actors, supply chain management, governments, civil society and many more. The adoption of these standards will create a level playing field for large corporations on public climate information. Yet, the global baseline does not constitute the full information needed, to inject climate and environmental action towards 1.5°C, nature positivity and resilience.

CDP is a driver of ambitious climate and environmental disclosure globally. CDP has a record of success in driving the adoption of disclosure frameworks and standards. CDP's 2018 alignment was a primary driver behind the mainstreaming of TCFD-aligned reporting globally, which subsequently informed the first wave of mandatory disclosure regulation. In the five years following, TCFD-aligned disclosure through CDP increased by more than 400%.

CDP welcomes regulation, standards and guidelines to drive forward voluntary and mandatory disclosure across climate and nature topics.

Disclosure of SMEs:

A significant majority of Canadian businesses, specifically 99.7%, are small and medium-sized enterprises (SMEs). This includes approximately 1.19 million small businesses (97.8%) and 23,395 medium-sized businesses (1.9%). Many of these SMEs operate in high-impact sectors such as manufacturing, mining, quarrying, oil and gas extraction, agriculture, and forestry. [14] In response to the unique needs of SMEs globally, in April 2024, CDP introduced a dedicated SME corporate questionnaire. This new questionnaire aligns with the full corporate version but features fewer data points, simplified question formats, and enhanced guidance to reduce the reporting burden on SMEs.

The SME corporate questionnaire, which replaces the previous minimum version corporate questionnaire and the pilot private markets SME questionnaire, benefits from CDP's collaboration with the SME Climate Hub and the SME Climate Disclosure Framework. Both the SME corporate and full corporate questionnaires will be accessible through a newly streamlined CDP Portal. Designed to accommodate SMEs at various stages of maturity, the questionnaire provides the necessary flexibility to help them identify key focus areas while also presenting enough challenge to build knowledge and promote actionable steps. By incentivizing disclosure, the questionnaire encourages SMEs to engage in their environmental journey, supported by comprehensive guidance to navigate the ecosystem of available resources and best practices.

To address the risk of a proliferation of SME questionnaires from large corporates seeking value chain impact data, the CSSB can play a crucial role. By developing a voluntary SME standard, and incentivizing SME disclosure through CDP, the CSSB can facilitate the collection of data through a centralized and standardized format. Such an approach is essential for companies to fully understand their value chain impacts, particularly for SMEs outside capital markets, and ensures that disclosure remains a manageable and beneficial process for SMEs. Interoperability of standards, which includes VSME standards, remains key.

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14 https://ised-isde.canada.ca/site/sme-research-statistics/en/key-small-business-statistics/key-small-business-statistics-2023#s5.1

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Disclosure of nature-related topics and emerging nature standards and frameworks:

Having operated the only disclosure platform for nature for over fifteen years, CDP has been on the forefront of nature disclosure by gradually introducing nature topics through dedicated questionnaires on water security and deforestation, as well as introducing the topics of biodiversity and plastics.

Partnering with TNFD for Comprehensive Nature Disclosure: CDP, the non-profit global environmental disclosure system, is the key global nature disclosure partner of the Taskforce on Nature-related Financial Disclosures (TNFD). Through its global disclosure platform, CDP enables TNFD-aligned market reporting. CDP has been a key knowledge partner of the TNFD since the inception of the Taskforce and is now collaborating with the TNFD on a range of knowledge and capability building initiatives globally to support market participants.

Aligning CDP's Questionnaire with TNFD Recommendations: CDP has updated its annual questionnaire and is partially aligned with TNFD's disclosure recommendations. This enables companies to disclose TNFD-aligned data directly to stakeholders and the market. CDP and TNFD will continue to work closely together to accelerate the expansion of CDP’s nature-related reporting platform. Building on CDP’s pioneering work in mainstreaming deforestation and freshwater measurement, data and reporting, which informed the TNFD’s approach. The TNFD covers additional realms of nature – notably oceans and land - which CDP has committed to include in its disclosure system.

New Integrated Corporate Questionnaire: In 2024, CDP introduced an integrated corporate questionnaire bringing climate and nature reporting together in one place. This ensures organizations can adopt TNFD recommendations and provide robust, decision-useful environmental data for global capital markets, procurement teams, and the data ecosystem. This integrated approach, endorsed by TNFD, is crucial for advancing holistic environmental action.

CDP’s alignment supports governments and regulators considering whether to incorporate TNFD recommendations into regulation, in line with their commitment to nature-related reporting requirements under Target 15 of the Global Biodiversity Framework agreed in December 2022. CDP provides the globally accessible platform for its implementation and a means to track its uptake across the economy.

The role of disclosure regulation driving good governance of transition planning:

Transition plans are an essential part of sustainability reporting. It is the culmination of a company’s reporting exercise and encourages companies to think strategically. Further, it provides essential data to investors. Thus, transition plans should be included into prudential and non-prudential regulation. Credible transition plans aligned with 1.5°C are paramount to serving as a decision tool for investors and purchasing companies engaging with their supply chains.

The strategy and decision-making process established on paragraph 14 of the CSDS 2 should include the implementation and reporting of transition plans that are in alignment with the Paris Agreement and that focus on the compatibility of businesses undertaking a 1.5°C scenario and the objective to achieve net-zero. The absence of such alignment in the proposed standards may leave entities vulnerable to systemic risks, potentially leading to disorderly, insufficient and delayed transition plans.

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For entities to have credible and comprehensive transition plans, the CSDS 2 should expressly detail that the climate-related transition plan information should include the following elements:[15]

- **Governance**: This demonstrates that an entity has board-level oversight of the climate transition plan and that there are defined governance mechanisms in place, to ensure implementation of the plan. To incentivize conscious action and commitment in realizing the plan's goals, it is recommended that executive management incentives are aligned with the entity climate transition plan goals.

- **Scenario Analysis**: A transition plan should be underpinned by robust scenario analysis to identify potential substantive climate-related risks and opportunities.

- **Financial Planning**: As part of its strategy to achieve net zero, an entity should outline time-bound financial planning details of its transition (e.g., Capital Expenditure, Operating Expenditure, Revenue, etc.).

- **Value Chain Engagement & Low-Carbon Initiatives**: A transition plan should include timebound actions tied to business processes (and those of its value chain), with time-bound KPIs.

- **Policy Engagement**: A transition plan should demonstrate that an entity's public policy engagement aligns with its climate and nature commitments and strategy.

- **Risks and Opportunities**: A transition plan should outline an organization's process for addressing identified climate and nature related risks and maximizing substantive climate-related opportunities.

- **Targets**: A transition plan should contain time-bound, verified science-based targets that are in line with the latest science (e.g. institutions should set near-term SBTs to halve emissions by 2030 and should also set a net zero long-term target – by 2050 at the latest).

- **Scope 1, 2, & 3 accounting with verification**: A transition plan should be accompanied by an annual Scope 1, 2 & 3 emissions inventory that is complete, accurate, transparent, consistent, relevant, and verified by a third party.

Availability of sustainability reported information:

The information to be reported under the CSDS 2 will be made available to many data users through Canada's SEDAR system, which is the current platform for issuer disclosures storage and database searches. But a wider requirement/recommendation to ensure interoperability of the data disclosed is essential for aggregating data and making it useable for policymakers and investors. SEDAR should provide investors with seamless access to financial and sustainability-related company information. Ideally, to the greatest extent possible, building on existing national IT infrastructure (databases, registers) in order to avoid adding to companies' reporting burden. All information should be provided in comparable digital formats.

CDP believes that as non-financial reporting becomes part of the mainstream there is a need to increase efficiency, save costs and standardize outputs. In the US a similar consideration is referenced

[15] For more details, see CDP's transition plan framework: https://www.cdp.net/en/guidance/guidance-for-companies/climate-transition-plans

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in the finalized climate disclosure rule from the SEC as it highlights the necessity of data tagging and interoperability (i.e. XBRL).

XBRL (eXtensible Business Reporting Language) is already being used by over 20 million companies, 135 regulators and 70 governments worldwide. In September 2023, CDP announced a partnership with XBRL International. The organizations will collaborate to expand and enhance CDP's digital capacity and data collection activities, and to embed XBRL best practices into CDP's global environmental disclosure system.

We know that there is no one-size-fits-all approach to climate reporting, with all companies having their own environmental challenges, contexts and data collection issues. After exploring a number of digital standards, we have continued to develop our work in XBRL because we believe it:

- Overcomes the challenges of climate related reporting proposed by the Task Force on Climate-related Financial Disclosures (TCFD).
- Aligns CDP reporting with regulations: such as the European Securities and Markets Authority (ESMA) requirements introduced in 2020, which will affect all IFRS fillers in Europe.
- Improves data quality and data accessibility: standardizing climate change data and business rules in a digital open format;
- Connects environmental and financial information models by using the same reporting technology required around the world; and
- Improves the consistency of environmental data across other sustainability disclosure framework and reduces reporting burdens.

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CDP North America and the CDP global system

CDP North America is a registered not-for-profit, 501(c)(3), with tax-exempt status in the US and incorporated in the State of Delaware. CDP North America office is located at 127 West 26th Street, Suite 300, New York, NY 10001, U.S. CDP NA started as a sponsored project within Rockefeller Philanthropy Advisors in 2007. CDP NA was incorporated as a separate, not-for-profit organization in the State of Delaware on March 29, 2011. Then, CDP NA was registered as tax-exempt (obtaining 501(c)(3) status) with the United States Internal Revenue Services' Department of the Treasury on April 10, 2012.It is part of the CDP Global System, a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 700 financial institutions with over $142 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Over 24,000 organizations around the world disclosed data through CDP in 2023, including more than 23,000 companies worth half of global market capitalization, and over 1,100 cities, states and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda, member of the AAA US Climate Policy Group, and the Net Zero Asset Managers initiative. Visit cdp.net or follow us @CDP and on LinkedIn to find out more.

CDP North America is part of the non-profit CDP Global System ("CDP"), which refers to three legally separate organizations: CDP Europe (BE), the CDP Worldwide Group (UK), and CDP North America, Inc. (US).

More information on CDP North America's governance and finances can be found **here**.

CDP Government Partnerships

CDP Government Partnerships are designed for governments to actively encourage ambitious actions by corporates and subnational jurisdictions and to improve data and insights on these organizations' transition to a 1.5°C and nature positive world. By endorsing the CDP disclosure system, governments can accelerate the implementation of international and national climate and nature targets by corporates and subnational jurisdictions in their country and drive faster progress towards achieving climate neutrality and full recovery of nature by 2050.

The CDP Government Dashboard, an interactive, online CDP data tool for governments, provides governments with direct access to data insights on corporate and subnational environmental action at national or jurisdictional level.

CDP in Canadian and international media

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Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington St. West
Toronto ON M5V 3H2

June 10, 2024

Dear Ms. French,

Response to CSSB Consultations on Canadian Sustainability Disclosure Standards (CSDS) 2, Climate-related Disclosures

I am writing to submit comments for the CSSB consultation on its proposed standards CSDS 2, *Climate-related Disclosures*, and with respect to one overarching question on its proposed standards for CSDS 1, *General Requirements for Disclosure of Sustainability-related Financial Information*, on behalf of Ceres and the Ceres Accelerator for Sustainable Capital Markets. Ceres is a nonprofit advocacy organization with over 30 years of experience working to accelerate the transition to a cleaner, more just, and sustainable world.

We answer specific survey questions pertaining to CSDS 2 and CSDS 1 commencing on page 5. However, we would like to first offer some context with background information on Ceres and our Investor Network.

We sincerely appreciate the work of the CSSB and support its effort to align the draft standard with the ISSB standards and to incorporate Canada-specific considerations. The draft standards position Canada firmly alongside 18 other nations and the EU that demonstrate leadership in addressing climate risk disclosure by issuing disclosure standards or rules aligned with the ISSB's standards.

Ceres supports the stated objectives of CSDS 2 to require an entity to disclose information about its climate-related risks and opportunities that may be useful to primary users of general-purpose financial reports in making investment decisions. This objective is aligned with Ceres' work in the U.S., Canada, and globally to support interoperable climate risk disclosure rules that provide investors with comparable, decision-useful information. Ceres also supports CSSB's stated objective to uphold the rights of indigenous people, by ensuring their meaningful participation in shaping the sustainability disclosure standards themselves, including with respect to climate-related matters. Ceres is a nonprofit organization with 35 years of experience working on climate change with the world's leading investors and companies to drive sustainability in the bottom line and through ambitious climate and clean energy policy. Our Investor Network currently includes over 220 institutional investors that collectively manage over US $44 trillion in assets.

Nineteen Canadian investors, who represent AUM of 1.3 trillion USD, are members of Ceres' Investor Network. Many other members of Ceres' Investor Network are interested in Canadian sustainability reporting requirements as they hold Canadian companies. Many TSX and TSXV companies seek secondary listings on US exchanges, to increase access to capital and liquidity,

consistent with their growth strategy. As of 2023 there are 234 companies dual listed on the TSX with a US exchange, (196 with NASDAQ/NYSE), while 75 companies are dual listed on the TSXV with a US exchange (28 with NASDAQ/NYSE). Canada's foreign direct investment (FDI) in the U.S. stock market was $589.3 billion in 2022, up 7.3% from 2021, while U.S. FDI in Canada's stock markets was $438.8 billion in 2022, a 10.1% increase from 2021. As such, ensuring that Canada's sustainability reporting standards are leading, robust and aligned with global sustainability reporting standards and requirements would certainly seem to be in investors' and Canada's best interests.

Ceres supports—in conjunction with SHARE, RIA and PRI—Climate Engagement Canada, a finance-led initiative that drives dialogue between the financial community and corporate issuers to promote a just transition to a net zero economy. The initiative includes 46 financial sector participants representing about $6 trillion in assets engaging with 41 companies. The companies have been identified as the top reporting or estimated greenhouse gas emitters on the Toronto Stock Exchange, with a significant opportunity for each to contribute to the transition to a low-carbon future and become a sectoral and corporate climate action leader in Canada. They operate across the Canadian economy in the oil and gas, utilities, mining, agriculture & food, transportation, materials, industrials, and consumer discretionary sectors. In addition, Ceres, with other global partners, supports the work of Climate Action 100+ and the work of investors to influence four major Canadian corporate emitters. The initiative is a global investor-led effort to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change, involving 700+ investors with $68 trillion in assets seeking to influence 170 companies that are key to driving the global net zero emissions transition.

Ceres' Company Network includes more than 50 of the largest global companies whom we work with on an in-depth basis on climate strategy and disclosure, among other issues. The Ceres Accelerator for Sustainable Capital Markets aims to transform the practices and policies that govern capital markets by engaging federal and state regulators, financial institutions, investors, and corporate boards to act on climate change as a systemic financial risk. The comments provided herein represent only the opinions of Ceres, and do not necessarily infer endorsement by each member of our Investor, Company, or Policy networks.

Ceres also works extensively to support the ISSB's work and the U.S. Securities and Exchange Commission's (SEC) climate risk disclosure rulemaking. We submitted eight comment letters in response to the SEC rule proposal, commissioned a report on the costs and benefits to companies and investors of current spending on voluntary climate risk disclosure, and released a comparison of the proposed and final SEC rules, which discusses our position on the importance of Scope 3 disclosures and other issues. To the extent that Ceres regularly reviews climate disclosure regulatory and policy developments in the United States, such as the SEC's final rule, Ceres would be happy to offer the CSSB our insights and updates.

Ceres Investor Network members' positions on climate risk disclosure align with the CSSB's objective to fully support the adoption of the ISSB standards and the needs of the Canadian public interest. This alignment is apparent from the latest Global Investor Statement on Climate Change, investors' support of the ISSB's work, and their comment letters to the U.S. Securities and Exchange Commission discussing the importance of SEC climate disclosure rules that align with the ISSB

standards. Ceres [analyzed the comment letters] to the SEC of over 300 institutional investors that collectively own or manage more than $50 trillion in assets. Of the 296 investors who mentioned the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), 100% supported an SEC rule aligned with the TCFD.

Investor interests and core principles: Investors, as users of data, and companies, as preparers of data, stand to benefit from enhanced and comparable climate-related financial disclosures, which will illuminate the major financial risks and opportunities related to climate change. Canadian courts recognize climate change as a systemic risk: In a 2023 decision, the Supreme Court of Canada found that 'climate change poses an existential threat.' From a physical risk perspective, 2023 was the warmest year on record, with 18.5 million hectares burned in Canada alone, causing $3b in uninsured losses. From a transition risk perspective, two major shifts are underway: an economy-wide transformation as industries decarbonize, and an energy transition, spurred on by a combination of governmental policies, emerging technologies, and 'green' finance options. Regulatory, legal, market and socio-political pressures are creating material impacts on business operations, costs, reputation and asset risk and value.

The primary objective of sustainability and climate-related financial disclosure standards should be to ensure that companies properly inform capital market decision-makers, and individual users and preparers of data, about financially material risks and opportunities. To achieve this, standards should ensure companies' climate information is disclosed in a relevant, comparable, complete, reliable, and easy-to-access manner. Three core considerations underpin the landscape for sustainability and climate-related financial disclosures. Canadian standards should:

i) Align with the developing global baseline of sustainability and climate data disclosure standards and financial disclosure rules. This baseline helps investors with investments worldwide obtain comparable, robust, decision-useful data, and it supports companies by providing consistent disclosure expectations wherever they operate. The baseline promotes **interoperability** of climate reporting frameworks across key markets, serving to reduce reporting burden for global companies.

ii) Establish and strive to maintain Canada's **leadership role** on climate-related financial disclosure, so as to attract foreign capital and reduce cost of capital for Canadian companies.

iii) **Promote issuer identification, assessment and management** of climate risks and related expenses likely to have a **material impact** on the issuer, its business model, strategy, financial condition and/or on its climate resilience. This allows **investors to develop a more complete picture** of the investee entity's climate risk and opportunity profile so that they may evaluate investment risks and opportunities across the portfolio more comprehensively. The focus on material issues **balances** the needs of **users** (investors, the market) and **preparers** of data (firms) and allows the CSSB to incorporate any **unique considerations for the Canadian market, such as consideration of the rights of Indigenous Peoples in project development.**

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Challenges and Opportunities: Both preparers and users of climate-related data have an interest in ensuring that standards are compatible and aligned with any national/domestic and developing global reporting requirements from the ISSB. Companies reporting in multiple jurisdictions are better served by a global standard, as are investors with holdings worldwide. Global alignment lowers compliance burdens for companies, allowing them to set up controls and procedures that work wherever they do business. For example, companies with water intensive operations will benefit from comparable data in a standardized format. As such, data gaps and lack of comparable data can lead to blind spots and otherwise limit data available to investors, impairing decision making.

Ultimately, better quality, comparable climate-related data helps inform climate risk and opportunity assessment and leads to better investment decisions. The CSSB has an opportunity to promote best-in-class climate-related financial disclosure that aligns with the leading global standard, which can be used as a baseline for any further climate-related reporting required of companies. For example, many Canadian firms that operate in global jurisdictions or trade on foreign stock exchanges are, or will soon also be, subject to country or regional climate and sustainability disclosure requirements, such as the EU's CSRD. Approval of the CSDS 2 will also assist Canadian federally regulated financial institutions to gather like-for-like data from investee firms and related entities to inform their assessments under the Office of the Superintendent of Financial Institution's leading B-15 Guidelines.

Through the Climate Action 100+ and Climate Engagement Canada initiatives, investors have stated the importance of climate-related disclosures aligned with the ISSB standards. The Climate Action 100+ Net Zero Company Benchmark assesses the performance of focus companies against 10 indicators and three high-level goals: emissions reduction, governance, and disclosure. Indicator 10: Climate Related Disclosures[1], evaluates whether companies have "publicly committed to implement the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) or International Sustainability Standards Board (ISSB) standards." Indicator 10 also assesses disclosure of climate-scenario planning to test their strategic and operational resilience. The Climate Engagement Canada Net Zero Benchmark is "closely aligned with the Benchmark developed by Climate Action 100+, the current global standard for collaborative shareholder engagement."

Investor Feedback: With respect to the changes proposed by CSSB for IFRS S2:

C1-Effective date:
The CSSB is proposing extending the commencement of the reporting period to after January 1, 2025, although earlier application is permitted. Ceres notes that Canadian securities laws already require issuer disclosure of material information in their continuous disclosure documents, and privately held companies must similarly disclose material information to their shareholders. Ceres is of the view that an effective date extension to January 1, 2025 is immaterial, considering this is only seven months away.

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[1] Climate Action 100+, Net Zero Company Benchmark, Version 2.1 Framework Updates, p. 3 (available upon request).

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C4-Transition:
The CSSB is proposing to provide additional transition relief, by a) permitting an entity to continue to measure its GHG emissions by a method other than the GHG Protocol for the first annual reporting period in which it applies the standard; and by b) extending the date required for disclosure on Scope 3 emissions by an additional year, so that if an entity applies the standard for the first time in the reporting period beginning on January 1, 2025, it will be required to disclose its Scope 3 GHG emissions from the reporting period beginning on January 1, 2027.

With respect to a), Ceres promotes use of the GHG Protocol to increase like-for-like data. CSSB, in permitting entities to measure emissions by another method for the first annual CSDS S2 reporting period, may simply intend to grant issuers flexibility, encouraging potentially greater issuer disclosure of emissions, with the expectation that all entities will conform at a later date to the GHG Protocol. While delaying alignment of disclosure with the accepted GHG Protocol does not promote comparability and data robustness, overall Ceres does not find a delay of one reporting period to be highly material.

With respect to b), Ceres posits that extending the required date for entities to disclose Scope 3 GHG emissions to January 2027 appears somewhat misaligned with the government of Canada's commitment to reduce overall emissions 40-45% by 2030. Scope 3 emissions comprise 80-90% + of a firm's total emissions inventory. As such, extending the required date for Scope 3 emissions disclosure may have unintended consequences, potentially delaying companies' total emissions inventory assessment, slowing down market progress in emissions reduction and in emissions reporting, and/or detracting investors from investing in Canada.

Comments requested:

CSDS 1: General Requirements for Disclosure of Sustainability-related Financial Information

Question 2. Timing of reporting (proposed paragraphs 64-69 of CSDS 1)
Although the primary focus of this letter is to respond to requests for input on CSDS 2, at least one question proposed in CSDS 1 also has applicability to all sustainability related financial disclosures, and so is appropriate for Ceres to opine on. CSSB asks:

> (a) Is any further relief or accommodation needed to align the timing of (sustainability) reporting? If yes, specify the nature of the relief or accommodation and provide the rationale for it.

We agree that issuers should report their sustainability-related financial disclosures at the same time as related financial statements, and the entity's sustainability-related financial disclosures should cover the same reporting period as the related financial statements. In Ceres view, no further relief is required.

Also, we note that some issuers may face a challenge with the disclosure of emissions information. When emissions information is not available to the issuer in time to align disclosures with the financial reporting period, it will be easier for them to collect this data and update financial statements at a later time; or simply use the last set of intact climate related data available at the time of the issuance of the financial statements. We note that the ISSB has a provision focused on

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the timing of reporting GHG emissions information, *Permission to use information from a reporting period that is different from the entity's reporting period, in specific circumstances*. The SEC has noted that registrants would have difficulty measuring their emissions as of fiscal year-end in time to disclose emissions in their annual reports, so the final SEC rule gives registrants additional time, allowing emissions disclosure in the second-quarter quarterly filing or in an amended annual filing. We suggest that the CSSB consider creating guidance on the timing of emissions disclosure, to ensure that issuers provide accurate emissions information at a predictable time in relation to financial reporting.

(b) How critical is it for users that entities provide their sustainability related financial disclosures at the same time as its related financial statement?

Ceres is of the view that investors find it very important that sustainability related financial disclosures occur at the same time as the financial statement. This allows investors to consider the financial risks and opportunities of these issues alongside any other risk. In addition, the same reporting period for financial statements and material sustainability disclosures is important, in accordance with Canadian securities laws. Just as an issuer can apply for discretionary relief if it is unable to comply with a disclosure requirement, or requires more time, it should be able to apply for additional time or transition relief, if required, to disclose sustainability data. However, as previously mentioned, the reporting entities are still subject to Canadian securities laws and accounting standards requiring disclosure of material information to stakeholders.

CSDS 2: Climate-related Disclosures

Question 1. Climate resilience (proposed paragraph 22 of CSDS 2)
CSSB asks:

(a) Is transition relief required for climate resilience disclosure? If so, for how long and why?

Ceres finds that scenario analysis is crucial to informing an entity's climate-resiliency assessment, such as any potential impacts to its business operations, finances, stakeholders, reputation and business model, which then inform its climate strategy.

Recent research underscores the importance of scenario analysis. Carbon Tracker recently warned that investors may be over-reliant on economic models that underprice climate risk. A leading data provider, Oxford Economics, has updated its damage assessment and finds global warming of just 2.2 degrees Celsius, barely over the goal of the Paris Agreement, could reduce global GDP by up to 20%. Their reassessment underscores the need to revisit loss assumptions and conduct value at risk assessment to stress test the portfolio.

The Office of the Superintendent of Financial Institutions (OSFI) B-15 Guideline is instructive, which requires all federally regulated financial institutions (FRFIs) to disclose details regarding their climate related governance, strategy, risk and metrics and targets, including Scopes 1-3 emissions and the resilience of the FRFI's strategy, taking scenario analyses into account. The FRFI is expected to implement the B-15 guideline effective for fiscal periods ending on or after October

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2024, 2025 and 2026 as applicable. FRFIs will, in turn, rely upon issuer disclosure of climate related risks and opportunities to inform their own assessments and disclosures.

Canadian issuers must disclose material risks to their business as required by provincial securities regulation, including forward-looking information. However, conducting scenario analysis is complex, and includes adoption of various parameters and assumptions, as well as an evaluation of the results of each scenario. The entity must then decide what is material to disclose.

Ceres notes that a period of transition relief of 1-2 years for climate resilience disclosure may be appropriate for entities to get comfortable with conducting scenario analysis internally before they disclose it publicly, which is in line with the implementation period allocated to FRFIs. However, Ceres also notes that extension of transition relief is already provided in paragraphs 19, and 22 of CSDS 2, in providing flexibility to reporting entities, depending on their skills, capabilities and resources.

Moreover, we submit that assignation of effective dates for CSDS S2 specific disclosures and transition relief may ultimately reside under the purview of the regulator in question, rather than with the standards body itself. For the sake of clarity, it may be prudent to leave the question of extension of additional transition relief up to the regulator, or to be decided on a case by case basis.

(b) Is further guidance necessary? If so, which specific elements require guidance and why?

With respect to whether additional guidance would be helpful to entities in conducting scenario analysis, Ceres agrees that providing guidance for Canadian entities could encourage them to build capacity, encourage sophisticated institutional investors to share best practices, and facilitate a dialogue between issuers and investors on leading practices. CSSB could potentially curate a guidance document or online resource to help issuers better understand what they are looking for and how to proceed. CSSB could provide a legend with links to useful platforms relevant to scenario planning such as IPCC, IEA, NGFS, or for additional information and pragmatic tips (such as Investor Leadership Network or PRI).

(c) Proposed CSDS 2 references the Task Force on Climate-related Financial Disclosures' "Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities" (2017) and its "Guidance on Scenario Analysis for Non-Financial Companies" (2020) for related application guidance. What additional guidance would an entity applying the standard require? Please be specific.

While the TCFD Technical Supplement and Guidance documents are most informative and educational, and list helpful resources, it may be helpful for CSSB to further identify Canadian examples of best practices in scenario analysis, and to offer guidance regarding what is expected to be disclosed, and which input parameters, assumptions, and analytic methods can be adopted. The OSFI recently issued a standardized climate scenario exercise draft for consultation for banks and insurance companies that may be useful for other financial institutions, for example.

Question 2. Scope 3 GHG emissions (proposed paragraph C4 of CSDS 2)

Considering that Scope 3 GHG emissions generally comprise up to 90% of a firm's GHG emissions inventory, it is important for issuers and investors alike to understand an entity's full exposure to climate-related risks and opportunities within its value chain. However, preparers have raised concerns about the measurement uncertainty, cost, and effort to calculate Scope 3 GHG emissions. Ceres suggests that issuers should first consider which categories of Scope 3 emissions represent the largest portion of their Scope 3 emissions, and where they can have the most impact, such as purchased goods and services, business travel and end of life treatment of sold products. Companies can then prioritize data collection efforts for activities that are expected to offer the most significant GHG emissions reductions and are most relevant to the company's business goals.

Ceres' position is that Scope 3 emissions disclosure is a very important part of the CSSB standard and should thus be an important part of future CSA rulemaking. We stress this because we believe that the SEC's decision to exclude Scope 3 emissions disclosure from its final rule should not serve as a precedent for Canadian securities regulators or other nations' financial/securities regulators to follow. Ceres explained this in its comparison of the SEC's proposed and final climate disclosure rules:

> Ceres strongly supported the inclusion of Scope 3 emissions in the SEC's proposed rule. There was considerable flexibility in the proposed rule for registrants to disclose these emissions without unduly burdening their suppliers with data requests. The proposed rule made clear that large companies required to report Scope 3 could rely on estimates and industry averages to estimate those emissions. Burdensome requests of small businesses would therefore be unnecessary and could be avoided.
>
> Disclosure of Scope 1 and 2 emissions alone conveys a very incomplete picture of the climate-related risks to which companies are exposed. On average, Scope 3 emissions account for 80% of corporate carbon footprints, and in many of the most economically significant and transition risk-exposed industry sectors, such as energy and financial services, Scope 3 emissions comprise the overwhelming majority of companies' overall emissions. Requiring only Scopes 1 and 2 disclosures can also incentivize polluting companies to outsource their emissions to counterparties in their supply chains, reshuffling their emissions and associated transition risk without actually addressing them.

The SEC's exclusion of Scope 3 is at odds with other disclosure regimes globally. This includes rules that affect many North American publicly traded companies, such as the CSRD in Europe and California's SB 253, a law that requires both public and private U.S. companies with revenues of more than $1 billion to disclose their Scopes 1-3 emissions. The SEC's decision is also contrary to the 18 countries that are on the path to adopting rules based on the ISSB's climate disclosure standards.[2]

[2] See IFRS Jurisdictional sustainability consultations and the Responsible Investor ISSB Adoption Tracker.

(a) Is the proposed relief of up to two years after the entity applies proposed CSDS 2 adequate for an entity to develop skills, processes and the required capacity to report its Scope 3 GHG emissions disclosures at the same time as the general-purpose financial reports? Please provide rationale.

The CSSB is requesting feedback on whether the proposed transition relief period of up to two years after commencing to report on CSDS S2 is sufficient for entities to prepare for reporting Scope 3 GHG emissions. While this transition relief timespan of up to two years appears generous, some entities must build new capacity to measure, evaluate, and disclose Scope 3 emissions. However, entities will find value in measuring and assessing Scope 3 emissions to inform business strategy and risks.

The Office of the Superintendent of Financial Institution's (OSFI) expects climate risks to intensify over time, which can then result in financial risks, such as credit, market, insurance and liquidity risks, potentially leading to strategic, operational and reputational risks. The OSFI B-15 Guideline Annex 2-2 is useful, in that it sets out timing for implementation of Scope 3 disclosures expected for measurement of Scope 3 emissions. For both small and medium–sized, deposit–taking, federally regulated financial institutions, and insurers headquartered outside Canada, disclosure is expected for the fiscal year ending in 2026. So, the transition relief proposed appears in line with the OSFI B-15 Guideline, and thus reasonable within the Canadian context.

(b) If you do not agree that two-year transition relief is sufficient, what relief period do you believe is required? Please provide your rationale for the timing you have provided.

N/A

Additional/Other:

Indigenous peoples: We agree that consideration of the rights of Indigenous peoples is a required and important addition to the CSDS S2, which is justified by Section 35 of the Canadian Constitution Act, 1982, and by Bill C 15 which provides that the Government of Canada take all measures necessary to ensure Canadian laws are consistent with the United Nations Declaration of the Rights of Indigenous Peoples (UNDRIP). As such the government has a duty to consult and, if appropriate, accommodate Indigenous peoples to avoid or mitigate any impacts a proposed activity may have on treaty or Aboriginal rights and title. The government often delegates some of these obligations to industry. While the rights of Indigenous peoples are not yet covered in the IFRS S2 standard, we note that the CSSB has committed to creating an engagement plan and has tentatively scheduled a strategic plan consultation to begin in Q4 2024. Ceres, investors and others have written that Indigenous rights should be an important component of both the IFRS S2 standard and the U.S. SEC's climate disclosure rules. The CSSB has an opportunity to demonstrate leadership by addressing both the need and the process to consult with indigenous peoples in the CSDS S2.

Linkages between climate and sustainability disclosure standard: The ISSB S1 standard is a critical part of the ISSB's standard setting work, and the standard is closely linked and operates in tandem with the ISSB S2 standard. We truly appreciate that the CSSB has proposed climate and

sustainability disclosure standards based on the ISSB's work, and we recommend that a future rulemaking should be based on the CSSB CSDS 1 and CSDS 2 standards, operating in tandem.

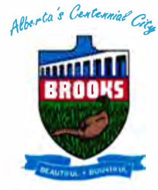
This is important for two reasons. First, for the ISSB's disclosure standards to be a meaningful global baseline or floor, as intended, they must be the same or very similar worldwide. Countries' rules based on the ISSB standards should refrain from carving out, or excluding, provisions of the two ISSB standards, let alone the entire S1 standard.

Second, the ISSB S2 climate disclosure standard depends upon and operates in conjunction with the S1 general sustainability disclosure standard. Large portions of the S1 standard are invaluable when developing climate disclosures, including conceptual foundations (fair presentation, materiality, and other topics); general requirements (location of disclosures, timing of reporting, etc.); and judgements, measurement uncertainty, and errors. As the IFRS stated, "IFRS S2 sets out specific climate-related disclosures and is designed to be used with IFRS S1. Both fully incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)."

Thank you for the opportunity to submit a response to this consultation. If you have any questions, please feel free to contact me at srothstein@ceres.org.

Kind regards,

Steven M. Rothstein
Managing Director
Accelerator for Sustainable Capital Markets
Ceres



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May 30, 2024

Chair, Charles-Antoine St -Jean
Canadian Sustainability Standards Board (CSSB) 277 Wellington St W
Toronto, Ontario
MSV 3H2
Submitted via FRAS Canada Internet Portal

RE: **Feedback on CSSB CSDS 1 (Sustainability) and CSDS 2 (Climate-related) Financial Disclosures**

Dear Chair St -Jean:

Thank you for the opportunity to provide stakeholder comment on the above mentioned proposed accounting standard.

I am writing to express the City of Brooks concerns regarding the proposed Canadian Sustainability Disclosure Standards (CSDSs) due to information that was presented to City Council. Therefore, the City firmly opposes the adoption of the Standards for reasons the City considers justification of serious consideration and attention.

We strongly disagree with the objective and entire rationale of the Canadian Sustainability Disclosure Standards - General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1) and Climate-related Disclosures (CSDS 2). This is another layer of expense that will be added throughout the value chain, down to small operations, with little gain for larger companies, investors, or consumers. Furthermore, as a matter of principle, these standards violate the core of a free enterprise and free-market system that Canada is supposed to embody because they skew the playing field and distort investor decision-making.

Scope 3 Emissions Accounting
The requirement of Scope 3 emissions in CSDS 2 will trickle down to non-publicly listed companies and operations. This is a costly and complicated undertaking to try to figure out all the emissions in all that a business does. We are concerned that Scope 3 emissions accounting will be filled with uncertainty. It requires further development and a more consistent methodology and process which is currently lacking because there will be multiple counting of the same emissions that will distort investors' perspectives. We ask that Scope 3 emissions accounting be optional.

Industry-based Guidance

In both CSDS 1 and CSDS 2 the SASB or ISSB Industry-based Guidance on Implementing Climate-related Disclosures is required . The Industry-base d Guidance does not treat all industries equally, and it uses or relies on Aqueduct, the World Resources Institute (WRI) Water Risk Atlas Tool, which is inappropriate for this purpose.

Unfair Treatment

Wind developers receive preferential treatment in the Industry-based Guidance particularly when compared to solar panel production and the oil and gas industry. For example, under "materials efficiency" wind developers must disclose the top five materials consumed in greatest amounts excluding "materials consumed in production (for example waste), freight, storage and installation (for example, foundation on)." The largest emissions footprint of a wind project is the foundation and transport of the wind turbines from manufacturer to installation. By excluding the foundation and transport, wind projects receive an unfair accounting of emissions that puts them at a competitive advantage over other forms of energy production. In addition, under materials optimization, a wind developer can get credit for designs that reduce materials consumed in the installation of wind turbines such as the foundation even though it does not have to account for the foundation in its top 5 materials. Whereas solar developers must account for the energy required in the production of the solar panels, there is no energy accounting requirement for wind turbine production. Oil and gas exploration and production companies must report not only the Scope 3 emissions from others using their products, they also must report the gross potential emissions embedded in a company's hydrocarbon reserves. This will be counted against a company as part of its overall emissions. It is not right that reserves will now be considered a liability rather than an asset, while wind projects and developers get a pass on the most emissions intensive aspect of their production and operations.

Water Risk and Aqueduct Tool

The use of the WRI Aqueduct tool is a problem because it was never designed for this purpose. Investors will likely believe that the Aqueduct information has pulled together and analyzed local and regional data to provide a reliable assessment. But the WRI offers a disclaimer on the tool and states itself that "Aqueduct remains primarily a prioritization tool and should be augmented by local and regional deep dives." For the 29 industries that Aqueduct is used, it is a binary question asking whether or not an operation is taking place in or is sourcing ingredients or livestock from areas of high to extreme-high water stress. This binary choice does not provide adequate and decision useful information for investors and actually could undermine investor decision-making, meaning Albertan livestock - because of the Aqueduct tool - could very well be disqualified from purchase by large processors or purchasers that are publicly listed. One of the water metrics only asks for absolute water drawn and doesn't differentiate between fresh or brackish water. Given these severe but little-known limitations of the Aqueduct program and its data, and the unfair treatment between different industries within the SASB standards, we request that the Industry-based Guidance be optional.

Climate Scenario Analysis

There are serious problems with mandating climate scenario analysis such as its evolving applicability to climate as well as compliance cost. It has not yet been demonstrated that climate scenario analysis is actually helpful or beneficial to an entity and we are concerned that publicly listed companies may curtail operations in our region due to inaccurate predictions from climate scenario analysis . Although the standards provide a two-year relief from this requirement, there are significant costs for conducting climate scenario analysis that other competing jurisdictions are not mandating. We request that climate scenario analysis be voluntary.

Liability

There are many sections of the CSSB standards that expose companies, and those reporting to them like small or individual operations, to potential liability and litigation. There is a great deal of forward-looking or future-casting or reporting of information outside the direct control of a company, such as transition planning and Scope 3 emissions accounting. We notice that a safe harbour for uncertainties of statements, data, and projections is not included within CSDS 1 or CSDS 2 even though other jurisdictions like Australia and the US provide a safe harbour for statements concerning Scope 3 emissions, climate scenario analysis, and transition plans.

We request that a safe harbour for reporting on indirect data, subjective, and forward-looking information, such as Scope 3 emissions, climate scenario analysis, and transition plans is included in the standards.

Cost of Compliance

All of the above and more within the standards add up to significant costs of compliance. In rese arching these standards and trying to figure out how much all of this will cost to comply, we were pointed to the Australian government's cost impact analysis. Converted into Canadian dollars, for publicly listed companies with at least 100 employees and $50 million in annual turnover, the average initial transitional cost of compliance is about $1.1 million with annual recurring costs of $641,000. That is money that could otherwise go to improving products and services or paying profits to investors. That money is lost from the company; it is not an investment in the company, but rather it goes towards climate consulting firms - all of whom, by the way, seem to be cheering the standards for obvious reasons. We request that the extent and breadth of requirements be reconsidered in order to lower the cost of compliance or Canadian companies will be at a competitive disadvantage with our biggest trading partners.

Competitive Disadvantage

As a member of the US-Canada-Mexico trading agreement (formerly NAFTA), Canada ought to be more in alignment with our USCMA trading partners than others in the international community with whom we conduct very little trade. These standards seem to align Canada with the European Union - only 8% of our export trade goes to the EU, whereas 78% of our export

trade goes to the US. We understand that the US Securities and Exchange Commission (SEC) introduced a climate rule, but it is before the courts. However, even if the courts uphold the rule, the SEC rule does not require Scope 3 emissions accounting (it is optional); Climate scenario analysis is voluntary; there is no mandatory water risk assessment because industry-based guidelines are voluntary; transition plans are voluntary; and there are safe harbour provisions that will lower legal and liability costs. Our understanding is that Mexico is not considering any climate-related financial disclosures. Mexican manufacturers and food producers will not have this added financial or regulatory burden, which will put Canadian producers at a competitive disadvantage. The standards being considered in Canada at the moment are so significantly different from what the US and Mexico are doing, that once mandatory, Canadian companies will be put at a competitive disadvantage with our continental trading partners. We request that reporting requirements be in alignment with our main trading partners rather than the EU.

Please accept and seriously consider our above requests.

Sincerely,

CITY OF BROOKS

John Petrie
Mayor

Re: FRAS Canada – Response to CSSB Consultation

On behalf of our small- and medium-sized business members in manufacturing and other sectors of the Canadian economy, the Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) would like to express its extreme opposition to the imposition of these financial ESG standards on Canadian businesses. Overall, this incredibly complex regime will create a red tape nightmare that will drive up the costs of doing business significantly at a time when inflation is already running rampant, create many unproductive costs and headaches for businesses and the economy generally and make little if any difference to the climate. At a time when declining productivity is already seriously damaging the standard of living for Canadians, the imposition of this new and onerous regulatory regime will further harm all Canadians.

In Canada, about 50 per cent of GDP and the majority of net new job creation is represented by the small- and medium-sized business sector (SMEs). Red tape is a perennial concern for SMEs and the proposed ESG reporting standards represent a monumental increase in red tape for no discernable gain. It is not surprising that these complex standards are being endorsed by professional communities such as accountants, consultants, lawyers and regulatory bodies as this will greatly increase their workload and remuneration at the expense of the productive SME sector. Instead of supporting the ESG thrust, however, these professional communities should be sounding the alarm about how destructive, unworkable and unaffordable it will be to businesses and the economy overall. Estimates of added costs that will be incurred by SMEs for such requirements as scenario analyses, among other subjective items, are likely to put many firms out of business.

The subjectivity and guesswork involved in determining whether or not a given business is sufficiently in conformance with ESG standards is a huge problem in and of itself. The standards are supposedly only to be applied to publicly listed companies, but this is a fallacy as there are many supply chain relationships among publicly listed companies and private firms such that those private companies will be included in these regulations. We have already heard of differences of opinion from smaller businesses which were attempting to meet the demands of public companies they had been supplying with goods and services for years but were suddenly deemed to be unacceptable suppliers as they supposedly were not in ESG compliance. Some small suppliers have effectively been asked to open their books by larger business customers, creating problems with the disclosure of confidential competitive business information and the risk that ESG will be abused to obtain such information.

Internal contradictions within the ESG system proposals also raise questions as to the real objectives of advocates of the system. For example, a business that effectively produces nothing or very little and creates few if any jobs will have a high ESG score, but such a business is economically useless and does not increase prosperity or enhance standards of living. ESG doesn't factor in vital considerations like geopolitical issues and energy security, serious problems that are now significantly disrupting the global economy. In Canada, the current federal government practices the glaring hypocrisy of imposing standards on domestic business that have a so-called "gender lens" (presumably part of the "S" in ESG), yet Canada continues to import significant amounts of oil from Saudi Arabia which would never remotely pass muster from a "gender" perspective.

Canadian policies such as the carbon tax, the Clean Fuel Standard and the mass of regulation, emissions caps etc that are inflicted on Canadian businesses but not their competitors in other countries also greatly harm the competitiveness of the Canadian economy. The last thing we need at this point is an absurdly complex, opaque and subjective set of sustainability standards that could be the last nail in the coffin for our economy.

The fact that some industries are treated preferentially compared to others under the proposed ESG standards is also unacceptable. For example, if businesses in one industry sector are required to account for all of their emissions, why should a company manufacturing wind turbines be permitted to exclude the majority of their emissions that arise from the concrete portion of the wind turbine's structure? All emissions have the same impact and should be treated equally. The fact that emissions are treated differently depending on the industry involved suggests that this plan is not about climate at all but rather some political agenda. In addition, if climate was truly the only consideration, why should gross emissions be the metric, not net emissions, and the use of such technologies as carbon capture and storage not be factored in?

The requirement of the ESG regime for every business to be able to document such things as where every single item or service they sell originates, the emissions it generates, emissions it is likely to generate down the road depending on who purchases it and how they use it, is highly speculative and an impossible requirement for a small business. Imagine a small grocer with four employees trying to keep track of the provenance of everything they sell, the respective carbon footprint, emissions when it gets used by someone down the value chain, whether the product came from an area with high water stress, etc. The so-called Scope 1 emissions are bad enough, but Scope 2 and Scope 3 are ridiculous expectations as the business has absolutely no control over them. It is wholly inappropriate that an accounting standard, which should be based on factual, verifiable information only, is being expected to encompass the subjectivity and guesswork involved in Scope 2 and Scope 3. As a result, this entire system will be impossible to sensibly and economically deal with for a large business, let alone a small one. And about half of all businesses in Canada have fewer than five employees.

Another problem exists with the very legalistic nature of the ESG proposals. Naturally the Environmental Non-government Organizations (ENGOs) are all in favour of this, as they see a means of putting firms they don't like out of business, potentially on spurious grounds. You can be sure the ever-litigious ENGOs, often funded by tax dollars coming from the targeted businesses themselves, will be keen to sue any firm they perceive as a scofflaw into bankruptcy.

The potential use of "lawfare" by these groups is enormous and another reason not to proceed with the implementation of the sustainability standards. It almost seems that a significant collapse of the SME sector is seen as a feature, not a bug, to the advocates of ESG and the Canadian government.

At present, it appears that the CSSB is prepared to adopt the ISSB standards with little concern for how relevant they are for the Canadian economy. Considering that two of Canada's key trading partners within the USMCA trade agreement have a very different take on these proposed standards, it is unacceptable that this is not being taken more seriously by the CSSB and other relevant organizations. Currently, the introduction of these standards in the US is tied up in various legal proceedings that will not be resolved for many years, if ever. Mexico has expressed its position that it will never adopt these standards. Canada should be aligning itself with its major trading partners, not the EU.

Why would Canada inflict such a costly and productivity-damaging regulatory regime on itself with the certainty that it will greatly harm its competitive economic position vis-à-vis its major competitors? As for other trading partners around the world, it is clear that countries such as China, India, Russia and others, some of the largest polluters on the planet, have no intention of imposing this foolishness on their own domestic businesses that compete with Canadian businesses. The fact that this consultation and the entire sustainability standards policy thrust has received so little attention throughout the business community and the Canadian public generally suggests that the government is happy to keep the initiative under the radar instead of inviting genuine, widespread consultation. This will backfire on the government if a better process that the current one is not established.

At a time when the global economy is fragile at best, the imposition of a complex and costly ESG system that is difficult to understand and predict even by experts will add much uncertainty to business conditions that are already precarious. Uncertainty is one of the worst things for any business. It is refreshing to see some governments begin to push back against ESG plans by, for example, imposing punitive measures on banks that use ESG-related grounds to deny financing to businesses. This is the route that should be taken by Canadian institutions, not a subservience to policies that are certain to damage Canada.

The notion that businesses must conform to some rigid set of top-down standards to be responsible corporate citizens is a false premise. Virtually all SMEs engage in responsible business practices as they are typically closely tied in with their local communities, customers and suppliers. "Bad actors" are usually weeded out by the marketplace and existing sets of laws and regulations around proper, responsible conduct. The notion that some immense regulatory mechanism with an enormous and expensive bureaucracy to administer it is needed to ensure SMEs are adhering to reputable environmental, social and governance behaviours is more likely to provide an incentive to game the system and find ways to avoid this costly complexity rather than achieve the supposed ESG goals.

The vast majority of Canadian SMEs, and those in other countries as well, have no idea what is in store for them with these new requirements. It is likely the entire ESG regime will collapse under its own weight when businesses small and large, as well as consumers, understand the

costs and complexities that will be involved. However, much economic damage and wealth destruction will happen in the meantime if the ESG standards proceed. Geopolitical and economic realities in Europe and the abject failure of past policies favouring wind and solar power generation over reliable and low-cost fossil fuels and nuclear have already wreaked havoc with energy security and inflation in the price of basic commodities, imposing harsh realities on populations that previously bought into the fantasy that the transition to more "green" energy sources would be pleasant and painless. A looming global recession will worsen these pressures. The best course of action would be to abandon the current plans for a complex and costly ESG regime and pursue more manageable and practical means of achieving measurable, tangible and objective climate remedies.

Sincerely,

Catherine Swift, President
CCMBC
416 816 7248 swifty4488@outlook.com

Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board
277 Wellington Street West, Toronto, Ontario M5V 3H2

June 6, 2024

Submitted electronically via Financial Reporting and Assurance Standards Canada's (FRASC) online portal

RE: Draft CSDS 1 General Requirements for Disclosure of Sustainability-Related Financial Information and Draft CSDS 2 Climate-related Disclosures

Dear Chair Charles-Antoine St-Jean:

Thank you for the opportunity to comment on this proposed accounting standard.

As a Saskatchewan based livestock producer I strongly disagree with the objective and entire rationale of the Canadian Sustainability Disclosure Standards – General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1) and Climate-related Disclosures (CSDS 2). This is another layer of expense that will be added throughout the value chain, down to our members, with little gain for entities, investors or consumers. Furthermore, as a matter of principle, these standards violate the core of a free-market system that Canada is supposed to embody because these standards skew the playing field and distort investor decision-making.

We have serious concerns and reservations regarding the application and trickle-down effects this proposed Sustainability- and Climate-related Financial Disclosure will have on the operations and viability of livestock operators. The Saskatchewan livestock industry is largely driven by the cattle sector—Saskatchewan has the second largest beef cattle herd in Canada, exporting $152 million worth of live cattle annually. There are more than 7,000 beef cattle operations with more than 2.6 million head of beef cattle in Saskatchewan, which would all be impacted by the CSDS 1 and CSDS 2 standards.

While livestock producers may not be required initially to complete this financial accounting standard, it is clear from the inclusions of Scope-3 emissions, baseline water-stress information in CSDS 1 and CSDS 2, and the industry-specific standard of the SASB-ISSB Industry-based Guidelines (Vol. 20—Agricultural Products, Vol. 23—Meat, Poultry, Dairy, and Vol. 25—Processed Foods), that Saskatchewan livestock producers will be detrimentally-affected by this proposed standard as it is currently written.

Scope-3 Emissions Accounting

The requirement of Scope-3 emissions in **CSDS 2** para.29(a)(i)-(vi)(1)-(2) and B43-B57 will flow down to livestock producers. The meat processors and agri-food corporations that purchase Saskatchewan livestock or grain will require emissions information from us to fulfill this requirement. Since this data will be part of financial statements and be used for accounting purposes, it is not reasonably possible to estimate all of the emissions information being required with the accuracy implied by financial accounting, and it will put an unreasonably-high financial burden on our livestock producers to comply with such requirements.

Another costly-burden on smaller operations will be if third-party verification or assurance of our emissions accounting is required by financial institutions or larger processors to whom we sell our livestock and grain. We are also concerned there is no place to take into account the carbon sequestration that occurs from our agricultural operations.

Therefore, we request that **mandatory Scope-3 emissions be removed from this accounting standard. Even if voluntary Scope-3 emissions accounting is required, there ought to be some type of "safe harbour" to protect companies or operations like ours from liability on disclosed emissions information.**

Water Risk and Baseline Water Stress

The reliance on Aqueduct, the World Resources Institute (WRI) Water Risk Atlas Tool, for determining areas of baseline water stress is very problematic and troubling for the Canadian context and it is baffling the CSSB agreed to its mandatory use given that **the WRI Aqueduct tool was not designed for this purpose**.

Indeed, the WRI offers a disclaimer and states itself that "Aqueduct remains primarily a **prioritization tool** and should be augmented by local and regional deep dives."[1] The WRI also explains, "Although the underlying models have been validated, the results are not [validated]. **Water stress remains subjective and cannot be measured directly**. The lack of direct validation makes it impossible to assess some of the parameters in our calculation…Finally, we should stress that Aqueduct is tailored to large-scale comparison of water-related risks. **The indicators have limited added value on a local scale**."[2]

However, in the CSD Standards and the embedded SASB or ISSB Industry-based Guidelines, the WRI Aqueduct designation of baseline water-stress is being presented as if that data is objective, implying that results from the models have been validated when the WRI states the results have not been validated.

The CSD Standards do not allow for nor require consideration or reporting based on the local, regional, provincial, territorial and federal regulations that are strict and currently govern water use within relevant jurisdictions in Canada. Again, the WRI Aqueduct tool itself says, "The local social dimensions of water risks are not incorporated into this framework and database . . . Aqueduct 4.0 is tailored to **comparing regions on a larger scale**. It has **limited application at a local level**. "[3]

From a Western Canadian perspective, mandating the use of the Aqueduct tool will embed regional disparities and regional discrimination into investor consideration; since, only areas in Western Canada are designated as high to extremely-high water-stress zones.

Nevertheless, in **CSDS 1** para. 11-12, B3, B30, D5, and **CSDS 2** para.12-22, 23, 32, 37, Appendix B64, B65 (a)-(d), it is specified to use the SASB or ISSB Industry-based Guidance on Implementing Climate-related Disclosures. The ISSB Industry-based Guidance relevant to our operations are Vol. 20—Agricultural

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[1] https://www.wri.org/data/aqueduct-global-maps-40-data.

[2] https://files.wri.org/d8/s3fs-public/2023-08/aqueduct-40-technical-note.pdf?VersionId=G_TxTR2LAnlgXGzy7xtdUP_5lmkXJY7d

[3] https://files.wri.org/d8/s3fs-public/2023-08/aqueduct-40-technical-note.pdf?VersionId=G_TxTR2LAnlgXGzy7xtdUP_5lmkXJY7d , p.36.

Products (FB-AG-140a.1, FB-AG-440a.2), Vol. 21—Alcoholic Beverages (FB-AB-140a.1, FB-AB-440a.1), Vol. 23—Meat, Poultry, Dairy (FB-MP-140a.1, FB-MP-440a.1, FB-MP-440a.2), Vol. 24—Non-Alcoholic Beverages (FB-NB-140a.1, FB-NB-440a.1), and Vol. 25—Processed Foods (FB-PF-140a.1, FB-PF-440a.1).

The water data requirement is a binary choice—asking whether an operation is taking place in or is sourcing ingredients or livestock from areas of high to extremely-high water stress. For Vol. 23—Meat, Dairy, and Poultry, there is an additional metric of "Percentage of contracts with producers located in regions with High or Extremely High Baseline Water Stress,"[4] as defined by the WRI Aqueduct tool. **This binary choice is insufficiently-nuanced to provide adequate and decision-useful information for investors; and, could undermine investor decision-making**.

There are strict local regulations concerning water use in Saskatchewan; which ought to be considered. Furthermore, livestock raising in Western Canada tends to occur in drier grazing areas that are more difficult to sustain crop production but may show up as High or Extremely-High Risk water-stress areas.

The Aqueduct tool information and associated data that is being requested does not take into account different types of soil quality that hold water differently or that livestock grazing is necessary to maintain the biodiversity of grassland regions.

A gross percentage number without context could be misinterpreted by banks, insurers, investors, and the companies that must comply with these standards. **Since these standards are intended to provide clarity, and this metric could muddy rather than clarify how we operate, we recommend and request the mandatory use of the WRI Aqueduct tool and the binary requirement of reporting baseline water-stress data be removed from the standards.**

We also have serious concerns about how this information will be assessed and appraised by financial institutions, insurers, and investors—particularly in light of the fact that United States. our biggest export destination, is not implementing anything remotely similar or as stringent as the Canadian sustainability and climate-related financial disclosures. Although the Securities and Exchange Commission (SEC), in United States, released a climate-disclosure rule, it has been stayed indefinitely until several court challenges are resolved.[5] Even so, the SEC rules do not mandate Scope-3 emissions accounting, water-risk data across the value chain, or climate scenario analysis.[6]

In addition, Mexico's cattle industry is growing and there was a 21-per-cent increase in Mexican beef and veal imports into Canada last year. Given that supermarkets are being pressured to lower the prices of the food they sell, they are looking for cheaper products. These standards, which will trickle down to Western Canadian stock growers, will not only increase our costs and make our livestock more expensive compared to U.S. or Mexican cattle, but they could also very well disqualify us from purchasers because of our geographic location that is negatively-labelled by the Aqueduct tool.

[4] IFRS S2 Sustainability Disclosure Standard, Industry-based Guidance on implementing Climate-related Disclosures (IFRS: 2023), 182. https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-b/ifrs-s2-ibg.pdf?bypass=on

[5] https://www.federalregister.gov/documents/2024/04/12/2024-07648/the-enhancement-and-standardization-of-climate-related-disclosures-for-investors-delay-of-effective

[6] https://www.federalregister.gov/documents/2024/03/28/2024-05137/the-enhancement-and-standardization-of-climate-related-disclosures-for-investors

We are alarmed this disparity will put Canadian producers at a significant competitive disadvantage with our U.S. and Mexican counterparts.

We ask that you please accept and seriously consider our above suggestions.

Sincerely,

Cody & Nora Schock
306-662-2951
cnschock91@gmail.com

CONFEDERACY OF TREATY SIX FIRST NATIONS

HEAD OFFICE: ENOCH CREE NATION NO. 135 P.O. BOX 270, ENOCH AB T7X 3Y3

April 15, 2024

Lisa French, Vice-President
Sustainability Standards
Financial Reporting & Assurance Standards Canada
Canadian Sustainability Standards Board

Dear Ms. French,

On behalf of the Confederacy of Treaty Six First Nations, I extend our greetings and express our profound interest in the initiatives being undertaken by the Canadian Sustainability Standards Board (CSSB) to align its disclosure standards with Indigenous interests. While we commend the CSSB's efforts to incorporate Indigenous perspectives into sustainability reporting frameworks, we wish to highlight a critical aspect that demands immediate attention to uphold the integrity and effectiveness of these endeavors.

A recurring issue in sustainability standards, including those aligned with the International Sustainability Standards Board (ISSB), is the conflation between Indigenous peoples and Indigenous communities within market analyses. This overlooks the vital distinction that Indigenous communities, as represented by their elected and hereditary leadership, are the rightful voices on matters affecting our lands, rights, and welfare. To truly address Indigenous rights risks associated with publicly traded companies, it is imperative that the CSSB acknowledges Indigenous communities as the sole arbiters of their interests and concerns.

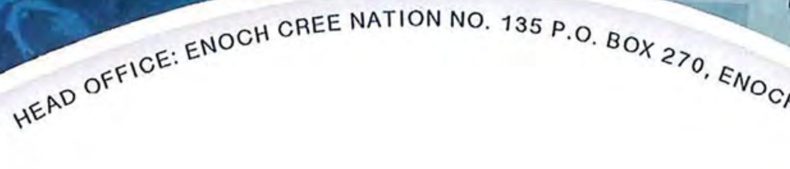
Current global standards under consideration by the CSSB and ISSB inadequately represent the interests of Indigenous communities in Canada. Developed without direct involvement or endorsement from our communities, these standards fail to capture our priorities or the complexities of our rights accurately. In contrast, the Pehta Framework emerges as a solution born directly from our Indigenous communities, aimed at articulating Indigenous community benefits comprehensively.

The Pehta Framework, as an Indigenous Community Benefit Disclosure Standard, embodies the principles of credibility, confidence, and comparability for the impact metrics of industries operating within our territories. Notably, the Pehta Framework meets many requirements of the IFRS-S1 from an Indigenous community perspective, offering a nuanced and authentic representation of our communities' interests in sustainability reporting.

We advocate for the CSSB to consider the wholesale adoption of the Pehta Framework into its sustainability standard recommendations. Such an action would not only ensure alignment with global best practices but also firmly ground sustainability standards in the realities and aspirations of Indigenous communities across Canada. Moreover, this would recognize the significant effort our communities have invested in developing the Pehta Framework for the benefit of all Indigenous peoples nationwide.

Our call for the inclusion of the Pehta Framework in the CSSB's recommendations is rooted in a desire for sustainability standards that genuinely respect Indigenous sovereignty and foster authentic collaboration between the financial sector and Indigenous communities. This approach aligns with the principles of truth, reconciliation, and sustainability, paving the way for a future where Indigenous perspectives are integral to sustainability discourse.

17533 106 AVENUE EDMONTON, AB T5S 1E7| P: 780.944.0334 | F: 780.944.0346 | TREATYSIX.ORG



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We are keen to support and engage in initiatives that affirm our right to self-determination and our invaluable contributions to sustainable development. We look forward to the opportunity to establish a positive and respectful relationship with the CSSB, centered around the integration of our framework into discussions on sustainability standards affecting Indigenous communities.

Thank you for your consideration of our perspective. We are open to further discussions to explore a pathway forward that honors our shared commitments to truth, reconciliation, and sustainability.

For additional information and to learn more about the Pehta Framework, please contact Aaron Lambie, Executive Director of the Pehta Foundation – aaron@pehta.org.

Sincerely,

Cody Thomas
Grand Chief
Confederacy of Treaty Six First Nations

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Montréal, le 5 juin 2024

Nora Wood
Directrice de projets, Normes d'information sur la durabilité
Conseil Canadien des normes d'information sur la durabilité

Par courriel : NWOOD@frascanada.ca

Objet : Projets de normes NCID1 et NCID2

Madame la directrice de projets,

Le CPEQ a pris connaissance de la consultation en cours concernant les projets de normes suivants du Conseil canadien des normes d'information sur la durabilité (CCNID) :

- *Projet de Norme canadienne d'information sur la durabilité, Obligations générales en matière d'information financière liées à la durabilité* (NCID1);

- *Projet de Norme canadienne d'information sur la durabilité, Informations à fournir en lien avec les changements climatiques* (NCID2).

Ces normes reprennent intégralement les normes IFRS S1 et IFRS S2 de l'International Sustainability Standards Board (ISSB), sous réserve de modifications jugées nécessaires pour les adapter au contexte canadien.

Nous vous faisons part, par la présente, de nos commentaires concernant NCID1 et NCID2.

Créé en 1992 par des représentants des entreprises et des grands secteurs d'affaires du Québec, le Conseil Patronal de l'Environnement du Québec (CPEQ) constitue l'organisation parapluie qui représente le secteur d'affaires pour les questions reliées à l'environnement et au développement durable, sur des enjeux importants d'intérêt général et commun, et coordonne les objectifs de ses membres. Le CPEQ a donc pour mission de représenter les intérêts de ses membres en matière d'environnement et de développement durable. Le CPEQ regroupe plus de 300 entreprises et associations parmi les plus importantes au Québec qui génèrent plus de 300 000 emplois directs et affichent des revenus combinés de plus de 45 milliards.

1. Délais d'entrée en vigueur

Les seules modifications proposées aux normes IFRS S1 et IFRS S2, dans le cadre des normes NCID1 (durabilité) et NCID2 (climat), consistent à repousser d'un an les dates d'entrée en vigueur des exigences de divulgation. Ainsi, il est principalement proposé que les entités canadiennes assujetties fournissent des informations liées au climat dès l'exercice 2025[1] (sous réserve de la divulgation des émissions de GES de portée 3, qui ne seraient exigées

[1] NCID2, para C1; NCID1, para E5.

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qu'à compter de 2027) et l'ensemble des informations liées à la durabilité à compter de 2027[2]. Ces délais sont insuffisants.

En effet, nous rappelons que les normes NCID1 et NCID2 sont d'application volontaire et que la prochaine étape en vue d'une application obligatoire des normes de divulgation consistera en une adoption, par voie réglementaire, par les autorités provinciales de valeurs mobilières au Canada et le Bureau du surintendant des institutions financières. Nous doutons que les autorités en matière de valeurs mobilières en particulier soient en mesure d'adopter une règlementation relative à la divulgation climatique avant 2025 ou relative à la durabilité avant 2027.

Or, étant donné l'ampleur de la charge de travail que représente la divulgation liée au climat et à la durabilité, les entités préféreront attendre de connaître les exigences réglementaires avant de réaliser leur première divulgation complète afin d'éviter le risque que les exigences réglementaires de divulgation diffèrent des normes NCID1 et NCID2 et de devoir modifier leurs processus de divulgation en conséquence. Nous notons également que les entreprises n'ont pas toutes atteint un niveau de maturité suffisant en matière de divulgation liée à la durabilité et au climat et que plusieurs auront besoin de temps additionnel pour se préparer. Le CPEQ est donc d'avis que l'entrée en vigueur de NCID1 et NCID2 doit coïncider avec l'entrée en vigueur des normes réglementaires à venir en matière de divulgation liée au climat et à la durabilité. Au minimum, un délai additionnel d'un an serait requis pour l'entrée en vigueur de NCID1 et NCID2.

En outre, en matière de quantification des émissions de GES, la norme NCID2 se fonde sur le *GHG Protocol*[3]. Nous rappelons que ce dernier est en cours de révision afin de tenir compte notamment de l'évolution récente en matière de divulgation liée au climat. Ainsi, tant que la version révisée du *GHG Protocol* ne sera pas publiée, les entités ne pourront pas utiliser le délai de grâce d'un an prévu dans NCID2[4] pour aligner leurs processus de quantification des GES avec les exigences du *GHG Protocol*. NCID2 doit donc prévoir que le délai de grâce d'un an avant l'utilisation obligatoire du *GHG Protocol* ne débute qu'à partir de l'exercice suivant celui où le *GHG Protocol* révisé sera publié.

Il serait également utile que NCID2 précise un mécanisme pour tenir compte des mises à jour futures du *GHG Protocol* afin que les entités bénéficient d'un délai suffisant pour ajuster leurs processus advenant des changements dans les méthodologies de divulgation des émissions de GES.

2. *Communication simultanée des informations financières et liées à la durabilité*

Le document de consultation accompagnant NCID1 indique que le CCNID souhaite obtenir des commentaires concernant la transmission simultanée des informations financières et des informations relatives à la durabilité.

Du point de vue des entités, la transmission simultanée pourrait être problématique, particulièrement en ce qui concerne les informations liées au climat et aux émissions de GES. En effet, les émissions de GES sont déclarées aux autorités réglementaires provinciales et fédérales au début du mois de juin et portent sur l'année civile

[2] NCID1, para E4 et E5.
[3] NCID2, para 29 a) ii).
[4] NCID2, para C4 a).

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précédente[5], alors que les informations financières sont généralement publiées en mars, mais aussi parfois à un autre moment de l'année, et portent sur l'année financière, laquelle n'est pas toujours alignée avec l'année civile.

Ainsi, la présentation des informations liées aux émissions de GES en même temps que l'information financière imposerait un fardeau administratif supplémentaire pour les entreprises puisque ces dernières devront alors effectuer deux déclarations relatives aux émissions de GES, et ce, à des moments différents. Une telle situation engendrera un dédoublement et des incohérences en matière de collecte, de traitement et de vérification des données liées aux émissions de GES pour certaines entreprises. En outre, presser les entreprises à divulguer des renseignements relatifs aux émissions de GES trop rapidement accroît le risque d'erreurs dans la collecte et le calcul des données.

Notons également que les informations relatives aux émissions de GES demeureront pertinentes et utiles aux investisseurs, et ce, peu importe le moment où elles sont divulguées.

Nous sommes donc d'avis que la divulgation des émissions de GES ne doit pas être requise au même moment que les états financiers et doit pouvoir porter sur la même période que la période visée par les obligations réglementaires de déclaration des émissions de GES, soit l'année civile. Une approche flexible quant au moment de la divulgation des émissions de GES a d'ailleurs été retenue par la *Securities and Exchange Commission* (SEC) des États-Unis qui permet que les informations relatives aux GES soient fournies au plus tard à la fin du second trimestre ou jusqu'à 225 jours après la fin de l'année fiscale, selon le cas[6].

En somme, le choix du moment de la divulgation des émissions de GES et de la période visée doivent être laissés à l'entité. À défaut, une méthode simplifiée devrait être élaborée pour faciliter la répartition des données relatives aux GES sur une année financière à partir des données déjà compilées sur une année civile pour les fins de la conformité aux exigences réglementaires.

3. *Allègement concernant l'évaluation de la résilience climatique*

Le document de consultation accompagnant NCID2 indique que le CCNID souhaite obtenir des commentaires concernant des indications ou des allègements transitoires possibles relativement à l'évaluation de la résilience climatique de l'entité.

Bien qu'elle soit utile, l'évaluation de la résilience climatique d'une entité constitue un exercice complexe, chronophage et onéreux. Ainsi, pour les entités qui n'ont pas déjà entamé une démarche à ce sujet, l'échéance de l'exercice financier 2025 pour la première divulgation climatique risque d'être trop rapide. Nous suggérons d'accorder un allègement transitoire de sorte que la divulgation des renseignements relatifs à la résilience climatique de l'entité ne soit pas requise pour les deux premières années de divulgation, soit le même allègement que celui proposé par le CCNID pour les émissions de GES de portée 3.

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[5] Au Québec, la date limite est le 1er juin de chaque année en vertu de l'article 4 du *Règlement sur la déclaration obligatoire de certaines émissions de contaminants dans l'atmosphère*, RLRQ, c. Q-2, r.15. Au fédéral, dans le cadre du Programme de déclaration des émissions de GES, la date limite est fixée dans un *Avis concernant la déclaration des gaz à effet de serre (GES)*. Pour les déclarations soumises en 2025 et en 2026 concernant les années 2024 et 2025, les dates limites sont respectivement le 2 juin et le 1er juin.

[6] *The Enhancement and Standardization of Climate-Related Disclosure for Investors*, p. 259-260; "SEC Pauses Implementation of Recently Announces Climate-Related Disclosure Requirements for Public Companies Amidst Consolidated Judicial Review", Cahill, 25 avril 2024, p. 4.

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En outre, sur une base transitoire, les premières divulgations comprenant une évaluation de la résilience climatique devraient pouvoir comprendre une analyse qualitative seulement.

4. Ventilation des émissions de GES parmi les filiales

Le paragraphe 29 a) iv) de NCID2 exige des entités qu'elles ventilent les émissions de portée 1 et 2 de manière à distinguer les émissions du groupe consolidé et les émissions de chacune des filiales. Or, dans certains cas, une filiale canadienne pourrait ne pas être en mesure de connaître les émissions de GES consolidées du groupe auquel elle appartient. En outre, lorsque ces informations sont disponibles, les périodes de divulgation des émissions de GES sont différentes d'une filiale à l'autre, ce qui complexifie la divulgation des émissions totales du groupe consolidé.

Ainsi, nous suggérons de retirer l'exigence, pour une filiale canadienne d'un groupe consolidé basé à l'étranger, de fournir les informations relatives aux émissions de GES de portée 1 et 2 du groupe consolidé. À défaut, il conviendrait de référer, dans NCID2, aux dispositions du *GHG Protocol* concernant le périmètre de la divulgation afin de guider les entités dans la divulgation des émissions d'un groupe consolidé et des filiales.

5. Précisions additionnelles aux normes S1 et S2

Le CPEQ appuie l'objectif d'harmonisation internationale des normes de divulgation et, en conséquence, nous sommes favorables à ce que les normes NCID1 et NCID2 présentent un minimum de divergences par rapport aux normes S1 et S2 de l'ISSB. Nous croyons toutefois que certains aspects des normes S1 et S2 peuvent porter à confusion et que les normes NCID1 et NCID2 peuvent fournir des précisions additionnelles pour faciliter la divulgation au Canada.

D'abord, le paragraphe 35 de S1 ainsi que les paragraphes 16 et 17 de S2 indiquent que l'entité « doit fournir des informations quantitatives et qualitatives » sur diverses questions précises relatives à sa situation financière, à sa performance financière et à ses flux de trésorerie. D'un autre côté, les paragraphes 38 et 39 de S1 et les paragraphes 19 et 20 de S2 indiquent que l'entité n'a pas à fournir d'informations quantitatives, dans certaines circonstances, telles qu'en l'absence de ressources pour ce faire. De tels allègements sont nécessaires, mais créent de l'imprévisibilité. Il convient donc de fournir des détails additionnels, dans les normes NCID1 et NCID2, sur les circonstances dans lesquelles le recours à ces allègements sera acceptable.

Par ailleurs, le paragraphe 55 de S1 indique qu'en plus d'appliquer les normes de l'ISSB, l'entité « doit » se référer et considérer l'applicabilité des normes SASB (tout en précisant qu'il est possible que ces normes ne s'appliquent pas) et « peut » se référer et considérer l'applicabilité d'autres normes issues d'organismes de normalisation de même que les informations divulguées par des entités œuvrant dans le même secteur ou dans les mêmes zones géographiques. Les paragraphes 57 et 58 de S1, pour leur part, indiquent que l'entité doit utiliser son jugement pour identifier les informations pertinentes à divulguer en l'absence de normes de l'ISSB. Nous croyons que ces dispositions doivent être davantage précisées dans le cadre de NCID1 et NCID2 afin de fournir des indications additionnelles sur la manière dont l'entité peut exercer son jugement, par exemple sur les sources qui peuvent être consultées dans un contexte canadien pour répondre aux exigences de divulgation.

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En outre, les paragraphes 60 et 61 de S1 indiquent que l'entité doit fournir les informations exigées par l'ISSB dans ses rapports financiers à usage général. Les paragraphes 62 et 63, pour leur part, indiquent que ces informations peuvent être fournies « au même endroit que les autres informations fournies pour satisfaire à d'autres exigences, par exemple celles des autorités de réglementation » dans la mesure où elles sont clairement identifiables, ou encore par renvoi à un autre rapport publié par l'entité. Nous appuyons cet allègement qui limite le fardeau administratif des entreprises. Toutefois, NCID1 et NCID2 pourraient fournir plus de détails sur la manière d'identifier ces informations afin d'assurer une certaine uniformité dans les renvois et références à des documents externes, surtout lorsque ces documents fournissent des données sous la forme d'estimations ou lorsque les données auxquelles le rapport de divulgation réfère sont de nature générale et ne répondent pas spécifiquement à une exigence précise de S1 ou S2.

6. *Mécanisme de modification des normes*

Le processus d'adoption des normes NCID1 et NCID2 est soumis à la Procédure officielle de normalisation du CCNID. Selon notre compréhension, cette procédure s'appliquerait également advenant que des modifications soient apportées aux normes NCID1 et NCID2. Si tel est le cas, nous croyons que cela devrait être précisé dans les normes NCID1 et NCID2, pour davantage de prévisibilité.

Conclusion

Le CPEQ est d'avis que les ajustements suivants doivent être apportés aux normes NCID1 et NCID2 :

1. Faire coïncider l'entrée en vigueur de NCID1 et NCID2 avec l'entrée en vigueur des normes réglementaires à venir en matière de divulgation liée au climat et à la durabilité ou accorder, au minimum, un délai additionnel d'un an avant l'entrée en vigueur de NCID1 et NCID2 ou, à défaut, élaborer une méthode simplifiée pour faciliter la répartition des données relatives aux GES sur une année financière à partir des données déjà compilées pour les fins de la conformité aux exigences réglementaires;

2. Prévoir, dans NCID2, que le délai de grâce d'un an avant l'utilisation obligatoire du *GHG Protocol* ne débute qu'à partir de l'exercice suivant celui où le *GHG Protocol* révisé sera publié;

3. Prévoir un mécanisme pour tenir compte des mises à jour futures du *GHG Protocol*;

4. Laisser à l'entité le choix du moment de la divulgation des renseignements relatifs aux émissions de GES et ne pas exiger que cette divulgation concorde avec les états financiers;

5. Laisser à l'entité le choix de la période visée par la divulgation des renseignements relatifs aux émissions de GES, notamment pour que cette période puisse concorder avec les périodes exigées dans la réglementation relative à la déclaration obligatoire des émissions de GES;

6. Repousser de deux ans l'exigence d'évaluer la résilience climatique de l'entité et permettre, sur une base transitoire, de ne divulguer qu'une analyse qualitative pour les premières années;

7. Retirer l'exigence, pour une filiale canadienne d'un groupe consolidé basé à l'étranger, de fournir les informations relatives aux émissions de GES de portée 1 et 2 du groupe consolidé ou, à défaut, référer

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dans NCID2 aux dispositions du *GHG Protocol* concernant le périmètre de la divulgation des émissions d'un groupe consolidé et des filiales;

8. Fournir des précisions aux normes S1 et S2 concernant les éléments suivants :

    a. Les circonstances dans lesquelles les allègements à l'obligation de fournir des renseignements quantitatifs sur la situation financière, la performance financière et les flux de trésorerie peuvent être utilisés;

    b. La manière dont l'entité peut exercer son jugement pour identifier les informations à divulguer en l'absence de normes de l'ISSB;

    c. La manière d'effectuer des renvois et références à des documents externes au rapport de divulgation;

9. Préciser la procédure de modification des normes NCID1 et NCID2.

En espérant que ces commentaires seront pris en compte, je vous prie de recevoir, Madame la Directrice de projets, l'expression de mes sentiments les meilleurs.

DocuSigned by:
Hélène Lauzon
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Hélène Lauzon
Présidente-directrice générale
Conseil Patronal de l'Environnement du Québec

County of Forty Mile No. 8

June 7, 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Subject: Opposition to Proposed Canadian Sustainability Disclosure Standards

Dear Ms. French,

I am writing on behalf of the County of Forty Mile No. 8 to express our concerns regarding the proposed Canadian Sustainability Disclosure Standards (CSDSs). After thorough consideration, we oppose the adoption of these standards for several reasons that we believe warrant serious attention and deliberation.

1. Questioning the Urgency and Need for Thorough Deliberation

While we acknowledge the importance of addressing climate-related risks and global sustainability demands, we believe the urgency associated with these issues may be overstated. The County supports sustainability initiatives that demonstrably add value to enterprises; however, rushing into implementing reporting standards without sufficient deliberation and consensus-building could have detrimental effects, especially on small rural businesses. The urgency driving the Canadian Sustainability Standards Board (CSSB) could lead to hastily conceived standards that do not fully consider the practical challenges businesses face, particularly smaller ones.

We propose a more practical timeline for the consideration and implementation of new standards. For instance, the Public Sector Accounting Board's standard for Asset Retirement Obligations, Section PS 3280, provided several years for preparation, having been issued on August 1, 2018, with an effective date of April 1, 2022. We request the CSSB to extend its public consultation period to ensure substantial awareness and participation and, if standards are adopted, to allow multiple years for entities to prepare for their implementation.

2. Regulatory Burden Without Clear Benefits

Mandating sustainability disclosures without clear evidence of their benefits would create an unnecessary regulatory burden without delivering tangible advantages to shareholders and communities. It is essential to ensure that regulatory requirements are justified by noticeable

benefits and supported by realistic evidence. We request that sustainability disclosures remain voluntary, allowing each business to determine whether adoption would be beneficial.

3. Competitive Disadvantage

The County is concerned about the potential negative impact of mandatory sustainability reporting on decision-making processes and business competitiveness. Requiring disclosures could put Canadian businesses at a disadvantage compared to competitors not subject to such requirements, creating an unequal playing field. This could ultimately harm the financial performance of disclosing companies and undermine their ability to compete effectively. We urge the CSSB to consider modifications to the standards that would enable Canadian businesses to compete effectively with our largest trading partner, the United States. At a minimum, we request the CSSB align with the United States' approach and remove all Scope 3 reporting requirements due to the costly and complicated burden this will impose on all entities within a supply chain.

4. Impact on Municipalities and Rural Businesses

Municipalities and rural businesses will encounter significant challenges in complying with the CSDSs, straining already stretched budgets and hindering their ability to serve communities and shareholders effectively. The additional administrative burden imposed by these reporting requirements will divert resources from essential services and economic development initiatives, particularly for entities with limited resources and expertise. The added costs associated with preparing and verifying sustainability-related financial information will divert resources from core activities, hindering growth and innovation.

Given the challenging economic landscape and productivity issues faced in Canada, the County opposes further financial strain through mandatory reporting requirements. We ask that municipalities be exempt from the proposed CSDSs.

Conclusion

The County of Forty Mile believes that the adoption of sustainability reporting standards in their current form poses significant challenges and risks, particularly for municipalities and small rural businesses. The adoption of the CSDSs may lead to significant challenges, potentially resulting in loss of business opportunities or closures due to added financial strain. Many rural municipalities and small businesses have limited staff to take on additional data collection, reporting, and governance roles and may require engaging costly consultants to collect data and complete reporting to be compliant. It is essential to take a vigilant approach, considering the practical implications and ensuring that any reporting requirements are proportionate and justified by distinct evidence of their benefits.

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County of Forty Mile No. 8

We ask that our concerns and opposition to the proposed CSDSs be taken into account in the decision-making process.

Thank you for considering our perspective on this important matter.

Sincerely,

Stacey Barrows,
REEVE
County of Forty Mile No. 8

SB/jv

Cc: Premier of Alberta, Daniel Smith
Honourable Nate Horner, Minister of Finance
Honourable RJ Sigurdson, Minister of Agriculture and Irrigation
Honourable Grant Hunter, MLA

May 9, 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Lisa,

Re: Proposed Canadian Sustainability Disclosure Standards

I am writing to express the concerns of the County of Newell regarding the proposed Canadian Sustainability Disclosure Standards (CSDSs). After careful consideration of the provided information, we firmly oppose the adoption of these standards for several reasons that we believe warrant serious attention and consideration.

The urgency purportedly associated with addressing climate-related risks and global sustainability demands is, in our assessment, overstated and potentially misleading. The County acknowledges the importance of sustainability initiatives, where it can be demonstrated they add value to an enterprise, however, rushing into the implementation of reporting standards without adequate deliberation and consensus-building could have detrimental effects, particularly on small rural businesses. The urgency with which the Canadian Sustainability Standards Board (CSSB) is approaching this issue may lead to hastily conceived standards that fail to consider the practical challenges faced by businesses, especially smaller ones, in complying with such requirements. We draw attention to timelines we suggest are more practical for consideration and implementation of new standards. As an example, the Public Sector Accounting Board standard for Asset Retirement Obligations, Section PS 3280 provided several years for entities to prepare for, having been issued August 1, 2018, with an effective date for fiscal years beginning on or after April 1, 2022. The County requests the CSSB to extend its public consultation period to facilitate substantial awareness-raising and participation, and if standards are adopted, to provide multiple years for entities to prepare for their implementation.

Mandating sustainability disclosures, which we understand will be determined by Canada's regulators and legislators, without clear evidence of their benefits will create an unnecessary regulatory burden without delivering tangible benefits to shareholders and their communities. It is essential to ensure that regulatory requirements are justified by demonstrable benefits and supported by robust empirical evidence. The County requests that sustainability disclosures remain voluntary, with the decision to report being left to the discretion of each business which is best positioned to determine whether adoption would be beneficial.

The County is concerned about the potential negative impact of sustainability reporting requirements on decision-making processes and the competitiveness of businesses. Requiring disclosures could put Canadian businesses at a competitive disadvantage compared to competitors who are not required to disclose such information, leading to an unequal playing field in the market. This could ultimately harm the financial performance of disclosing companies and undermine their ability to compete effectively. The County urges the CSSB to consider modifications to the standards that would enable

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Canadian business to effectively compete with our largest trading partner, the United States. At the very least, we request that the CSSB align with the United States approach and remove all Scope 3 reporting requirements due to the costly and complicated burden this will impose on all entities within a supply chain.

Municipalities and rural businesses will encounter significant challenges complying with the CSDSs, straining already stretched budgets and hindering their ability to serve communities and shareholders effectively. The additional administrative burden imposed by these reporting requirements will divert resources from essential services and economic development initiatives, particularly for entities with limited resources and expertise. The additional costs associated with preparing and verifying sustainability-related financial information will divert resources from core activities, hindering growth and innovation. Given the challenging economic landscape and productivity issues faced in Canada, the County opposes further financial strain through mandatory reporting requirements. The County requests that municipalities be exempt from the proposed CSDSs.

In conclusion, it is the County's position that the adoption of sustainability reporting standards in their current form poses significant challenges and risks, particularly for municipalities and small rural businesses. It is essential to take a chary and balanced approach, considering the practical implications and ensuring that any reporting requirements are proportionate and justified by clear evidence of their benefits. We urge careful consideration of these concerns and request that the County of Newell's opposition to the proposed CSDSs be considered in the decision-making process.

Thank you for considering our perspective on this important matter.

Sincerely,

Arno Doerksen
Reeve

cc: Honourable Premier Danielle Smith, MLA, Brooks-Medicine Hat
Honourable RJ Sigurdson, Minister of Agriculture and Irrigation
Honourable Nate Horner, Minister of Finance

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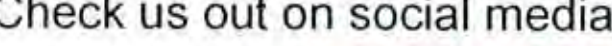

June 10, 2024

Via FRASCanada

Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Attention: Lisa French, Vice-President, Sustainability Standards

Re: Canadian Sustainability Standards Board ("CSSB") - Release and Request for Comment – Proposed Canadian Sustainability Disclosure Standards ("CSDS") 1 and CSDS 2

Dear Sirs/Madams:

Cozen O'Connor LLP welcomes the opportunity to comment on the release and request for comment published by the CSSB on the proposed CSDS 1, *General Requirements for Disclosure of Sustainability related Financial Information* ("**CSDS 1**") and CSDS 2, *Climate-related Disclosures* ("**CSDS 2**").

We have focused our comments about CSDS 1 and CSDS 2 to the effect these standards would have on "venture issuers", as that term is defined in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*. For reference, the term "venture issuer" means an issuer that, at the end of its most recently completed financial year, did not have any of its securities listed or quoted on any of the Toronto Stock Exchange, Cboe Canada Inc., a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by the PLUS Markets Group plc. As legal advisors, we represent many small Canadian public companies listed on the TSX Venture Exchange and the Canadian Securities Exchange, who are venture issuers. These companies operate across a variety of sectors (mineral exploration, mining, technology, biotechnology, industrial).

<u>Costs and Challenges of Disclosures Contemplated by CSDS 1 and CSDS 2 for Venture Issuers</u>

Although existing securities regulations in Canada require issuers to disclose the material risks (including those relating to climate and sustainability) affecting their businesses, the scope of CSDS 1 and CSDS 2 would require issuers to understand and integrate climate and sustainability-related issues into their governance, financial and strategic decisions. In order to deliver meaningful sustainability-related disclosures that align with CSDS 1 and CSDS 2, issuers would need to build specific internal capabilities to evaluate climate and sustainability data as well as develop expertise and processes for incorporating climate and sustainability-related issues within their decision making and reporting structures.

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Larger and more sophisticated issuers will likely take an in-depth approach to integrate the new requirements into their mainstream reporting structures and many will be able to engage the guidance and specialized knowledge of third parties (such as climate consultants, external legal counsel and specialized financial services firms) to ensure that they are producing high-quality disclosures that are compliant with CSDS 1 and CSDS 2. Compliance with the CSDS 1 and CSDS 2 will therefore require significant investments of time and resources by issuers.

The Canadian Securities Administrators have stated that once the CSSB consultation is complete and CSDS 1 and CSDS 2 are finalized, it will considering implementing aspects of the standards (following a further comment and revision process) to become mandatory under Canadian securities legislation.

Based on our experience working with venture issuers and on comments we have received from our venture issuer clients, we believe that the disclosure requirements of CSDS 1 and CSDS 2 would be overly onerous for venture issuers. Venture issuers by nature are in the early stages of their development or operate in emerging industries, and generally operate with less financial and other resources relative to more established issuers. As such, the disclosure burdens imposed by CSDS 1 and CSDS 2 would be a disproportionate burden to venture issuers. Further, the burdens of the disclosure without the commensurate resources or expertise to take an in-depth analysis of sustainability issues for particular issues could lead to boilerplate-type disclosures for venture issuers. This would defeat the purposes of the climate and sustainability-related disclosures proposed by CSDS 1 and CSDS 2.

We recommend the CSSB to consider limiting the application of CSDS 1 and CSDS 2 for venture issuers.

Alternatively, the application of CSDS 1 and CSDS 2 could be limited to venture issuers that file an annual information form ("**AIF**"). The filing of an AIF suggests an issuer's ability to handle the added disclosure burden and reflect that most venture issuers choosing to prepare AIFs want to raise money via the short form prospectus system (and therefore may have more financial resources than other venture issuers). Other metrics such as market capitalization might also be appropriate criteria to determine which venture issuers are better positioned to meet the additional disclosure requirements of CSDS 1 and CSDS 2.

We recommend the CSSB exempt Capital Pool Companies[1] from CSDS 1 and CSDS 2.

Climate or sustainability-related disclosures would not be meaningful or material from a Capital Pool Company as its operations are limited to identifying and evaluating assets or businesses which, when acquired, would qualify the Capital Pool Company for listing as a venture issuer. We believe that extending such exemption to include non-operating or "shell" venture issuers on the NEX board of the TSX Venture Exchange or "shells" on the Canadian Securities Exchange would also be appropriate for these same reasons.

[1] "Capital Pool Companies" or "CPCs", as defined in TSX Venture Exchange Policy 2.4 – *Capital Pool Companies*.

Specific Responses to CSDS 1

1. Scope of proposed CSDS 1 (proposed paragraphs 1-4 of CSDS 1)

(a) *Do you agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is adequate?*

Response: We believe a two-year transition relief for disclosures beyond climate related-risks and opportunities is adequate for non-venture issuers. But for venture issuers, to the extent they are not exempted from the disclosures, we believe they should be afforded a longer transition period.

(b) *If you do not agree that the two-year transition relief is adequate, what transition relief do you believe is required?*

Response: For venture issuers, to the extent they are not exempted from the disclosures, we believe a three year transition relief would be adequate.

2. Timing of reporting (proposed paragraphs 64-69 of CSDS 1)

(a) *Is any further relief or accommodation needed to align the timing of reporting?*

Response: For venture issuers, to the extent they are not exempted from the disclosure, at minimum during the initial years of the sustainability-related financial disclosure implementation, accommodation on the timing of reporting could be provided, allowing them to provide such disclosure at a later date than when their financial statements are required. This would allow venture issuers, if needed, the ability to focus their relatively limited resources on the completion of their financial statements, and then shift the focus of their resources to the completion of their sustainability-related financial disclosures. By separating from the financial statements deadline, it would reduce the pressure on venture issuers to rush the sustainability-related financial disclosure, giving them the opportunity to prepare more thoughtful disclosure that is less likely to be boiler-plate. An additional period of 60 days would likely be sufficient.

(b) *How critical is it for users that entities provide their sustainability-related financial disclosures at the same time as its related financial statement?*

Response: While it may be preferable for users that entities provide their sustainability-related financial disclosures at the same time as its related financial statements, we believe that providing quality disclosure is more important. That is why we suggest, for at minimum during the initial years of implementation, that venture issuers are provided an additional period of 60 days to provide their sustainability-related financial disclosures, to the extent they are not exempted from such disclosures.

3. Other issues

Do you agree that the requirements in the following sections are appropriate for application in Canada?

(a) *Scope*

(b) *Conceptual Foundations*

(c) *Core Content*

(d) *General Requirements*

(e) *Judgments, Uncertainties and Errors*

(f) *Appendices A-E*

Response: We do not have specific comments to this question, but reiterate our general comment that venture issuers, Capital Pool Companies, non-operating or “shell” venture issuers on the NEX board of the TSX Venture Exchange and “shells” on the Canadian Securities Exchange should be exempt from the proposed disclosure requirements of CSDS 1.

<u>Specific Responses to CSDS 2</u>

1. Climate resilience (proposed paragraph 22 of CSDS 2)

(a) *Is transition relief required for climate resilience disclosure? If so, for how long and why?*

Response: In particular for venture issuers, to the extent they are not exempted from the disclosures, we believe they should be afforded transition relief for three years, to align with the transition relief we have suggested above in respect of climate related-risks and opportunities under CSDS 1.

(b) *Is further guidance necessary? If so, which specific elements require guidance and why?*

Response: We have no comment to this question.

(c) *Proposed CSDS 2 references the Task Force on Climate-related Financial Disclosures' “Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities” (2017) and its “Guidance on Scenario Analysis for Non-Financial Companies” (2020) for related application guidance. What additional guidance would an entity applying the standard require?*

Response: We have no comment to this question.

2. Scope 3 GHG emissions (proposed paragraph C4 of CSDS 2)

(a) *Is the proposed relief of up to two years after the entity applies proposed CSDS 2 adequate for an entity to develop skills, processes and the required capacity to report its Scope 3 GHG emissions disclosures at the same time as the general-purpose financial reports?*

Response: We believe such proposed relief is adequate for non-venture issuers. But for venture issuers, to the extent they are not exempted from such reporting, we believe they should be afforded a longer relief period.

(b) *If you do not agree that two-year transition relief is sufficient, what relief period do you believe is required?*

Response: For venture issuers, to the extent they are not exempted from the reporting, we believe a three-year transition relief would be sufficient.

3. Other issues

Do you agree that the requirements in the following sections are appropriate for application in Canada?

(a) Objective

(b) Scope

(c) Core Content

(d) Appendices A-C

Response: We do not have specific comments to this question, but reiterate our general comment that venture issuers, Capital Pool Companies, non-operating or "shell" venture issuers on the NEX board of the TSX Venture Exchange and "shells" on the Canadian Securities Exchange should be exempt from the proposed disclosure requirements of CSDS 2.

Cozen O'Connor LLP appreciates your consideration of our comments and suggestions and we would be happy to discuss these at greater length with the appropriate representatives. Please do not hesitate to contact us if you have any questions regarding our comments.

Sincerely,

Cozen O'Connor LLP

COZEN O'CONNOR LLP

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June 6, 2024

Canadian Sustainability Standards Board
c/o Lisa French
Vice-President, Sustainability Standards
277 Wellington Street West Toronto, Ontario M5V 3H2

Dear Canadian Sustainability Standards Board,

Chartered Professional Accountants of Canada (CPA Canada) appreciates the opportunity to comment on the proposed Canadian Sustainability Disclosure Standards (CSDS), CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information and CSDS 2, Climate-related Disclosures, as well as the Consultation Paper – Proposed Criteria for Modification Framework issued by the Canadian Sustainability Standards Board (CSSB).

CPA Canada is one of the largest national accounting organizations in the world, representing more than 220,000 members. It works collaboratively with the provincial, territorial, and Bermudian CPA bodies, both nationally and internationally. This collaboration allows the Canadian profession to champion best practices that benefit business and society, as well as prepare its members for an ever-evolving operating environment. CPA Canada also supports the independent structure of accounting, audit and assurance, and sustainability standard setting in Canada through the provision of funding, staff, and other resources.

CPA Canada has been actively involved in domestic and global sustainability-related policy, regulatory and standards-setting initiatives and is an active member of the IFRS Foundation's Partnership for Capacity Building, contributing to the development of resources to support the high-quality implementation of IFRS Sustainability Disclosure Standards in Canada and globally. We have conducted extensive research on sustainability reporting and sustainable finance trends and challenges and issued many resources on these topics.

CPA Canada's response to the CSSB's proposals has been informed by consultation with a range of interested and affected parties with relevant subject matter knowledge including but not limited to CPA Canada's Sustainability Advisory Committee and Sustainability Preparers Working Group, directors, assurance practitioners, and investors.

Support for Global Baseline

CPA Canada is a strong supporter of the International Sustainability Standards Board (ISSB) in setting a global baseline for sustainability disclosures. As such, we are pleased to see the CSSB's approach of aligning CSDS 1 and CSDS 2 with IFRS S1 and IFRS S2, respectively, with limited Canadian-specific modifications. We are also pleased to see that the CSSB is creating an engagement plan informed by the needs and interests of First Nation, Métis and Inuit Peoples, communities, governments and businesses to ensure these groups are involved in the development of the CSSB standards. We believe this is an important element of the development of sustainability standards in Canada and internationally.

Criteria to Assess Modifications

We support the criteria for modifications, as proposed, which limits amendments to those deemed necessary for the Canadian market or to comply with Canadian law. We support the adoption of the ISSB's global baseline for sustainability standards, to the greatest extent possible. Differences in reporting requirements across jurisdictions have the potential to confuse users and increase burden on preparers having to comply with variations of the same standards.

In addition, it would be useful to have more clarity on the scope of the CSSB's activities. For example, does the CSSB plan to extend its work to develop standards for a broader user base or beyond the private sector? It would be helpful for the CSSB to include a preface to the standards which describes its mandate, the scope of its standards and other important contextual information.

Education and Interpretative Guidance

There is a need for the CSSB to work with the ISSB to provide interpretive guidance to support the understanding and consistent application of the standards. In particular, there is a need for interpretative guidance on materiality assessments and proportionality measures, such as the scalability provisions for 'undue cost and efforts' and 'using an approach commensurate with the entity's circumstances' (and similar provisions). This is particularly important in the Canadian context given that small and medium-sized issuers make up a significant portion of the Canadian market. Ideally, a significant amount of interpretive guidance should be in place before the proposed standards have to be applied.

While we recognize that the concept of 'undue cost and effort' is included in IFRS accounting standards, we have heard that in practice the threshold to meet it is so high that it is almost never used in the financial reporting context. For these scalability provisions to be appropriately leveraged in sustainability reporting, clear interpretive guidance and relevant illustrative examples need to be provided. For example, there are a range of possible disclosures that could be provided for a climate-related scenario analysis; comprehensive guidance and illustrative examples are needed to demonstrate how to meet the disclosure requirements for issuers in varying circumstances.

We also encourage the CSSB to consider establishing a discussion group in Canada, similar to the IFRS Discussion Group to discuss interpretation and application issues, especially during the initial adoption period. Having such a group in place before the mandatory adoption of IFRS accounting standards in Canada proved to be very helpful to preparers and auditors.

Transitional Relief

We support the extension of the transitional reliefs to assist entities in applying the standards. Many entities will find it challenging to meet all the requirements set out in the new standards. We encourage the CSSB to continue conducting outreach and consider the need to offer additional reliefs for anticipated implementation challenges particularly in the areas noted below. It was challenging for many we consulted with to adequately address considerations regarding transitional relief without an understanding of the plans regarding scope and timing of related regulation.

Disclosures beyond climate-related risks and opportunities

We support the phased introduction of CSDS 1 which significantly broadens sustainability reporting to a range of topics beyond climate. The challenge of implementing broad sustainability-related disclosures should not be underestimated. In the absence of topic-specific standards, we also believe that further guidance and clarity is needed as to what is required of preparers before the first year of adoption.

We believe an extended transition period will allow entities time to focus their efforts on the more challenging climate-related disclosures, while still building systems, processes and controls that can be leveraged and built upon for disclosures on other sustainability topics when required. We also note that a number of large entities are already providing disclosures on sustainability matters.[1] Since the transition relief is optional, those issuers who are more advanced and want to provide disclosures using CSDS 1, for topics beyond climate, could do so under an expedited timeframe.

Scope 3 disclosure

In our outreach, we consistently heard about the difficulty in gathering Scope 3 GHG emissions data and concerns over the reliability of this information. We understand many issuers are not ready to provide this information in the near term. Collecting information from supply chains has been highlighted as a key challenge. Additionally, significant diversity in Scope 3 GHG emission measurement and reporting practices may limit the usefulness of such information for investors.

We believe the CSSB should continue to monitor progress on the ability of the reporting community to provide these disclosures. We also encourage the CSSB to monitor evolutions in the GHG Protocol's reporting standards to consider any potential impacts. We understand that work is currently underway to

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[1] State of Play: Sustainability Disclosure and Assurance 2019-2022 Trends & Analysis

improve measurement and reporting guidance in the GHG Protocol including accounting approaches related to Scope 3 emissions.

Climate resilience disclosure

We believe that transition relief is required for climate resilience disclosures. In our outreach, there has been widespread agreement that climate-related scenario analysis is particularly challenging and that most issuers do not currently have the internal resources and expertise to conduct it. Additionally, we have heard that existing methodologies are not well-developed and there is a lack of standardized sets of assumptions, which limits the comparability and usefulness of the disclosures.

Timing of reporting

We believe that further relief is needed to align the timing of reporting between financial reporting and sustainability reporting.

While we acknowledge the benefits of aligning the timing of financial reporting and sustainability reporting, we believe that appropriate transition reliefs are needed in the earlier stages as issuers are working to build their capacity. Many issuers are currently early on their journey of sustainability reporting, including developing the processes, systems, and controls to collect and report this information. We note that it is particularly challenging for issuers to work to align the timing of reporting for their GHG emissions with financial reporting. There may also be additional challenges for Canadian issuers that are already complying with existing regulations for GHG reporting, which may not align with the timing of financial reporting.

Additionally, we have not heard strong opposition from investors regarding additional transitional relief for the alignment of timing of financial reporting and sustainability reporting.

Working with the CSA

We acknowledge that the CSSB standards must be incorporated into a rule issued by the CSA to become mandatory under Canadian securities legislation. We believe that Canadian sustainability disclosure requirements should be aligned with the ISSB's standards to the greatest extent possible. In that regard, we encourage the CSSB to continue to work closely with the CSA as these standards and the CSA's proposed rule are finalized.

We note that the CSA has indicated that it anticipates adopting only those provisions of the Canadian Sustainability Disclosure Standards that are necessary to support climate-related disclosures. While a climate disclosure rule would allow the CSA to make progress in the short-term, it is important to consider investor needs related to sustainability topics beyond climate. Additionally, CSDS 1 provides the conceptual foundation (e.g., fair presentation, materiality, connected information) that is critical to understanding and applying the requirements in CSDS 2. The two standards were designed to be used together.

***

It is not surprising that there were many challenges identified related to initial implementation of new disclosure requirements. We believe that appropriate education and interpretive guidance around the proportionality measures may help to alleviate the concerns identified and put Canada on the path towards full adoption of the global baseline. We look forward to continuing our role building capacity for sustainability reporting in Canada.

Thank you for the opportunity to comment on this consultation. We would be pleased to share further insights and answer any questions you may have. Please contact Rosemary McGuire, Vice President, Member Experience (rmcguire@cpacanada.ca)

Yours truly,

Pamela Steer, FCPA, FCA

President & CEO

June 10, 2024

BY ONLINE SUBMISSION

The Canadian Sustainability Standards Board (CSSB)
c/o Lisa French
Vice-President, Sustainability Standards Canadian Sustainability Standards Board
277 Wellington Street West Toronto, Ontario M5V 3H2

Re: Proposed Criteria for Modification Framework
Exposure Drafts CSDS 1 and CSDS 2

Dear Ms. French,

We are writing on behalf of the Chartered Professional Accountants of Ontario (CPA Ontario) and the Order of Chartered Professional Accountants of Quebec (CPA Quebec) in response to your request for comment on the *Proposed Criteria for Modification Framework, the Canadian Sustainability Disclosure Standard 1, General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1)*, and the Canadian Sustainability Disclosure Standard 2, Climate-related Disclosures *(CSDS 2).*

We are the largest Chartered Professional Accountants (CPA) bodies in Canada. Through legislative and delegated authority directly from the government, provincial CPA bodies in Canada are responsible for overseeing CPAs and accounting firms. CPA Ontario regulates more than 100,000 members and 21,000 students and CPA Quebec regulates more than 41,000 members and 5,000 students. Together we govern and oversee over 60% of CPAs in Canada. We provide oversight of the CPA profession through our respective governing acts, bylaws and regulations and are governed primarily by the elected members and public representatives. CPA Quebec is also overseen by the Office des professions du Québec and subject to the provisions of the Code des professions that provides specific obligations for all regulated professionals practicing in Québec. Our primary purpose is to protect the public while supporting our members and students. We enforce the highest professional and ethical standards, provide guidance for Canada's business leaders, and support the continuing professional development of our members and students. We exercise these functions namely through inspections of members practicing public accounting. Together, our organizations inspect close to 2,000 CPA firms every year; and we therefore have a first-hand understanding of how members understand and apply standards.

We thank you for the opportunity to provide input to the future of sustainability-related financial disclosures. Please note that we have obtained feedback from members who may be impacted by the sustainability-related financial disclosures through a roundtable discussion in Quebec, and consultations with a subgroup of CPA Ontario's Sustainability Strategic Advisory Committee, and a representative of the Indigenous community. We are happy to have their insights form a part of our response.

We appreciate the intention and efforts of the CSSB to publish final CSDS 1 and CSDS 2 in an expedient manner, however we strongly recommend the CSSB consult the Indigenous communities prior to the finalization these standards and any future sustainability standards given the constitutional rights of Indigenous people. Also, we urge the CSSB to continue collaborating with the Canadian Securities Association ("CSA") to ensure the CSSB standards are effectively adopted by Canadian companies. In addition, we want to recognize the important role the CSSB has in influencing future International Sustainability Standards Board ("ISSB") and encourage the CSSB to leverage this role in championing the Canadian public interest.

To ensure successful implementation of the proposed standards, timely application guidance in both English and French are essential. We encourage the CSSB to work with the ISSB to develop interpretative guidance that is directly embedded in the CPA Handbook. We believe priority should be given to guidance on how to leverage scalability built in the standards and how to meet the requirements such as scenario analysis.

We also recommend the CSSB consider creating a technical group (similar to IFRS interpretation committee) to support consistent application of these new standards.

Please find below our feedback to questions under the respective *Comments requested* sections.

Consultation Paper on Proposed Criteria for Modification Framework

1. *Do you agree with the CSSB's proposed criteria to assess modifications, namely additions, deletions and amendments to the ISSB's global baseline standards? Please provide reasons.*

Yes, we agree with the CSSB's proposed criteria to assess modifications to the ISSB's global baseline standards because they are sufficiently broad and yet limited which will restrict modifications to only what is necessary to ensure that Canadian standards align with international standards while addressing the Canadian public interest.

Our Stakeholders were broadly supportive and believe there should be no carve outs or deletions to the ISSB standards. Carve outs or deletions would make Canadians standards less stringent than the ISSB standards and would undermine the objective of having a global baseline.

2. *Are there other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework?*

Given the legal rights of Indigenous peoples (First Nation, Métis and Inuit) in Canada, we strongly recommend the CSSB to include a criterion in the proposed Modification Framework to involve and consult the Indigenous communities on proposed CSSB sustainability standards prior to issuing the final standards.

CSDS 1 – General Requirements for Disclosure of Sustainability-related Financial Information

1. *Scope of proposed CSDS 1 (proposed paragraphs 1-4 of CSDS 1)*
   a. *Do you agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is adequate? Please provide your reasons.*
   b. *If you do not agree that the two-year transition relief is adequate, what transition relief do you believe is required? Please provide your reasons.*

While the factors the CSSB considered in establishing the proposed two-year transition relief were disclosed in the exposure draft, it is unclear how the CSSB determined the two-year was appropriate and necessary for the Canadian public interest.

The following factors listed in the explanatory memorandum appear to support no additional transition compared to IFRS S1. Therefore, more information would be helpful to understand the justification for the two-year transition relief.

- the growing sophistication of investors' information needs is outpacing preparers' capacity to respond in a manner that is timely and useful for decision making;
- Canadian entities' ability to attract global investors and fully participate in value chain reporting requirements on sustainability-related matters;
- ensuring Canada remains positioned among global leaders in sustainability disclosure reporting

In the absence of this information, we are of the view that the Canadian sustainability standards transition relief should remain the same as the ISSB standards.

As the adoption of the CSDS 1 would be voluntary for Canadian companies until mandated by the local regulators (e.g., CSA), to provide an additional year in transition relief could result in Canadian companies falling further behind in sustainability reporting and hence less competitive. For example, if the CSA mandates Canadian companies under its jurisdiction to adopt CSDS 1 for periods beginning January 1, 2026, with the proposed two-year transition relief, these companies will not be required to disclose any sustainability-related risks and opportunities beyond climate until 2028.

This is also in line with some of the stakeholder views in our consultations.

During our consultations, while the majority also felt it best to be consistent with the IFRS S1, some felt there is a need for accommodation for smaller issuers. If there is a clear identified need to accommodate Canadian smaller issuers beyond the proportionality mechanism embedded in the standards, it would be best to work closely with CSA to have those reliefs in the CSA rules.

2. Timing of reporting (proposed paragraphs 64-69 of CSDS 1

a. *Is any further relief or accommodation needed to align the timing of reporting? If yes, specify the nature of the relief or accommodation and provide the rationale behind it.*

We do not believe there should be any further relief or accommodation to align the timing of reporting beyond the existing transitional provision in the first year. Capital markets have signaled they want the information at the same time. Given the interrelated nature of some of financial reporting and sustainability-related disclosures, deferring the alignment in the timing of reporting can give rise to inconsistencies. For example, if a material sustainability-related risk is identified and it has a financial statement impact, sustainability-related disclosures issued after the financial statements may result in inconsistent reporting.

b) How critical is it for users that entities provide their sustainability-related financial disclosures at the same time as its related financial statement?

We heard from stakeholder that it is critical for users (e.g., capital providers and investors) that entities provide their sustainability-related financial disclosures at the same time as its related financial statement as it enables users to see the relationships between the strategies published in the MD&A and what is published in sustainability-related disclosures.

3. Other issues

Do you agree that the requirements in the following sections are appropriate for application in Canada? Please explain the rationale for your answer.

We agree with the requirements in all the sections for Canadian application.

CSDS 2 – Climate-Related Disclosures

1. Climate resilience (proposed paragraph 22 of CSDS 2)

(a) Is transition relief required for climate resilience disclosure? If so, for how long and why?

We believe no additional transition relief is required for climate resilience disclosure because of the built-in proportionality features in the standard.

(b) Is further guidance necessary? If so, which specific elements require guidance and why?

Further sector specific guidance such as for mining, oil & gas, is necessary.

We want to emphasis the need for the CSSB to develop timely application guidance in both English and French as it will be essential in helping companies implement the standards.

2. Scope 3 GHG emissions (proposed paragraph C4 of CSDS 2)

(a) Is the proposed relief of up to two years after the entity applies proposed CSDS 2 adequate for an entity to develop skills, processes and the required capacity to report its Scope 3 GHG emissions disclosures at the same time as the general-purpose financial reports? Please provide rationale.
(b) If you do not agree that two-year transition relief is sufficient, what relief period do you believe is required? Please provide your rationale for the timing you have provided.

Same comments as those provided to question 1 of the proposed CSDS 1.

In addition, the CSSB should take this into consideration that Scope 3 emissions for certain sectors such as the financial sector, represent the most significant climate risks and opportunities, as such they are important for users of sustainability information.

3. Other issues

Do you agree that the requirements in the following sections are appropriate for application in Canada? Please explain the rationale for your answer. (a) Objective (b) Scope (c) Core Content (d) Appendices A-C

We agree with the requirements in all the sections for Canadian application.

Thank you for this opportunity to provide feedback on the CSSB. We would be pleased to further discuss these with you.

Respectfully submitted,

Carol Wilding, FCPA, FCA
President and Chief Executive Officer, CPA Ontario

Geneviève Mottard, CPA
President and Chief Executive Officer, CPA Quebec

Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board (CSSB)
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May 22, 2024

Stakeholder Comment on CSDS 2 Climate-related Disclosure Standards

Dear Chair St-Jean,

We value the opportunity to contribute our stakeholder comment on the CSSB Climate-related Disclosures Standards.

CSC Valves Canada Inc. is engaged in the engineering design, manufacture, and sale of quality valve products. We strongly oppose the Canadian Sustainability Disclosure Standards – (CSDS 1) and (CSDS 2) due to the additional expenses and uncertainties they will impose on businesses, including SMEs like us, with minimal benefits for larger enterprises, investors, or consumers. These standards contradict the principles of free enterprise and free-market systems by skewing investor decision-making and directing capital flow.

There is a need to reevaluate the requirements and reduce compliance costs to ensure that Canadian businesses are not put at a competitive disadvantage with our largest trading partners. To that end, we have the following recommendations:

1. We recommend making Scope 3 emissions accounting and climate scenario analysis voluntary, as the methodologies are still evolving and costly. It is important to note that other trading partners like the US, Mexico, and China do not mandate these practices, and Canada should follow suit.
2. It is essential to establish a permanent safe harbour for Scope 2 and 3 emissions data, scenario analysis, internal carbon price, projections, and targets and goals. Given that SMEs might also be held liable if they supply information that leads to greenwashing claims against larger corporations, it's essential that we consider mechanisms to mitigate these risks. To avoid potential liability and litigation risks, Canada should follow the example of other jurisdictions like Australia and the US by providing a safe harbour for statements related to Scope 3 emissions, climate scenario analysis, and transition plans.
3. The current Industry-based Guidance lacks fairness across different industries. Wind projects are not required to report or account for the emissions-intensive aspects of their construction, while oil and gas exploration and production companies must account for emissions in their reserves. To address this imbalance, it is necessary to remove the mandatory requirement for using the Industry-based Guidance and make its use optional.
4. Within the Industry-based Guidance, the mandated use of the WRI Aqueduct tool spans across 29 different industries. Notably, the Aqueduct tool was not originally designed for this purpose; it was created as a prioritization tool. Investors may mistakenly believe that the tool has compiled and analysed local and regional data to provide a reliable assessment, which it has not.

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Therefore, the mandatory use of the WRI Aqueduct tool and the requirement of reporting baseline water stress data should be eliminated from the standards.

5. Net emissions need to be mandated alongside absolute or gross emissions.
6. The breadth and complexity of compliance creates substantial costs. We referred to the Australian government's cost impact analysis for their ISSB-based disclosure standards, converted to Canadian dollars. For publicly listed companies with a minimum of 100 employees and $45 million in annual turnover, the average initial transitional compliance cost is approximately $1.1 million, with annual recurring costs of $641,000. This financial outlay, which could otherwise be allocated to enhancing products, services, or distributing profits to investors, is diverted from the company. Instead of being an investment in the company, these funds are directed towards software providers and climate consulting firms.
7. To avoid placing Canadian businesses at a competitive disadvantage, adjustments need to be made to the standards. Canada should strive for greater alignment with our CUSMA trading partners (US and Mexico) rather than focusing on international counterparts with whom our trade volume is minimal. Canada's export trade relies heavily on the United States, with a staggering 78% of our exports going to our southern neighbour. In contrast, only 8% of our export trade is directed towards the European Union. Yet, these standards are more in alignment with the EU than our biggest trading partners.
8. It is our understanding that a climate rule has been proposed by the US Securities and Exchange Commission (SEC). It is currently undergoing legal proceedings and has been stayed indefinitely. However, even if this rule is upheld by the courts, it is important to note that the implementation of Scope 3 emissions accounting, climate scenario analysis, transition plans, and industry-based guidance will remain voluntary. Additionally, there are "safe harbour" provisions in place that offer legal protection and reduce liability costs.
9. Our other North American trading partner, Mexico, has no plans to introduce climate-related financial disclosures. This means that Mexican manufacturers and food producers will not bear the additional financial and regulatory burden that Canadian producers might face. Consequently, this discrepancy in standards between Canada, the US, and Mexico could potentially place Canadian companies at a competitive disadvantage once these standards become mandatory.

We want to see Canada's economy and businesses grow, not lose investment because of regulatory burden and excessive costs of compliance. We ask that you please accept and seriously consider our above suggestions.

Sincerely,

Steve Gallivan
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10 June 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Ms French,

RE: Consultation on the Canadian Sustainability Disclosure Standards

I am pleased to submit this feedback to the Canadian Sustainability Standards Board (CSSB) consultation on the Canadian Sustainability Disclosure Standards (CSDS). I strongly support the CSSB's initiative to serve the public interest by developing high-quality, internationally recognized sustainability disclosure standards for Canadian entities.

The adoption of the CSDS is an important opportunity to develop standards that align with the Canadian public interest and international standards. In line with these objectives, this submission makes two related recommendations that I believe are particularly important in the development of the CSDS: 1) the CSSB should develop standards that reflect Canada's commitment to human rights; and 2) to achieve this, the CSDS should integrate both financial and impact materiality.

1. <u>The CSSB Should Develop Standards that Reflect Canada's Commitment to Human Rights</u>

Canada has a longstanding commitment to human rights. It is a signatory to numerous major international human rights conventions, including the International Covenant on Civil and Political Rights and the Convention on the Elimination of All Forms of Discrimination Against Women. Many of these rights are enshrined in the Canadian Charter of Rights and Freedoms.

Canadians have also made important contributions to the advancement of human rights. John Peters Humphrey, a Canadian lawyer and dean of the Law Faculty at McGill University, played a pivotal role in drafting the Universal Declaration of Human Rights. In more recent history, former Prime Minister Brian Mulroney underscored Canada's dedication to civil and political rights by actively supporting the anti-apartheid movement.

Thus, the advancement of human rights is deeply embedded in Canadian public interest, shaping both its domestic and international actions.

However, no mention is made of human rights in the *Proposed Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability related Financial Information*. The CSDS 1 is based on the *IFRS S1 General Requirements for Disclosure of Sustainability related Financial Information*, which also omit any reference to human rights.

The CSSB has recognized in its *Criteria for Modification Framework* that amendments may be necessary to the IFRS Sustainability Disclosure Standards to address Canadian public interest. The CSSB has proposed two such modifications to the IFRS S1 relating to the effective date and transition relief.

To better reflect the Canadian public interest, I recommend that additional modifications be made to the IFRS S1 to account for Canada's commitment to human rights.

2. The CSDS Should Integrate Both Financial and Impact Materiality

To account for Canada's commitment to human rights, the CSSB should modify CSDS 1 to specify that entities must disclose their sustainability-related risks and opportunities as well as their impacts on people. These modifications should address, in particular, paragraphs 17-18 of the CSDS 1, as well as the relevant paragraphs about governance, strategy, risk management, and metrics and targets.

A materiality assessment is necessary to identify the sustainability information that needs to be reported. The CSDS 1 currently adopts a "financial materiality" approach, requiring the reporting of sustainability-related risks and opportunities that affect an entity's financial performance or position. This approach ensures that only those sustainability risks that are financially significant to the entity are disclosed.

However, this financial materiality approach does not capture the full extent of an entity's impacts on human rights. It excludes from reporting those impacts, which may be severe, that do not affect an entity's financial performance. For example, a company might engage in practices that lead to significant human rights violations, such as the use of child labor in its supply chain or environmental degradation in local communities. While these issues may not immediately impact the company's financial performance, they have profound and lasting effects on the lives and well-being of individuals.

In contrast, internationally recognized business and human rights standards, such as the *United Nations Guiding Principles on Business and Human Rights* (UNGPs) and the *OECD Guidelines on Multinational Enterprises* (OECD), advocate a broader approach. These frameworks require businesses to assess how their activities, as well as those of their business relationships, have actual or potential impacts on people. The UNGPs refer to these as "human rights risks", emphasizing

the importance of considering the full spectrum of an entity's impacts on human rights, regardless of immediate financial implications, even if the two are increasingly related.

Accordingly, as currently drafted, the CSDS 1 would not be fully aligned with internationally recognized business and human rights standards. It would potentially exclude from reporting a number of severe human rights risks. Such an approach does not reflect the Canadian public interest.

The European Union's (EU) recently adopted European Sustainability Reporting Standards (ESRS) offer valuable guidance on developing reporting standards that reflect the full spectrum of human rights impacts and align with international standards. The ESRS incorporate the concept of "double materiality". Double materiality recognizes that sustainability issues can be material from two perspectives: financial materiality and impact materiality. As noted earlier, financial materiality considers how sustainability issues affect the entity's financial performance or position. In contrast, impact materiality assesses how the entity's operations affect people and the environment, including human rights.

Significantly, the concept of double materiality has also been adopted in China by the Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE) and Beijing Stock Exchange (BSE) as part of their mandatory sustainability reporting requirements for listed entities.

Even if the CSSB were to adopt only a financial materiality approach, an important number of Canadian entities would still need to report the full spectrum of their impacts on human rights under a double materiality approach. Due their international reach, it is estimated that at least 10 000 companies outside of the EU will be required to report under the ESRS, including more than 1 000 Canadian companies and 3 000 US companies. Consequently, such an approach would position Canada as a rule-taker rather than a leader in developing high-quality sustainability disclosure standards.

In conclusion, to reflect Canada's commitment to human rights and align with the Canadian public interest, I recommend that the CSSB adopt a double materiality approach in their sustainability disclosure standards.

Yours sincerely,

Daniel Litwin
B.C.L., J.D., LL.M. (Cantab)
Lawyer, admitted to the Québec bar
Canadian member of the Business and Human Rights Committee, International Law Association

DAVIES

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June 10, 2024

BY EMAIL

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario
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Dear Ms. French:

Proposed Canadian Sustainability Disclosure Standard ("CSDS") 1 and 2 Exposure Drafts – Request for Comments

We are writing in response to the Canadian Sustainability Standards Board (the **"CSSB"**) request for comments in relation to Exposure Draft CSDS 1, *General Requirements for Disclosure of Sustainability-related Financial Information* (**"CSDS 1"**) and Exposure Draft CSDS 2, *Climate-related Disclosures* (**"CSDS 2"**).

We commend the CSSB for its ongoing efforts to ensure that investors and stakeholders have access to clear, consistent and comparable sustainability-related financial disclosures by adapting the International Sustainability Standards Board's (the "**ISSB**") Sustainability Disclosure Standards for the Canadian context. Given that the Canadian Securities Administrators will consider the CSSB standards in finalizing its climate-related disclosure rule, our key comment relates to clarifying the scope of the obligation to disclose greenhouse gas ("**GHG**") emissions under CSDS 2.

From the outset of the Financial Stability Board's work on climate-related financial disclosures, it has emphasized that disclosure recommendations would incorporate the principle of materiality and weigh the balance of costs and benefits. For the reasons discussed below, we respectfully submit that the CSSB should take a balanced and pragmatic approach by requiring an express materiality assessment to climate-related financial disclosures.

MATERIALITY AND GHG EMISSIONS DISCLOSURE

CSDS 1

CSDS 1 generally incorporates a materiality assessment. Paragraph 1 of CSDS 1 states that the objective of the standard is to require the disclosure of information about an entity's sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in

making investment decisions. Such decision-useful information, according to paragraphs 2 and 3 of CSDS 1, consists of information about sustainability-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, access to finance or cost of capital. Such risks and opportunities are considered, for the purposes of CSDS 1, as risks and opportunities that could reasonably be expected to affect the entity's prospects. Risks and opportunities that could not reasonably be expected to affect an entity's prospects are expressly stated in paragraph 6 to be outside of the scope of CSDS 1.

Further, paragraph 17 of CSDS 1 requires an entity to disclose "material information"[1] about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.[2] A material fact in Canadian securities law is a fact that would reasonably be expected to have a significant effect on the market price or value of securities. The definition of "material information" in CSDS 1 seems to suggest a different concept of materiality. Given the importance of "materiality" in determining what disclosures are required under CSDS 1, we recommend that the CSSB incorporate within CSDS 1 a definition of "material information" that is aligned with the concept of "materiality" used in Canadian securities laws.

CSDS 2

As with CSDS 1, the stated objective of CSDS 2 is to require the disclosure of information about an entity's climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making investment decisions.

Despite this objective, CSDS 2 contains no express materiality assessment that would limit the scope of disclosure obligations to an entity's material GHG emissions. For example, paragraph 29 stipulates that an entity shall, among other things, disclose its absolute gross GHG emissions – Scope 1, Scope 2 and Scope 3 – that are generated during the reporting period, expressed as metric tonnes of carbon dioxide equivalent.[3]

The CSDS 2 approach would be inconsistent with the U.S. Securities and Exchange Commission (the **"SEC"**) final rules requiring mandatory climate-related disclosures dated March 6, 2024 (the **"Final**

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1 Information is material, according to paragraph 18 of CSDS 1, if omitting, misstating or obscuring that information could reasonably be expected to influence the decisions of primary users of general-purpose financial reports.

2 Paragraph 19 also states that to identify and disclose material information, an entity shall apply paragraphs B13 – B37 of the Application Guidance (Appendix B to CSDS 1, the **"Application Guidance"**). Paragraph B25 of the Application Guidance provides that an entity need not disclose information otherwise required by a CSDS if the information is not material. This is the case even if the CSDS contains a list of specific requirements or describes them as minimum requirements.

3 This approach is generally similar to: TCFD guidance, which provided that issuers should disclose absolute Scope 1 and Scope 2 GHG emissions (independent of a materiality assessment); and mandatory climate disclosure laws recently passed in California, which require disclosure of Scope 1, 2 and 3 emissions, regardless of materiality.

Rules"). In general, the SEC's Final Rules only require the disclosure of Scope 1 and Scope 2 GHG emissions, and only if material.[4] No Scope 3 GHG emissions disclosures are required.

It is our view that CSDS 2 should align with the SEC's Final Rules – i.e., that only material Scope 1 and Scope 2 GHG emissions disclosures should be required, and that Scope 3 GHG emissions should be excluded from CSDS 2 altogether. Given the integrated nature of the Canadian and U.S. economies, such an alignment would serve to mitigate any competitive advantage that may be afforded to reporting issuers operating under a less stringent disclosure regime. We respectfully submit that this approach would maintain a relatively level playing field, thereby serving the Canadian public interest.

Further, as noted above, the definition of "materiality" should be aligned with the definition of materiality under Canadian securities laws, and this materiality threshold should expressly apply to reporting under both CSDS 1 and CSDS 2.

Scope 3

Our experience working with reporting issuers suggests that there continues to be significant challenges to collect high-quality Scope 3 data, as well as uncertainties associated with Scope 3 calculations. As a result, in the event that the CSSB ultimately decides to include Scope 3 disclosure in CSDS 2, it is our view that the CSSB should:

- acknowledge the inherent challenges of estimating accurate Scope 3 emissions; and
- apply an express materiality assessment for Scope 3 disclosure.

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The following lawyers at our firm participated in the preparation of this comment letter and may be contacted directly should you have any questions regarding our submissions.

Yours truly,

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DAVIES WARD PHILLIPS & VINEBERG LLP

4 GHG emissions disclosure under the SEC's Final Rules is further restricted to the two largest types of registrants – i.e., "large accelerated filers" and "accelerated filers".

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June 10, 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
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Subject: Exposure Drafts (EDs) – Proposed Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information; Proposed CSDS 2, Climate-related Disclosures; and Consultation Paper – Proposed Criteria for Modification Framework

Dear Ms. French:

We thank you for the opportunity to provide comments on the above noted Exposure Drafts and Consultation Paper (proposals) regarding sustainability-related financial information and climate-related disclosures in Canada (sustainability disclosure standards or CSSB standards).

We welcome the proposals developed by the Canadian Sustainability Standards Board (CSSB or Board) and in an effort to foster comparability and transparency in the global capital markets, we also support the Board's overarching desire to achieve close alignment with the global baseline of sustainability-related financial disclosures, as set out in IFRS S1 and IFRS S2, issued by the International Sustainability Standards Board (ISSB). In addition to responses on the specific questions included in the proposals, we have certain overarching comments that are set out below for the Board's consideration as it progresses towards finalizing the proposals.

Modifications to global baseline of sustainability-related financial disclosures

We fully support the Board's objectives to perform a robust consultation process to understand the perspectives and priorities of First Nations, Métis and Inuit Peoples in the context of developing its standards in an inclusive manner. These perspectives are critical to fully identify any unique Canadian circumstances which could require the inclusion of additional disclosures in the CSSB standards. We strongly encourage the Board to expedite the 'First steps' it has outlined in the EDs. We look forward to seeing how this will be considered in the Board's multi-year strategic plan and how it will inform the current and future development of sustainability disclosure standards in Canada.

As the Board considers modifications to the CSSB standards to reflect requirements stemming from unique Canadian circumstances, including the outcome of the First steps noted above, and in developing the 'Proposed Criteria for Modification Framework', we would recommend the Board consider limiting the use of carve-outs and/or deletions. This will support greater alignment with IFRS S1 and IFRS S2, and comparability and transparency in the global capital markets. It will also provide multi-national entities with the ability to, if needed, achieve compliance with both ISSB and CSSB sustainability disclosure standards without undue duplication and/or complex reconciliations.

Scope and connectivity

We encourage the CSSB to perform more outreach with preparers and users as well as continue to work closely with Canadian regulators such as the Canadian Securities Administrators (CSA) and others to develop a transition approach that considers 'scaling and phasing in' of requirements as contemplated in the Inaugural Jurisdictional Guide[1] published by the IFRS Foundation in May 2024. In this context, it would be helpful for the CSSB to clarify:

- if an entity can apply the CSSB standards irrespective of whether its related general-purpose financial reports are prepared in accordance with IFRS Accounting Standards or other generally accepted accounting principles (GAAP);
- whether the CSSB standards will be modified for application by Canadian entities applying GAAP, other than IFRS Accounting Standards;
- that the effective date of January 1, 2025, currently proposed by the CSSB, is voluntary and such date may be different from the mandatory adoption date set by regulatory or other bodies; and
- how an entity, not under the purview of a regulatory or other body, would understand when, or if, it is required to adopt the CSSB standards.

Effective date and transition reliefs

We question whether the voluntary effective date of January 1, 2025 is appropriate for Canadian entities as it may not provide them sufficient time to have the necessary systems, processes and resources in place to meet the proposed sustainability disclosure standards. The current timelines for the comment period, expected deliberations by the Board on feedback received and final issuance of the CSSB standards, which are expected towards the end of 2024, is relatively short when compared to the usual timelines for the initial adoption of accounting standards, where a transition period of 18-24 months is typically provided. In light of this, we believe further outreach with users and preparers is required to inform the appropriateness of the voluntary effective date.

In respect of the transition reliefs, specifically relating to whether the two-year relief for reporting both non-climate related risk and opportunities and Scope 3 GHG emissions is sufficient; and whether any transition relief is required for climate resilience disclosures, we believe the Board should consider the following in informing their decisions:

- the readiness of entities, including the accessibility to, accuracy and completeness of data, availability of the necessary resources, and implementation of processes, including technology solutions, for accurate and reliable reporting. We encourage the Board to conduct further outreach with users and preparers to align expectations, duly considering the proportionality aspects;
- the profile of entities in the Canadian marketplace warrants careful consideration, in particular the fact that a substantial portion of Canadian entities are small businesses[2]. In light of the data needed to comply with the CSSB standards, we are concerned about the potential unintended consequences information requests may put on small businesses. For example, due to resource constraints, some small businesses may not be able to meet information requests on a timely basis or without undue cost or effort. Therefore, we recommend the Board conduct further outreach with entities along the value chain to understand the potential upstream and downstream impacts of the CSSB standards; and

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[1] inaugural-jurisdictional-guide.pdf (ifrs.org)

[2] As of December 2022, there were 1.22 million employer businesses in Canada. Of these, 1.19 million (97.8%) were small businesses, 23,395 (1.9%) were medium-sized businesses, and 3,128 (0.3%) were large businesses. Micro-enterprises (1−4 employees) make up 55.3% of Canadian businesses. When adding these micro-enterprises with those with 5−9 employees, this proportion increases to 73.8%. In other words, almost three out of four Canadian businesses have 1−9 employees (see Key Small Business Statistics 2023).

- the deliberations by the US Securities and Exchange Commission (SEC) and other regulatory bodies as it relates to the deferral on disclosing Scope 3 GHG emissions and whether such considerations would also be applicable to the Canadian marketplace.

Other matters

We would also like to emphasize that in the interest of ensuring equitable accessibility in both the official languages of Canada, the CSSB should consider whether materials published as part of or in connection with the CSSB standards should be translated in French, if not already done by the ISSB.

For your reference, we have not addressed the interaction of the proposed CSSB standards with any assurance standards in our response.

Please find attached in the appendices our comments to the specific questions raised in the Exposure Drafts and the Consultation Paper. If you have any questions, please contact Martin Roy (mroy@deloitte.ca) at (416) 601-5679.

Yours truly,

Deloitte LLP

Chartered Professional Accountants

Appendix A

Proposed Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information

1. Scope of proposed CSDS 1 (proposed paragraphs 1-4 of CSDS 1)

Apart from effective date and transition relief, CSDS 1 proposes to adopt IFRS S1 without amendment. The objective of proposed CSDS 1 is to require an entity to disclose information about its sustainability-related risks and opportunities. The proposed standard is based upon the fundamental principle that an entity's ability to generate cash flows over the short, medium and long terms is inextricably linked to the entity's interactions with society, the economy, the natural environment and other parties that it may impact.

Proposed CSDS 1 includes:

- definitions and information required to prepare a complete set of sustainability disclosures; and
- a standard for sustainability-related disclosures.

Accordingly, the CSSB proposes that CSDS 1 and CSDS 2, once finalized, become effective on the same date; however, the Board proposes extending the one-year transition relief within IFRS S1 to two years for disclosures beyond climate-related risks and opportunities.

In establishing its position, the CSSB considered factors including:

- the growing sophistication of investors' information needs is outpacing preparers' capacity to respond in a manner that is timely and useful for decision making;
- entities that are already reporting on sustainability-related matters require the structure and guidance that a standard can provide;
- Canadian entities' ability to attract global investors and fully participate in value chain reporting requirements on sustainability-related matters;
- ensuring Canada remains positioned among global leaders in sustainability disclosure reporting;
- other jurisdictional adoption strategies;
- the efficiency of public consultation;
- the proportionality and transitional reliefs already provided within IFRS S1;
- the CSSB's objective to fully support the adoption of the ISSB's standards; and
- the needs of the broader Canadian public interest.

a. Do you agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is adequate? Please provide your reasons.

b. If you do not agree that the two-year transition relief is adequate, what transition relief do you believe is required? Please provide your reasons.

We acknowledge the decision-usefulness of information about sustainability-related risks and opportunities and agree with the Board's proposed direction to adopt IFRS S1 without amendment in the interest of comparability and transparency in global capital markets. However, as noted in our cover letter, we question whether the proposed voluntary effective date of January 1, 2025 is appropriate for Canadian entities. We are concerned that the proposed accelerated timeframe leading up to the final issuance of the CSSB standards, expected towards the end of 2024, may not provide entities with sufficient time to prepare and implement the necessary changes. We, therefore, strongly encourage the Board to conduct further outreach with users and preparers to inform the effective date and transition approach, duly considering the proportionality aspects, scaling and phasing in of requirements. For further details, please refer to the response in our cover letter.

2. Timing of reporting (proposed paragraphs 64-69 of CSDS 1)

Aligning the timing of sustainability-related financial disclosures and the related financial statements improves connectivity and ensures decision-useful information for users of general-purpose financial reports. It provides a coherent, holistic picture of an entity's financial and sustainability performance, enabling informed capital allocation decisions.

Although Canadian respondents to the ISSB's IFRS S1 Exposure Draft expressed broad support for an integrated reporting approach, they noted challenges in aligning timing of reporting sustainability disclosures with the related financial statements. These challenges, anticipated mainly during the initial years of standards' implementation, involve:

- increased reporting burden;
- staffing constraints;
- heightened consulting and assurance costs;
- data-quality risk; and
- data-collection process limitations.

While the CSSB acknowledges the benefits that integration in reporting provides to users and the long-term benefits it offers to preparers, the Board also recognizes the challenges that preparers face. The Board deliberated on various amendments to address these challenges, including deferring the alignment in timing of reporting requirement for a period of time. However, the Board recognizes that this period may not provide enough time for preparers to fully resolve the issues. On the other hand, deleting the requirement could hinder progress in the sustainability disclosures landscape.

The CSSB is not proposing changes but seeks feedback on the following matters:

a. Is any further relief or accommodation needed to align the timing of reporting? If yes, specify the nature of the relief or accommodation and provide the rationale behind it.

b. How critical is it for users that entities provide their sustainability-related financial disclosures at the same time as its related financial statement?

We support the Board's ambition to align the timing of reporting for sustainability-related financial disclosures with the related financial statements and appreciate the value to users of receiving both sets of information at the same time. However, while we do believe that any deferral of this requirement would not fully address users' needs in terms of connectivity and timeliness, we do acknowledge the likely significant resource constraints that preparers may be subject to, particularly in the initial years of the CSSB standards' adoption. Accordingly, we encourage the Board to conduct further outreach with both the users and preparers to establish appropriate and reasonable expectations about the timing of reporting for sustainability-related financial disclosures.

One possible approach for adopting this requirement could entail aligning the timing of reporting with the provisions in Canadian securities law pertinent to the filing of the Annual Information Form (AIF), being 90 days after year-end. This approach would consider sustainability-related disclosures as akin to information contained in an AIF that is intended to provide material information about an entity and its business in the context of its historical and possible future development, as well as describing the entity, its operations and prospects, risks and other external factors it faces. In our view, such an approach may be feasible and could be reassessed if, and when, Canada advances towards an integrated reporting model.

For entities that are not required to file an AIF, e.g., venture issuers and private entities, additional relief could be provided in terms of the 90-day filing requirement suggested above and such entities could be afforded additional time to prepare and publish their sustainability-related disclosures.

3. Other issues

Do you agree that the requirements in the following sections are appropriate for application in Canada? Please explain the rationale for your answer.

(a) Scope
(b) Conceptual Foundations
(c) Core Content
(d) General Requirements
(e) Judgments, Uncertainties and Errors
(f) Appendices A-E

While we do agree that the requirements in the sections mentioned above are appropriate for application in Canada, we have significant concerns on the proposed timeframe for adoption of this standard by Canadian entities. In this regard, please refer to the response in our cover letter.

Appendix B

Proposed CSDS 2, Climate-related Disclosures

1. Climate resilience (proposed paragraph 22 of CSDS 2)

A climate-resiliency assessment provides critical information for investors to understand an entity's exposure and response to its climate-related risks and opportunities. Scenario analysis forms an integral part of identifying:

- alternatives that may significantly alter the basis for "business-as-usual" assumptions; and
- those strategies that may be required to mitigate climate-related risks.

The CSSB supports the global baseline requirements on climate resilience. However, it acknowledges that scenario-analysis methodologies are new for Canadian reporting entities, who have concerns about the level of resources, skills and capacity required to prepare these disclosures. Although IFRS S2 does not include transition relief, the Board seeks views on whether transition relief and/or guidance would help preparers and users of proposed CSDS 2-related disclosure in their assessment of climate resilience.

(a) Is transition relief required for climate resilience disclosure? If so, for how long and why?

(b) Is further guidance necessary? If so, which specific elements require guidance and why?

(c) Proposed CSDS 2 references the Task Force on Climate-related Financial Disclosures' "Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities" (2017) and its "Guidance on Scenario Analysis for Non-Financial Companies" (2020) for related application guidance. What additional guidance would an entity applying the standard require? Please be specific.

(a) – (b)
We support the Board's view regarding climate resilience disclosures, including the use of climate-related scenario-analysis. In our view, users of general-purpose financial reports seek to understand the resilience of an entity's strategy (including its business model) to climate change, factoring in the associated uncertainties. Therefore, requiring such disclosures will not only achieve alignment with the global baseline requirements on climate resilience, but will also provide relevant and useful information to users.

To determine whether transition relief from the requirements in paragraph 22 of CSDS 2 is needed, we would encourage the CSSB to conduct further outreach to understand the timeliness of users' needs, as well as preparer readiness considering that climate-related scenario-analysis may be new for many Canadian entities. While we do support the use of climate-related scenario-analysis as proposed, one possible approach could entail a phased transition approach that permits the use of alternative techniques when an entity is unable to prepare climate-related scenario-analysis. This may provide preparers, with relief, as we recognize that formal climate-related scenario-analysis and related disclosures can be resource intensive, represent an iterative learning process, and may take multiple planning cycles to achieve, as acknowledged in the proposed paragraph B7 of CSDS 2. A phased transition approach could also accommodate any evolving practices and the regulatory landscape as it pertains to climate resilience disclosures, and this may provide sufficient time for skills, capabilities and resources to develop.

Alternatively, we would also support a 'comply or explain' approach during an interim period as we believe entities should be encouraged to use scenario-analysis from initial adoption. The Board could revisit this approach as market practice develops and entities become more mature in terms of their skills, capabilities and resources to address these requirements.

Nevertheless, we would not object to any provisions that would enable entities to voluntarily early adopt the requirements on climate resilience disclosures as proposed given the decision-usefulness of the resulting information.

The proposed paragraph B1 of CSDS 2 requires an entity to use an approach to climate-related scenario-analysis that enables it to consider all 'reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort'. Additionally, in its Inaugural Jurisdictional Guide, the IFRS Foundation outlined the mechanisms developed to promote proportionality in the context of ensuring that what is required of entities is proportionate to their circumstances. Table 1 of that guide notes climate-related scenario-analysis as one of the mechanisms that caters to proportionality in terms of both (**emphasis** added):

- **Information limited** to what is reasonable, supportable and available without undue cost or effort; and
- **Qualitative approaches allowed** if entity lacks skills, capabilities, or resources.

We acknowledge that cost-benefit considerations are not new and references to 'undue cost or effort' have previously been used in the context of some IFRS Accounting Standards. However, the CSSB may consider providing educational material and/or application guidance, specifically in the context of climate-related scenario-analysis, and for CSSB standards more broadly, to support entities in applying the concept of undue cost or effort, and to ensure consistent application of this concept in practice while duly considering proportionality to an entity's circumstances.

(c)
In our view, no additional guidance is required for an entity to apply CSDS 2 as proposed, given the Task Force on Climate-related Financial Disclosures (TCFD) guidance referred to therein is sufficiently detailed and flexible to accommodate practical application needs. Since guidance on climate-related disclosures continues to evolve, we believe that references to TCFD's guidance should remain current and up to date as opposed to isolating references to guidance dating back to 2017 and 2020.

Consistent with our comments in Appendix C, we also recommend the CSSB establish a process to monitor and incorporate changes/updates to the related application guidance. We would also encourage the CSSB to duly consider – in providing any educational material and/or application guidance – the need for any scaling and phasing in of requirements, and capacity building that would support implementation of such application guidance.

2. Scope 3 GHG emissions (proposed paragraph C4 of CSDS 2)

It is widely recognized that, for many entities, Scope 3 GHG emissions make up a significant part of the entity's total GHG emissions inventory. Scope 3 GHG emissions information is, therefore, critical for investors to understand an entity's exposure to climate-related risks and opportunities within its value chain.

Preparers have raised concerns about the measurement uncertainty of Scope 3 GHG emissions, along with challenges related to processes and capacity to deliver disclosures concurrently with general-purpose financial reports. While acknowledging these concerns, the CSSB endeavours to balance this feedback with the realities of the urgent need to address climate-related risks. Given these considerations, this Exposure Draft provides additional transition relief by proposing that in the first two annual reporting periods in which an entity applies the proposed standard, the entity is not required to disclose its Scope 3 GHG emissions.

(a) Is the proposed relief of up to two years after the entity applies proposed CSDS 2 adequate for an entity to develop skills, processes and the required capacity to report its Scope 3 GHG emissions disclosures at the same time as the general-purpose financial reports? Please provide rationale.

(b) If you do not agree that two-year transition relief is sufficient, what relief period do you believe is required? Please provide your rationale for the timing you have provided.

We support the disclosure of Scope 3 GHG emissions, recognizing that they often form the largest part of an entity's carbon footprint. We also note that a number of jurisdictions have proposed or already require partial or full disclosure of Scope 3 GHG emissions. We acknowledge the many challenges associated with measuring Scope 3 GHG emissions, including the difficulties in obtaining data and the methodology for calculating these emissions being based on estimates, which are inherently uncertain. We welcome the proposed relief from disclosures of Scope 3 GHG emissions, however, whether the two-year duration of this relief is sufficient depends on a number of factors, such as:

- how effectively entities can provide the required Scope 1 and Scope 2 GHG emissions disclosures, whereby Scope 3 GHG emissions could be viewed as a 'residual' category; and
- the availability of data for accurate and reliable reporting of Scope 3 GHG emissions. In many cases, the Scope 3 GHG emissions disclosures rely heavily on the availability of data from other entities that are not necessarily within the control of the entity making the disclosures.

We encourage the CSSB to take account of the readiness of entities to provide this information, including accessibility to, accuracy and completeness of data, availability of necessary resources, and implementation of processes, including technology solutions. Also, in line with the comments as set out in our cover letter, we strongly believe that the Board should consider the proportionality aspects given the reporting burden that may be imposed on entities along the value chain in the Canadian marketplace. Our views are further supported by Table 1 of the Inaugural Jurisdictional Guide published by the IFRS Foundation that highlights the measurement of Scope 3 GHG emissions as one of the mechanisms related to proportionality for which information used could be limited to what is reasonable, supportable and available without undue cost or effort.

We also encourage the CSSB to consider the deliberations by the US SEC and other regulatory bodies as it relates to the deferral on disclosing Scope 3 GHG emissions and whether such considerations would also be applicable to the Canadian marketplace.

3. Other issues

Do you agree that the requirements in the following sections are appropriate for application in Canada? Please explain the rationale for your answer.

(a) Objective
(b) Scope
(c) Core Content
(d) Appendices A-C

While we do agree that the requirements in the sections mentioned above are appropriate for application in Canada, we have significant concerns on the proposed timeframe for adoption of this standard by Canadian entities. Refer to our previous comments on this matter.

Appendix C

Proposed Criteria for Modification Framework

The CSSB's proposed Criteria for Modification Framework presents the basis on which the CSSB would introduce changes to the IFRS Sustainability Disclosure Standards as issued by the ISSB. These criteria ensure that Canadian standards align with international standards while addressing Canadian public interest.

The CSSB recognizes the benefits of the IFRS Sustainability Disclosure Standards as issued by the ISSB in facilitating the global standardization of sustainability disclosure standards. The CSSB, therefore, supports incorporating these standards into the CSDSs to the fullest extent possible. The CSSB also recognizes that there may be circumstances in which amendments are required in the Canadian public interest.

1. Do you agree with the CSSB's proposed criteria to assess modifications, namely additions, deletions and amendments to the ISSB's global baseline standards? Please provide reasons.
2. Are there other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework?

1.
The proposed Criteria for Modification Framework considers amendments to include (a) 'additions to', (b) 'deletions from'; and (c) 'other amendments' of the IFRS Sustainability Disclosure Standards.

We are supportive of the CSSB's view that there may be circumstances where amendments are required to the IFRS Sustainability Disclosure Standards to consider unique Canadian circumstances, such as the needs and interests of First Nations, Métis and Inuit Peoples. However, we would recommend the CSSB limit such amendments as being 'additions to' the IFRS Sustainability Disclosure Standards. This would continue to support the global standardization of sustainability disclosure standards and not prevent or potentially impair a Canadian entity's ability to be in compliance with both the ISSB and CSSB sustainability disclosure standards.

Nonetheless, 'deletions from' and 'other amendments' to the IFRS Sustainability Disclosure Standards may be appropriate in circumstances where the CSSB may wish to develop equivalent sustainability disclosure standards for entities such as those operating in the public or private sector.

2.
In addition to developing criteria to assess modifications to the IFRS Sustainability Disclosure Standards, we would encourage the CSSB to also consider developing criteria or a plan on:

- how it will monitor and incorporate, if any, developments to the IFRS Sustainability Disclosure Standards and/or other materials issued by the ISSB (e.g., educational materials, guides, etc.); and
- if not already translated by the ISSB, whether materials currently referenced in the CSSB standards (e.g., Sustainability Accounting Standards Board (SASB) Standards) or other materials issued by the ISSB (e.g., educational materials, guides, etc.) need to be translated to French in the interest of ensuring equitable accessibility in both the official languages of Canada.