FRAS Financial Reporting & Assurance Standards Canada Sustainability

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

Responses to Exposure Drafts and Consultation Paper

F-W

July 2024

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CSSB Exposure Draft – Proposed Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures

Response Number	Organization
1	FEI Canada
2	First Nations Financial Management Board
3	Fortis Inc.
4	Friends of Science
5	Glasgow Financial Alliance for Net Zero (GFANZ) Secretariat
6	GLJ Ltd
7	Government of Saskatchewan - Ministry of Environment
8	Grant Thornton LLP
9	High River Chamber of Commerce Board of Directors
10	Holly Johnson
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12	Intact Centre on Climate Adaptation
13	Intact Financial Corporation
14	International Climate Science Coalition - Canada
15	Investment Funds Institute of Canada (IFIC)
16	Karen McKim
17	KPMG LLP
18	Lacombe County
19	Lifting Solutions
20	Mac Van Wielingen
21	Mackenzie Investments
22	Manitoba Beef Producers (MBP)
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24	Michelle Pearson
25	Mindy Anderson
26	Mining Association of Canada (MAC)
27	Morningstar Research, Inc.
28	Mouvement Desjardins
29	MSCI ESG Research LLC
30	Norges Bank Investment Management (NBIM)
31	Northern Sunrise County
32	Nutrien

33	Office of the Auditor General of Alberta
34	Office of the Superintendent of Financial Institutions OSFI
35	OPTrust
36	Paramount Resources Ltd
37	Partnership for Carbon Accounting Financials
38	Pension Investment Association of Canada (PIAC)
39	Power Sustainable
40	Precision Drilling Corporation
41	Public Sector Pension Investment Board (PSP Investments)
42	PwC LLP
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47	SHARE - Shareholder Association for Research and Education
48	Smart Prosperity Institute
49	Students & Faculty HEC, UQAM, UdM, Penner
50	Suncor Energy Inc.
51	Sunesis Consulting Ltd.
52	TC Energy Corporation
53	Tennacor
54	TMX Group Limited
55	Tourmaline Oil Corp
56	TransAlta Corporation
57	Trican Well Service Ltd.
58	Trottier Family Foundation
59	University Pension Plan (UPP)
60	Village of Duchess Council
61	Village of Rosemary
62	Vulcan County
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CSSB Consultation Paper – Proposed Criteria for Modification Framework

Response Number	Organization
1	FEI
2	Gibson Energy Inc.
3	GLJ Ltd
4	Grant Thornton LLP
5	KPMG LLP
6	Mac Van Wielingen
7	Mackenzie Investments
8	Manitoba Beef Producers (MBP)
9	MAPLE 10 - PSP, OPTrust, CPP, UPP, OTPP, CDPQ, OMERS, IMCO, HOPP
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12	Northern Sunrise County
13	Nutrien
14	Office of the Auditor General of Alberta
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16	OPTrust
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22	Smart Prosperity Institute
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24	Sunesis Consulting Ltd.
25	Trican Well Service Ltd.
26	University Pension Plan (UPP)

leadership beyond finance

June 10, 2024

Canadian Sustainability Standards Board (CSSB)

Re: CSSB Exposure Drafts

- Proposed Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information
- Proposed Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures.

This submission is being made by the ESG and Sustainability Committee of the Financial Executives International Canada (FEI Canada). FEI Canada has the following purpose:
"As an organization of professionals, FEI Canada's mission is to be the leading voice and informed choice for senior financial executives across the country by providing professional development, networking opportunities and thought leadership in the delivery of valuable "Canadian-centric" knowledge to our members."
Our members serve as financial leaders in a variety of industries and across a wide spectrum of entities in a global business environment. Consequently our comments are neither industry specific nor entity specific. Our intent is to provide objective and informed opinion that will maximize value to all stakeholders. We have addressed your survey questions in Appendix A as well as providing the following overview of our position. We also provide in Appendix B what we plan to submit to the Canadian Securities Administrators (CSA).

Overview of FEI Comments on CSSB 1 and 2

- We appreciate the work of the CSSB in Canadianizing the relevant international standards promulgated by the International Sustainability Standards Board. It is important to adapt the International Standards to consider unique aspects of the Canadian business and investment environment. Canadian standards must enable businesses to responsibly flourish in a global economy in which at least some competitors will not comply with sustainability standards and therefore will not incur those compliance costs. In a global business environment, this may result in some Canadian businesses being less competitive.
- There is already quite extensive public reporting of emissions data and related policy and risk analysis by publicly accountable enterprises in Canada. A consistent set of Canadian standards will foster consistency, comparability, and reliability of such reporting, which will serve preparers, assurance providers, advisory firms, investors, and analysts.
- We expect to see more enterprises voluntarily add or increase sustainability and climate-related disclosures in response to requests/demands from stakeholders, particularly investors and financiers/banks. Publicly accountable enterprises which are upstream and/or downstream in the supply chain will also be requesting sustainability and climate-related information. This creates complexity in the reporting and disclosure processes. Allowing this marketplace to work with all such voluntary reporting to be in accordance with CSSB 1 and 2 has a lot of merit. We encourage regulators to consider continuing with voluntary reporting/disclosure. It has the obvious benefit of resources being focused where most needed rather than a universally mandated

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requirement and allows businesses to effectively and economically 'invest' in sustainability and socially responsibly business practices.

- The longer implementation timeframes (compared to ISSB proposals) proposed by CSSB are helpful. They certainly should not be reduced, and we would support even longer implementation timeframes (e.g., a further year or two). The resources, particularly the appropriate human resources, are already scarce on a global basis for most enterprises. However it is important that publicly accountable enterprises immediately commence their work to plan, finance and implement reliable systems and processes to assemble and verify sustainability and climate-related disclosures.
- The scrutiny being applied regarding climate-related disclosure and the risk of unintended consequences is demonstrated by the recent Bill C59. In an analysis of the legislation, the law firm Norton Rose Fulbright wrote: "Companies making climate-related, net zero, environmental impact or similar claims will have to consider the increased risk stemming from these new greenwashing provisions, while at the same time navigating the possibility of private applications." Don Braid's column in the May 30, 2024, Calgary Herald wrote: "The amendments to Bill C-59 are aimed at "greenwashing" — roughly defined as making false statements about positive climate action. The larger goal is to stop companies from stating the inconvenient truth that they are making significant gains on emissions." We urge caution when implementing stringent climate-related disclosures so as not to unintentionally expose Canadian businesses to allegations of "greenwashing."
- On one hand, reporting entities can counter criticism by pointing to compliance with independent CSSB standards but there may be negative consequences for reporting issuers from expanded climate-related reporting.
- As CSSB has identified, the key factor is the very practical one of sufficient human resources to gather, organize, present, and possibly provide independent assurance for the necessary information. The effort for this work is an investment by the business into corporately sustainable and responsible business practices. While it may be difficult to effectively measure a return on this investment, a reasonable amount of expenditure can be made for an appropriate and reasonable amount of analysis, reporting and assurance. We hope the standards are aligned with this cost/ benefit consideration.
- Publicly accountable enterprises will be required to collaborate with all participants in their supply chain, large customers, controlled entities, and others to establish systems and processes to collect the necessary data. Preparing public reports and commentary will require a significant effort as there will be private or sensitive data that will concern suppliers, customers, other stakeholders, or the reporting entity itself. This may require extensive discussion and negotiation. We appreciate that CSSB acknowledged this reality and provided guidance as to how enterprises should deal with commercially sensitive information.
- The resource (human and other resources) issue is particularly an issue for Scope 3 emissions, so the proposed longer implementation period for Scope 3 is a practical necessity. An even longer implementation period of one or two years will afford organizations the time to develop collaborative Scope 3 emissions assessment practices that are consistent and reasonable for all parties involved in the Scope 3 emissions generation.
- Boards of directors, assurance providers and likely others are concerned about their responsibility and potential liability for this emerging reporting obligation. CSSB should be aware of this important matter, although it will fall primarily to applicable regulators to establish "safe harbors" as appropriate. CSSB or regulators may want to consider limits on professional liability related to services provided in the preparation of any CSSB related reports as many methodologies used for emissions analysis, assessment and reporting may be inherently faulty based on the inability to accurately measure emissions by one or more of the business entities in the supply chain servicing the reporting entity. The source of emissions may be several entities down the supply chain. Consequently obtaining reliable and timely data may be challenging.

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- We note that the US Securities and Exchange Commission did not require reporting Scope 3 emissions in its pronouncement on March 6, 2024. Differences between ISSB and the SEC (including US GAAP) are particularly challenging for Canada given the substantial number of cross-border issuers and an integrated capital market. The challenge this poses is primarily an issue for CSA, but CSSB should remain vigilant as to consequences and align standards to the extent possible with the unique aspects of the Canadian capital markets.

Thank you for considering our comments and recommendations.

Arthur Madden, CPA CMA MBA ICD.D
Chair, ESG and Sustainability Committee

Cc Mr. Brian Banderk, Chair, CSA Chief Accountants Group

APPENDIX A

Survey Questions on CSDS 1, CSDS 2 and Criteria for Modification Framework

Part 1: Basic information

1. **Responses are made public on the website once the document is closed for comment unless you request that your response be private.** Public
2. **What is your name?** Arthur Madden, CPA CMA MBA ICD.D (arthurmadden91@gmail.com, 403-473-8547) and Steven Glover, FCPA FCA MBA (stevenglover@shaw.ca, 403-990-3876), representing the ESG and Sustainability Committee of Financial Executives International Canada
3. **Are you interested in future collaboration with CSSB? If so, please leave your contact information.** Yes, see above
4. **Are you responding on behalf of an organization or a member of the public?** See above
5. **If responding as a member of the public, what is your relationship to sustainability disclosures? If responding on behalf of an organization, what is your organization's relationship to sustainability disclosures? If more than one option applies, please select the option that most closely reflects the perspective you're providing. ***
   FEI primarily represents preparers of sustainability disclosures in a wide variety of industries. The FEI mission states in part: "FEI Canada's mission is to be the leading voice and informed choice for senior financial executives across the country."
6. **If responding on behalf of an organization, in which industry does it operate?** See above
7. **If responding on behalf of an organization, what type of organization is it?** See part 5 above.
8. **If responding on behalf of an organization, what is the size of the organization?** FEI has 1,100+ members
9. **If responding on behalf of an organization, in what province is your organization headquartered?** Ontario
10. **If responding as a member of the public, do you identify as an Indigenous person? If responding on behalf of an organization, is your organization Indigenous-owned and/or led? (An Indigenous-led organization refers to a group, institution, or entity that is primarily governed, operated, and led by Indigenous people or communities)** N/A
11. **If you identify as an Indigenous person, please specify your Indigenous Identity.** N/A

Part 2: Based on CSSB Exposure Draft, Proposed CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information

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.

12. **Do you agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is adequate?** We agree with the need for transition relief with the Exposure Draft provision as a minimum. Refer to the overview comments, which recommend a longer implementation period.
13. **Please provide your reasons for your response to question 12.** Refer to our comments in the overview and below.

14. **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.**
    Refer to Appendix B, which sets out comments we plan to make to the Canadian Securities Administrators (CSA). In summary, our planned comments to CSA include the following three recommendations:

a) Voluntary or mandated disclosure by Canadian reporting issuers should be mandated to be in accordance with CSDS standards.
b) Mandated CSDS disclosure requirements should apply only to TSX reporting issuers. The principle of proportionality is the primary argument supporting this recommendation.
c) Mandated CSDS disclosure requirements should be in the Annual Information Form (AIF), which is a required filing for TSX reporting issuers only, so it automatically encompasses the above recommendation.

We strongly support the principle of proportionality. An alternative to the above distinction between TSX and non-TX reporting issuers could be a size test. We recommend the Canadian equivalent to the size test applied in the UK for certain regulations for reporting issuers, i.e. Market cap greater than 200 million Euros **plus** annual turnover greater than 750 million pounds **plus** number of employees greater than 750.

<u>Timing of reporting (proposed paragraphs 64-69 of CSDS 1)</u>

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. 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.

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.

For fuller context on this topic, you can refer to question 2 of proposed CSDS 1.

15. **Is any further relief or accommodation needed to align the timing of reporting?**
    Yes, refer to the comments above that the CSDS disclosure should be annual only and part of the Annual Information Form for reporting issuers. This makes CSA-mandated reporting for fiscal 2026 possible albeit still challenging from a data and resource perspective.
16. **If you responded 'Yes' to question 15, please specify the nature of the relief or accommodation and provide the rationale behind it.** See above.
17. **How critical is it for users that entities provide their sustainability-related financial disclosures at the same time as its related financial statement?**
    It is not critical. Refer to our recommendation that mandated sustainability and climate-related disclosures for reporting issuers should be annual only as components of the AIF. Reporting issuers would be free to voluntarily adopt quarterly reporting in conjunction with quarterly financial statements. All sustainability and climate-related reporting (mandated or voluntary) should be mandated to be in accordance with CSDS standards.
18. **Please provide your rationale for your response to question 17.** See above – the scenario analysis of risks and opportunities aligns with the current risk analysis required for the AIF.

<u>Other Issues</u>

19. **Do you agree that the requirements in the 'Scope' section are appropriate for application in Canada?** Yes
20. **Please explain the rationale for your response to question 19.** We support the principle followed by CSSB, that Canadian standards should align with international standards as much as possible. This significantly simplifies the reporting for enterprises that also fall under the international reporting standards. Note our comment that deviation from the SEC requirements poses challenges, not just for those with cross-border listings but all reporting issuers, given the strong integration of the Canada and US capital markets. Canada chose IFRS over FASB some 15 years ago, so it makes sense to continue to follow international standards. That said, CSSB should be involved in developing and setting international standards to which Canadian issuers are to adhere. Canadian business practices and reporting have been innovative and leading-edge in industries such as mining, agriculture, oil & gas, technology, telecommunications, etc. Canada is seen as a global leader in these sectors, including better and more realistic sustainability reporting practices that allow for accuracy, accountability, cost effectiveness, etc. CSSB can play a valuable role by serving as a conduit to the international standard setters so that they may benefit from the input and experience of these Canadian entities.
21. **Do you agree that the requirements in the 'Conceptual Foundations' section are appropriate for application in Canada?** Yes
22. **Please explain the rationale for your response to question 21.** The qualitative characteristics (relevant, comparable, verifiable, timely, understandable, materiality, reporting entity, fair presentation, connectivity) are appropriate in Canada.
23. **Do you agree that the requirements in the 'Core Content' section are appropriate for application in Canada?** Yes
24. **Please explain the rationale for your response to question 23.** Governance, strategy, risk management, metrics and targets are appropriate for application in Canada and align well with our recommendation that the CSA mandate this disclosure as components of the AIF. Further, such content need not be quarterly as there is not likely to be material changes quarter over quarter. The costs of quarterly preparation would be significant (particularly in this time of scarce human resources for this emerging field) and, in our view, would not provide benefits to the enterprise or users of the information sufficient to warrant those prohibitive costs. However, reporting issuers are free to voluntarily report quarterly, and that reporting should be in accordance with the CSDS.
25. **Do you agree that the requirements in the 'General Requirements' section are appropriate for application in Canada?** Yes, except for the timing, which we recommend should be annual only as a component of the AIF. The AIF reporting timeframe aligns with the timeframe of the annual financial statements allowing more accurate, more integrated, and more comprehensive reporting to stakeholders. Publicly accountable enterprises may voluntarily report in accordance with this standard on an interim basis (usually quarterly for Reporting issuers) and if so, that reporting should be subject be in accordance with the CSDS standards. Most entities would be under extreme pressure to report per the proposed Standard in Q1 2025, but we believe an annual reporting requirement will be manageable for fiscal years beginning on or after January 1, 2026. Should the CSA decide that quarterly reporting be mandated, the earliest reasonable effective date would be fiscal years beginning on or after January 1, 2026, and preferably January 1,2027. This longer timeframe is similar to the implementation timeframe provided for the conversion to IFRS. Implementation of CSDS will require a similar timeframe.
26. **Please explain the rationale for your response to question 25.** The General Requirements align well with the principles of IFRS and Canadian GAAP models, so they seem appropriate. Note the comments above regarding the timing of reporting to align with our recommendation that this disclosure should be a component of the AIF.
27. **Do you agree that the requirements in the 'Judgements, Uncertainties, and Errors' section are appropriate for application in Canada?** Yes
28. **Please explain the rationale for your response to question 27.** This section aligns with the principles of IFRS and Canadian GAAP models, so it should be appropriate for application in Canada.
29. **Do you agree that the requirements in 'Appendices A-E' are appropriate for application in Canada?** Yes

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30. **Please explain the rationale for your response to question 29.** Similar to the comments above, these requirements (and guidance) align with the principles of IFRS and Canadian GAAP models and so should be appropriate for application in Canada. Note our recommendation that only annual reporting be mandated. Consequently, requirements in these Appendices related to interim reporting would be voluntary. We also emphasize the practical reality of "commercially sensitive information" will have broad applicability and will be top of mind for many publicly accountable enterprises.

<u>Part 3: Based on CSSB Exposure Draft, Proposed CSDS 2, Climate-related Disclosures</u>

Climate resilience (proposed paragraph 22 of CSDS 2)

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.

For fuller context on this topic, you can refer to question 1 of proposed CSDS 2.

31. **Is transition relief required for climate resilience disclosure.** Yes
32. **If you responded 'Yes' to question 31, please specify for how long and why.**

The longer implementation timeframes (compared to ISSB proposals) proposed by CSSB are a minimum. They certainly should not be reduced, and we would recommend that CSA mandate an effective date no earlier than those fiscal years commencing on or after January 1, 2027. This implementation timeframe considers the significant resource constraints, the need for comprehensive systems and processes (not ad hoc data compilation) and the importance of reporting quality information. Unrealistic implementation timeframes will result in incomplete reporting or "back of the envelope" estimates. The recommended extended timeframe allows for better analysis and consideration of various operational factors that potentially impact the reporting body's emissions status and plans for reduction. The dynamic interaction of a range of factors when deciding cost/ benefit metrics for resiliency strategies will be better assessed with this extended timeline.

As CSSB has correctly identified, the key factor is the very practical one of sufficient human resources to gather, organize, present, and possibly provide independent assurance for the necessary information. Note our earlier comments that we believe there will be widespread concern about commercially sensitive information and unintended consequences (e.g. allegations of "greenwashing").

33. **Is further guidance necessary?** Yes. We would expect industry associations, accounting firms, law firms or other advisory firms to actively generate guidance in addition to what CSSB might provide. Ideally a group representing users (e.g. investors or analysts) might also provide guidance as to their expectations.
34. **If you responded 'Yes' to question 33, please specify the specific elements that require guidance and why.** Model disclosures by industry would be helpful. Examples of good disclosures as well as substandard disclosures is a helpful approach similar to how the CSA presents some of its reports. Industry associations provided significant and helpful guidance for the conversion to IFRS and hopefully will do so for CSDS.
35. **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.
    Nothing further recommended at this time.

<u>Scope 3 GHG emissions (proposed paragraph C4 of CSDS 2)</u>

Scope 3 GHG emissions information is 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.
For fuller context on this topic, you can refer to question 2 of proposed CSDS 2.

36. **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?** Refer to our planned recommendations to the CSA, e.g. that it mandate annual disclosure in the AIF for fiscal years beginning on or after January 1, 2027. As the SEC does not require the disclosure of Scope 3, the CSA may also decide to so align its mandated Canadian regulation.
37. **Please explain the rationale for your response to question 36.** See the comment above. The scale of estimation for any Scope 3 emissions is beyond any other regulatory disclosure in the history of such. Implying any degree of accuracy, verifiability, reliability, or comparability to other entities must be approached cautiously. The reporting enterprises have no control over Scope 3 emissions. Reporting issuers will be required to invest a lot of resources in systems and processes to report broad and, at least in the initial years, unreliable estimates of Scope 3 emissions over which they have no control. Mandating such disclosure by reporting issuers must be carefully considered. There could be significant unanticipated consequences. We trust that the CSA will be cautious in making its decision regarding Scope 3 emissions. Note our comments in the overview regarding unintended consequences regarding Bill C59.
38. **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.** See above – at least one more year. The CSSB was formally announced in June 2022. It took nearly two years for it to release its first exposure draft in March 2024. It is unrealistic that reporting enterprises might be mandated to start reporting in a lessor timeframe. Refer to comments above. We emphasize the need for systems, processes, and test periods. Reporting issuers will need to negotiate with suppliers and customers (entities both downstream and upstream in its supply chain) to obtain the required regulatory information. We emphasize the importance of the quality of information rather than the speed of information.

<u>Other Issues</u>

39. **Do you agree that the requirements in the 'Objective' section are appropriate for application in Canada?** Yes
40. **Please explain the rationale for your response to question 39.** A focus on the primary user of general purpose financial reports is reasonable.
41. **Do you agree that the requirements in the 'Scope' section are appropriate for application in Canada?** Yes
42. **Please explain the rationale for your response to question 42.** It is reasonable that the reporting considers both physical and transition risks. We note that many public accountable enterprises may never have incurred a material climate-related loss, nor expect one to occur.
43. **Do you agree that the requirements in the 'Core Content' section are appropriate for application in Canada?** We are in generally in agreement but are cautious, as the "devil is in the details."
44. **Please explain the rationale for your response to question 43** Many enterprises will face a major challenge to establish reliable and verifiable systems and processes to support this extensive reporting requirement at a time that the relevant human resources are scarce and such reporting is also new in other jurisdictions. Canadian companies with foreign operations, particularly those in less developed economies, will find it challenging to assemble reliable data and project climate-related scenarios. Many resource-based Canadian entities operate in less developed countries. Those countries are likely to experience a wide variety of climate-related events different from what might be experienced in Canada. Global supply chains comprised of multiple vendors/suppliers and multiple stages will create major challenges in compiling reliable data to meet the sustainability and climate-related standards . These circumstances (again very prevalent among Canadian entities) increase the challenges of accurate and timely reporting.

    Scenario analysis requires high-level expertise that is likely to remain a scarce resource for many years, and there are no well-established precedents yet in any jurisdiction. If pressed into premature implementation, the reporting enterprises will resort to "boilerplate" (likely lengthy) and generalities. That precedent will be difficult to overcome in future years. Users will also be disappointed and become skeptical and even hostile.

Canada's industries, particularly those in the resources, are extremely capital-dependent. There are already challenges competing for capital on a global scale. Climate and other sustainability reporting can be helpful, but that reporting must be of reasonable quality and prepared at a reasonable cost. Forcing disclosures prior to allowing the time for the establishment, testing and integration into both the upstream and downstream value chains, may cause long-term or even permanent damage. Better to focus on quality rather than speed to market. The following quote from the Appendices makes this point succinctly " Climate-related scenario analysis can be resource intensive and might – through an iterative learning process – be developed and refined over multiple planning cycles." We recommend that publicly accountable enterprises be allowed to develop their frameworks over a couple of planning cycles if not "multiple planning cycles." A typical planning cycle in today's world is years, not months, as we reflect on the timelines to plan any major infrastructure project in Canada in today's environment. Consider the time it took the CSSB to publish its first exposure draft which is essentially a duplicate of the international standard. We understand the importance of due process which no doubt contributed to this timeline for the CSSB. It is critical that the CSSB and CSA consider the same for due process in how reporting issuers build and evaluate the systems and processes necessary for reliable reporting of climate-related disclosures.

45. **Do you agree that the requirements in 'Appendices A-C' are appropriate for application in Canada?** Yes
46. **Please explain the rationale for your response to question 45.** The Appendices contain helpful and useful information and guidance. We note particularly paragraph B7 quoted above. The Appendices document the challenging implementation process faced by publicly accountable enterprises and particularly finance teams. Finance teams are also facing many other challenges at the same time, e.g. Bill 211 reporting, IAS 18, significant tax changes, inflation, high interest rates, remaining supply chain shortages, government-led onshoring initiatives, looming shortages of key transition minerals, etc.

Part 4: Based on CSSB Consultation Paper, Proposed Criteria for Modification Framework

Would you like to respond to one or more questions from the CSSB Consultation Paper, *Proposed Criteria for Modification Framework*? Yes

The CSSB's proposed Criteria for Modification Framework presents the basis on which the CSSB could 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**.** For fuller context on this topic, you can refer to question 1 and 2 of proposed Criteria for Modification Framework.

47. **Do you agree with the CSSB's proposed criteria to assess modifications, namely additions, deletions, and amendments to the ISSB's global baseline standards?** Yes
48. **Please provide reasons for your response to question 47.** Seem reasonable.
49. **Are there other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework?** None recommended at this time.

If you responded 'Yes' to question 49, please explain what criteria and provide the rationale behind it.

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Appendix B

Planned Comments to the Canadian Securities Administrators

Regarding CSDS 1 & 2 – Sustainability and Climate-related Disclosures

- The Canadian Securities Administrators (CSA) are responsible for determining whether sustainability and/or climate-related reporting should be mandated for reporting issuers. The CSA stated the following with the release of the CSSB Exposure Drafts on March 13, 2024:

  "The CSA continues to monitor and assess international developments in this area, including the United States Securities and Exchange Commission (SEC)'s climate-related disclosures rule approved on March 6, 2024.

  As noted in previous market updates, the CSA remains committed to working towards disclosure requirements that support the assessment of material climate-related risks, reduce market fragmentation, and contribute to efficient capital markets while considering the needs and capabilities of issuers of different sizes. When the CSA publishes its revised rule, it will seek public comments on a number of matters, including the scope of application and the need for additional time and/or guidance for reporting issuers to comply with certain disclosure requirements."
- We are pleased to note the CSA's acknowledgement of the critical importance of the SEC requirement, the scope of the application and the potential need for additional time and/or guidance. Refer to our comments in response to the CSSB survey in which we strongly stress the importance of these factors and the need for additional time. Also, note our comments that the market is working reasonably well. Those holding or offering debt or equity and those higher up in the supply chain are already mandating sustainability and/or climate-related disclosures. Mandating that any such marketplace-driven reporting be in accordance with CSSB standards is a major step forward and may be all that is required at this time.
- As a minimum, we recommend that all reporting issuers should be mandated to report in accordance with the CSSB standards whether they are making sustainability or climate-related disclosures voluntarily or are so mandated. As described in our comments to the CSSB, the sustainability and climate-related disclosure marketplace has operated for several years. This market-based approach has led many reporting issuers (both TSX and non-TSX) to provide some level of sustainability and/or climate-related disclosure. The CSA will have to consider how to accommodate the many cross-listed TSX and TSX-V entities subject to SEC reporting requirements for sustainability and climate-related disclosures.
- If the CSA decides to mandate sustainability and/or climate-related disclosures, we recommend an effective date no earlier than those fiscal years commencing on or after January 1, 2027. Consideration might be given to an earlier date, e.g., January 1, 2026, only if that earlier disclosure is of limited scope.
- We also recommend that any mandatory disclosure be annual, not quarterly. We do not anticipate significant changes in emissions quarter over quarter, and thus, annual reporting is sufficient and appropriate for both emissions and risk/scenario analysis. The prohibitive costs of detailed quarterly reporting would not generate any material benefits. Most importantly, annual reporting reduces the implementation costs and acknowledges the significant resource constraints all reporting issuers face currently. Establishing systems and processes, compiling data, preparing analysis/commentary, and drafting material for publication will be very demanding, time consuming and resource intensive. Assembling and training human resources for this emerging field will be a major challenge. Mandating quarterly reports will be costly and, in our view, of limited value given the degree of estimation, particularly for scope 3 emissions. The reporting issuer's obligation to report material changes would be sufficient to deal with those rare circumstances when a material change to sustainability or climate-related circumstances in an interim period would warrant disclosure to the markets.
- We further submit that disclosures in accordance with CSDS 1 and 2 should be mandated as components of the Annual Information Form (AIF). This appears to be a good fit given that the CSSB disclosures include scenario analysis of risks and opportunities, which align well with the general structure of the AIF. As noted

above, we also question the usefulness of quarterly data and analysis and thus recommend that mandatory disclosure be made annually and in the AIF.

- If the CSA does decide that mandated disclosures ought to be imposed on at least a segment of reporting issuers, we recommend that "proportionality" should drive the CSA decision-making process. Historically, the CSA has affirmed this concept by distinguishing the requirements for TSX reporting issuers from non-TX reporting issuers. We recommend this practical approach be used in this instance with the CSSB standards being mandated only for TSX reporting issuers. Potential mandatory reporting for non-TX reporting issuers might be considered down the road. In our view that consideration should be no sooner than five years beyond the effective date for TSX issuers.
- This approach allows scarce resources (human and other) to be focused on entities with by far the larger capitalization, emissions and related risks and opportunities. The issue of scarce human resources is applicable as much to the analysts and other user base as it is to the preparer population.
- An alternative to the above distinction between TSX and non-TX reporting issuers could be a size test. Should CSA consider this option, we recommend the Canadian equivalent to the size test applied in the UK for certain regulations for reporting issuers, i.e., Market cap greater than 200 million Euros **plus** annual turnover greater than 750 million pounds **plus** number of employees greater than 750.
- Boards of directors, assurance providers and likely others are concerned about their responsibility and potential liability for this emerging reporting obligation. The CSA should establish "safe harbors" as appropriate.
- An important consideration is the liability and obligation of a reporting entity for emissions data and other information related to their vendors/ suppliers. Many small and medium businesses in the reporting issuer's supply chain may not have the internal resources to assess and report properly. The reporting issuer may need this information in the context of reporting Scope 3 emissions or other required information. There is a substantial risk that key smaller suppliers/ vendors may not have or be unwilling to devote the resources to provide the required information. Consequently, they may no longer be viable providers of key products and services. The implications are negative for those smaller suppliers but also a reporting issuer should it be severely restricted in sourcing business products and services necessary for its business. Safe harbour provisions are appropriate for such business-related circumstances as well as for investor or other concerns.

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June 10, 2024

By CSSB Online Form

Omolola Fashesin, MBA, CPA, FCCA, FSA
Principal, Sustainability Standards
OFashesin@frascanada.ca

Dear Ms. Fashesin

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

Thank you for the opportunity to comment on the Canadian Sustainability Standards Board's (the "**CSSB**") draft Canadian Sustainability Disclosure Standards ("**CSDS**"). We have reviewed both CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information, and CSDS 2, Climate-related Disclosures.

The First Nations Financial Management Board (the "**FMB**") is a First Nations-led organization established under the *First Nations Fiscal Management Act*.[1] Our clients are First Nations who opt in to our services, primarily with respect to developing, implementing and maintaining fiscal capacity and controls within their governing and administrative bodies. Accordingly, we have reviewed CSDS 1 and CSDS 2 as it may relate to our clients.

From our assessment, our clients may be impacted by the CSDS 1 and CSDS 2 in two general ways:

1. **Our Clients' Government Business Enterprises ("<u>GBE</u>") may provide direct or scope 3 disclosures under the CSDS:**
    a. Our clients' GBEs may choose to voluntarily publish disclosures pursuant to the CSDS, or they may, as part of an entity's value chain, be required to disclose their greenhouse gas emissions as part of a reporting entity's Scope 3 emissions.
2. **Our Clients' Communities may be Impacted by the operations of Entities' who make CSDS disclosures:**
    a. Enterprises' impacts on Indigenous communities may constitute "sustainability-related risks and opportunities". This includes direct impacts;[2] cumulative effects;[3] and indirect impacts on Indigenous communities.[4] These impacts will be as material to an investor as any other sustainability-related risk and opportunity.

[1] S.C. 2005, c. 9. The FMB works with its First Nations clients to develop fiscal capacity and responsible fiscal governance, and further serves First Nations by advocating for the necessary inclusion of First Nations interests in financial policy matters throughout Canada.
[2] e.g. linear infrastructure construction on First Nation lands
[3] As clarified in the decision in *Yahey v British Columbia*, 2021 BCSC 1287
[4] e.g. increases in jobs; decreased food security amidst impacts on ability to harvest; decreased ability to practice cultural traditions because of increased dust during construction; economic development in Indigenous communities as Indigenous contractors are awarded contracts.

b. Our clients are essential investors[5] in the massive annual investment that is needed for Canada to meet its greenhouse gas emissions targets by 2030.[6] Disclosures must reflect the expectations of Indigenous rights holders and the responsibility that state governments and corporations have under UNDRIP. This is to say, our clients may be users of sustainability disclosures when deciding where to invest.

Support for Consultation, but more planning needed

We support the CSSB's intention to have an Indigenous-specific consultation in Q4 of 2024. We recommend that the CSSB connect with Aboriginal rights-holders without delay to ensure that the timing of planned consultations aligns with community projects and plans. We further recommend that the CSSB ensure that materials are available in languages and in a format accessible to communities. To that end, the CSSB may consider reaching out to the national Indigenous organizations[7] to begin connecting with local and regional organizations to plan a consultation that will be effective.

Regarding the timing of and transition relief for the standards, we recommend that CSSB specifically consult with Indigenous businesses. If those entities need additional time, it may be in the greater public interest to allot that additional time. Indigenous Peoples have been excluded from participation in corporate Canada. It would not be an acceptable outcome for reconciliation if Indigenous businesses are unintentionally harmed by the coming into effect of the CSDS when additional transition time may allow those businesses to properly prepare disclosures. This is in keeping with the International Sustainability Standard Board's view of transitional relief when jurisdictions are adopting the ISSB's standards.[8]

Rebuttable Presumption that Entities should consult with Indigenous groups

We recommend that the CSSB include a clause setting out that there is a rebuttable presumption that entities should have consulted with Indigenous groups and that entities should make disclosures accordingly.

[5] There are billions of dollars in settlements that have been or will be paid to Indigenous nations, with significant amounts of those settlements being invested.
[6] Estimated at around $50B annually. See: Investing in Canada's future capital projects and infrastructure | McKinsey.
[7] Assembly of First Nations; Métis National Council; Inuit Tapiriit Kanatami.
[8] See: ISSB Vice Chair Sue Lloyd talks aligning sustainability standards across jurisdictions | S&P Global ESG Insider podcast | S&P Global (spglobal.com): "What we don't want is for jurisdictions to look at our standards and say, "Oh my goodness, this looks hard so we're just going to cross requirements out." What we really want jurisdictions to do is rather to think about whether a more measured introduction of requirements might assist an ultimate compliance that's closer to our global baseline. **One of the things that we acknowledged in our conversations with jurisdictions is at a jurisdictional level they may wish to extend a relief like that a bit longer so that they've got more time to get ready, particularly for smaller companies**." [Emphasis added.]

We make this recommendation because of the high percentage of Indigenous-intensive industries[9] in Canada that will be making sustainability disclosures. Including such a clause would be in keeping with the United Nations Declaration on the Rights of Indigenous Peoples, and the Truth and Reconciliation Calls to Action. Should an entity not need to consult Indigenous Peoples, it would merely state that it does not have to do so in narrative disclosures. This should not result in any additional costs to an entity. This ensures that all investors receive the same information regarding Indigenous consultation, which will increase clarity and comparability between sustainability disclosures.

This recommendation is in keeping with similar recommendations that we have made to the Auditing and Assurance Standards Board in relation to its CSSA 5000, General Requirements for Sustainability Assurance Engagements.

Standards should be demonstrated using Indigenous sustainability examples

We are also of the view that the standards require additional explanations and examples to indicate how they are applicable to sustainability-related risks and opportunities posed by Indigenous rights and title.

Throughout the CSDS 1, for instance, the CSSB explains or elaborates on the clauses in the standard with examples, including:

- **General sustainability-related risks and opportunities – Paragraph B3**: water is used as an example of a natural resource; workforce talent is used as an example of a necessary precondition to succeed in a competitive market.
- **Resources and relationships – Paragraph B4**: resources and relationships are exemplified by examples such as the entity's workforce, its know-how or its organizational processes (internal examples); and materials and services the entity needs to access, or the relationships it has with suppliers, distributors and customers (external examples).
- **Sources of information – Paragraph B9**: sources of information used by an entity in preparing its disclosures include: the entity's risk management processes; industry and peer group experience; and external ratings, reports and statistics.
- **Significant Change in Circumstances - Paragraph B11**: examples include increased greenhouse gas emissions in value chain; a merger or acquisition; or introduction of a new, unanticipated regulator in the value chain.

By also using Indigenous examples when explaining clauses, an entity will be better informed that Indigenous sustainability-related risks and opportunities are broad. This will avoid entities thinking that the only Indigenous sustainability-related risks and opportunities which they must disclose are the most well-known examples (e.g., consultation; free, prior and informed consent).

[9] Indigenous intensive industries are industries that disproportionately affect Indigenous Peoples, by operating on their lands or otherwise. These industries include mining, energy, oil and gas, utilities and pipelines, telecommunications, clean technology and renewable energy, and financial services.

We thus urge the CSSB to elucidate topics throughout the standards by also using Indigenous examples. Entities rely on the standards to acclimatize themselves to what ought to be disclosed. By including Indigenous examples, the CSSB will be informing reporting entities of the breadth of Indigenous sustainability-related risks and opportunities.

Here are examples:

- **Relationships**: Consultation should be early, often and throughout. Accordingly, it is not enough for entities to consider consultation with nations only prior to beginning work. Entities should be considering and reporting on consultation and relationships with Indigenous rights holders within their sustainability reports on a regular basis.
- **Indirect effects**: Entities should disclose the work undertaken to understand indirect sustainability impacts (e.g., economic; social; environmental) on Indigenous communities, up and down supply chains. This should also include impacts on or investments into infrastructure in and/or for Indigenous communities. See Footnotes 2-4 regarding examples of direct and indirect Indigenous impacts.
- **Sources of reasonable and supportable information**: Entities should consider Indigenous traditional knowledge as a source of reasonable and supportable information. This could include information regarding, for example, sustainability efforts (including for climate change-related risks) that an entity undertakes (e.g. biodiversity restoration; controlled burning) or which is otherwise material information.
- **Significant change in circumstances**: developments in Aboriginal law may constitute significant changes in an entity's circumstances (e.g. in 2021, the cumulative effects decision in *Yahey v. British Columbia*, 2021 BCSC 1287 would have been a significant change for economic developers in BC; in 2023 the decision in *Gitxaala v. British Columbia (Chief Gold Commissioner),* 2023 BCSC 1680, would have been a significant change for mineral developers in BC).

Thank you for the opportunity to share our comments. We would be pleased to discuss any of these with you in more detail.

FIRST NATIONS FINANCIAL MANAGEMENT BOARD

Per: ______________________________

Scott Munro, FCPA, FCA, CAFM
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June 10, 2024

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

Attn: Lisa French Vice-President, Sustainability Standards

Dear Ms French:

On March 13, 2024, the Canadian Sustainability Standards Board (**CSSB** or **Board**) released and invited comments on its draft Canadian Sustainability Disclosure Standard 1, *General Requirements for Disclosure of Sustainability-related Financial Information* (**CSDS-1**) and Canadian Sustainability Disclosure Standard 2, *Climate-related Disclosures* (**CSDS-2**) (CSDS-1 and CSDS-2 being collectively referred to as the **Draft Standards**). It is expected that the Canadian Securities Administrators (**CSA**) will consider the finalized CSDS-1 and CSDS-2 in developing mandatory climate-related disclosure standards for Canadian issuers.

Fortis Inc. (**Fortis**, **we**, **our**) supports efforts to ensure that investors and other stakeholders have access to sustainability- and climate-related information that is relevant to understanding an issuer's material risks and business opportunities. Fortis and many of our industry peers recognize our vital role in the clean energy transition and have been early leaders in voluntary sustainability and climate disclosure.

For years Fortis has been an active participant in sustainability and climate consultations with industry, ESG advisory and rating bodies, and standards developers. We have embraced sustainability reporting, beginning in 2016 with our first Environmental Report, and now issue annual Sustainability Reports as well as our recently released second Climate Report. Our extensive work in these areas include Scope 3 emissions and climate scenario analysis. We cross-reference disclosed sustainability data to certain international and industry sustainability standards.[1] To date, we have followed a patchwork of different global standards, frameworks, initiatives, and ESG rater methodologies. Fortis supports transitioning to a more consistent and comparable approach.

[1] Fortis sustainability reporting can be found here: https://www.fortisinc.com/sustainability/sustainability-reporting

Fortis has a stated purpose of delivering a cleaner energy future. We have established targets to reduce Scope 1 greenhouse gas (**GHG**) emissions by 50% by 2030 and by 75% by 2035, relative to a 2019 baseline. Fortis has also established a 2050 Scope 1 net-zero GHG emissions target. This commitment is consistent with what has been occurring across our sector. The electric utility industry in both Canada and the U.S. has been a leader in achieving GHG emissions reductions compared to other sectors of the economy. Between 2005 and 2021 the electricity sector in Canada reduced GHG emissions by more than 55%.[2] Over the same period, carbon emissions in the U.S. electricity sector declined by approximately 35%.[3]

We welcome the opportunity to provide comments on the Draft Standards. Our key points are as follows:

- We support efforts to develop standards for sustainability and climate disclosures that are decision-useful, comparable, and material to the issuer.
- In considering modifications to the International Sustainability Standards Board (**ISSB**) standards, the CSSB should take into account Canada's economic and regulatory context within the highly integrated North American economy.
- In particular, the CSSB should consider the potentially adverse impacts on competitiveness, capital formation and economic growth in Canada if CSDS-2 is not modified to better align with applicable climate disclosure rules in the United States (**U.S.**).
- We submit that mandatory Scope 3 emissions and scenario analysis are not appropriate for inclusion in financial reporting and should not be included in CSDS-2. If they are included, important modifications should be adopted.
- The definition of "materiality" in the Draft Standards should be aligned with the definition of materiality under Canadian securities laws, and it should be made clear that this materiality threshold applies equally to reporting under CSDS-1 and CSDS-2.

Disclosure standards that reflect the Canadian context

While the ISSB Standards propose global baseline sustainability disclosure standards, international adoption has not been consistent and uniform. Most importantly in the North American context, the ISSB standards have not been adopted by the U.S. Securities and Exchange Commission (**SEC**), which regulates the world's largest capital markets comprising over 40% of total global market capitalization. The SEC climate disclosure rule was implemented following an extensive consultation process, including the submission of more than 24,000 comment letters.

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[2] Government of Canada, Greenhouse gas sources and sinks in Canada: executive summary 2023; https://www.canada.ca/en/environment-climate-change/services/climate-change/greenhouse-gas-emissions/sources-sinks-executive-summary-2023.html#toc8

[3] Congressional Budget Office, Emissions of Carbon Dioxide in the Electric Power Sector, December 2022, https://www.cbo.gov/system/files/2022-12/58419-co2-emissions-elec-power.pdf

More so than any other country, Canada will be impacted if CSDS-2 is not modified to better align with U.S. climate disclosure rules. Canada's capital markets have a history of success in attracting capital and new stock exchange listings in a range of sectors such as mining and real estate. The ecosystem created by this capital formation and financing activity supports good jobs and economic growth. Ensuring the maintenance of relatively harmonized capital markets regulation has been an important factor in this success.

It is also noteworthy that China, the nation with the world's second largest market capitalization and Canada's second largest trading partner, has proposed a draft climate-related disclosure standard that includes significant modifications to the ISSB standards. In announcing its draft standard, the Ministry of Finance indicated that it chose not to adopt a one-size-fits-all mandatory approach. Rather, the Chinese model proposes gradual expansion from listed to non-listed companies, from larger to smaller companies, from qualitative to quantitative requirements, and from voluntary to mandatory disclosure.

We believe this is the right approach for the CSSB and Canada. The Draft Standards should reflect a strong commitment to improving climate disclosures based on the ISSB framework, modifications taking into account the Canadian context, and the critical importance of protecting and enhancing the vibrancy of our economy.

The CSSB must also consider Canada's current investment climate, the cost of compliance, and the evolving state of sustainability- and climate-related data-gathering capabilities and advisory services. Disclosure rules should focus on material decision-useful information and take relative costs and benefits into consideration. Well-designed climate disclosure standards should be limited to disclosures that benefit stakeholder decision-making and inform the issuer's strategic planning and risk management. We should avoid reporting for the sake of reporting.

We have seen other well-intentioned climate regulation in Canada (e.g., carbon pricing, proposed clean electricity regulations) generate significant opposition due to factors such as inadequate consideration of regional context, resistance to making appropriate modifications, and a lack of flexibility on the pace of implementation. This has created polarization that, in our view, will ultimately further delay progress in addressing climate change. The CSSB should seek to avoid these outcomes by giving due consideration to the Canadian context and to the benefits of a balanced and pragmatic approach that will attract more durable and widespread support.

The IFRS Foundation's *Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards* describes a jurisdictional journey towards globally comparable information for capital markets. The Guide recognizes that the journey may vary across jurisdictions, depending on local considerations, but that the intended goal is the same – the promotion of globally consistent and comparable climate and other sustainability-related disclosures for capital markets. The path forward proposed to the CSSB in these comments is consistent with this philosophy.

Importance of alignment with the SEC

Both the SEC and CSA have undertaken consultations and rulemaking processes to strengthen sustainability and climate disclosure. On March 6, 2024, the SEC released its final climate-related disclosure rule in the form of Rule No. 33-11275, *The Enhancement and Standardization of Climate-Related Disclosures for Investors* (**SEC Rule**).

The SEC Rule does not require issuers to provide disclosure regarding Scope 3 emissions, nor does it contain a general requirement that registrants conduct scenario analysis, as proposed in CSDS-2. The SEC Rule is also climate-focused and does not require broader non-climate-related sustainability disclosure as contemplated in CSDS-1. As a result, the climate disclosure rule adopted by the SEC is significantly different and less onerous than the disclosure standards proposed by the CSSB. The Draft Standards would entail significant incremental work and resource requirements, creating a relative competitive disadvantage for both Canadian issuers and Canadian capital markets. We do not believe this would serve the Canadian public interest.

Scope 3 emissions

We have concerns with the CSDS-2 proposal requiring Scope 3 emissions disclosure in financial reports. Scope 3 emissions are an estimate based on available emissions reporting methodologies and capabilities, many of which have not sufficiently matured to consistently provide reliable and accurate data. While financial reports contain estimates, those necessary in Scope 3 emissions reporting involve a higher level of measurement uncertainty. This uncertainty is due to: (i) methodologies that are not consistent or well-developed; (ii) key input data that may not be considered reliable; and (iii) unverifiable assumptions and judgments necessary to the estimate.

Scope 3 emissions are particularly challenging to quantify since they depend on broad estimates or general information supplied by third parties within a company's value chain. A company would generally have limited visibility into these third parties or the related estimates. As a result, the proposed CSDS-2 disclosure requirement would result in a reported metric that is developed based on broad estimates and inconsistent methodologies rather than those characterized by the rigor and reliability that a user of a financial report would expect. Such limitations will result in disclosures that may not be comparable, meaningful, or decision-useful to investors and other financial statement users.

Many third parties in a Canadian company's supply chain are in the U.S., where Scope 3 emissions reporting is not required under the SEC Rule. The absence of mandatory Scope 3 reporting in the U.S. effectively means that our two countries are operating under a different set of rules, and therefore developing comprehensive processes to support Scope 3 data gathering, analysis and assurance will be more challenging for Canadian companies.

Due to the inherent challenges of accurate Scope 3 emissions estimation, Fortis believes that Scope 3 emissions disclosure should not be included under CSDS-2, consistent with the SEC

Rule. Alternatively, if Scope 3 disclosure is to be included in the standard, Fortis is of the view that such a requirement should only apply to large issuers that have voluntarily established Scope 3 emissions reduction targets, and only to Scope 3 emissions that are material to that issuer. Clear boundaries should be established as to how far upstream or downstream Scope 3 emissions would have to be tracked, which we suggest should be limited to immediate suppliers and customers. Finally, any requirement to disclose Scope 3 emissions should expressly acknowledge the heavy reliance on estimation and inherent difficulty of assuring data accuracy.

Scenario analysis

Fortis is of the view that the Draft Standards should not require the disclosure of scenario analysis. Apart from concerns that considerable resources would be needed to meet this requirement, because there are no standardized processes and assumptions (including a well-defined time horizon), the scenario analysis produced would not be immediately comparable between companies, reducing its value. While the resourcing challenges are implicitly acknowledged in CSDS-2, the Draft Standards do not address concerns around lack of comparability between companies.

We also note that the SEC Rule does not contain a general requirement that registrants provide scenario analysis, but rather limits such disclosure to where a company already uses scenario analysis to assess the impact of climate-related risks on its business, and where such risks are material to the business.

If the CSSB maintains the scenario analysis disclosure requirement under CSDS-2, we recommend a minimum of one year of transition relief, such that assuming a January 1, 2025 effective date for the application of this standard, this disclosure would first be required for annual reporting periods beginning on or after January 1, 2026. This would allow development of standardized processes and assumptions and recognize the complexity and resource requirements to complete this work.

Timing of reporting

The CSSB seeks comments on aligning the timing of climate-related disclosures with annual financial statement disclosure. The CSSB has acknowledged earlier comments that identified challenges to doing this, including increased reporting burden, staffing constraints, data-quality risk, and data-collection process limitations.

Many Canadian issuers have different timelines for the release of their annual financial statements and management's discussion and analysis, annual information form, and sustainability reports, such that these disclosures are not released at the same time. Personnel that produce a company's financial disclosure often play a major role in the production of sustainability disclosure. The workload on these resources during the preparation of annual financial disclosure in the first quarter of each year is significant. Sustainability reports are generally released after the annual financial disclosure due to these resource constraints, but also due to dependency on the availability of data from third parties, as well as the complexity of calculating GHG emissions.

The SEC Rule has responded to these concerns by permitting registrants to delay the disclosure of Scope 1 and 2 GHG emissions data until the second fiscal quarterly report of the following year. We believe this is a reasonable and practical approach and urge the CSSB to modify the timing of CSDS-2 reporting to be consistent with the SEC Rule.

More generally on the issue of the timing of reporting, we recommend that the Board delay the implementation of CSDS-1 until the SEC moves forward with comparable non-climate-related sustainability disclosure requirements.

Compliance costs

Compliance with proposed sustainability and climate disclosure standards will create significant resource demands and costs for many companies. This could affect the competitiveness of Canadian companies vis-à-vis their U.S. peers, and impact consumers. The Draft Standards should reflect an appropriate balance between value provided to investors and the cost to be borne by companies and their customers, particularly for smaller companies.

If adopted by the CSA, the Draft Standards as proposed would place a disproportionately higher compliance burden on small and mid-cap issuers. We support the approach taken in the SEC Rule which acknowledges this concern by exempting smaller issuers from its Scope 1 and 2 emissions disclosure requirements. China's draft standard also recognizes the disproportionate compliance burden on smaller companies. As an issuer that measures and reports material Scope 3 emissions and has undertaken scenario analysis and reported under the Task Force for Climate-related Financial Disclosures (**TCFD**) framework, Fortis can attest to the fact that such reporting is incredibly resource intensive and would be too heavy a burden for many companies.

Materiality and Safe Harbour Protections

The concept of "materiality" will be very important when determining what disclosures are required under the Draft Standards. Paragraphs 17-19 of CSDS-1 address materiality and references *Appendix B Application Guidance* at paragraphs B13-B37. Paragraph B25 states that "[a]n entity need not disclose information otherwise required by <u>*a CSDS*</u> if the information is not material. This is the case even if <u>*the CSDS*</u> contains a list of specific requirements or describes them as minimum requirements" (emphasis added). We recommend that this important qualifier be placed in a more prominent position in CSDS-1, and expressly included in CSDS-2. This will help ensure that it is clearly understood by reporting entities that non-material sustainability and climate information need not be disclosed. Based on engagements with other issuers, investors, and parties close to the CSSB Draft Standards process, we believe there is confusion over whether CSDS-2, and in particular emissions disclosures, are subject to a materiality threshold. This critical point should be clearly and expressly articulated in CSDS-2.

We also recommend that the CSSB clarify whether the CSDS-1 definition of “materiality” is intended to have the same meaning as the long-established and well-understood definition contained in Canadian securities laws. If not, the Board should provide guidance on how it is different from the securities law definition that otherwise governs public company disclosures. Divergent definitions of materiality for integrated financial and climate disclosures will be confusing for both issuers and investors and create uncertainty regarding compliance and liability.

The SEC Rule acknowledges that sustainability- and climate-related disclosures relating to such things as “transition plans, scenario analysis, internal carbon pricing, and targets and goals are likely to involve a complex mixture of estimates and assumptions, some of which may be based on a combination of facts and projections.” Therefore, the SEC Rule recognizes such disclosures as forward-looking information that are subject to safe harbour protections which limit the disclosing registrant’s potential liability. While this may not be a relevant consideration in relation to voluntary standards adopted by the Board, it will be a significant consideration should mandatory sustainability- and climate-related disclosure standards be adopted by the CSA.

Closing remarks

Fortis thanks the CSSB for the opportunity to provide input to this important consultation. We support the Board’s efforts to bring more consistency and comparability to sustainability and climate disclosure. This process should help investors, consumers, and other stakeholders better inform their decision-making, while creating efficiencies and improvements in corporate disclosure practices. Many observers see the journey towards more meaningful sustainability and climate disclosure as a marathon, not a sprint, where gradual advancement will be achieved as required information gathering and processing capabilities mature. We urge the CSSB to consider modifications that reflect the Canadian context and address the other concerns set out in this letter.

Should you have any questions or wish to discuss any of our comments, please contact the undersigned.

Sincerely,

James R. Reid
Executive Vice President, Sustainability and Chief Legal Officer
Fortis Inc.
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(647) 519-6640

FRIENDS OF SCIENCE SOCIETY
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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

Submitted through FRAS Canada Internet Portal

RE: Canadian Sustainability Disclosure Standard (CSDS) Reporting Standards; Feedback on CSSB CSDS 1 (Sustainability) and CSDS 2 (Climate-related) Financial Disclosures

Dear Chair St-Jean,

Thank you for this opportunity to submit comments.

In recent testimony to the Canadian Senate on Senator Rosa Galvez' sponsored Bill S-243, climate-aligned finance, Mark Carney, former governor of the Bank of England and Bank of Canada, made these statements regarding climate aligned finance – which is relevant to this discussion about CSDS Reporting standards:

> Mark Carney told the Canadian Senate that,
> *"…four fundamental building blocks are required:*
> - *Decision-useful climate-related disclosure,*
> - *Net-Zero transition plans,*
> - *Taxonomies that provide common definitions of transition finance,*
> - *Scenario planning by financial institutions and stress testing by their prudential authorities.*
> - *In these respects, Canada is lagging its international peers."*[1]

Mr. Carney also made fatuous statements about the potential for Carbon Capture Utilization and Storage (CCUS) and Direct Air Capture (DAC) as 'solutions' to the perceived problem of carbon dioxide emissions. A favoured carbon dioxide reduction option by the Bank of Canada and Canada Energy Regulator, known as Bio-energy Carbon Capture and Storage (BECCS) would take arable land out of food production and has no operation at scale; the UN Special Rapporteur Jean Zeigler deemed biofuels a crime against humanity.

Fundamentally, none of these steps are necessary. The UNFCCC is reporting that global emissions are **under** the 'climate policy success' scenario of RCP 4.5. The alleged climate emergency is over.

[1] https://sencanada.ca/en/Content/Sen/Committee/441/BANC/56756-E

As our President has shown the Senate, in his personal letter,[2] and as we have shown the Office of the Superintendent of Financial Institutions (OSFI),[3] [4] [5] these are deeply flawed premises. Neither finance, reporting, or scenario planning will change climate, but the focus on regulating these will destroy Canada's economy and foreign investment opportunities.

It is difficult to support an initiative such as that of ISSB, FRA Canada, CSDS and the Charter Professional Accountants (CCPA) of Canada.[6] The proposed standards are not much different than those of the ISSB, so we refer you to our previous submission to the ISSB,[7] and would like to add a few items based on recent research.

Present Day Compliance Reporting on an Impossible Net Zero Future

The CSDS Standards would require corporations to submit future plans based on complex and costly analysis to reach a Net Zero goal. The goal is clearly impossible with existing technology in the required time frame. This would force corporations to make forecast of unknowable future technological breakthroughs. Even assuming continued technological progress, there isn't a sufficient material supply chain for the technologies proposed. The CSDS Standards use climate scenarios which are deemed implausible, and transition scenarios that are unrealistic to address a climate risk represented by the implausible, but once claimed as 'business-as-usual' RCP 8.5 scenario.[8]

Please read our analysis of "Getting to Net Zero"[9] prepared by our director Ian Cameron, P. Eng. – evaluating the wildly exaggerated modelling of the Canada Energy Regulator's transition plan versus the bluntly realistic assessment by the left-leaning Canadian Centre for Policy Alternatives (CPA). CCPA shows that the only path to Net Zero targets for Canada is **extreme degrowth, deindustrialization, and the impoverishment of 40 million people**. A video explainer of Ian's analysis is also available.[10]

Regarding the material supply chain for Net Zero, Prof. Simon Michaux has 'done the math' and demonstrates that such a supply chain does not exist. Robert Lyman, retired energy economist, has prepared a short overview report of Michaux's work.[11]

[2] https://blog.friendsofscience.org/2024/05/25/open-letter-to-senator-pamela-wallin-senate-banking-and-finance-committee/
[3] https://blog.friendsofscience.org/2023/07/31/open-letter-to-office-of-the-superintendent-of-financial-institutes/
[4] https://blog.friendsofscience.org/2023/12/22/collapse-catastrophe-responding-to-osfi-on-scse-climate-scenarios-exercise/
[5] https://blog.friendsofscience.org/2024/01/21/osfi-boc-discrepancy-between-unfccc-cop-scenario-baseline-and-that-of-the-standardized-climate-scenario-exercise-scse/
[6] CPA Canada claims on their website that: "The guiding principle and overarching objective of CPA Canada is enabling Canada's accounting profession **to serve and protect the public**." We test that claim and their support of FRA Canada/CSDS in this document.(bold emphasis added)
[7] https://blog.friendsofscience.org/wp-content/uploads/2022/11/ifrs-comments-for-submission-on-reporting-standards.pdf
[8] The Conference of Parties (COP) to the UNFCCC Agreement dropped consideration of the RCP8.5 scenario in COP26 (2021) and COP27 (2022). COP27 is working from a baseline temperature projection based on RCP4.5 (SSP2-4.5) of 2.5oC by 2100 …(once) regarded as climate policy success. https://www.budget.senate.gov/imo/media/doc/Dr.%20Judith%20Curry%20-%20Testimony%20-%20Senate%20Budget%20Committee.pdf
[9] https://blog.friendsofscience.org/2024/03/15/getting-to-net-zero-in-canada/
[10] https://youtu.be/BCTSWChezX8
[11] https://blog.friendsofscience.org/2022/11/28/the-pursuit-of-the-impossiblematerials-constraints-and-realities-for-the-net-zero-utopia/

Metal	Element	Total metal required produce one generation of technology units to phase out fossil fuels (tonnes)	Global Metal Production 2019 (tonnes)	Years to produce metal at 2019 rates of production (years)
Copper	Cu	4 575 523 674	24 200 000	189,1
Nickel	Ni	940 578 114	2 350 142	400,2
Lithium	Li	944 150 293	95 170 *	9920,7
Cobalt	Co	218 396 990	126 019	1733,0
Graphite (natural flake)	C	8 973 640 257	1 156 300 ♦	3287,9
Graphite (synthetic)	C		1 573 000 ♦	-
Silicon (Metallurgical)	Si	49 571 460	8 410 000	5,9
Vanadium	V	681 865 986	96 021 *	7101,2
Rare Earth Metals	-			
Neodymium	Nd	965 183	23 900	40,4
Germanium	Ge	4 163 162	143	29113,0
Lanthanum	La	5 970 738	35 800	166,8
Praseodymium	Pr	235 387	7 500	31,4
Dysprosium	Dy	196 207	1 000	196,2
Terbium	Tb	16 771	280	59,9

Excerpt of Simon Michaux's calculation of materials needed and supply chain delivery time to meet Net Zero, based on extrapolation from 2019 figures.

To Get Wind Power you Need Oil (and Gas and Coal)

The proposed CSDS regulations give an unfair advantage to wind operations and disadvantage oil/gas operations, but in fact, to 'get wind, you need oil' as energy expert Prof. Emeritus Vaclav Smil has noted.[12] Indeed it is curious that major market players like Bloomberg New Energy Futures do not seem to be aware of this, as they write in their most recent 2024 Energy Outlook Report:[13]

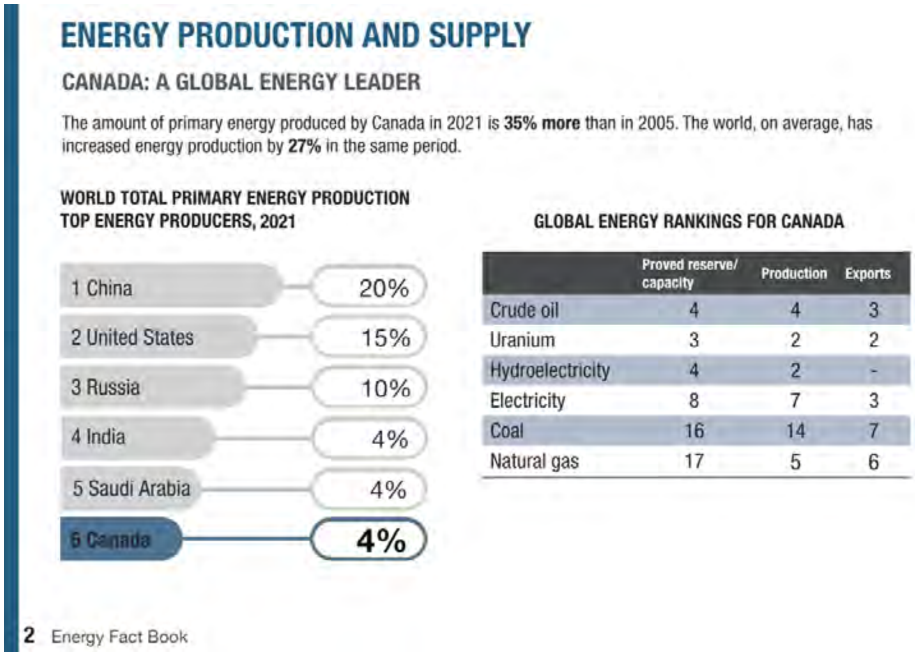
> *A net-zero pathway hinges on renewables capacity tripling between now and the end of the decade.*

Tripling renewables would lead to a quadrupling or more of oil, natural gas, and coal consumption for the mining, production, transportation, installation, maintenance and back-up of such facilities. Mining presently represents 10% of world energy consumption.[14] However, the present confluence of the CSB proposed reporting standards, the Bill S-243 climate-aligned finance, the changes to the Competition Act and the Charlie Angus NDP sponsored Bill C-372,[15] to prevent fossil fuel companies or advocates from publicly announcing the merits or benefits of the use of conventional fuels means that ***the necessary source of energy and product stream to make renewables will be demarketed, debanked or hit with massive interest rates – thus driving off investment in the very substances required for the Utopian 'clean' energy future***.

Not only would that crater the advent of a future world intended to be powered by renewables, but it would also devastate Canada's already weakened economy. As Natural Resources Canada shows in its 2024 report,[16] Canada is a world-class energy producer and exporter. The CSDS reporting and compliance standards simply hand the competitive advantage to our competitor nations for no public benefit, as is shown herein and below. No competitor nation employs such standards. The burden and

[12] https://spectrum.ieee.org/to-get-wind-power-you-need-oil
[13] https://about.bnef.com/new-energy-outlook/?utm_medium=Adwords_SEM&utm_source=pdsrch&utm_content=amer_bnef_neo_2024&utm_campaign=833878&tactic=833878&gad_source=1&gclid=Cj0KCQjwpZWzBhC0ARIsACvjWRMY8Hakk9j_J2ntIXyRQf1ENME0UiF8aEjkZIDVSHQKBgo-LXk_c2EaAgZhEALw_wcB
[14] https://www.theworldcounts.com/challenges/mining/energy-use-in-the-mining-industry
[15] https://theconversation.com/bill-c-372-banning-fossil-fuel-ads-does-not-go-far-enough-223715
[16] https://publications.gc.ca/collections/collection_2023/rncan-nrcan/M136-1-2023-eng.pdf

damage to energy operations vis a vis these CSDS standards would be significant; some companies, like Ovintiv (Encana) may simply leave. Decimating our energy sector would further damage Canada's GDP. What revenue would replace these sources?



ENERGY PRODUCTION AND SUPPLY

CANADA: A GLOBAL ENERGY LEADER

The amount of primary energy produced by Canada in 2021 is **35% more** than in 2005. The world, on average, has increased energy production by **27%** in the same period.

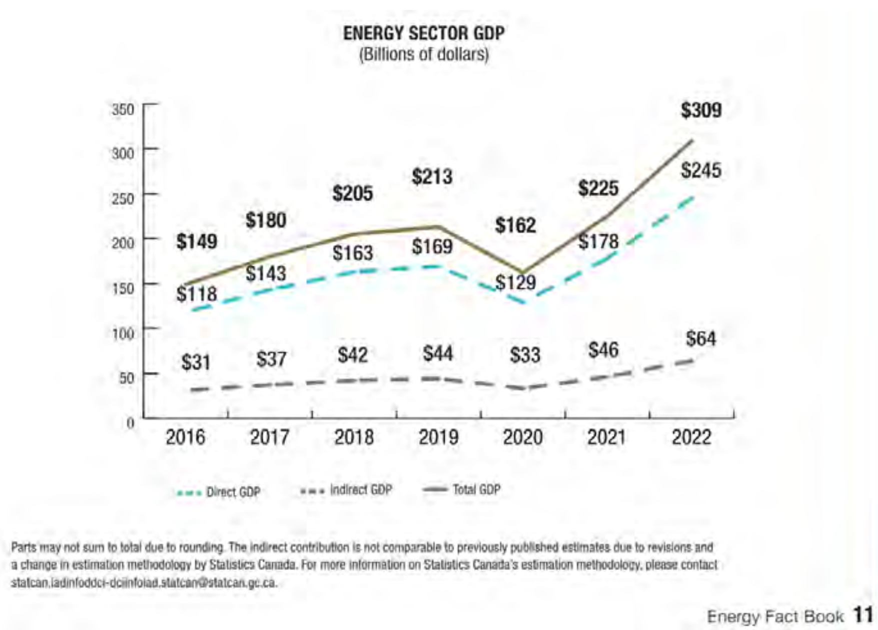
WORLD TOTAL PRIMARY ENERGY PRODUCTION TOP ENERGY PRODUCERS, 2021

1 China	20%
2 United States	15%
3 Russia	10%
4 India	4%
5 Saudi Arabia	4%
6 Canada	4%

GLOBAL ENERGY RANKINGS FOR CANADA

	Proved reserve/ capacity	Production	Exports
Crude oil	4	4	3
Uranium	3	2	2
Hydroelectricity	4	2	-
Electricity	8	7	3
Coal	16	14	7
Natural gas	17	5	6

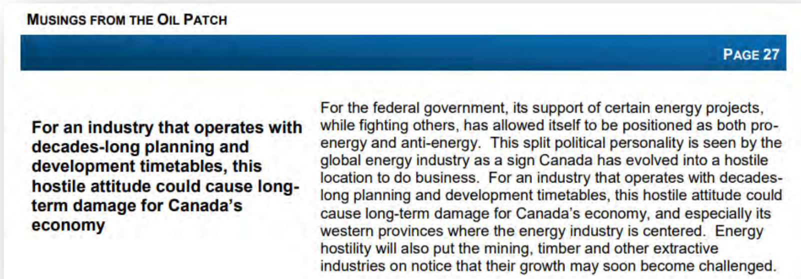
2 Energy Fact Book



Parts may not sum to total due to rounding. The indirect contribution is not comparable to previously published estimates due to revisions and a change in estimation methodology by Statistics Canada. For more information on Statistics Canada's estimation methodology, please contact statcan.iadinfoddci-dciinfoiad.statcan@statcan.gc.ca.

Energy Fact Book 11

In 2018, after Kinder Morgan, then owner/developer of Trans Mountain Pipeline Expansion (TMX), dropped tools and stopped work on TMX, PPHB Energy Bankers of Houston posted this note in their "Musings" newsletter, about the future of major industries in Canada:


MUSINGS FROM THE OIL PATCH

PAGE 27

For an industry that operates with decades-long planning and development timetables, this hostile attitude could cause long-term damage for Canada's economy

For the federal government, its support of certain energy projects, while fighting others, has allowed itself to be positioned as both pro-energy and anti-energy. This split political personality is seen by the global energy industry as a sign Canada has evolved into a hostile location to do business. For an industry that operates with decades-long planning and development timetables, this hostile attitude could cause long-term damage for Canada's economy, and especially its western provinces where the energy industry is centered. Energy hostility will also put the mining, timber and other extractive industries on notice that their growth may soon become challenged.

How will additional, onerous reporting regulations like those proposed by CSDS make Canada attractive to investment? It won't.

Make Work Projects for ENGOs (many of which are foreign-funded)[17]

In other words, this appears to be one part make work project for many environmental non-governmental organizations (ENGOs), who will be called in as expert climate consultants to write up reports, and one part cash cow for large accounting firms; a headache for small accounting firms. Small and medium-sized (SME) businesses will be crushed by the compliance reporting requirements and costs (as pointed out in our previous submission to the ISSB).[18]

Inherent Uncertainties Will Lead to Lawfare

At the same time, due to the vague nature of the reporting parameters and due to the unknown nature of the many future climate, commodity and technology changes, these very reports may open corporations to legal action or climate activists or shareholder lawfare; indeed also becoming a make work project for lawyers.

How is this in the public interest? What constructive thing will the CSDS initiative accomplish for the Canadian economy?

Nothing but more operational chaos for businesses, the destruction of more small and medium-sized enterprises which will crumble under the financial and HR strain of reporting such details and all for the purpose of counting molecules, allegedly leading to the reduction of carbon dioxide emissions and the sustainability of materials. With so much energy wasted in this accounting process, it is very unlikely such reporting will have any beneficial result. It will likely use more energy than is saved, especially if there is a reliance on Artificial Intelligence (A.I.) to aggregate results.[19]

Indeed, such detailed reporting is an open invitation for competitors or Canada's competitor nations to use such information to manipulate the prices or access to essential inputs and put Canadian companies out of business.

[17] https://blog.friendsofscience.org/2019/05/07/environmental-charities-a-compilation-of-reports-on-their-finances-power-and-implications-for-canada/

[18] https://blog.friendsofscience.org/wp-content/uploads/2022/11/ifrs-comments-for-submission-on-reporting-standards.pdf

[19] IEA reports - It states the AI industry in 2026 is "expected to have grown exponentially to consume at least 10 times its demand in 2023." https://globalnews.ca/news/10485677/artificial-intelligence-climate-change/

Align Policies with Largest, Friend-shored Trade Partners

According to the Canadian Chamber of Commerce,[20] our largest trading partner is the United States of America, which has rejected most of this form of reporting, especially Scope 3, and prefers voluntary over mandatory reporting.

As noted above, in testimony to the Canadian Senate, Mark Carney, former governor of the Bank of England and Bank of Canada made fatuous statements about Canada being a laggard among our peers on such reporting. Neither the USA, Mexico, or China, our largest trading partners, have adopted such guidelines.[21]

Indeed, based on various EU election results of June 9, 2024, it appears that there is a U-turn in public acceptance of Net Zero policies.

In Summary

Friends of Science Society categorically rejects the alleged need for CSDS reporting requirements based on the following:

- Not supported by climate science as known today
- Not aligned with UNFCCC standard of the 'climate policy success' RCP 4.5
- Forcing companies to report on how they will achieve an impossible goal is not only an exercise in futility and a waste of corporate and public funds but is **a case of absolutely greenwashing consumers and investors, the very thing such regulations claim to avoid.**
- Due to the 'material change' in our understanding of climate science and the status of global emissions (as per UNFCCC RCP 4.5), **this would be forcing corporations to engage in fraud.** We reported our views to the Canadian Securities Administrators in Jan. 2022.[22]
- Thus, aside from the other lawfare issues noted above, additional legal liabilities for corporations reporting, using CSDS standards, as well as legal action against the FRA Canada, CSDS and potential the ISSB are quite likely.

We thank you for the opportunity to submit comments.

Sincerely,

Ron Davison, P. Eng.
President, Friends of Science Society

[20] https://chamber.ca/news/canadian-chamber-launches-canada-u-s-engagement-initiative/?doing_wp_cron=1718021652.5913219451904296875000

[21] Import/export data for Canada from World Integrated Trade Solutions shows the USA is our largest trade partner https://wits.worldbank.org/CountryProfile/en/Country/CAN/Year/LTST/Summarytext#:~:text=Canada%20top%205%20Export%20and%20Import%20partners%202021&text=Canada%20exports%20to%20United%20Kingdom,partner%20share%20of%201.30%20percent

[22] https://blog.friendsofscience.org/2022/01/17/climate-risk-reporting-an-exercise-in-greenwashing/

Gibson Energy Inc.
#1700, 440 - 2 Avenue SW
Calgary, Alberta T2P 5E9

May 29, 2024

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

Re: CSSB Consultation Paper – Proposed Criteria for Modification Framework

Dear Lisa,

On behalf of Gibson Energy Inc., I am writing to share our comments on the CSSB's proposed Canadian Sustainability Disclosure Standards (CSDS) 1 and 2.

Headquartered in Calgary, Alberta, Gibson Energy Inc. (Gibson) is a leading liquids infrastructure company with its principal businesses consisting of the storage, optimization, processing and gathering of liquids and refined products. For over 70 years, we have provided best-in-class connectivity between energy producers and the markets we serve through our infrastructure and marketing segments, with a focus on creating valuable market-access solutions for our customers. We play an integral role in the North American energy value chain and remain steadfast in our commitment to challenge the status quo, generate sustainable long-term value for our stakeholders and maintain our position as a leader in North America's sustainable energy industry.

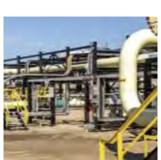
Gibson is recognized globally for its sustainability leadership, including our position as the highest ranked among all Canadian and US peers for all our priority ESG ratings: Sustainalytics, MSCI, CDP, and S&P. We have aligned with the TCFD and SASB standards since 2020. We have also completed verification of our emissions, including Scope 1, 2 and 3, for several years. Embracing sustainability frameworks is integral to our sustainability reporting strategy as it ensures transparency and accountability to our stakeholders.

We support a standardized approach to sustainability and climate-related reporting that serves the public interest. Gibson is fully supportive of the important work that the CSSB is doing to advance the adoption of sustainability disclosure standards in Canada. We believe that facilitating consistent disclosures is crucial to ensuring a more sustainable future for all.

Simultaneously, we recognize that it is critical to ensure the CSDS standards allow Canadian issuers to disclose information that is accurate and comparable. This letter will detail our main concerns regarding the proposed standards and provide recommendations. We are confident that our suggestions align with those of other entities in the energy industry and beyond.

Our primary concerns are focused on the following paragraph sections in the Consultation Paper and will be highlighted in this letter in the subsequent pages:

- Timing of Reporting/Estimation – Proposed paragraphs 64-69 and B50 of CSDS 1



- Resilience & Scenario Analysis – Proposed paragraph 22 of CSDS 2
- Guidance for Auditability & Acceptable Disclosure – Proposed paragraph 15 and paragraphs D21-D24 of CSDS 1

Timing of Reporting/Estimation – *Proposed paragraphs 64-69 and B50 of CSDS 1*

Gibson shares the concern of many other entities regarding the simultaneous publication of sustainability and climate-related financial disclosures alongside financial statements and we do not consider it critical to publish these disclosures simultaneously. Through our engagement with users of financial information, particularly investors, insurers and providers of capital, they have shared their preference of knowing fully finalized data over assumption-based pro forma information. We believe it is important not only to align with stakeholder expectations, but to balance the resource burdens associated with the timing of reporting.

For example, requiring emissions data alongside financial statements would impose a significant resource burden on our internal teams and external verifiers, and may potentially lead to increased consulting and assurance costs. The shortened timeline may also jeopardize data quality, as our robust emissions data collection, quantification, and verification process often takes up to six months subsequent to the end of the reporting year. We appreciate that the standards acknowledge how some metrics may be disclosed as an estimate as publishing pro forma emissions information would rely heavily on assumptions and estimates, possibly not reflecting actual emissions results. Further to the resource burden of reporting emissions in such a manner, we would nevertheless continue to quantify and verify our emissions using the actual data which may not be completely available until after the financial reporting period.

In reference to paragraph B50, if we were to identify a difference in the final verified emissions numbers versus what we previously reported alongside financial statements, the updated values would need to be disclosed. However, there is no clear guidance provided on the process for restating previously estimated values, such as whether a restatement of the entire document is required or if the numbers could be updated to actuals in the subsequent year. Nevertheless, having to restate data would generate further undue and duplicate work. In addition, we believe that assumption-based emissions data within financial statements does not provide an accurate picture of a company's emissions and is, therefore, not critical for Gibson or our stakeholders.

Recommendation: We recommend that the standards adopt an economical and feasible reporting timeline. This timeline does not have to align with financial reporting schedules, and it should give companies enough time to report complete and actual rather than pro forma data. Furthermore, if disclosing revised amounts of previously estimated values is required, we would suggest further guidance be provided on the process for disclosing.

Resilience & Scenario Analysis – *Proposed paragraph 22 of CSDS 2*

Gibson regularly conducts climate-related scenario analyses aligned with internationally recognized climate scenarios to identify and manage potential risks and opportunities across various potential futures. While we use scenarios such as those from the International Energy Agency (IEA), which have specific assumptions and conditions underlying them, we also must incorporate company-specific assumptions, an approach that is also used by our peers. Given that the inputs used can vary from company to company, we do not believe that the outcomes of the scenario analysis can be considered appropriately "comparable" across companies.

Although Gibson believes that completing climate-related scenario analysis can be a valuable exercise, we would also like to call attention to the resource burden of completing such work. Scenario analysis already requires a significant investment, both financially for third-party consulting support as well as the time and effort of internal stakeholders who are involved in the work. Mandating scenario analysis as a requirement for alignment with the standards may lead to increased costs associated with the consulting work that is needed to complete the exercise as the demand for consulting services would be expected to increase. Furthermore, conducting climate-related scenario analysis may not be feasible for all entities. Companies with the financial and resource capacity may choose to spend more on their analysis, while those with financial constraints may not have the capacity to produce the same quality of work. Thus, completing a scenario analysis commensurate to entity circumstances may result in unnecessary work for outputs that cannot be consistently interpreted across companies.

Recommendation: Our suggestion is to make the climate scenario analysis a recommendation, but not a requirement for entities to align with CSDS 2.

Guidance for Auditability & Acceptable Disclosure – *Proposed paragraph 15 and paragraphs D21-D24 of CSDS 1*

CSDS 1 states that entities are required to report information that is “verifiable”, and we agree that data and information that is true and accurate should be reported. As mentioned above, we undergo a robust verification of our emissions data, a process that takes months to complete after year-end. However, it is not clear what level of assurance companies should align with. We would suggest that the CSSB provides further clarification on the verification requirements.

In addition, Gibson and other reporting companies would greatly benefit from illustrative guidance on what an acceptable disclosure would look like for fully aligning with CSDS 1 and 2. This would help set up companies for success by providing helpful examples that can be followed to ensure the standards are being applied properly.

Recommendation: We recommend that further guidance is provided on assurance requirements as well as on what satisfactory levels of disclosure will look like.

Your attention to our feedback on the CSSB proposed draft standards is greatly appreciated. Thank you for granting entities the opportunity to provide input. Should you require additional clarification on our stance, please feel free to reach out.

Sincerely,

Sean Wilson

SVP & Chief Administrative and Sustainability Officer

sean.wilson@gibsnenergy.com

<u>GFANZ Secretariat Feedback to CSSB Canadian Consultation on Adoption of CSDS 1 and CSDS 2</u>

The Glasgow Financial Alliance for Net Zero (GFANZ) Secretariat welcomes the opportunity to provide feedback on the Canadian Sustainability Standards Board (CSSB)'s Canadian Consultation on Adoption of CSDS 1 and CSDS 2. GFANZ was founded in 2021 to support the global financial sector in delivering on the net zero commitments made by individual financial institutions under the UNFCCC's non-state actor initiative. In considering the consultation, the Secretariat is informed by GFANZ's work to support the more than 675 financial institutions across 50 countries that have voluntarily made individual net-zero commitments under one of the eight sub-sector financial sector alliances convened by GFANZ. This includes a majority of G-SIBs and 33 of Canada's largest banks and asset managers.

In our response, we have sought to focus on those issues that are most relevant to GFANZ work to develop frameworks, approaches and tools to support the global financial sector in supporting whole-economy transition in line with science-based pathways limiting warming to 1.5 degrees. An early priority for GFANZ was to take forward the Task Force on Climate-Related Financial Disclosures (TCFD)'s recommendation that global guidance for best-practice net-zero transition planning and transition plans be developed. Working with a diverse set of financial institutions, technical bodies and other stakeholders, GFANZ delivered — through a CEO-chaired workstream and global consultation that incorporated over 1,000 points of feedback – the voluntary GFANZ Net-Zero Transition Plan (NZTP) Framework[1] in November 2022.

Climate-related financial disclosures

The GFANZ Secretariat is a strong supporter of enhanced climate-related financial disclosures globally, and we welcome the CSSB's commitment to developing internationally-aligned, standardized climate-related disclosure requirements for local firms based on the global ISSB IFRS S1 and S2 standards. Domestic implementation of ISSB standards will help ensure that Canadian companies are able to communicate to investors about the sustainability-related risks and opportunities they face over the short, medium and long term using a common language and framework.

In terms of possible transition reliefs or adaptations, we consider it important for jurisdictions to follow through on timely implementation and ensure alignment with ISSB wherever possible. As such, we would recommend that the CSSB align with the ISSB's recommended phased-in approach for disclosure of Scope 3 GHG emissions[2], rather than extend the relief for an additional year as currently proposed, which would mean Canadian companies would not be required to disclose Scope 3 emissions until 2027. Other major jurisdictions that have moved to implement ISSB disclosures domestically – including the EU, Singapore, and California – have opted to abide

[1] The Framework is a voluntary tool which aims to provide financial institutions with background on potential avenues for meeting net zero commitments intended to address the financial and economic risks and opportunities posed by climate change and the transitions that would be necessary to mitigate those risks. It does not prescribe a specific course of action but offers information and options to help those financial institutions preparing net zero transition plans. – please see the 'How to Read this Report' section of the Framework for more information.

[2] ISSB recommends that Scopes 1-2 disclosure requirements start applying from the first year and Scope 3 requirements from the second year.

by the recommended one-year relief period for Scope 3 reporting. In taking a similar approach, Canada could help ensure that it is not lagging behind other major jurisdictions, such as the EU (where large listed companies will be required to disclose Scope 3 by 2025, two years earlier than currently planned in Canada), or Singapore (where they will be required to do so one year earlier than in Canada). This is especially important considering that several major Canadian firms operate globally and will have to consider emerging climate disclosure requirements outside of Canada, as will major firms headquartered outside of Canada but with a significant presence in the country. While calculation of scope 3 emissions does imply some external dependencies, in terms of securing the necessary data, it also offers some under-appreciated benefits in terms of allowing companies to get to grips with their value chain emissions, and identify efficiencies that can have both commercial as well as emissions reducing benefits.

Net-zero transition planning

It is very welcome that, in line with ISSB IFRS S2 standards, the CSDS 2 includes a provision for firms to disclose "a*ny climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies*" as well "*how the entity plans to achieve any climate-related targets, … information about how the entity is resourcing, and plans to resource, the activities disclosed … and quantitative and qualitative information about the progress of plans disclosed in previous reporting periods."* GFANZ believes that strategic transition planning by governments, financial institutions, and corporates is central to securing an orderly transition[3] to net zero, and is highly supportive of efforts to increase the quantity and quality of transition plans across the corporate and financial sectors. By including the transition planning disclosure requirement, Canada would be amongst a growing set of leading jurisdictions setting such expectations.

However, we note that beyond a high-level requirement to disclose any transition plan a firm has – along with key assumptions and dependencies – ISSB standards do not provide detailed guidance on what exactly firms should disclose and by extension what a transition plan should consist of. Given the importance of transition planning and the need to embed it across the economy and financial system in a way that ensures global consistency, we would recommend that CSSB encourage preparers of transition plans to refer to – and where possible align with – leading international frameworks for transition planning (such as the GFANZ NZTP Framework) which lay out in greater detail the key elements transition plans should seek to address. In addition, we recommend that CSSB seek to align with any future guidance that ISSB chooses to develop on transition planning.

[3]GFANZ uses the term "orderly transition" to refer to a net-zero transition in which both public policy changes and private sector action are early and ambitious, thereby limiting economic disruption related to the transition (e.g., mismatch between renewable energy supply and energy demand). This explanation applies to all mentions of the term "orderly transition" in this document.

For now, we are seeing many major financial institutions and corporates beginning to voluntarily disclose transition plans using the GFANZ NZTP Framework as a basis.[4] We expect around 250 financial institutions globally to make such disclosures over the next year and our tracking has identified that this number is credible (noting it takes some firms between 1-2 years to develop a plan and our framework was finalised in late 2022). By referring firms to such common market-based approaches, the CSSB could help ensure that users of CSDS 2 have sufficient guidance to produce and disclose transition plans that are credible, comprehensive and comparable.

In particular, there would be value in the CSSB noting, for example, that voluntary frameworks, such as the GFANZ NZTP Framework, increasingly identify similar core themes that are important for delivering credible, comprehensive and consistent transition plans. In the GFANZ framework these are:

- Foundations: an articulation of the organization's overall approach to net-zero (for financial institutions, this includes general strategy for scaling transition finance across the four financing strategies)
- Implementation strategy: to align business activities, products, services, and policies with the net-zero objectives
- Engagement strategy: to engage with external stakeholders in support of net zero objectives
- Metrics and targets: using a suite of metrics & targets to assess and monitor progress towards the net-zero objectives
- Governance: a set of measures to oversee, incentivise and support implementation of a plan

Alongside growing voluntary adoption by the private sector, global standard setters, including the, G20, ISSB, FSB, G7 and IOSCO, and policymakers in a growing number of jurisdictions, including Australia, the European Union, Hong Kong, Japan, Singapore, Switzerland, the United Kingdom, and the United States, have begun to highlight the importance of transition planning and are increasingly moving to develop standards for the development and disclosure of transition plans.

In doing so, a growing number of jurisdictions are starting to converge around the same core building blocks of credible transition plans. This includes, most notably, the US and the UK, which have each published domestic standards for transition plans that identify the same five core themes that were originally identified in the GFANZ NZTP Framework. By taking a similar approach, Canada could meaningfully accelerate efforts to advance transition planning domestically while at the same time forging greater global consistency and comparability. This

[4] For more details on how different organisations have each integrated the different themes and components of the GFANZ framework into their transition plans and transition planning efforts, please refer to the GFANZ Transition Planning Examples tool, which shows how different organizations across the financial sector and real-economy have independently approached net-zero transition planning.

could in turn help ensure that existing and growing voluntary implementation is encouraged and accelerated, and that the transition plans that firms disclose actually provide users of financial reports with the information they need to effectively assess and compare strategies for net-zero transition.

June 10, 2024

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

Dear Ms. French:

Re: GLJ Ltd. Comments regarding CSDS 1 and CSDS 2 Exposure Drafts and Criteria for Modification Consultation Paper

This letter is offered by GLJ Ltd. (GLJ) in response to the March, 2024 call for comments pursuant to the following documents issued by FRAS (Financial Reporting & Assurance Standards) Canada Sustainability and CSSB (Canadian Sustainability Standards Board):

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

GLJ Context

GLJ is a global energy consulting firm that has evolved over the last 50 years, offering both emerging and traditional energy services, to meet the world's needs for responsible, sustainable energy. Historically, the subject matter expertise of our engineers, geoscientists and business professionals has been delivered via our role as an independent advisor and assessor focused on reserves and resource evaluations utilized for attracting capital, negotiating transactions and the disclosure of forward-looking information for the oil and gas sector. Today, our subject matter expertise has been extended across the broader energy landscape and includes support developing and implementing sustainability and decarbonization strategies and environment, social, and governance (ESG) reporting. GLJ routinely works with oil and gas producers, mining companies, emerging energy companies, cleantech companies, technology developers, service companies, government bodies, Indigenous communities, and investors. Recently, our client base has been expanding to include companies outside of the energy sector, as municipalities and businesses of all types look to address sustainable practice in their business plans.

GLJ is committed to support our clients as they continue their sustainability journey. GLJ is also committed to targeting and tracking our internal sustainability progress. To that end, we are a member of the IFRS Sustainability Alliance and multiple employees are FSA credential holders.

<u>Response to Questions</u>

GLJ provides the following comments in response to questions posed for each of the three FRAS Canada Sustainability documents.

- **Exposure Draft for the 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):**
    a. *Do you agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is adequate?* Transition relief will be critical to allow entities to effectively initiate decision-useful reporting. In reviewing the proposed transition relief, the CSSB can control to a certain extent the scheduling necessary to finalize the voluntary CSDS 1 standard. However, the process to formalize the CSDS 1 into a requirement is far more challenging. For example, the current scheduled process for consultation is expected to occur through 2024. The proposed inaugural First Nations, Métis, and Inuit Peoples strategic plan consultation is tentatively scheduled to begin in the fourth quarter of 2024. Subsequently, there would be a required CSA process to be followed by the provincial securities process. It appears unlikely that all would be complete to require the Standards to begin on January 1, 2025. However, it is also important to align timing with other global reporting activities, particularly those currently being considered by the US, Canada's major trading partner.
    b. *If you do not agree that the two-year transition relief is adequate, what transition relief do you believe is required?* The two-year transition relief is appropriate once the CSDS 1 standard is finalized and all consultation is complete. The greater challenge is the amount of time required to determine when this transition period can appropriately begin.
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?* Allowing for staggering of the timing of reporting of sustainability disclosures from the financial reporting statements is appropriate and this staggered timing should be permanent. The reporting burden, the staffing constraints, the increased costs, the data quality and the data collection process will be ongoing and is not unique to the first two years of reporting. For sustainability disclosures to be decision-useful, the quality of the reporting should remain paramount rather than the timing. Robust reporting will benefit from the inclusion of a diverse team from across each organization, many of whom are already fully committed through the first quarter. Without allowing for staggered reporting timing, sustainability reporting will always take a back seat to financial reporting thus minimizing the time commitment spent on the diverse aspects of sustainability-focused data and strategy development. Requiring both reporting disclosures to be finalized at the same time will always challenge the efficiency and efficacy of the process and the associated staff. Additionally, joint filing will limit the cross-organization collaboration that will result in the sustainability reporting being a guide towards continuous improvement rather than a "tick-the-box" exercise.
    b. *How critical is it for users that entities provide their sustainability-related financial disclosures at the same time as its related financial statement?* GLJ believes that the critical aspect of the disclosure is in the completeness and accuracy of decision-useful information rather than the specific timing of the disclosure. Allowing for an additional quarter to finalize sustainability reporting will not diminish its value but will support improved outcomes.
3. **Other issues. Do you agree that the requirements in the following sections are appropriate for application in Canada?:**
    a. *Scope* – No comment

b. *Conceptual Foundations* – No comment
c. *Core Content* – With reference to Metrics and targets, specifically paragraph 50, third party validation is mentioned but no guidance is provided regarding the credentials of the validating party. It is recommended that this does not in future be specified as an accounting body. Technical oversight can be as useful, if not more so, than a pure accounting function. Therefore, third party verification should remain undefined to allow for incorporation of both accounting and technical expertise, as appropriate and depending on circumstance.
d. *General Requirements* – With reference to Location of disclosures (paragraphs 60-63) and Timing of reporting (paragraphs 64-69), including ESG and/or Sustainability reporting as part of general-purpose financial reports and requiring the report to report at the same time as its related financial statements, neither aligns with our previously noted recommendations for reporting independently of financial reporting. To reiterate our previous comments, it is recommended that the timing of financial reporting and sustainability reporting be staggered. This recommendation is offered as a permanent solution rather than as a transition. The location of the sustainability disclosure can then be provided as a stand-alone document rather than incorporated directly into the financial report. Also, interim reporting (paragraph 69) for sustainability-related financial disclosures should be minimized or excluded as too onerous.
e. *Judgments, Uncertainties and Errors* – No comment
f. *Appendices A-E* – With reference to Appendix C, Sources of Guidance, Canada's close trading relationships should be considered to guide relevancy of Canadian disclosure requirements. Particular consideration should be given to guidance provided by the US.

- **Exposure Draft for the proposed 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?* As noted, transition relief will be critical to allow entities to effectively initiate decision-useful reporting. To determine the length of relief required, there should be a distinction between the time needed for entities to obtain the skills and expertise necessary to complete a climate resiliency assessment and the length of time needed for finalization of the standard. The CSSB can control to a certain extent the scheduling necessary to finalize the voluntary CSDS 2 standard. However, the process to formalize the CSDS 2 into a requirement is far more challenging. For example, the current scheduled process for consultation is expected to occur through 2024. The proposed inaugural First Nations, Métis, and Inuit Peoples strategic plan consultation is tentatively scheduled to begin in the fourth quarter of 2024. Subsequently, there would be a required CSA process to be followed by the provincial securities process. It appears unlikely that all would be complete to require the Standards to begin on January 1, 2025. However, it is also important to align timing with other global reporting activities, particularly those currently being considered by the US, Canada's major trading partner.
   b. *Is further guidance necessary?* As noted, many entities do not currently have the skills or the expertise necessary to complete a climate resiliency assessment. As comparability is a key component of developing this disclosure, identifying the recommended methodology plus determining whether third party verification is required would be key steps.
   c. *Beyond the two TCFD documents referenced for related application guidance, what additional guidance would an entity applying the standard require?* No comment.
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?* Although the skills might be developed within the timeframe proposed, there remains two issues to the proposed relief timeline. Firstly, as discussed previously, it is recommended that timing of sustainability disclosures be staggered permanently to lag behind general-purpose financial reports. The reporting burden, the staffing constraints, the increased costs, the data quality and the data collection process will be ongoing and is not unique to the first two years of reporting. For sustainability disclosures to be decision-useful, the quality of the reporting should remain paramount rather than the timing. Robust reporting will benefit from the inclusion of a diverse team from across each organization, many of whom are already fully committed through the first quarter. Without allowing for staggered reporting timing, sustainability reporting will always take a back seat to financial reporting thus minimizing the time commitment spent on the diverse aspects of sustainability-focused data and strategy development. Requiring both reporting disclosures to be finalized at the same time will always challenge the efficiency and efficacy of the process and the associated staff. Additionally, joint filing will limit the cross-organization collaboration that will result in the sustainability reporting being a guide towards continuous improvement rather than a "tick-the-box" exercise. Secondly, Scope 3 GHG emissions disclosures require communication between an entity and its supply chain. Ideally, each entity would first document their Scope 1 and Scope 2 GHG emissions. To maximize efficiency and accuracy, a subsequent step would be the interaction across supply chains for Scope 3. If data disclosure for all emissions Scopes is required concurrently, there is little opportunity for mutual interaction and the benefits that would result from those circularity discussions.

b. *If you do not agree that two-year transition relief is sufficient, what relief period do you believe is required?* The two-year transition relief may be appropriate once the CSDS 2 standard is finalized and all consultation is complete. The greater challenge is the amount of time required to determine when this transition period can appropriately begin. Other considerations also include the education required for those entities that will be beginning this journey from scratch, the necessity of each entity first documenting their Scope 1 and 2 emissions before interacting across their supply chains to validate Scope 3 emissions, and alignment on disclosure timing with the US, Canada's main trading partner.

3. **Other issues**
   a. *Objective* – No comment
   b. *Scope* – No comment
   c. *Core content* – Comments regarding Climate resilience (paragraph 22) and Metrics and targets (paragraphs 27 and 28) discussed above.
   d. *Appendices A-C* – With reference to Verified data (Appendix B, paragraph B53), third party validation is mentioned but no guidance is provided regarding the credentials of the validating party. It is recommended that this does not in future be specified as an accounting body. Technical oversight can be as useful, if not more so, than a pure accounting function. Therefore, third party verification should remain undefined to allow for incorporation of both accounting and technical expertise, as appropriate and depending on circumstance.

- **Consultation Paper for the 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?** – No comment

2. **Are there other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework?** – As previously noted, Canadian guidance should continue to closely consider guidance provided by our closest trading partners, particularly guidance under consideration within the US.

Additional Comments

At present the definition of materiality for securities disclosure is different than the definitions of materiality within various sustainability standards and frameworks. This may explain some of the historical inconsistencies in material issue reporting in sustainability and ESG reporting when compared to material issues reporting in a reporting issuers AIF or MD&A. To overcome this challenge, the CSA may need to provide additional guidance to align and support the CSDS 1 and 2.

Disclosure timelines may need to consider tiering of entities due to current capacity for accurate disclosure. For example, smaller entities and those who have not yet begun sustainability disclosure may require more time to successfully role out new reporting. Tiering can be aligned to the exchange on which an entity is listed, for example, the Toronto Stock Exchange (TSX) versus the TSX Venture Exchange.

Conclusion

In closing, GLJ appreciates the opportunity to provide our comments. Colleen Sherry (csherry@gljpc.com) and Alan Withey (awithey@gljpc.com) are available for further discussion as necessary.

Yours truly,

"Originally Signed By"
Colleen Sherry, Vice President, Sustainability & Emissions Management

"Originally Signed By"
Alan Withey, Executive Vice President, Chief Financial Officer

GLJ LTD.

Government
of
Saskatchewan

Ministry of Environment
Deputy Minister
3211 Albert Street
Regina, Canada S4S 5W6

June 10, 2024

Charles-Antoine St-Jean
Chair, Canadian Sustainability Standards Board
277 Wellington St W
TORONTO ON M5V 3H2

Dear Charles-Antoine St-Jean:

The Government of Saskatchewan welcomes the opportunity to respond to the Canadian Sustainability Standards Board's (CSSB) proposed Canadian Sustainability Disclosure Standards – General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1) and Climate-related Disclosures (CSDS 2).

The Government of Saskatchewan has significant concerns with how the standards will affect the Saskatchewan economy and its citizens. Compliance with CSDS 1 and 2 may be cost-prohibitive and place undue administrative burden on many businesses, especially the small- and medium-sized companies that do not have sufficient time, resources and practical means to fulfill the onerous requirements, including extensive modelling, planning, target setting, reporting, risk identification and completion time. Even companies that do not voluntarily adopt the standards may still be required to disclose emissions information to those entities to which they apply, such as larger corporations, banks and insurance brokers. This burden of compliance calls into question the overall value proposition of CSDS 1 and 2 when its application may undermine the viability and competitiveness of businesses and negatively impact the Saskatchewan economy.

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The Saskatchewan economy is dominated by emission-intensive trade-exposed industries, which support one in three jobs in the province, and generate billions of dollars in revenues used to provide essential public services to our residents, such as education and health care. Saskatchewan's economic prosperity relies on maintaining competitiveness with key trading partners (e.g. United States and Mexico) which is hindered by different adoption and stringency of disclosure standards across international jurisdictions. That is, neither the United States nor Mexico are expected to require Scope 3 reporting requirements. The United States is making climate scenario analysis voluntary and incorporating safe harbour provisions to protect entities from liability created by the uncertainty associated with emissions disclosures, modelling results and transition targets. The proposed standards for Canada offer no provisions for either voluntary reporting or liability protection. We view this as a threat to the Canadian economy and the competitiveness of Saskatchewan businesses.

Scope 3 emissions are fraught with unknowns, inaccuracies, inaccessible data and double counting. Even companies with the resources to inventory their Scope 3 emissions do not have full control over their supply and value chains, preventing the collection of standardized, comprehensive, and timely data. To hold entities accountable for such an uncertain and largely unobtainable metric is simply unreasonable and the inclusion of this reporting in CSDS 1 and 2 unacceptably places Saskatchewan businesses at a competitive disadvantage with our largest trading partners. The brief reprieve in the starting date for Scope 3 emissions reporting proposed by CSSB resolves neither the uncertainty nor competitive disadvantage we face. As such, we request that Scope 3 emissions reporting be voluntary within the standards.

Given the substantial and concerning financial implications of implementing the standards, we ask that CSSB release a detailed costing analysis of compliance for all sectors. This analysis should include the implications of applying the *Industry-based Guidance on Implementing Climate-related Disclosures* (68 sector-specific volumes) as cited within the standards. Application of this guidance could significantly affect Saskatchewan industries.

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For example, we heard from the Saskatchewan Stock Growers Association, which takes strong exception to water stress categorizations in climate disclosure reporting. This requirement is a competitive disadvantage for the drier prairie regions in relation to moister regions and jurisdictions not applying the water stress assessment (e.g. the United States, Mexico). We request that economic analysis of implementing the standards and associated industry-based guidance be completed and released for comment before any decisions are made on applying these standards in Canada.

Overall, the proposed standards overemphasize the purported risks rather than the proven benefits and opportunities associated with business activity. This approach promotes adherence to expectations of uncertain and unproven value. It also distorts investor decision-making and potentially penalizes innovative companies that are supporting energy security and affordability, food security, technological advancement and improved quality of life for the people of Saskatchewan. This raises questions about how disclosures will be equitably assessed and applied by financial institutions, insurers and investors. There is concern, especially in the absence of voluntary reporting and safe-harbour liability provisions, over how disclosures could have prejudicial material bearing on the valuation of an enterprise, financing, insurance premiums and business investment potential.

Considering these substantial concerns, the Government of Saskatchewan requests that the implementation timeline for these standards be further phased in and extended. Only when these concerns are adequately resolved can implementation and reporting timelines be effectively addressed. There is a clear need to orient and prepare entities for sustainability reporting before imposing compliance timelines and enforcement implications. A more gradual implementation would increase awareness and demonstrate the value of this reporting. This would allow stakeholders to voluntarily incorporate practical sustainability reporting into their business planning, budgeting and workflows as well as encourage businesses to steadily pivot resources toward filling knowledge gaps in emissions modelling and measurement. Implementation of the standards should exclude mandatory climate modelling, application of industry-based guidance, and Scope 3 emissions disclosure until such time that the uncertainties, economic impacts, and impractical administrative burdens have been addressed.

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We welcome the opportunity to discuss our questions and concerns and look forward to your reply.

Sincerely,

Veronica Gelowitz
Deputy Minister

cc: Honourable Christine Tell, Minister of Environment
Max Hendricks, Deputy Minister, Ministry of Finance
Kent Campbell, President and CEO, Crown Investments Corporation of Saskatchewan
James Saunders, Associate Deputy Minister, Sustainable Growth Secretariat

Lisa French, Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
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June 10, 2024

Dear Ms. French:

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

Exposure Draft – CSDS 2, Climate-related Disclosures

Consultation Paper – Proposed Criteria for Modification Framework

Grant Thornton LLP would like to thank you for the opportunity to provide comments on the Canadian Sustainability Standards Board's (hereinafter the "CSSB" or the "Board") proposals for CSDS 1, CSDS 2 and the Consultation Paper.

We are supportive of the CSSB's decision to facilitate the global standardization of sustainability disclosure standards by incorporating the IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board (the "ISSB") to the fullest extent possible in Canada. However, we believe it may be more appropriate for this implementation of ISSB standards to be considered as a long-term outcome, with interim steps taken in the meantime. Without additional transitional considerations to reflect the Canadian market, the CSSB faces the risk of other sustainability-related disclosure regimes being adopted or mandated in place of its proposed standards.

In considering the Board's proposed criteria for amending IFRS Sustainability Disclosure Standards — to comply with Canadian laws and regulations and to serve the Canadian public interest — we believe there are additional circumstances unique to Canada that should be reflected in the CSDSs. We would make the following specific observations:

- We understand that proposed CSDS 1 and proposed CSDS 2 are intended for use by publicly accountable enterprises. In order to become mandatory under Canadian securities legislation, the CSSB's standards must be incorporated into a Canadian Securities Administrators (CSA) rule. We believe it is in the interest of the Canadian sustainability reporting landscape for the Board to encourage and facilitate the adoption of its proposed standards by the CSA, as this would drive a more consistent approach in applying sustainability-related disclosure standards across Canada. It may be that the direction of the CSA does not align with that of the CSSB. For example:
  - The CSA has preliminarily indicated that it anticipates adopting only provisions of the sustainability standards that support climate-related disclosures (a "climate-first" approach). As such, we believe there is a lower likelihood that the CSA will adopt all of the requirements of CSDS 1 as currently drafted, given that doing so would require disclosures beyond climate-related risks and opportunities, in addition to the adoption of future CSDSs. We recommend that the Board engage with the CSA to identify potential amendments that can support or align with the CSA's climate-first approach. For example, this could involve providing a longer deferral period for non-climate-related disclosures within CSDS 1, or developing a standard based on IFRS S1 and/or CSDS 1 whose scope is limited to climate-related disclosures (this may provide a means for the CSA to adopt conceptual foundations accompanying CSDS 2 while applying their climate-first approach). We believe any such modifications should include consultation with the CSA to encourage adoption and to ensure they are also fit for purpose under Canadian securities legislation.

- The Board also indicated that one factor when modifying the ISSB's standards included Canadian entities' ability to attract global investors. However, we believe that further consideration of the unique qualities of the Canadian landscape (including Canadian markets) should be made in modifying the ISSB's standards. One such consideration centers around the scalability of the standards with regards to the unique elements of the Canadian economy, which is smaller than many of its global competitors. For example:

  - While voluntarily stayed at the time of this response, the final rules on climate-related disclosures released by the US Securities and Exchange Commission (SEC) do not require the disclosure of Scope 3 greenhouse gas (GHG) emissions. We acknowledge that new developments may occur over time in response to investor information needs. For example, the state of California's climate disclosure laws mandate Scope 3 GHG emissions disclosures for entities above certain thresholds — however, California's climate disclosure laws are also facing legal challenges as of this writing.

  We recommend the CSSB consider the potential implications on Canadian entities' ability to compete and attract global investment if they were to adopt a more extensive sustainability-related disclosure regime than that of a larger, adjacent economy with many ties to Canada (being the United States) in the near term. We do not believe that the CSDSs should include exemptions from any particular climate-related disclosures compared to the ISSB's standards, as this would undermine the global standardization of sustainability disclosure standards. Instead, we recommend the CSSB provide greater transition relief specifically for Scope 3 GHG emissions disclosures. For example, this could involve a longer deferral period than the two years currently proposed to provide Canadian entities with additional time to develop the ability to measure and report those disclosures, as well as time for investors' sustainability-related information needs and expectations to align further across markets. Similar to our earlier comments, we believe the Board should work with the CSA when determining the necessary modifications and/or appropriate deferral period.

- While proposed CSDS 1 and proposed CSDS 2 are intended for use by publicly accountable enterprises, the majority of Canadian businesses are not publicly accountable. Certain terminology, concepts or requirements may not be easily transferrable to privately held enterprises. In addition, if a privately held enterprise is part of a publicly accountable enterprise's supply chain, it will need detailed emissions data if/when the publicly accountable enterprise is required to report on its Scope 3 GHG emissions. Contracting with publicly accountable enterprises may then require additional investment in expertise, processes and tools. Furthermore, public sector entities have their own unique circumstances that do not fit into the same bucket as publicly accountable or privately held businesses. We recommend the Board also begin considering its objectives with respect to such entities and their needs.

In light of our comments above, we have not included separate responses to the specific questions in the Exposure Drafts and Consultation Paper.

If you wish to discuss our comments or concerns, please contact Rinna Sak (at Rinna.Sak@ca.gt.com or 416-607-2712).

Yours sincerely,

R Sak

Rinna Sak, CPA, CA
Grant Thornton LLP

HIGH RIVER
CHAMBER OF COMMERCE

Box 5244, High River, AB T1V 1M4
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Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board (CSSB)
277 Wellington St W
Toronto, Ontario
M5V 3H2

Submitted through FRAS Canada Internet Portal

High River Chamber of Commerce Board of Directors
Box 5244, #112 – 4 Ave SW
High River, Alberta
T1V 1M4

May 28, 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 feedback. We wish to express our strong opposition to the objectives and rationale behind the Canadian Sustainability Disclosure Standards – General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1) and Climate-related Disclosures (CSDS 2). These standards represent an additional expense that will permeate the entire value chain, impacting smaller operations (SMEs) significantly, while offering minimal benefits to larger enterprises, investors, or consumers.

Fundamentally, these standards conflict with the principles of free enterprise and the free-market system that Canada embodies by distorting investor decision-making and skewing the competitive landscape.

Our concerns particularly revolve around the lack of consideration for SMEs, who constitute a significant portion of our business community in High River, Alberta. Key issues include:

- **Lack of Representation and Consultation:** SMEs have not been adequately represented or sufficiently consulted during the standard-setting process, leading to standards that do not account for their unique challenges and limitations.
- **Resource Constraints:** SMEs often operate with limited financial, human, and time resources. Detailed sustainability reporting and verification impose significant additional burdens, potentially exacerbating existing operational and growth challenges.
- **Complexity of Standards:** The high level of expertise required to understand and implement these standards is often beyond the reach of SMEs, leading to potential non-compliance or the need for costly external assistance.
- **Financial Implications:** Compliance costs, including hiring additional staff or consultants and the time invested in understanding and implementing these standards, are substantial for SMEs.
- **Potential for Competitive Disadvantage:** Standards tailored to the needs and capabilities of larger corporations may disadvantage SMEs, affecting their ability to meet market, investor, and regulatory expectations.
- **One-size-fits-all Approach:** The diverse nature of SMEs across different industries necessitates standards that reflect these variations, rather than a uniform approach.

The compliance costs, as evidenced by the Australian government's cost impact analysis for ISSB-based disclosure standards, are substantial. For publicly listed companies with at least 100 employees and $45 million in annual turnover, initial compliance costs average $1.1 million CAD, with annual recurring costs of $641,000 CAD. These funds could be better allocated to product improvement, service enhancement, or investor returns, rather than towards climate consulting firms.

Aligning Canadian standards more closely with those of our CUSMA trading partners, particularly the US, is essential to prevent competitive disadvantage. The current standards align more with the European Union, which represents only 8% of our export trade, compared to 78% with the US. The US SEC's climate rule, currently under judicial review, includes voluntary provisions for Scope 3 emissions accounting, climate scenario analysis, and industry-based guidance, alongside safe harbour protections.

In conclusion, we urge the reconsideration of these standards to prevent undue regulatory burdens and competitive disadvantages for Canadian entities. We support growth and investment in Canada’s economy and businesses, not excessive compliance costs that detract from these goals.

Thank you for your consideration.

Sincerely,

Lisa Szabon-Smith
Executive Director
High River Chamber of Commerce
High River, Alberta
T1V 1M4

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

Holly Johnson
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Scandia, AB
T0J 2Z0
June 7, 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 comments.

I am involved in agriculture and an elected official and I am very concerned about the effects these proposed standards will have on farming operations and our area as a whole.

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). These expenses will be another cost to every business and family and make life unaffordable for every Albertan. These standards also 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 be difficult, and therefore expensive to track. In researching companies, I could not find any majority of investors looking for these kinds of numbers. I do not believe there is enough interest to counteract the costs that will accumulate. The Scope 3 accounting standards 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. 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.

There will be significant costs for businesses to be in compliance. That is money that could otherwise go to improving products and services or paying profits to investors. It appears that the only businesses that will benefit are the climate consulting firms, and accounting firms. The extent and breadth of requirements must be reconsidered in order to lower the cost of compliance or Canadian companies will be at a competitive disadvantage with our biggest trading partners.

We must be more in alignment with our biggest trading partner (the United States), as opposed to the European Union. The United States is not looking at 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 and transition plans are voluntary. 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. My understanding is that Mexico is not considering any climate-related financial disclosures. Mexican food producers will not have this added financial or regulatory burden, which will put Canadian producers at a competitive disadvantage. We will see more Albertans going hungry as life becomes more and more unaffordable. I request that reporting requirements be in alignment with our main trading partners rather than the EU.

Please accept and seriously consider our above suggestions.

Sincerely,

Holly Johnosn

Holly Johnson

Hydro One Limited

483 Bay Street
8th Floor South Tower
Toronto, Ontario M5G 2P5

HydroOne.com

June 7, 2024

Submitted electronically through the FRAS Canada website (frascanada.ca).

Re: CSSB – Canadian Sustainability Disclosure Standards Exposure Drafts (CSDS 1 and 2)

Hydro One Limited (referred to as "Hydro One" or "we") appreciates the opportunity to provide comments in response to the Canadian Sustainability Standards Board (CSSB) on its proposed Canadian Sustainability Disclosure Standards (CSDS 1 and 2) Exposure Drafts.

Overview of Hydro One

Hydro One Limited, through its wholly-owned subsidiaries, is Ontario's largest electricity transmission and distribution provider with approximately 1.5 million valued customers, approximately $32.8 billion in assets as at December 31, 2023, and annual revenues in 2023 of approximately $7.8 billion. Our team of approximately 9,700 skilled and dedicated employees proudly build and maintain a safe and reliable electricity system which is essential to supporting strong and successful communities. In 2023, Hydro One invested approximately $2.5 billion in its transmission and distribution networks and supported the economy through buying approximately $2.5 billion of goods and services. We are committed to the communities where we live and work through community investment, sustainability and diversity initiatives.

Sustainability at Hydro One

At Hydro One, sustainability means that we are committed to conducting our business safely in an environmentally and socially responsible manner and in partnership with all our stakeholders to build a brighter future for all. We publish an annual sustainability report to help our stakeholders better understand how we manage sustainability-related opportunities and challenges associated with our business. We are committed to enhancing our reporting by keeping pace with the evolving sustainability disclosures landscape and increasing the transparency and accountability of our disclosures. We are designated as a Sustainable Electricity Company by Electricity Canada.

Our reporting is guided by the Global Reporting Initiative, the Sustainability Accounting Standards Board framework, the United Nations Sustainable Development Goals, and the Taskforce on Climate-related Financial Disclosure guidelines. Our sustainability reports and related policies can be found on our **website**.

General comments

Hydro One is a reporting issuer in Canada. In the United States, Hydro One has issued securities in reliance on the multijurisdictional disclosure system (MJDS) that permits Hydro One to comply with its home country jurisdiction disclosure requirements (Canadian rules). Hydro One welcomes this opportunity to provide comments and engage with the CSSB on sustainability and climate-related disclosure standards. We are generally supportive of the proposed CSDS 1 and 2 exposure drafts and agree with the CSSB that the two-year transition relief proposed for disclosures beyond climate-related disclosures is adequate. In formulating our responses to the proposed questions, we have also taken into consideration the recently released SEC rule which does not require disclosure of Scope 3 emissions or climate scenario analysis (unless material). We note that the International Sustainability Standards Board framework is being adopted in other countries and Canada would not necessarily be the only outlier for requiring Scope 3 emissions. However, we firmly believe that Canadian disclosure requirements should not be more onerous that those set out in the United States given the close integration of the economies and securities regulatory regimes. Our comments are restricted to areas that present challenges to our reporting.

Timing of reporting

Aligning the timing of sustainability-related financial disclosures and the related financial statements, as proposed by the CSSB, presents Hydro One with a timing challenge. We publish our financial statements months earlier than our sustainability report. The timing of these reports is intentional and ensures that all our data disclosures have comprehensive internal controls and go through a robust governance process before disclosure. Aligning the timing may impact the data quality and accuracy. For example, it takes six to eight months to collect, validate and externally assure climate-related reporting data following our financial year end. In particular, some of the data required for our GHG emissions-related reporting comes from external sources, which are not always timely. Our current timeline allows us to accurately measure and report data according to best practice and get our emissions assured by an external third-party. We believe the best way to address the challenge of this timing gap is to allow issuers the flexibility in choosing the appropriate public document(s) in which to publish the proposed disclosures. At the very least, we request transition relief so that we can begin to align our report timelines to decrease the probability of compromising data quality and integrity.

Scope 3 emissions

Hydro One does not disclose Scope 3 emissions, because we believe that disclosure of GHG emissions by an issuer, be it Scope 1, Scope 2, Scope 3, or a combination thereof, should be based on materiality.

Removing Scope 3 emissions reporting on its own is expected to materially reduce the compliance costs associated with the SEC's rule for US public companies (though those costs remain high). Imposing that cost differentially on Canadian companies disproportionately increases the compliance costs for Canadian companies compared to their US peers. This issue is exacerbated by the generally smaller size of Canadian public companies and their relatively smaller compliance functions. The process to disclose Scope 3 emissions is likely to be complex, labour intensive and expensive for many organizations, including Hydro One. There is a high likelihood that our Scope 3 disclosures may be double reported by other issuers with direct control over these emissions. Furthermore, there appears to be no clear consensus on quantifying and establishing boundaries for Scope 3 emissions, unlike with Scope 1 and Scope 2 emissions. The resources required to disclose Scope 3 emissions could be more meaningfully allocated to adapting to climate change and mitigating GHG emission impacts that are under the direct control of organizations.

If Scope 3 is to be a requirement, then for the disclosures to be decision-useful for investors, they need to be comparable and accurate, and require clear guidance on quantification methodology so that every issuer follows the same process to calculate these disclosures. Once there is a clearly defined approach and methodology, we support at minimum, the two-year transition relief period suggested by CSSB.

Given the complexities of preparing this disclosure, we would expect that companies might require additional time to determine their Scope 3 emission sources and develop robust systems to track them.

Scenario analysis

For Hydro One, conducting scenario analysis is a valuable exercise and critical aspect in understanding the opportunities and risks associated with climate change. We use multiple scenarios to ensure that both risks and mitigation plans are flexible and robust to the disparities between projected futures.

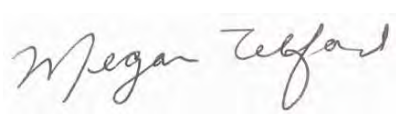
While we recognize the importance of scenario analysis, we believe that issuers should be permitted to report climate scenario analysis and its impacts on a voluntary basis. The results of climate scenario analysis often contain information that is commercially sensitive and has the potential to be misrepresented, which present significant risk to the disclosing issuer. In addition, climate scenario analysis is complex and costly, because there is no agreed upon scenario to use or guidance as to how issuers should conduct these analyses. The breadth of analysis required to estimate local impacts of climate change in a geographically dispersed operating environment is significant and may increase compliance costs. Requiring scenario analysis in the absence of standards or consistency with the scenario being applied may present the potential for some Canadian issuers under-reporting to maintain competitive advantage and under-represent risk conclusions.

If climate scenario analysis is to be mandated by the CSSB, in addition to guidance on scenarios to ensure consistent disclosures, we support a transition relief period for implementation of a minimum of two years, as well as an appropriate refresh/update period of at least five years, to acknowledge the level of effort required for a comprehensive, science-based assessment.

Conclusion

Thank you for the opportunity to provide comments and contribute to the CSSB’s work in moving toward consistent and comparable disclosures through the proposed exposure drafts. If you have any questions or would like further details or clarification about any of our comments, please reach out to us.

Sincerely,



Megan Telford
Executive Vice President, Strategy, Energy Transition and Human Resources

INTACT CENTRE
ON CLIMATE ADAPTATION

UNIVERSITY OF WATERLOO

Intact Centre on Climate Adaptation
Faculty of Environment, University of Waterloo
200 University Avenue West
Waterloo, ON, N2L 3G1

June 10, 2024

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

Submitted online

Re: Response to CSSB Exposure Drafts – Proposed Canadian Sustainability Disclosure Standard (CSDS) 1: General Requirements for Disclosure of Sustainability-related Financial Information and Proposed Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures

Dear Ms. French,

Firstly, we wish to commend the Canadian Sustainability Standards Board (CSSB) for their efforts to advance sustainability and climate-related reporting standards in Canada. The CSSB provides an opportunity to tailor international standards to the needs and contexts of Canadian businesses and users of general-purpose financial reports.

We appreciate the need for internationally consistent disclosure standards, and therefore understand the fact that the CSSB has made limited changes to the IFRS 1 and IFRS 2 standards, on which the CSDS 1 and CSDS 2 standards are based.

Given the focus of our research centre on climate adaptation and physical climate risks, our comments relate mainly to CSSB's request for comments on the focus area "Climate resilience" (paragraph 22 of CSDS 2). However, certain of our comments are also applicable to CSDS 1,

Focus Area: Climate resilience (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."

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

We do not consider that scenario-analysis is newer for Canadian reporting entities than for other entities reporting to the global baseline requirements on climate resilience. Canadian reporting entities have had access to the recommendations of the Taskforce on Climate-related Financial Disclosures since 2017, and many have already started making climate-related disclosures following these recommendations and others, on which IFRS 2 and CSDS 2 are based. Canadian reporting entities also already have open access to climate data sources, such as ClimateData.ca (https://climatedata.ca/) and the Climate Atlas of Canada (https://climateatlas.ca/), in additional to global online resources.

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

It is our opinion that further guidance is necessary to support robust risk management (of physical climate risks and other risks) that reflects the established international standard ISO 31000 Risk Management.[1] This comment also applies to transition risks, and other risks addressed in CSDS 1.

Paragraph 22 on climate resilience sets requirements for physical climate risk identification, assessment, prioritization and monitoring and, coupled with paragraph 24, sets a framework for risk management. However, not all the elements of a robust risk management process are explicitly addressed (Figure 1).

In particular, it is our opinion that additional guidance is required to guide reporting entities to disclose **risk reduction strategies** (referenced as risk treatment by ISO 31000) as a key part of climate resilience. This is implicit in the extracted paragraphs 14 and 25 below, but the relation to climate resilience may not be understood by reporting entities.

> *14 (ii) current and anticipated direct mitigation and adaptation efforts (e.g., through changes in production processes or equipment, relocation of facilities, workforce adjustments, and changes in product specifications);*
>
> *14 (iii) current and anticipated indirect mitigation and adaptation efforts (e.g., through working with customers and supply chains);*

[1] International Organization for Standardization (ISO). 2018. "ISO 31000:2018 Risk Management Guidelines." Accessed at: https://www.iso.org/standard/65694.html

"25 (c) the extent to which, and how, the processes for identifying, assessing, prioritizing and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process."

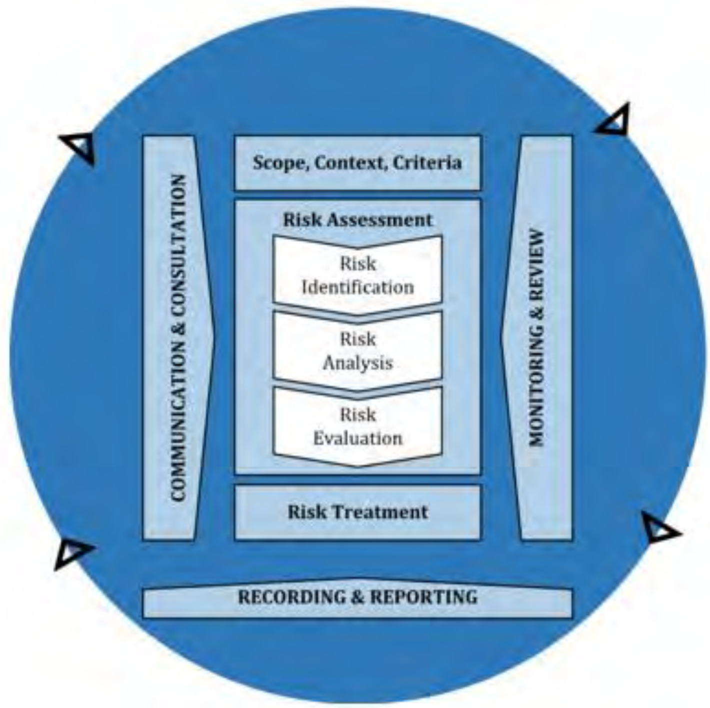


Figure 1: ISO 31000 Risk Management Process (from International Organization for Standardization, 2018).

Risk reduction measures are critical to the effective management of risk and are therefore critical to the needs of users of general-purpose financial reports. This element was an explicit part of the "Climate Risk Management Guideline" that the Quebec financial regulator, the Autorité des marchés financiers, issued for consultation in January 2024 (see section 2.2 of this guidance – "Risk Mitigation").[2] We have used the term "risk reduction" rather than "risk mitigation" here to avoid confusion with greenhouse gas emission reduction, which is commonly called "mitigation".

[2] Autorité des marchés financiers. 2024. "Climate Risk Management Guideline". Accessed at: https://lautorite.qc.ca/fileadmin/lautorite/consultations/lignes-directrices/2024-01-30-fin/2023nov30-LD-changements-climatiques-cons-en.pdf

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? Please be specific

We recommend that additional guidance to reporting entities should be provided on:

- Managing climate risks using the established international standard ISO 31000 Risk Management
- Sector-specific guidance to help identify physical climate risks and risk reduction measures.
- Integration and relation between climate and nature-related risks

a) Managing climate risks using the established international standard ISO 31000 Risk Management

ISO 31000 is an established, internationally recognized standard that provides comprehensive guidelines on risk management. It was first published in 2009, revised in 2018 and recently reviewed and confirmed in 2023. The standard encompasses principles, a framework, and a process for managing risk that can be applied to any type of risk, including climate-related risks.

Key elements (as illustrated in Figure 1) include:

- Communication and consultation
- Scope, context and criteria
- Risk assessment
- Risk treatment (risk reduction strategies)
- Monitoring and review
- Recording and reporting

By providing additional guidance on the use of ISO 31000 within CSDS 2 (and CSDS 1), the CSSB could support reporting entities in providing more structured and consistent climate-related disclosures that best serve the needs of users of general-purpose financial reports. Many reporting entities may already be using ISO 31000 for managing other risks. Additional guidance could be provided on the following elements:

- **Risk Management Framework**: Both CSDS 1 and CSDS 2 could point to the ISO 31000 risk management framework as a guiding principle for reporting entities in their disclosures relating particularly to paragraphs 14, 22 and 25. CSDS 1 and CSDS 2 could encourage companies to disclose how their risk management processes align with ISO 31000 principles.

- **Communication and Consultation:** In a Canadian context it would be important to provide additional guidance on how consultation with Indigenous peoples (First Nations, Inuit and Métis) has been integrated into managing climate-related risks that may impact the financial performance of the reporting entity.

- **Continuous Improvement**: ISO 31000 emphasizes the importance of continuous improvement in risk management processes. CSDS 1 and CSDS 2 could guide companies to disclose their efforts to continuously improve their sustainability and climate-related risk management practices, including any lessons learned from past experiences

b) Sector-specific guidance to help identify physical climate risks and risk reduction measures

Canadian-specific resources are already available to support reporting entities in their disclosures relating to physical climate risks. The Intact Centre on Climate Adaptation (Intact Centre) has developed a globally scalable tool that provides sector-specific insights and standardized risk assessment, empowering companies to methodically identify, evaluate, and address physical climate risks.

The tool, Climate Risk Matrices (CRMs), prioritize the top means by which physical climate risks (climate change and extreme weather risk) may negatively impact reporting entities, while simultaneously identifying actions to mitigate prioritized risks. By providing sector-specific standardization and actionable strategies for risk reduction, CRMs present a practical basis for reporting entities to make their physical climate-related risk disclosures that is readily understandable by users of general-purpose financial reports.

Six CRMs have been created for industry sectors including **Utilities** (Electricity Transmission & Distribution, Hydroelectricity Generation, and Wind Electricity Generation), **Financials** (Banking (Residential Mortgage Providers) and Property and Casualty Insurance), and **Commercial Real Estate**.[3] These CRMs act as *template* to help reporting entities identify their primary physical climate risks and allocate resources effectively to mitigate them. Recognizing that reporting entities often lack the resources to address all potential risks, the CRMs help prioritize the top physical climate risks most likely to impact operations. Additionally, CRMs also act as a *benchmark* for users of general-purpose financial reports to easily understand the risks facing a given reporting entity, operating within a given sector, so they can compare results.

CRM's even offer specific questions users of general-purpose financial reports can ask reporting entities to assess their understanding and management of climate risks. If a reporting entity has not identified or mitigated these risks, it raises a red flag for users of general-purpose financial reports.

By providing guidance on, and signposting, the CRM framework and existing matrices within CSDS 2, the CSSB can support reporting entities in their climate risk management and disclosures in a way that provides practical information for users of general-purpose financial reports. The CSSB is also uniquely positioned to spearhead the development, or request the creation of, additional CRMs to cover all industry sectors in Canada.

c) Integration and relation between climate and nature-related risks

The International Sustainability Standards Board (ISSB) has recently indicated that they will be working on biodiversity, ecosystem and ecosystem services (BEES) related sustainability

[3] Bakos, K. & Feltmate, B. (2023). Transitioning From Rhetoric to Action: Integrating Physical Climate Change and Extreme Weather Risk Into Institutional Investing. Prepared by the Intact Centre on Climate Adaptation, University of Waterloo. Accessed at: https://www.intactcentreclimateadaptation.ca/integrating-physical-climate-change-risk-into-institutional-investing/

disclosures.[4] Nature-related risks are inherently intertwined with climate-related risks, since nature contributes to both reducing greenhouse gases through carbon storage and sequestration (transition risks), and climate resilience, for example through protection from flooding, coastal erosion and extreme heat (physical climate risks).

Since the issue of IFRS 1 and 2 in June 2023, the Taskforce on Nature-related Financial Disclosures has issued its final recommendations.[5] An illustrative example of integration of climate and nature-related risk disclosures has also been published.[6] We recommend that additional guidance is provided to support reporting entities (for example TNFD early adopters) who wish to make climate AND nature-related disclosures. In the absence of ISSB standards or guidance at this point, this guidance could point reporting entities to the guidance already produced by the TNFD in the interim (Figure 2).

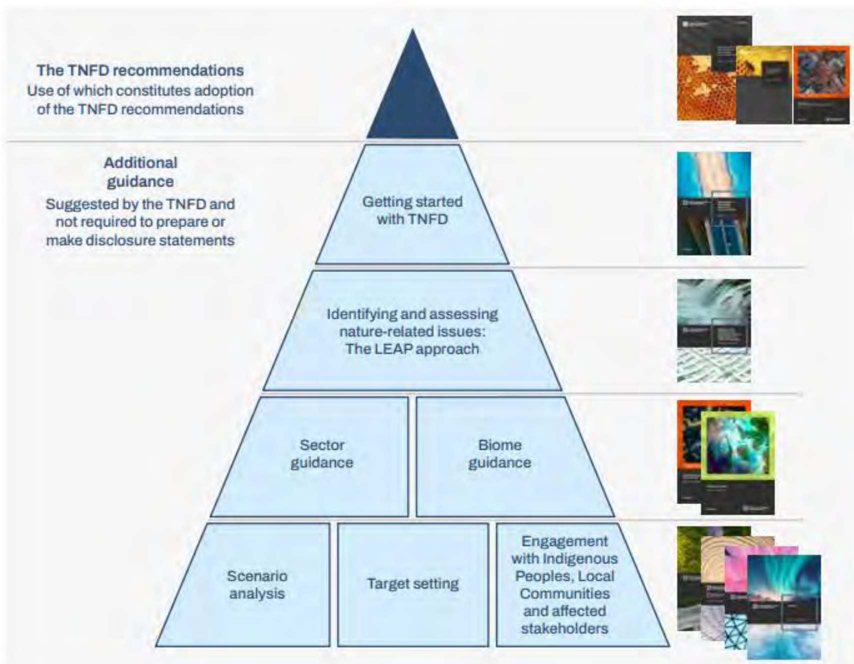


Figure 2: TNFD recommendations and additional guidance (from TNFD, 2023).

Thank you for considering our feedback. We look forward to seeing the CSSB's continued leadership in advancing sustainability reporting standards in Canada. If we can be of further assistance, please do not hesitate to reach out.

Yours sincerely,

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[4] International Financial Reporting Standards (IFRS) Foundation. 2024. "ISSB to commence research projects about risks and opportunities related to nature and human capital." Accessed at: https://www.ifrs.org/news-and-events/news/2024/04/issb-commence-research-projects-risks-opportunities-nature-human-capital/

[5] Taskforce on Nature-related Financial Disclosures (TNFD). 2023. "Taskforce on Nature-related Financial Disclosures (TNFD) Recommendations." Accessed at: https://tnfd.global/publication/recommendations-of-the-taskforce-on-nature-related-financial-disclosures/

[6] Forico. 2023. "Illustrative Example of Integrated TCFD + TNFD Disclosures". Accessed at: https://tnfd.global/forico-publish-an-illustrative-nature-and-climate-related-disclosure-report-using-tnfd-and-tcfd-aligned-recommendations/

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About the Intact Centre on Climate Adaptation

The Intact Centre on Climate Adaptation (Intact Centre) is an applied research centre based out of the Faculty of Environment at the University of Waterloo. The Centre helps homeowners, communities and businesses reduce risks associated with climate change and extreme weather events. Through extensive engagement, the Intact Centre has become the premier national organization focussed on climate adaptation in Canada. The Centre focuses on translating research, and has developed numerous guidelines and standards on protection from the extreme weather risks: flood, wildfire and extreme heat protection, the use of natural infrastructure for risk mitigation, and factoring physical climate risk into investment management. The Centre's tools and solutions help mobilize action on adaptation across the country, building resilience and enhancing health and security for Canada.

As a distinguishing characteristic, the Intact Centre address adaptation from all perspectives – physical, financial, economic, and social, by engaging stakeholders across multiple disciplines and sectors. The Centre has created influence and scale with a broad network/following that includes government Ministers/Deputy Ministers, provincial/territorial/ municipal government leads, heads of corporates, and NGO and industry association leadership. The Centre has also been recognized extensively by the media, with 400+ interviews per year on television, radio, and in print (newspapers, magazines, social media). For further information, visit: https://www.intactcentreclimateadaptation.ca/

June 10, 2024

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

Re: Intact Financial Corporation comments on the Exposure Drafts for the proposed Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information; CSDS 2, Climate-related Disclosures.

Dear Ms. French,

The purpose of this letter is to provide comments on the exposure drafts CSDS 1 and 2. We appreciate the opportunity offered by the Canadian Sustainability Standards Board to share our perspective on these important exposure drafts.

Intact Financial Corporation ("Intact") is a publicly traded company listed on the Toronto Stock Exchange and is the largest provider of property and casualty insurance in Canada, with an estimated 18% market share and a market capitalization of approximately $40 billion. In addition, Intact is a leading provider of global specialty insurance with international expertise and a leader in commercial lines in the U.K. and Ireland.

Intact is a purpose-driven business focused on helping people, businesses and society prosper in good times and be resilient in bad times, and we believe that we have a unique opportunity to help build a climate-resilient society. To this end, Intact joined the Government of Canada, the Government of Québec and other private sector stakeholders to provide financial support to establish the ISSB Montréal operations.

Intact is supportive of the CSSB mandate to contribute to the development of internationally recognized sustainability disclosure standards. It is important to recognize that standardizing environment, social, governance (ESG) and climate-related financial disclosures should aim to simplify and ease administrative burdens for issuers while creating value for investors.

We are providing the following recommendations for your consideration as you continue to deliberate on the timing of the proposed disclosures.

Relief for disclosures beyond climate risks and opportunities

While we welcome CSSB's proposed two-year transition relief, we recommend a three-year relief for disclosures beyond climate-related risks and opportunities. This is to help align with the Corporate Sustainability Reporting Directive (CSRD) regulation, under which affiliates of many global entities operating in the EU (including Intact) may be required to report information pertaining to their non-European Union (EU) parent for annual reporting periods starting January 1, 2028.

A three-year transition relief will give companies time to determine the materiality thresholds for non-climate related risks and opportunities and to develop the internal capacity to be able to disclose relevant, robust and geographically coherent performance data that will be useful for stakeholders. Aligning the timeline with the anticipated timing of CSRD will allow companies to be better positioned to harmonize data across different geographies and give companies sufficient time to embed the internal policies and systems required to generate disclosure that satisfies multiple reporting regimes.

Relief for timing of reporting

Alignment of the timing of reporting of sustainability-related disclosures with financial statements will require that sustainability-related data rely more on estimations and proxies instead of actual data. Many sustainability metrics (e.g. Greenhouse Gas Emissions) relate to the flow of materials and energy across the economy. This tracking and measurement has not matured to the same level of tracking of financial flows/transactions. Two key pieces must be in place to allow for alignment of sustainability-related disclosures with financial statements:

- Activity data must be easily collected and be of reasonable quality (e.g. fuel consumed within each vehicle, revenue data for each customer/investee, distance traveled by each customer's vehicle).
- Factors to convert activity data into sustainability metrics must be readily available for each region and each class of activity (e.g. emission factors for various classes of agricultural operations in different regions in Canada, residual electricity mix factors for each province/territory).

As these two continue to mature, entities conducting disclosure will:

- Be limited in disclosing sustainability metrics on the same timelines as financial statements.
- Be limited to disclosing non-granular estimates of sustainability metrics.

It is recommended that the CSSB consider the recommendations of the Sustainable Finance Action Council of Canada Data Technical Experts Group, which were submitted to the

Government of Canada. Those recommendations will help expedite the maturing of sustainability-related data and will take time and collaboration across all levels of government.

We suggest that the CSSB aligns with regulatory filings for sustainability-related disclosures (for example, 180 days after fiscal year-end as provided by the Office of the Superintendent of Financial Institutions (OSFI)). We believe the flexibility in timing will not materially impact the decision-usefulness of current sustainability-related disclosures for investors and other stakeholders.

Climate resilience disclosure

We recommend a three-year relief for disclosure of business resilience to climate change. While climate resilience is an integral part of Intact's long term strategy, climate scenario analysis and associated financial impact methodologies designed to demonstrate business resilience are still in their infancy within the industry. We believe additional time will enhance the quality of disclosures necessary to meet the specific requirements of CSDS 2.

We note that OSFI has indicated a relief period on climate resilience disclosure. While a timeline has not been announced it is expected to take at least another two to three years to reach economy-wide alignment on principles and accepted approaches for scenario analysis.

Further guidance on scenario analysis is recommended in advance of requiring this disclosure. Additionally, we believe disclosures related to resilience assessment resulting from scenario analysis should be based on materiality, with the ability to exclude proprietary or competitive information from public disclosures.

Relief for Scope 3 emissions

As noted above, it is recommended that the CSSB allows timing to align with regulatory filings for sustainability-related disclosures (for example, 180 days after fiscal year-end as provided by the OSFI B-15 guidelines).

Intact looks forward to the completion of the CSSB consultation papers and adoption of the sustainability standards in Canada. Thank you for the opportunity to provide input to align with international standards while addressing Canadian public interest.

Sincerely,

Mandy Dennison
Vice President, Social Impact & ESG
Intact Financial Corporation

ICSC - Canada
www.icsc-canada.com
International Climate Science Coalition - Canada

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

Submitted through FRAS Canada Internet Portal

From: Tom Harris, B. Eng., M. Eng. (Mech.)
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Nepean RPO Meriline
Nepean, ON K2E 1B1

June 10, 2024

Feedback on proposed Canadian Sustainability Standards Board Canadian Sustainability Disclosure Standard CSDS 2 Climate-related Disclosures

Dear Chair St-Jean,

The International Climate Science Coalition – Canada (ICSC-Canada) is making this submission to the Canadian Sustainability Standards Board (CSSB) as part of its consultation process on proposed Canadian Sustainability Disclosure Standard CSDS 2 Climate-related Disclosures (CSDS 2).

ICSC-Canada is a federally incorporated, not-for-profit coalition of scientists, economists and energy and policy experts working to promote a better understanding of climate science and to foster a rational, evidence-based discussion about sensible and realistic responses to climate change.

We appreciate the fact that "CSSB welcomes comments on all aspects of the proposals in the" subject exposure draft. ICSC-Canada strongly disagrees with the underlying objective and rationale of CSDS 2. In addition, these standards will cause additional and unnecessary expenses that will be incorporated through the value chain on all companies, including small operations, with minimal benefits for larger enterprises, investors or consumers. The proposed standards will also create a serious competitive disadvantage for Canadian entities vis-à-vis those in the United States (which constitutes 76% of our export trade) and Mexico which is not doing any of this. The U.S. SEC climate rule has been indefinitely stayed until numerous court cases are resolved, and even if the rule is somehow approved by the courts, it isn't as stringent as the Canadian standards (scope 3 emissions accounting and climate scenario analysis are voluntary). The result will be a shifting of what little manufacturing we have left to American or Mexican jurisdictions that offer more favourable operating conditions.

We consider the CDSC 2 standards unnecessary because the latest science does not support the assumptions on which CSDS 2 is based. There is no climate emergency and extreme weather is generally not increasing in either intensity or frequency.

Specifically, the following part of CSDS 2 is incorrect:

> **“APPENDIX A**
> **DEFINED TERMS** *This appendix is an integral part of CSDS 2 and has the same authority as the other parts of the standard.*
>
> **Climate-related Physical Risks:**
>
> Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency.”

One of the main reasons that the above statement is widely regarded as correct, even though it is not scientifically substantiated, is that few people understand what the science reports of the United Nations Intergovernmental Panel on Climate Change (IPCC) actually say. Instead, they rely on the misleading IPCC Summary for Policymakers (SPM) (more on that in the next section of our letter), media reports about the SPM or unscientific and sensationalist proclamations of activists and UN and government leaders.

For example, when the IPCC Working Group 1 report on the physical science basis of the sixth assessment was issued in 2021, Secretary-General António Guterres' said on August 9, 2021:

> “Today's IPCC Working Group 1 report is a code red for humanity. The alarm bells are deafening, and the evidence is irrefutable: greenhouse-gas emissions from fossil-fuel burning and deforestation are choking our planet and putting billions of people at immediate risk… Extreme weather and climate disasters are increasing in frequency and intensity.”

But, nowhere in the IPCC reports does it say that billions of people are at immediate risk. And the terms 'climate emergency,' also referenced by the Secretary-General in his 2021 statement above, or 'climate crisis' are only mentioned once in the latest IPCC assessment reports, and that is merely with regards to media coverage, not what the IPCC actually says is real.

As explained in the following articles by Dr. Roger Pielke, Jr., a professor in the College of Arts and Sciences at the University of Colorado Boulder; a distinguished fellow at the Institute of Energy Economics, Japan; a research associate of Risk Frontiers (Sydney, Australia); an honorary professor of University College London and a Nonresident Senior Fellow at the American Enterprise Institute, a close examination of the actual science reports of the IPCC, as well as the US Climate Assessment, show that the they often explain that science has yet to show that “extreme weather and climate disasters are increasing in frequency and intensity,” or, as is written in Appendix A of the draft CSDS 2, that “storms, floods, drought or heatwaves, … are increasing in severity and frequency”:

- What the IPCC Actually Says About Extreme Weather (substack.com)

- What the IPCC Says about Drought - by Roger Pielke Jr. (substack.com)
- What the media won't tell you about ... Wildfires (substack.com)
- SERIES: What the media won't tell you about . . . Floods (substack.com)
- SERIES: What the media won't tell you about . . . hurricanes (substack.com)
- What the media won't tell you about . . . Tornadoes (substack.com)
- SERIES: What the media won't tell you about . . . U.S. heat waves (substack.com)
- SERIES: What the media won't tell you about . . . Drought in Western and Central Europe (substack.com)

And it is not just the latest (the 6th, AR6) science reports of the IPCC that do not support the statement made by the Secretary-General as well as that in the CSDS 2 appendix statement. For example, concerning floods, the Fifth Assessment Report the IPCC wrote:

> “There continues to be a lack of evidence and thus low confidence regarding the sign of trend in the magnitude and/or frequency of floods on a global scale.”

Even Environment and Climate Change Canada in its 2019 climate report said,

> “There do not appear to be detectable trends in short-duration extreme precipitation in Canada for the country as a whole based on available station data.”

To better understand what is really in the science reports of the latest IPCC assessment, I suggest reading the following from Dr. Pielke:

- How to Understand the New IPCC Report: Part 1, Scenarios (substack.com)
- How to Understand the New IPCC Report: Part 2, Extreme Events (substack.com)

Outside of the IPCC and Dr. Pielke, one can easily find numerous studies from across the world that illustrate that the CSDS 2 statement above is problematic. For example, ICSC-Canada Science Advisory Panel member, consulting meteorologist Dr. Madhav L. Khandekar, a former Environment Canada Research Scientist, shows in many reports that extreme weather events are not increasing in frequency or severity in Canada. Dr. Khandekar said:

"Extreme weather is an integral part of weather and climate that has always been with us whether our climate was cooler or warmer. Reducing CO_2 levels in order to reduce extreme weather is a fantasy."

The most severe weather of recent centuries occurred during the far colder Little Ice Age which ended about 1880. The worst weather of the past century, however, was generally during the Dust Bowl years of the 1930s. The “dirty thirties” were miserable for farmers on the American and Canadian prairies, far worse than anything we are seeing today. Well-known American climatologist Stanley Changnon has documented how the 1920s and 1930s also witnessed significantly higher numbers of thunderstorms and associated violent weather than today. University of Alberta Emeritus Professor Keith Hage’s research showed that severe and destructive windstorms over Alberta and Saskatchewan peaked during the 1920s and 1930s and have lessened since.

And we find that many papers show the same internationally. For example, Vincente-Serrano et al. 2020, looked at long-term trends in drought in Western Europe from 1851 to 2018, with a focus on precipitation deficits…The figure below shows trends aggregated for the region as a whole. They conclude: "Our study stresses that from the long-term (1851–2018) perspective there are no generally consistent trends in droughts across Western Europe."

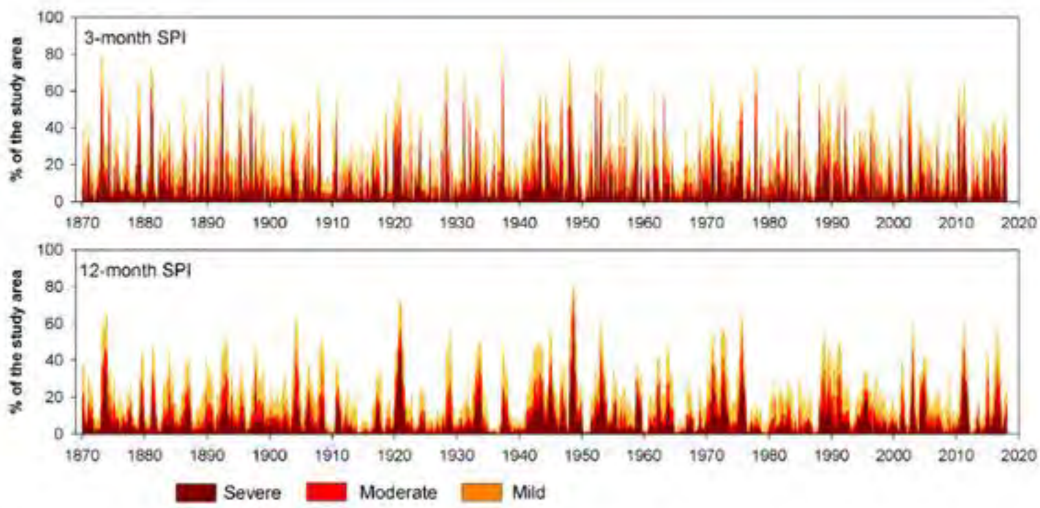

FIGURE 8 Evolution of the European land area impacted by mild , moderate and severe droughts from 1871 to 2018

The following statement in CSDS 2 appendix is also misleading:

> "Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity."

While natural climate change may cause any of these problems, there is no solid science to support the belief that these changes are due to humanity's greenhouse gas emissions.

CSDS 2 references that a regulated entity:

> "is required to convert the seven constituent greenhouse gases into a CO_2 equivalent value using global warming potential values based on a 100-year time horizon, from the latest Intergovernmental Panel on Climate Change assessment available at the reporting date."

"Watts Up With That?", "the world's most viewed site on global warming and climate change," has good articles—for example "Climatic Distortions Due to Diminutive Denominators – Watts Up With That?"—that describe why "global warming potential" is a problematic metric. For a more detailed discussion, see the paper in Nature, "A solution to the misrepresentations of CO2-equivalent emissions of short-lived climate pollutants under ambitious mitigation | npj Climate and Atmospheric Science (nature.com)."

Clearly, requiring regulated entities to use IPCC's "global warming potential" values is a mistake.

I would be happy to provide CSSB with many other solid scientific references in support of our assertion that these CSDS 2 statements and requirements are contradicted by numerous leading scientists in the field.

Another serious problem with CSDS 2 is its overreliance on the IPCC for the generation of scenarios. CSDS 2 defines “the latest international agreement on climate change” as follows:

> “An agreement by states, as members of the United Nations Framework Convention on Climate Change [UNFCCC], to combat climate change. The agreements set norms and targets for a reduction in greenhouse gases,”

The UNFCCC uses the IPCC to back up its claims. Indeed, the stated purpose of the IPCC is to support the UNFCCC.

Here are the sections in the draft CSDS 2 where the IPCC is referenced:

In the section titled, “Climate resilience,” para 22, the draft CSDS states in part:

> “The entity shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity’s circumstances…Specifically, the entity shall disclose:
>
> (a)…
>
> (b) how and when the climate-related scenario analysis was carried out, including:
>
> (i) information about the inputs the entity used, including:
>
> …
>
> (4) whether the entity used, among its scenarios, a climate-related scenario aligned with the l*atest international agreement on climate change* [my italics];”

In the section titled, “Climate-related targets,” paragraph 33, the draft CSDS states in part:

> “An entity shall disclose the quantitative and qualitative climate-related targets it has set to monitor progress toward achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the entity shall disclose:
>
> (a) …
>
> (h) how the *latest international agreement on climate change* [my italics], including jurisdictional commitments that arise from that agreement, has informed the target.”

In Appendix B, “Application Guidance” (as is the case for Appendix A, this appendix is an integral part of CSDS 2 and has the same authority as the other parts of the standard):

> “Selecting inputs
>
> B12 … For example, an entity with operations concentrated in a jurisdiction where emissions

> are regulated – or are likely to be regulated in the future – might determine that it is appropriate to carry out its analysis using a scenario consistent with an orderly transition to a lower-carbon economy or consistent with relevant jurisdictional commitments to the *latest international agreement on climate change* [my italics]."

As explained in "Governments Must Stop Using Unverified Data for Climate Fear," my Aug 21, 2023 radio interview with ICSC-Canada board member, Australia-based Dr. John McLean, Expert Reviewer of the IPCC's 2013 Climate Assessment Report and an Expert Reviewer of the second order draft of the Working Group I component of IPCC AR6, the IPCC should not be used as a reliable indicator of future climate change, let alone used as a foundation for scenarios to be used in sustainability standards.

The IPCC describes its role as … "to assess … information relevant to understanding the scientific basis of risk of human-induced climate change, its potential impacts and options for adaptation and mitigation."

The outcome of this is that we have a lobbyist organisation with a single focus, in this case man-made climate change rather than the larger picture of why the climate might be changing.

Like other lobbying organisations that often make distorted or deceptive claims and fail to mention other important information, the IPCC's behaviour should rule it out as a basis for the development and application of scenarios in standards. Here is a list of some of the IPCC's problematic actions:

(a) Claiming the issue is very important

The latest IPCC report says that the 2011-2020 average global temperature was just 1.1 °C above the 1850-1900 average global temperature, which, if we take the middle of each period is over 140 years. That is less than 0.8 °C/century, which is no threat whatsoever (and is arguable exaggerated). The evidence that there is a threat is weak to non-existent.

(b) Falsely claiming to have thoroughly assessed the relevant literature

With some exceptions, there is no evidence that IPCC reports assess the relevant literature in any way other than whether it supports the IPCC's basic premise of human-induced climate change. We see this in, to give just two examples, the "hockey stick" temperature graph, cited eight times in the IPCC's 2001 report but proven false by MacIntyre and McKittrick a few years later, and in its second report (1995) citing an unpublished paper, written mainly by authors of the IPCC's report, that was widely criticized when it was finally published.

(c) Ignoring material that undermines the lobbyists' claims

The IPCC ignores papers that find that natural forces play a major part in climate change and, by implication, that the human influence is small. These are important findings regards the risks associated with human-induced climate because they indicate that the risk is negligible.

(d) … and cherry-picking material that supports them

For example, the IPCC's sixth report (AR6, 2021) cited a single paper that implied that there had been an increasing trend in US hurricanes and ignored eight other papers that found there was no increase.

(e) Failing to verify data fundamental to the lobbying

The IPCC admitted this in a response to the comments of Dr. McLean when he reviewed the IPCC's 2013 report. His 2017 PhD thesis and his 2018 audit of the HadCRUT4 temperature dataset revealed more than 70 problems. This implies that earlier, highly influential, IPCC reports were based on false temperature data.

(f) Ignoring the potential benefits of what the lobbyists are against

The IPCC reports contain very little discussion of the multiple benefits of warming. These include reducing the number of fatalities from extreme cold, increasing the area of land suitable for agriculture and boosting the growth of vegetation.

(g) Using unproven methods to support one's claims

The IPCC cites many studies that used climate models to do one or more of the following:

- Estimate past temperatures
- Estimate the human influence on temperatures
- Predict future temperatures (ceased in the fifth IPCC report after repeated failures)

No climate models have been formally validated (i.e., proven correct in a range of situations) and the record of models is poor. Worse, most climate models used in the IPCC's 2013 report exaggerated the warming during 1998-2012, and the latest generation of climate models, the CMIP6 set, produce a wider range of output than the earlier CMIP5 models.

(h) Presenting false or distorted science

IPCC reports habitually present false or distorted science. As explained above, the concept of Global Warming Potential (GWP) is false because it considers each gas in isolation rather than mixed with others as they are in the atmosphere. Sometimes in combination those gases already absorb 100% of the infrared radiation at a given wavelength, so adding more of those gases cannot absorb more.

The IPCC reports also falsely claim that greenhouse gases trap energy but all they do is slow the energy's escape into space and the energy budget diagrams in each IPCC report misleadingly over-simplify what happens in the atmosphere and have little value.

(i) Making false claims about the accuracy and applicability of certain data

IPCC reports imply that the global average pre-industrial temperature in known to fractions of a degree but *only four weather stations, all in Europe, recorded the temperature before the start of the Industrial Revolution*. In a similar fashion, the reports have implied that rings from just a few trees are accurate guides to the northern hemisphere average temperature.

(j) Making false claims about the strength of one's "evidence"

Many IPCC reports claim to have multiple lines of evidence for man-made warming, but those lines of evidence are a mixture of the facile (e.g., that warming has occurred), claims based on the output of climate models, instances of correlations that by themselves don't prove cause or are just speculation.

(k) Implying that the material it cites is the truth

The IPCC reports cite findings made in reports, books and published papers (sometimes single papers) as if they were proven truths. A remarkable number of scientific papers make findings that cannot be replicated and some, probably only a small proportion, are withdrawn/retracted.

It is important to also understand the realities inherent in the IPCC and UNFCCC reporting, approval and publicizing process:

- After the main text of the IPCC reports have been drafted and refined via the review process, the IPCC presents government representatives with a draft Summary for Policymakers (SPM), written by selected authors of chapters of the main text. These representatives, some of which might know little about the subject, negotiate the wording of the SPM within the framework presented to it, and eventually formally approval the document. Governments would find it difficult to reject IPCC claims after their representatives have been coerced into approving the document.

- About this time the UNFCCC exaggerates the IPCC's claims even further by talking about "the threat of climate change," urgent action being required and there being a "climate emergency." None of this is true but the UNFCCC pressure governments into acceding to demands for international agreements such as the Paris Agreement and Net Zero.

- The IPCC and UNFCCC use the huge UN media machine to spread their claims around the world in a multitude of languages. Papers that present counterarguments and counterclaims to the IPCC's official proclamations do not have that level of reach and don't have a similar ability to plant stories in the local media. These alternative views struggle for exposure and are rarely seen by governments or the public.

- Governments have been pressured into funding climate research that supports IPCC, UNFCCC beliefs and supporting, via subsidies to certain bodies, the UNFCCC's push towards renewable energy and Net Zero.

As in the first part of this submission, we would be pleased to provide you with more information in support of the preceding comments.

It may interest you that in the past month I have had three articles published on the America Out Loud web site, where I typically get about 50,000 readers per article, as follows:

- May 25, 2024: "Woke climate activist financial institutions are about to screw us all!"

- May 31, 2024: "Consumers will lose big time as climate activist banks control what you can and can't buy!"

- June 8, 2024: "Crippling financial standards based on junk science and UN climate body's unethical lobbying"

In conclusion, bringing in the CSSB's Canadian Sustainability Disclosure Standard CSDS 2 Climate-related Disclosures would be highly damaging to Canadians and of no benefit to the climate. I would be pleased to discuss this with you at any time.

Sincerely,

Tom Harris, B. Eng., M. Eng. (Mech.)
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THE INVESTMENT FUNDS INSTITUTE OF CANADA | L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

IFIC Submission

Re: Canadian Sustainability Standards Board (CSSB) Proposed Sustainability Standards CSDS 1 & 2

June 13, 2024

THE INVESTMENT FUNDS INSTITUTE OF CANADA | L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

IAN BRAGG
Vice-President, Research & Statistics, Vice-président, Recherches et statistiques
ibragg@ific.ca 416 309 2325

June 10, 2024

Submitted by electronic filing

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

Dear Ms. French:

RE: Canadian Sustainability Standards Board (CSSB), Proposed 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

IFIC is the voice of Canada's investment funds industry. IFIC brings together approximately 150 organizations, including fund managers, distributors and industry service organizations, to foster a strong, stable investment sector where investors can realize their financial goals. IFIC operates on a governance framework that gathers member input through working committees. The recommendations of the working committees are submitted to the IFIC Board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction of a broad range of IFIC members.

IFIC is generally supportive of the Canadian Sustainability Standards Board's (CSSB) Proposed Canadian Sustainability Disclosure Standards (CDS 1 and CDS 2) (**Disclosure Standards**) and the close alignment of the standards themselves with the International Sustainability Standards Board's (ISSB) standards – IFRS S1 and IFRS S2.

IFIC is also supportive of CSSB's commitment to respecting the rights, perspectives and priorities of First Nation, Métis and Inuit Peoples in its consultation process and of creating an engagement plan to involve these groups in the development of its Disclosure Standards.

Our members, investment management firms, and dealers, play important roles in Canadian and global financial markets. Investment funds are key intermediaries in capital markets and an indispensable vehicle for investors seeking to achieve their most important long-term financial goals. For these reasons, we support initiatives that strengthen the current landscape of sustainability reporting in ways that will benefit markets, funds, and investors. Currently, issuers' sustainability and climate-related disclosures are not sufficiently complete, consistent, or comparable. Quantitative information is often limited and, most often, provided on a voluntary basis.

Many investment management firms require high-quality consistent and comparable sustainability and climate-related information from reporting issuers to inform investment decision-making. Many portfolio managers rely upon sustainability and climate-related information to assess investment risks and opportunities of individual securities and to guide corporate engagement and proxy voting activities. Also, sustainability and climate-related information is critical for understanding how sustainability and environment issues, including climate change are impacting individual companies, and how the activities of individual companies are in turn affecting sustainability and climate change as well as the broader environmental, economic and investment landscape.

Furthermore, many investment management firms require sustainability and climate-related information from the issuers their funds and clients are invested in to monitor and execute on their own sustainability and climate-related investment objectives and to report in accordance with securities regulators' ESG disclosure expectations[1]. High-quality information and data are critical to be able to ensure alignment between investment objectives and investments.

It will still be the case that certain investment management firms require additional sustainability and climate-related disclosure from issuers beyond what is contemplated in the proposed Disclosure Standards. However, IFIC believes that standardized sustainability and climate change data as envisioned by the CSSB will provide a solid base of information whereby investment management firms will be able to effectively manage their obligations.

Adopting Disclosure Standards into Regulatory Frameworks

The proposed Disclosure Standards would be voluntary until mandated under Canadian securities legislation. To become mandatory under Canadian securities legislation, the CSSB standards must first be incorporated into a rule established by the Canadian Securities Administrators (CSA). The CSA has indicated in a press release, March 13, 2024, that once the CSSB consultation is complete and its standards are finalized, the CSA will seek comment on a revised rule setting out disclosure requirements.

IFIC encourages the consideration of these factors in respect of the proposed disclosure standards and any implementing rules:

- **Scope** – The CSA indicated in its press release that it anticipates adopting only those provisions of the sustainability standards that are necessary to support climate-related disclosures. Investment management firms require high-quality, consistent, and comparable sustainability information beyond disclosures related to climate change. IFIC encourages inclusion of these broader requirements in sustainability disclosures. IFIC believes that general sustainability reporting requirements, in addition to climate-related reporting requirements, would be more aligned with existing ESG disclosure expectations for investment funds.[2]
- **Annual Reporting Timelines for Reporting Entities** – Harmonizing sustainability and financial disclosures requires careful consideration. Firms that will not already be reporting to the proposed Disclosure Standards on a voluntary basis, will require time to gather sustainability and climate data to the same level of detail and accuracy as financial data. This may require an adjustment period to allow reporting entities time to implement the necessary systems and processes for accurate integrated reporting.
- **Proportionality** – IFIC supports proportionality in the application of sustainability and climate change reporting standards. In particular, smaller companies, like those listed on the TSX Venture Exchange, should be given longer timelines to apply the Disclosure Standards. By tailoring reporting timelines based on company size, the regulatory framework can ensure that the reporting burden does not disproportionately impact smaller issuers.
- **Inclusion of Safe Harbour Provisions** – Inclusion of safe harbour provisions related to climate change scenario analysis is crucial. These provisions can offer legal protections for issuers as they navigate the risks inherent in building, analysing and maintaining forward looking climate change scenario models. By safeguarding issuers from potential liabilities associated with forward-looking statements, these provisions encourage more transparent and robust climate risk disclosures. This, in turn, will enhance the quality of information available to investment managers and other stakeholders.

[1] CSA Staff Notice 81-334 (Revised) ESG-Related Investment Fund Disclosure.
[2] Ibid.

* * * * *

IFIC appreciates this opportunity to provide our input to the CSSB on this important initiative. Please feel free to contact me by email at ibragg@ific.ca or by phone at 416-309-2325. I would be pleased to provide further information or answer any questions you may have.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA

By: Ian Bragg
Vice-President, Research & Statistics

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

Joan McNeil
35 Fairmont Place South
Lethbridge, AB
T1K 7G2

May 29, 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).

The CSDS 1 and CSDS 2 reporting requirements represent a significant **financial burden** for all businesses, particularly for small businesses. This extensive financial reporting is an **invasion of privacy**, contravenes the principles of a free-market system, and **will not benefit Canadian corporations** in any way. Canadian corporations should not have to pay to provide data that will be used by the world's largest asset management companies to feed their AI-driven analytical systems.

CSDS 1 and CSDS 2 are carbon copies of international standards ISSB S1 and ISSB S2. Why is Canada doing the bidding of an **international unelected body**, and why is Canada the largest donor to the International Sustainability Standards Board? Were taxpayers asked whether mandatory sustainability standards are a priority?

Why are CSDS 1 and CSDS 2 **even more onerous and financially burdensome than those being used by our main trading partners**? I understand that Mexico is not considering any climate-related disclosures, and the US and China do not require costly "climate scenario analyses." American companies are safe from Scopes 2 and 3 litigation and liability, but Canadian companies are not.

Please immediately abolish the Canadian Sustainability Standards Board, stop all funding to the International Sustainability Standards Board, **rescind CSDS 1 and CSDS 2**, and declare Canada to be a zone free of all international dictates that were not voted on by Canadians, and do not have direct benefit to Canadians.

Sincerely,

Joan McNeil

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21 Lebel Cres NW, Suite 402
Calgary, Alberta, T3B6L9
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June 10, 2024

To the Canadian Sustainability Standards Board

Comments on CSDS 2 – Climate Related Disclosures

Thank you for the opportunity to provide comments on certain of the questions posed by the CSSB in the Exposure Draft for CSDS 2. For background purposes, I note that I am a director and audit committee chair for two public companies, and for a private real estate company. Prior to my retirement from public practice in 2018, I worked as an audit partner, and National Audit Leader for one of the big 4 accounting and audit firms in Canada. In addition, I have had the opportunity to participate as a volunteer in Canadian standard setting activities as a member of AASOC and as a member of the Independent Review Committee on Standard Setting.

My 1st comment relates to the proposed requirement for disclosure of scope 3 greenhouse emissions. In particular, my comments will focus on the proposed requirement to disclose greenhouse gas emissions from *the use of sold products*.

I note that that the CSSB indicates that it will consider Canadian specific considerations.

I submit that in Canada there are proportionately more companies, both public and private, involved in the exploration for, develop of, and production of natural resources than in almost any other jurisdiction. This would include companies involved in oil and gas, mining, and forestry. For a significant proportion of these companies, the products they produce are sold as raw materials to companies that aggregate and combine raw materials from many producers and sell them to companies that process them (such as petrochemical companies), or to companies that conduct processing activities. This separation of the production of the raw materials from downstream processing is particularly significant in Canada as the vast majority of the raw materials are sold to, and shipped to, companies in the United States, Europe, or Asia. In most cases, the Canadian company that produces the raw materials will not know how the products sold are ultimately used as they were likely combined with similar raw materials from other producers, and then used in a variety of ways. For example, the oil and natural gas produced by a Canadian company is normally sold, directly or indirectly, to a petrochemical or other company and may be used, for example, in the production of gortex or other fabrics, pharmaceutical products, or gasoline to power internal combustion engines in automobiles. The variations in the use of raw materials from mining activities would be similar. The greenhouse gas emissions from the use of the products sold would vary significantly from one use to another.

As the raw materials produced by the Canadian producer company would have, in most circumstances, have been combined with similar raw materials from other producers, any determination of the greenhouse gas emissions (scope 3 emissions for the producer company) from the use of the products sold would be arbitrary and would only reflect market or societal averages, rather than information specific to the activities of the Canadian producer company.

In most circumstances, the Canadian producer company would not be able to control or influence the greenhouse gas emissions from the use of the products sold. Any changes in those emissions would result from, almost entirely, changes in consumption at the consumer level, or process changes in the downstream activities. The disclosure of scope 3 emissions of this nature by the Canadian producer companies, together with their scope 1 and scope 2 emissions, would obfuscate the company's performance in managing the emissions that they have some ability to control. This would not be in the public interest. If the producer reduced the volume of products sold, that there would not likely be any change in aggregate global emissions absent changes in end-use consumption as the raw materials would be acquired from another company.

Paragraph 1 of CSDS 2 includes the phrase "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…". I submit that for the reasons discussed above, the information on scope 3 emissions from the use of products sold often does not relate to the climate-related risks and opportunities of the producer company, as they have no ability to realize on opportunities, or manage the risks, beyond the impact of significant reductions in the demand for the product. If the objective/purpose of such disclosure was to illustrate, for example, that significant changes in consumer behavior (like large scale switching to EV's) are a risk to oil and gas companies, there are more effective and efficient alternative disclosures (like narrative discussions) that would not obfuscate the disclosure of performance on scope 1 and 2 emissions. It seems inappropriate for the producer company to disclose reductions, if any, in emissions from changes in activities beyond their control (and any specific knowledge).

I understand that there is a desire by many, for producer companies such as oil and gas companies to disclose all emissions applicable to the use of the oil and gas produced by them as if they are some how accountable for the choices consumers make to fuel their transportation needs or heat their homes. However, if the objective of CSDS 2 is focused on "its climate-related risk and opportunities that is useful to primary users………." that is inconsistent with a requirement to disclose information about emissions that are beyond their control.

I also understand that these matters will have been considered by the ISSB in the development of their standards, and that there is strong preference by many (and perhaps benefits) for consistency between the Canadian and international requirements. However, I submit that there are substantive Canadian circumstances that should be considered.

The 2nd matter that I will comment on is the proposed timing of the distribution of the annual required disclosures (i.e. at the same time as general purpose financial statements). While I expect that the ultimate timing requirements for disclosures by public companies will be determined, or at least influenced, by securities regulators, I submit that the timelines should not be linked to the distribution of general purpose financial statements. I acknowledge that the proposed standards include some transitional relief, but submit that it will take several years (certainly more than provided by proposed transitional relief) to adequately study and understand the associated challenges. Any such timing requirement could have the unintended consequence of delaying the distribution of general purpose financial statements from current practice, which would not be in the public interest.

Thank you for the opportunity to comment on the proposed standards. I would, or course, be pleased to discuss or provide additional commentary on these matters.

Regards

John Gordon, FCPA, FCA
403-607-4278

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

June 10

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 and members of the standard committee:

Thank you for the opportunity to comment on this proposed accounting standard.

I am a cattle producer and grain operator in the province of Saskatchewan.

I am very worried about the new standard boards movement to put more regulations on agriculture and many other sectors in Canada.

Canada's long been a strong advocate for the environment. However; the scope 3 emissions and the water mitigation sections are going to have far reaching effects on our industry. Is there a cost analysis that proves this standards are going to be helpful to net zero?

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 all Canadians. Who pays for these standards? How can business recoupe the time, paperwork, accounting expenses let alone our competitive edge.

Infact I think these standards violate the core of a free-market system that Canada is supposed to represents.
These standards will put pressure on investors and big business to find other supply outside the prairie province where water is a factor.

The scope 3 emissions is most concerning. We are playing with entities which in truth do not exist but we are now making a whole marketing scheme around unfounded numbers.

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, according to the Stock Growers association.

I understand, initially the scope 3 is voluntary but in truth it is the first step to making this regulated. 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), we will be brought into it. 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 find its way down to livestock producers.
As it sits meat processors and agri-food corporations who purchase Saskatchewan livestock or grain will require emissions information from us to fulfill this requirement. Who pays for it?

With Canada's cold and distance challenge how would we compare the accounting numbers being quantified for footprint?

How is it possible to estimate all of the emissions information being required with the accuracy and keep us competitive?
This is huge!!

Canada is already at a disadvantage with it being a cold, drier Country. It is also vastly at a disadvantage due to our size and vastness of distance which already puts pressure on us to stay competitive.

These standards are going to be a costly-burden on all of us.

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 this too will be another added cost. The bottom line is most small business run close to the redline any added costs can be detrimental.

I am also concerned there is no place to take into account the carbon sequestration that occurs from our agricultural operations. There is soil quality and moisture retention. There is so many factors to take into consideration in business these standards will be mitigating that with accounting numbers and formulations.

I feel scope 3 should never be implemented. 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.
This is already being talked about in the States; our largest trading competitor.

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 a problem and very troubling for the Canadian context and I cant understand why the CSSB agreed to its mandatory use given that the WRI Aqueduct tool was not designed for this purpose. Why is this still in the standards?

Water stress remains subjective and cannot be measured directly. The lack of direct validation makes it impossible to assess some of the parameters in your calculations

Yet 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. Why is this? How intrusive will water mitigation be? Are you taking into account the benefits of rangeland management and the positive environmental impact cattle have.

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. Should it not be considered?

From a prairie province perspective, mandating the use of the Aqueduct tool will create regional disparities and regional discrimination into investor consideration; since, we 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 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 will be considered when sourcing product 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," as defined by the WRI Aqueduct tool. <u>This could undermine investor decision-making</u>.

There are strict local regulations concerning water use in Saskatchewan; which ought to be considered. 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. This is important as Cattle can utilize poor land and produce products for Canadians which we use everyday. 99 percent of an animal is utilized in 1000 of products. How can this not be taken into consideration? Our industry is not a simple number.

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.

<u>**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.**</u>

You should have concerns about how this information will be assessed and appraised by financial institutions, insurers, and investors—particularly in light of the fact, the United States. our biggest export destination, is not implementing anything similar or as stringent as the Canadian sustainability and climate-related financial disclosures. I know I am worried.

Do you not think this disparity will put Canadian producers at a significant competitive disadvantage with our U.S. and Mexican counterparts?

I have touched mostly on our cattle end but I know the grain side will feel these impacts as well.

So will many industries in Canada like travel and tourism, oil and gas, forestry, home builders just to name a few.

Our economy is struggling everyday. These standards could essentially put our industry and investments in Canada in jeopardy. Canada's emissions are low and our standards are high. Why do we continue to bring in costly regulations.

Why are we adding a new burden to businesses.

Please seriously consider getting rid of scope 3 emissions and the water mitigation pieces. Our distance already puts us at a disadvantage. The environment is important to us all but when does reality have a voice? We are not just an accounting number. This is real life. Agriculture is already seeing extreme pressure. These standards will have a real impact on all of us. Be realistic in your recommendations. Please take out the scope 3 and water mitigation pieces.

Sincerely,

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

June 10, 2024

Dear Ms. French,

We appreciate the opportunity to comment on the Canadian Sustainability Standards Board's (CSSB) Exposure Drafts: Proposed CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information and Proposed CSDS 2, Climate-related Disclosures and the CSSB's Consultation Paper Proposed Criteria for Modification Framework. This letter represents the views of KPMG Canada.

Investors are seeking more in-depth and better-quality information about sustainability-related risks and opportunities, and we recognize and support the need for standard setting to help preparers achieve more consistent and comparable sustainability-related financial disclosures.

Support for alignment with ISSB Standards

We support the CSSB's approach of aligning[1] Canadian Sustainability Disclosure Standards (CSDSs) with the IFRS Sustainability Disclosure Standards to promote global consistency of investor-focused sustainability reporting. This is an important step in the CSSB's mission to set high-quality sustainability disclosure standards for Canadian entities. We believe Canadian entities are best served by disclosure standards that will bring the greatest consistency to capital market reporting and meet the needs of investors in a way that is practical and without undue burden for preparers.

We are encouraged by the broad adoption of IFRS Accounting Standards in Canada, as this demonstrates that Canadian preparers, investors, standard setters and regulators value global consistency in financial reporting. Most notably, broad adoption has been achieved while supporting Canadian entities that list on various North American and global capital markets.

[1] Exposure Drafts CSDS 1 and 2 are aligned with the IFRS Sustainability Disclosure Standards 1 and 2, with the exception of the voluntary effective date and incremental transition relief included in the Exposure Drafts.

Understanding that the U.S. Securities and Exchange Commission (SEC) has recently issued a climate disclosure rule that is different from the requirements of the International Sustainability Standards Board (ISSB) Standards, we are particularly mindful that creating a unique set of Canadian sustainability reporting requirements would be detrimental for Canadian preparers and users of general-purpose financial reports as it would move us further away from both global and North American consistency.

For this reason, we support using the ISSB Standards as a baseline, leveraging transition approaches that meet the needs of Canadian stakeholders as we move towards alignment with the ISSB Standards. We believe using the ISSB Standards for disclosing information on sustainability-related risks and opportunities will ultimately drive global consistency and comparability for investors in Canadian companies.

Fragmentation

We believe that further jurisdictional fragmentation of sustainability-related financial disclosure requirements places undue burden on preparers, and is less likely to provide consistent, comparable, and reliable information for investors. Preparers operating across jurisdictions through their value chains will have less clarity as to what is expected of them, and compliance with multiple reporting frameworks will further increase implementation and ongoing compliance costs.

Canadian preparers may soon be required to report (directly or indirectly) under the European Union's (EU) Corporate Sustainability Reporting Directive (CSRD); US State requirements, including California's climate and financial reporting laws; the Office of the Superintendent of Financial Institutions' (OSFI) Guideline B-15 Climate Risk Management; amongst other jurisdictional requirements. We believe a global framework provides opportunities to ultimately reduce complexity and achieve greater consistency in sustainability disclosure.

Ultimately, the CSSB's goal to set and support high quality sustainability disclosure standards for Canadian entities can only be achieved if the standards are broadly adopted. The path to broad adoption in Canada is likely through mandatory reporting by listed entities. The Canadian Securities Administrators' (CSA) recent announcement stated that they "...anticipate adopting only those provisions of the sustainability standards that are necessary to support climate-related disclosures." If the CSDSs are to be widely adopted in Canada, the CSSB should work together with the CSA to produce standards that are flexible enough to be responsive to the CSA's mandate, with the goal of global consistency through alignment with the ISSB Standards.

A way forward

We encourage the CSSB and the CSA to work together to find the most viable approach to sustainability reporting for Canadian listed companies. Released on May 28, 2024, the IFRS Foundation's Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards (Jurisdictional Guide) supports global transparency by defining different approaches to adoption or other use of the ISSB Standards. The Jurisdictional Guide identifies features that characterize different approaches so investors can evaluate the comparability of the sustainability information disclosed.

An approach that leverages existing transition reliefs and either defers them for a stated or open-ended period would maximize comparability and global consistency to the greatest extent. As the proposed standards would be voluntary until mandated by Canada's regulators and legislators, the CSSB could create a mechanism (similar to incorporation by reference) which allows transition requirements established by regulators and legislators to be part of the standards.

For example, the following could be added to the proposed standards:

> *If a competent regulatory authority*[2] *or legislator establishes transition relief or other deferrals, it shall be regarded as a requirement of the Canadian Sustainability Disclosure Standards for the entities that the regulatory authority or legislator determine to be in-scope.*

These approaches offer flexibility for adoption while minimizing departures from the ISSB Standards.

If for legal or regulatory reasons these approaches are not viable, consideration should be given to whether preparers would benefit from the development of a set of modified climate disclosure standards that can be wholly endorsed by the CSA. Here we envision the CSSB creating a set of sustainability disclosure standards by incorporating elements of CSDS 1 and CSDS 2 to support adoption of climate-related reporting requirements using the ISSB Standards. In this way, the CSA could endorse the CSSB climate standards for listed entities the same way they require the use of IFRS Accounting Standards in Part 1 of the CPA Canada Handbook.

The advantage of this approach is that preparers and other stakeholders are already familiar with the existing process for financial accounting. CSDS 1 and 2 could be released intact as a separate voluntary section of the CSSB Handbook. In collaboration with the CSA, the CSSB could add material to the Handbook Section for listed entities as the sustainability reporting landscape in Canada evolves, and ultimately until full alignment with the ISSB Standards is reached.

We support an approach that leads to Canadian listed companies adopting sustainability disclosure standards that maximize the use of ISSB Standards and minimize further fragmentation of sustainability reporting.

Beyond publicly accountable enterprises

We understand that the proposed CSDSs are intended for use by publicly accountable enterprises and our comments have been drafted within the context of application by Canadian listed entities. We encourage the CSSB to do further research and outreach on the applicability of the CSDSs beyond publicly accountable enterprises. For example, the public sector is made up of a diverse range of entities from government business enterprises to government not-for-profit organizations and investor-focused sustainability disclosures may not meet the needs of their stakeholders. We recommend that the CSSB engage with Federal and Provincial regulators to determine what type of sustainability-related disclosure information is relevant for public sector entities, and whether additional disclosures are necessary.

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[2] Terminology from the Jurisdictional Guide.

In addition, outreach should be performed to understand whether the CSDSs are fit-for-purpose for Canadian private enterprises, as lenders and others in their supply chain may be requesting sustainability information.

We appreciate the CSSB's responsiveness to the demand for quality sustainability disclosure standards in Canada. Our responses and recommendations are informed by a balanced concern for global interoperability and the need for widespread adoption of sustainability disclosure standards in Canada. Please refer to the Appendix for detailed responses.

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Please contact Kristen Carscallen at kcarscallen@kpmg.ca or Mag Stewart at magstewart@kpmg.ca to discuss any of the matters addressed in this letter.

Yours sincerely,

KPMG LLP

KPMG LLP

Appendix: Responses to questions posed and recommendations

The purpose of this appendix is to provide our responses to specific questions posed by the Canadian Sustainability Standards Board (CSSB) and explain the recommendations in our cover letter more fully.

We understand that the CSSB's proposed standards are intended for use by publicly accountable enterprises. As a result, we recommend that the CSSB work closely with the Canadian Securities Administrators (CSA) to find the most viable approach to sustainability reporting for Canadian listed companies. Our responses reflect our observations and recommendations in this context.

Proposed criteria for the 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.

We agree with the CSSB's proposed criteria. The CSSB needs the ability to make additions, deletions and/or amendments to respond to Canadian law and regulation. The proposed criteria give the CSSB flexibility to adapt to an evolving sustainability disclosure landscape. Where possible, we would encourage the CSSB to proceed with the adoption of additional ISSB topic or industry-specific standards to ensure continued global consistency.

Question 2

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

None noted.

Exposure Draft CSDS 1 (general disclosure requirements)

Question 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.

If the proposed standards as drafted were mandated by the CSA, Canadian adoption would appear to align with the 'adopting ISSB Standards with limited transition' approach described in section 3.4.5 of the IFRS Foundation's Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards (Jurisdictional Guide).

Ultimately the CSSB's goal to set and support high quality sustainability disclosure standards for Canadian entities can only be achieved if the standards are broadly adopted. The path to broad adoption in Canada is likely through mandatory reporting by listed entities.

If the Canadian Sustainability Disclosure Standards (CSDSs) are to be widely adopted in Canada the CSSB should work together with the CSA to produce standards that are flexible enough to be responsive to the CSA's mandate, with the goal of global consistency through alignment with the ISSB Standards.

The CSA's recent announcement stated that they "……anticipate adopting only those provisions of the sustainability standards that are necessary to support climate-related disclosures." This statement suggests that the CSA intends an 'adopting climate requirements in ISSB Standards' approach[3] for Canadian listed companies as described in section 3.4.6 of the Jurisdictional Guide.

An approach that leverages existing transition relief and either defers requirements for disclosures beyond climate-related risks and opportunities for a stated or open-ended period would maximize comparability and global consistency to the greatest extent. As the proposed standards would be voluntary until mandated by Canada's regulators and legislators, the CSSB could create a mechanism (similar to incorporation by reference) which allows transition requirements established by regulators and legislators to be part of the standards. For example, the following could be added to the proposed standards:

> *If a competent regulatory authority[4] or legislator establishes transition relief or other deferrals, it shall be regarded as a requirement of the Canadian Sustainability Disclosure Standards for the entities that the regulatory authority or legislator determine to be in-scope.*

As IFRS S1 includes transition relief from disclosures other than climate-related risks and opportunities, Canadian entities could benefit from global application of the relief and will have a benchmark for important judgements such as the scope of 'climate-related' risks and opportunities. Furthermore, as IFRS S1 was designed to support application of IFRS S2 these approaches may be advantageous to an approach where CSDS 2 and only certain provisions of CSDS 1 are adopted. Aside from the practical considerations, such as time and effort to identify climate relevant provisions of CSDS 1, a piece-meal approach may also lead to divergence from global interpretation and future standard setting that may result in a permanent departure from global consistency for Canadian entities.

If for legal or regulatory reasons these approaches are not viable, consideration should be given to whether preparers would benefit from the development of a set of climate disclosure standards that can be wholly endorsed by the CSA. Here we envision the CSSB creating a set of sustainability disclosure standards by incorporating elements of CSDS 1 and CSDS 2 to support adoption of climate-related reporting requirements using the ISSB Standards. In this way, the CSA could endorse the CSSB climate standards for listed entities the same way they require the use of IFRS Accounting Standards in Part 1 of the CPA Canada Handbook.

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[3] Subject to potential modifications of IFRS S2, including for example Scope 3 GHG emissions reporting requirements (refer to question 2 on Exposure Draft CSDS 2 below).
[4] Terminology from the Jurisdictional Guide.

The advantage of this approach is that preparers and other stakeholders are already familiar with the existing process for financial accounting. CSDS 1 and 2 could be released intact as a separate voluntary section of the CSSB Handbook. In collaboration with the CSA, the CSSB could add material to the Handbook Section for listed entities as the sustainability reporting landscape in Canada evolves, and ultimately until full alignment with the ISSB Standards is reached.

These approaches may align Canada's policy decision for sustainability-related disclosure requirements for listed entities with an 'adopting climate requirements in ISSB Standards' approach[5] as described in the Jurisdictional Guide.

Regardless of the approach applied, the CSSB should continue to support voluntary disclosure of information about sustainability risks and opportunities beyond climate, thus permitting entities to elect to report on other sustainability topics using a globally accepted framework to do so.

Question 2

(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?

From our work with preparers and investors, as well as our role as a provider of audit and assurance services, we know that connectivity between the financial statements and sustainability-related financial information is key to bridging the gap between the information sought by some investors and the disclosures that result from applying current accounting standards. Although the information provided in the front part of the annual report may be different in nature from the financial statements, it should be consistent where appropriate.

Timing of reporting is an important aspect of connectivity and accordingly, we believe the goal should be for sustainability-related financial disclosures to be reported at the same time as the related financial statements.

However, we recognize that a reporting timing gap currently exists, even for those entities that are well along their sustainability reporting journey, and bridging this gap may result in entities having to make additional estimates. The relief afforded in the proposals, aligned with IFRS S1, will help preparers as they work to build capacity and establish processes. We encourage the CSSB to carefully consider the responses from preparers regarding the time they need to prepare for implementation of the proposals to determine if extended transition relief for Canadian entities is warranted.

[5] Subject to potential modifications of IFRS S2, including for example Scope 3 GHG emissions reporting requirements (refer to question 2 on Exposure Draft CSDS 2 below).

Question 3

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

Yes, we agree that the requirements in sections noted above are appropriate for application in Canada.

Exposure Draft CSDS 2 (climate-related disclosure requirements)

Question 1

(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 Entities" (2020) for related application guidance. What additional guidance would an entity applying the standard require? Please be specific.

Climate resilience disclosure is important for general purpose financial report users to understand the resilience of a company's strategy and business model to climate change. We note that there is a built-in expectation in the proposed disclosure requirements that entities will develop skills and capabilities regarding assessing climate resilience over time. Specifically, while CSDS 2 will require entities to use climate-related scenario analysis to assess climate resilience, the method used by an entity is commensurate with its circumstances using reasonable and supportable information that is available at the reporting date without undue cost or effort (CSDS 2.22, CSDS 2.B1-B18).

However, it is unclear whether this reference to proportionality will be sufficient to alleviate concerns that climate resilience disclosure is premature. We encourage the CSSB to carefully consider the responses from preparers regarding the time they need to prepare for implementation of the proposals, and specifically climate resilience disclosures.

We also recommend that the CSSB work closely with the ISSB to develop educational material to provide further guidance and context for the application of proportionality mechanisms, including the application of 'undue cost or effort'.

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.

(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 CSSB's goal to have Canadian entities report Scope 3 greenhouse gas (GHG) emissions disclosures as we understand that Scope 3 GHG emissions are important to investors' understanding of transition risk. However, we recognize the operational challenges in measuring Scope 3 GHG emissions.

There are well established methodologies for measuring Scope 1 and Scope 2 GHG emissions used in practice today. However, the measurement of Scope 3 GHG emissions is more complex and significantly less mature than Scope 1 and 2 measurements. Additionally, obtaining data from the value chain to enable reporting at the same time as the financial statements could be a big challenge for many companies.

While proportionality mechanisms are included in the proposed disclosure requirements (CSDS 2.B39), we understand that preparers are concerned with the cost of compliance and uncertainty of obtaining relevant and reliable Scope 3 GHG emissions data. For these reasons we support the extension of the transition relief period proposed by the CSSB to allow Canadian entities additional time to develop capabilities in their emissions reporting ecosystem. If adopted as proposed the extended relief would appear to align with the 'adopting ISSB Standards with limited transition' jurisdictional approach described in section 3.4.5 of the Jurisdictional Guide.

Consistent with our messaging above on the climate-first transition relief, the path to broad adoption of sustainability-related disclosure requirements in Canada is likely through mandatory reporting by listed entities. We highlight that the reporting of Scope 3 GHG emissions disclosures in the proposals goes beyond the requirements in proposed National Instrument (NI) 51-107 and beyond the SEC climate disclosure rule.

An approach that leverages existing Scope 3 GHG emissions disclosures transition relief and either defers disclosures for a stated or open-ended period would maximize comparability and global consistency to the greatest extent. As the proposed standards would be voluntary until mandated by Canada's regulators and legislators, the CSSB could create a mechanism (similar to incorporation by reference) which allows transition requirements established by regulators and legislators to be part of the standards. For example, the following could be added to the proposed standards:

> *If a competent regulatory authority or legislator establishes transition relief or other deferrals, it shall be regarded as a requirement of the Canadian Sustainability Disclosure Standards for the entities that the regulatory authority or legislator determine to be in-scope.*

However, consistent with above if the CSSB creates a set of climate-related sustainability disclosure standards consideration should be given to whether these standards are modified for Scope 3 GHG emissions disclosures.

If the final standards do not require Scope 3 GHG emissions disclosures, Canada's policy for adoption may align with 'partially incorporating ISSB Standards' as described in section 3.4.2 of the Jurisdictional Guidance. This approach may be viewed less favourably from a global sustainability reporting convergence perspective.

In any case, we recommend that the CSSB continue to support voluntary disclosure of Scope 3 GHG emissions information, consistent with the requirements of IFRS S2, for entities that wish to continue disclosing this information or for entities that conclude that Scope 3 GHG emissions information is an important element of their sustainability-related disclosures.

Question 3

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

Yes, we agree that the requirements in sections noted above are appropriate for application in Canada.

Other comments

Although the application of the proposed standards is voluntary, the effective date is written as a requirement. Suggested alternatives include replacing the "shall" with "may", or simply stating when the standards are effective, consistent with auditing and assurance standards. As written, it may impact an entity's ability to make an unreserved statement of compliance with all requirements of CSDSs if they voluntarily adopt the standards after January 1, 2025.

LACOMBE COUNTY

June 7, 2024

Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board (CSSB)
C/o Lisa French, Vice-President, Sustainability Standards,
Financial Reporting & Assurance Standards Canada
277 Wellington St W
Toronto, Ontario
M5V 3H2
Submitted via email: lfrench@frascanada.ca

Dear Chair St-Jean:

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

Thank you for the opportunity to provide stakeholder comment on this proposed accounting standard.

I represent the Council of Lacombe County, a rural municipality in central Alberta.

Our Council has serious concerns 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). These standards will add 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. It is our concern for these small operations which will be indirectly affected by these standards as the reason for this letter.

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-based 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

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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)." 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 five 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. There is an inherent lack of fairness and consistency between these various energy industries.

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 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 does not 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

[1] https://www.wri.org/data/aqueduct-global-maps-40-data.

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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 researching 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.[2] 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 compliance reporting. *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. Mexico based 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.*

In addition to this letter, we have taken the opportunity to fill out the online survey for the standards as well.

Sincerely,

BShepherd

Reeve Barb Shepherd

cc: Honourable Premier Danielle Smith
Mrs. JenniferJohnson, MLA for Lacombe-Ponoka
Alberta Securities Commission

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

RR 3, Lacombe, Alberta T4L 2N3 (Tel) 403.782.6601 (Fax) 403.782.3820 www.lacombecounty.com

June 7, 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 Lifting Solutions, we appreciate the opportunity to provide feedback on the proposed modifications to the IFRS Sustainability Disclosure Standards as they pertain to Canada.

Lifting Solutions' engineers and manufactures artificial lift products and delivers related services to optimize oil and gas production systems. We have a global reach with established operations in Canada, the United States and Oman. We also sell to distributors around the world with products manufactured in Canada. Our goal is to drive efficiency and bring value to our clients in the oil and gas sector.

We have carefully reviewed the proposed modifications 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 SMEs who typically lack the personnel, financial, and resource requirements to meet the standards as currently proposed. Additional consideration needs to be given around way to lessen the burden on SMEs.
- **Inherent challenges with Scope 3 reporting.**
  Given the complexity and breadth of Scope 3 reporting and the lack of standardized methodology for 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

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significant risk of duplicate counting on emissions resulting in an unfair an inaccurate assessment of true emissions.

- **Feasibility of aligning the release of sustainability reports with financial statements.**
  The alignment of sustainability and financial reporting should be removed, at least in initial years, to ensure consistency and accuracy of both reports.
- **Climate Scenario Analysis**
- The benefit of Climate Scenario Analysis remains unclear, and the methodology for such analysis is still evolving. The proposed standards will put undo costs on our business and risk making us uncompetitive against other competing countries where this costly analysis is not required (United States, Mexico, China). Climate scenario analysis can range from $100,000 to $400,000 depending on the extent of the analysis and this is simply not affordable for our business. Scenario analysis should be eliminated or 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 and increase likelihood of compliance.
- **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 and will be among the largest burdens placed on companies seeking to comply with the disclosure standards. A full analysis needs to be completed on the financial cost for Canadian companies to produce the intended disclosures before an implementation can be set.
- **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 of absolute emissions versus net emissions.**
  The inclusion of only absolute emissions does not reflect nuances and offsetting measures, which are key components of the sustainability efforts of many companies, particularly those in the oil and gas sector. Net emissions are the metric used for industry and national target because it allows for a more comprehensive picture, and the CSSB should be aligned with this standard as well.
- **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. In order to limit potential liability and litigation, Canada should provide safe harbour for statements concerning emissions estimates, climate scenario analysis and transition plans.

Should you wish for further clarification on any of the points highlighted above or other areas relating to Lifting Solutions' 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 Canadian industries' competitiveness compares to our closest trading partners.

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, leading to significant amendments to the proposals, will be critical to getting the desired compliance for these standards.

Thank you for considering our feedback on this important matter.

Lifting Solutions has a substantial investment in Canada, and it is the foundation for our global footprint. We employ nearly 300 people in Western Canada and invest in the development of new technology for our clients to be more efficient and cost effective in their operations.

Sincerely,

Danielle Nicholas

Danielle Nicholas
Corporate Services, Executive Vice President
Danielle.nicholas@liftingsolutionsinc.com

Mac Van Wielingen Comments on Proposed Canadian Sustainability Standards

Please may I offer the following biographical information relevant to my comments on the proposed new Canadian Sustainability Standards. My experience has been focused almost entirely on investment management and the building of new businesses. It is in that context that I have dedicated myself to both the research and practice of governance.

Summary Bio of Mac Van Wielingen

Mac is the founder and chair of Viewpoint Group and a co-founder of Viewpoint Investment Partners (VIP). VIP is a global, multi-asset, quantitatively-focused investment management company. He is a founder, director and partner (present) of ARC Financial Corporation, the largest private equity investment management company in Canada focused on the energy sector, from renewables, transition technology through to “responsible” oil and gas, with approximately $6 billion of capital under management. Mac is a founding member of the Business Council of Alberta, and currently serves as chair of the board. The Business Council of Alberta was created with the purpose of “making life better” for Albertans and all Canadians. He served on the Board of Directors for the Institute for Corporate Directors (ICD) (2018-2022) and was a member of the Chart the Future Committee sponsored by the ICD and TMX Group. This Committee was created to review how corporate governance in Canada must evolve to support competitiveness and contribute to positive societal outcomes. Mac served as chair of the Board of Alberta Investment Management Corporation (AIMCo) (2014-2017), where he joined as an original director in 2007. Mac is also a founder and former chair (1996-2016) of ARC Resources Ltd., a leading company in Canada’s oil and gas sector. In 2015 and 2016, while Mac was chairman of the Board, ARC Resources was ranked #1 in Brendan Wood International’s Shareholder Confidence Index in the Energy and Power Group and was selected as the TopGun Board of the Year. In addition, the Canadian Coalition for Good Governance selected ARC Resources as the 2016 recipient of the Governance Gavel Award, presented for the Best Disclosure of Corporate Governance and Executive Compensation Practices.

Proposed Canadian Sustainability Standards

I certainly appreciate the value of more consistency in sustainability standards. I’m also well aware that there is a lot of water under the bridge with respect to this process. Nevertheless, I will say openly and bluntly, Canada should not simply follow Europe’s lead in governance. More specifically, Canada should not follow Europe and the ISSB in E.S.G.

and climate disclosure. Canada can show leadership in this process through more original thinking that would benefit the Canadian public, and also, quite frankly, all people impacted in all jurisdictions. My points below are in the direction of attempting to show how Canada can better serve its own interests and create more value for others in this process.

In my experience, there is an understandable tendency to lose sight of the big picture of our economic and societal system, and the functioning of pieces within our total societal system. Specifically, most of us, including most business leaders, tend to lose sight of the fundamental role of business in society. This is to manage the allocation of a significant portion of society's accumulated savings, revenues less costs of workers and businesses, that are intermediated within the financial services sector, and invested under the authority and responsibility of corporate boards (including asset managers). The business sector is responsible for managing society's accumulated savings and redirecting these savings towards societal needs. The corporate board of directors are the standard bearers of preserving and responsibly growing society's accumulated savings.

Within this responsibility, the board of directors must also ensure that the company is satisfying all laws and regulations appropriately. Specifically, for example the board of directors must approve all public disclosure materials. Generally, this falls within what most observers would call compliance based governance. It is an essential function, but totally incomplete with respect to the broader role of the board of directors and the corporation in society. There is a tendency, that seems to ebb and flow, to view the Board of Directors as an extension of the regulatory system. Even corporate directors seem to succumb to this mentality and think if they can satisfy these requirements, they have fulfilled their role and responsibilities.

These broad points enable me to say specifically that there is serious risk that the proposed sustainability standards are regressive to what could be considered good governance. The proposed standards are pushing corporate directors back into more of a regulatory and compliance based role, and away from "value beyond compliance".

Governance is about "authorities, structures, and processes that direct and control the material fundamentals of a business, all within the context of uncertainty". Directing and controlling material fundamentals requires foresight and holistic thinking. This is arguably the opposite, or at least a counterbalance, to compliance based process, which by definition is historical, focused on what has already happened. I see these new standards representing simply more compliance and more hindsight based reporting. Worse, they will serve to distract from what is most material to a business enterprise. Lastly, the information generated at best is “nice to have” but not material to the decisions made by boards of directors and most investors.

Risk associated with climate change needs to be considered as part of enterprise wide risk management. Most successful businesses are already immersed in this risk mindset. Climate is one risk. Covid and pandemics is another. Global financial market meltdowns are another risk ie the 2008-09 global financial crisis. Depending on your jurisdiction, war is another risk. Political volatility is another major risk. As the world attempts the journey to net zero 2050 it will have to go through 6 new presidential elections in the US which will create a great deal of uncertainty for the policy driven energy transition for Canada and all countries of the world. Policy risk has to be a concern for boards of directors. This list goes on and on, but my point is each risk needs to be considered in the context of enterprise wide risk. Climate risk, in the sense of adverse climate impacting a business, is very real and has to be considered. Disclosure and discussion on the management of this risk is appropriate.

Specific to the question of disclosure of emissions, it must be appreciated that requirements for emissions disclosure for most businesses, including scope 3, will not directly impact the level of climate risk a business may face. This should not be construed as an argument against decarbonization. It is an argument against excessive regulatory burden where there is no or very little materiality. The risk of climate can impact businesses locally, and this needs to be assessed as a risk, but individual businesses themselves do not create global climatic conditions. Maybe the proposed new standards need to have a materiality test on emissions that calculates a specific business’s share of total global emissions for which it was responsible. It could in a sense be set very low to be accommodating towards the broad concern of emissions, but if we went through the calculations, you would see there’s that there’s probably no single business in Canada that has a material impact on global climate, and in turn Canada’s climate.

In fact the entirety of Canada, with about 1.5% of global emissions, is immaterial in the context of total global emissions. China, United States and India together represent over 50% of global emissions. Canada’s direct impact on the problem is one of “form or image, versus substance”. If climate leadership is defined on the basis of emissions alone, our contribution, arguably, is a moral responsibility as a cooperative partner, versus a climate leader.

This understanding of materiality is starting to work through the awareness and politics of climate policy globally. The idea of being a global climate leader, ie Germany or the United Kingdom, and Canada, as it often references itself, is going through a rethink. Without getting into this in depth, I will just say that the fundamental importance of policy proportionality is resurfacing. What are the gains and losses for any group of people in any jurisdiction relative to the problem of trying to reduce global emissions? This is not somehow an argument to go for a free ride. It is an argument for clarity as to how we can all contribute appropriately to reduce climate risk. It is also an argument to be very careful about what we might sacrifice to achieve something that may not be material to the problem we're trying to solve.

The best example of this conundrum is Germany itself, which is arguably the worlds foremost, historic climate leader, although this is now changing as they backslide and regress in their commitments. Germany is now realizing that they have truly hurt themselves in pursuing their climate and green aspirations. I reference the recent comments in a speech by Theodore Weimer, CEO of the German Stock exchange where he refers to the German economic model as "sheer catastrophe". "Our reputation in the world has never been as bad as it is now". He speaks at length about how "institutional investors are asking where Germany's economic sense has gone". He reported that investors are now demanding a risk premium when they invest in Germany. This is a far cry from the view that climate leaders will be able to attract capital more easily.

The view that the proposed Canadian sustainability standards will help us attract more capital needs to be thought through very carefully. As an investor I can tell you that what does attract capital is first and foremost, a business and investment friendly environment. The new sustainability standards may actually discourage new investment or at least discourage new public company listings in Canada. Other fundamentals for attracting capital are low cost reliable and, yes, ideally clean energy (ie hydro in BC and Quebec), responsible development where social and governance factors are part of strategy, the availability of skilled labour, market access, relative ease in permitting, reasonable tax levels etc. Consistency in sustainability standards could be a positive but not if they are excessively burdensome or if based off a model drawn from other jurisdictions that are underperforming, if not actually failing.

My main point is that Canada must be very careful in following the German or the European model of governance. I'm emphasizing this because my fear is that Canada may get stuck with guidelines and compliance based process that have serious adverse impacts on our competitiveness, with minimal real world benefits. The issue of materiality and policy proportionality must be front and centre. My last point is that if Canada is going to follow or harmonize with any other international jurisdiction, it should be the United States. They are our major trading partner and our greatest competitor in many ways. Whatever we may do, we should not get ahead of the US in these standards and process.

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Members of the Canadian Sustainability Standards Board (CSSB)
277 Wellington Street West
Toronto, Ontario, Canada
M5V 3H2

June 6th, 2024

Re: CSSB Consultation on S1, S2, Criteria for Modification

Dear Members of the CSSB,

Mackenzie Financial Corporation ("Mackenzie Investments" or "Mackenzie") writes in support of the Canadian Sustainability Standards Board ("CSSB") Canadian Sustainability Disclosure Standards (CSDS) S1 and S2 as well as the Criteria for Modification. We appreciate your work to ensure that the proposal meets the needs of investors for material sustainability-related information, which at the same time furthers the CSSB's objectives to become the Canadian standard-setter for sustainability disclosures for financial markets, and to meet the need for transparent and comparable reporting on sustainability risks and opportunities, including climate.

Mackenzie supports the CSSB's mission to produce standards in line with the global baseline of sustainability-related financial disclosures, to support informed capital allocation and believes that the CSDS S1 and S2 are broadly aligned with our perspective on sustainability-related disclosures. We welcome that CSDS S1 and S2 are based on well-established reporting standards. In particular, S1 and S2 will benefit from the Sustainability Accounting Standards Board ("SASB") framework, and S2 strongly draws on the existing Taskforce on Climate-related Financial Disclosures ("TCFD") framework, and is grounded in well-established climate reporting concepts. This will help consolidate existing sustainability reporting standards and drive global comparability in disclosures.

We want to reinforce the following disclosure elements in your proposal:

<u>Criteria for Modification</u>

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

We support the suggested CSSB's proposed Criteria for Modification. The Canadian standards as proposed are reasonable, rational and we think there is no significant risk to asking for disclosure relating to Canadian specific interests, such as Indigenous Rights issues.

At its inception, we do not suggest adding additional criteria. While we value Canadian specific additions (for example, on Indigenous Peoples rights), we do not recommend deletions or amendments to the ISSB global baseline standards. We appreciate that to have a global baseline of consistent standards we must adopt a global baseline of standards. We view the noted criteria as sufficient.

S1 Section: General Requirements for Sustainability Reporting

Scope of S1

We believe in the implementation of CSDS S1 alongside CSDS S2. Efficient capital markets exist when issuers disclose information which could materially impact an investment decision. Limiting the scope of sustainability disclosures to climate would result in missing or incomplete disclosures of material issues which could impact an investment decision. The Canadian Securities Association (CSA) has acknowledged that mandating sustainability disclosures beyond climate can help investors better understand sustainability risks and opportunities. As recently as last year, the CSA went to market for feedback on amendments to Form 58-101F1 and National Policy 58-201, which would require issuers to disclose on diversity beyond women among other factors.[1] In Canada, we have already begun the process to include material sustainability information, and our goal now should be to adopt international sustainability disclosure standards in order to attract the global capital that is heavily relied on.

Additionally, the 2024 World Economic Forums Global Risks report identified material risks such as cyber insecurity, misinformation and disinformation, adverse outcomes of AI technologies, which would be expected to be covered under CSDS S1. As further support to CSDS S1, investors globally recently told the ISSB that disclosures on biodiversity, ecosystems and ecosystem services as well as human capital should be prioritized for the next research projects.

While we expect that mid and large sized companies would have the resources and capabilities to adopt the standards, we do expect that smaller companies will heavily leverage the materiality

[1] CSA Notice and Request for Comment on amendments to Form 58-101F1 *Corporate Governance Disclosure* of National Instrument 58-101 *Disclosure of Corporate Governance Practices* and proposed changes to National Policy 58-201 *Corporate Governance Guidelines* pertaining to director nomination process, board renewal and diversity.

provisions of CSDS S1, and the proportionality concepts of "…without undue cost or effort". This ensures there is no undue burden on any company applying the standards.

We appreciate that for most investors it is appropriate to report information which is material to the financial performance of the entity. However, impact investors will consider impacts of environmental or social factors beyond financial materiality. We would encourage the inclusion of simplified and non-regulated "voluntary" guidelines for issuers that encourage additional disclosures, to attract impact-oriented investment.

Implementing the CSDS S1 would acknowledge that risks and opportunities exist beyond climate and would enable investors to effectively manage their investment risks and opportunities. This is a market led call-to-action for standard-setters and regulators to ensure we continue to build out robust and fulsome sustainability standards.

Do you support 2-year transition relief for S1?
We are supportive of the transition relief to provide adequate time for effective implementation by regulators. Our understanding is that the Canadian market is the second highest user of the SASB standards globally, and most public companies are already reporting under TCFD. Additionally, more than 1,600 federally regulated financial institutions, under OSFI, are reporting using these principles, therefore, it is not expected that this will create additional burden. We caution that delaying the implementation beyond the two-year transition relief will put Canada further behind other jurisdictions.

Is two years of transition relief adequate?
We are supportive of a two-year transition relief which provides adequate time for effective implementation by regulators and issuers.

Timing of annual reporting
We support the issuance of the Financial Statements and the Sustainability-Related Financial Disclosures in the same period. When the Financial Statements and Sustainability-Related Financial Disclosures are issued at the same time, in the same currency, for the same reporting period and using the same assumptions, information-usefulness for investors is bolstered.

<u>S2 Section: Climate Related Disclosures</u>

Is transition relief required for climate resilience disclosure?
We support the transition relief to allow for effective implementation by regulators. For large publicly listed companies, our expectation is they should already be disclosing, especially

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considering those firms generally have high exposure to climate risk or emissions. Having said that, we understand that many Canadian companies may require this 2-year transition relief and are supportive of the proposal.

Is further guidance necessary?
We request additional guidance on the following areas: preferred methodologies (specifically related to scenario analysis), further clarity on financial materiality, and expectations from transition plans to support strategy development and reporting progress. We request that guidance be industry specific, so investors can effectively compare companies.

We do appreciate the role guidance will play in helping all companies with successful implementation. Having said that, we do expect that smaller companies will heavily leverage the materiality provisions of CSDS S2 and the proportionality concepts of "…without undue cost or effort". The combination of materiality guidance in addition to the proportionality provisions will ensure there is no undue burden on any company applying the standard.

Is the proposed relief of up to two years after the entity applies proposed CSDS S2 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?
Our view is that this is sufficient time for companies to build the capability to disclose.

We acknowledge there is an opportunity to build a more robust, fit-for-purpose GHG reporting model under the GHG Protocol, specifically for Asset Managers. However, a future program to improve the calculation methodology does not prevent capital markets from reporting on scope 3 emissions today, because guidance currently exists. In this context, we prioritize progress over perfection.

Conclusion
Consistent, comparable, and audited sustainability disclosures are critical for our industry to accurately assess and manage material risks and opportunities, and to report relevant outcomes back to clients and shareholders. We value all material sustainability disclosures, including climate-related disclosures due to the systemic nature of the risk, especially as companies transition to low-carbon economy. Consistent climate disclosures allow us to meet our climate commitments as a signatory to the Net Zero Asset Managers initiative where we have an obligation to report Scope 1, 2, and 3 emissions across our portfolios. Therefore, we are supportive of the alignment to the ISSB's efforts to enable globally consistent disclosure of climate-related financial information.

Finally, although many companies are already reporting according to TCFD and SASB, it will be a new process for some. We acknowledge that to implement the fulsome set of CSDS S1 and CSDS S2, regulators may explore a transitional safe harbour, as companies get better acquainted with their internal processes. We would expect safe harbour to be utilized in a limited number of circumstances - namely scope 3 estimates or scenario analysis. This will encourage entities to support the disclosures and focus on progress as they build their internal competencies with confidence.

We appreciate your efforts to bring consistency to material sustainability disclosures and welcome further developments including additional guidance and future standards development on initiatives such as Biodiversity and Human Capital disclosures.

Thank you for considering our comments.

Sincerely,

Fate Saghir
SVP, Global Head of Sustainability, Mackenzie Investments

Cc: Luke Gould, President and CEO; Rhonda Goldberg, EVP General Legal Counsel; Sonya Reiss VP & Corporate Secretary; Rosalind Share, AVP Sustainability Research & Insights; Lesley Marks, CIO Fundamental Equities; Steve Locke, CIO Fixed Income and Multi-Asset Strategies

About Mackenzie Investments

Mackenzie Investments is a leading Canadian global asset manager, headquartered in Toronto with offices across Canada and in Boston, Dublin, Beijing, and Hong Kong. Total assets under management were $195.7 billion as of December 31, 2023. As part of IGM Financial, a member of the Power Corporation group of companies, Mackenzie benefits from the financial stability of a deep corporate structure while maintaining a boutique investment management model. Mackenzie has three global subsidiaries: Mackenzie Investment Corporation, Mackenzie Investments Europe Limited, and Mackenzie Investments Asia Limited. Mackenzie has 16 distinct investment teams offer expertise across traditional and non-traditional asset classes and cover the spectrum of sustainable investment approaches.

Mackenzie is committed to delivering competitive, long-term risk-adjusted performance with a pledge to uphold the United Nations-supported Principles for Responsible Investment (PRI).
For more information, please visit mackenzieinvestments.com.

June 10, 2024

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

Re: CSSB's Proposed Canadian Sustainability Disclosure Standards and Criteria for Modification Framework

Manitoba Beef Producers (MBP) wishes to provide brief comments regarding the CSSB's Proposed Canadian Sustainability Disclosure Standards and Criteria for Modification Framework.

MBP is the primary voice of the Manitoba's beef industry, representing approximately 6,000 producers involved in various aspects of the beef cattle industry, including the cow-calf, backgrounding and finishing sectors. Our mission is to represent all beef producers through communication, advocacy, research, and education — within industry and to governments, consumers and others, to improve prosperity and ensure a sustainable future. A thriving beef industry generates considerable economic, environmental and social opportunities and benefits.

The economic importance of Manitoba's cattle industry cannot be understated. The province is home to Canada's third largest beef cowherd at 380,900 head, representing 11 per cent of the national herd. Cattle production is the second largest livestock sector in Manitoba in term of farm cash receipts, representing 29 per cent of livestock receipts. In 2023, Manitoba sold 428,791 head and reported a record $945 million in cash receipts for cattle and calves. Some 70,691 head of live cattle, at a value of $158 million, were exported to the United States. It has been estimated that the Manitoba beef sector generates in the range of 15,000 person-years of employment (jobs) in the provincial economy.

Manitoba's beef sector also provides considerable ecosystem services that benefit larger society. Our producers support critical wildlife habitat and biodiversity through their sustainable production practices on privately owned or leased lands, as well as on leased agricultural Crown lands. Lands managed by producers include wetlands that help provide flood and drought resilience, and these lands also sequester considerable carbon.

MBP is a member of the Canadian Roundtable for Sustainable Beef (CRSB) and the Canadian Cattle Association (CCA). MBP has seen iterations of the comments both organizations are making regarding this consultation. MBP supports in principle the suggestions and concerns advanced by both the CRSB and CCA with respect to CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information and CSDS 2, Climate-related Disclosures.

MBP therefore wishes to reinforce a number of the CRSB and CCA's comments, and to provide some additional thoughts as follows:

- MBP shares the cattle industry's concerns about the effects throughout the beef value chain of new reporting requirements (both direct and indirect), ranging all the way from primary farmers and ranchers to processors, retailers and foodservices, as well as the supply chains entities that have dealings with the livestock sector. It is essential that reporting processes related to the standards are not unduly burdensome and do not result in additional costs to beef producers. They are price takers and simply have no means of recovering any added costs associated with this.
- At the local level, 90 per cent of Manitoba's beef cattle numbers are found primarily on cow-calf operations which may also include some backgrounding and finishing components as well. Feedlot

operations represent eight per cent of the cattle herd. Herd sizes and operation demographics are quite varied, with many operations run by a single family, with many older operators. Some producers have more advance record keeping experiences and approaches than others, particularly if they are involved in programs such as Verified Beef Production Plus, are purebred operations or they have specific documentation requirements if their cattle are destined for certain markets. MBP cautions that for some beef operations, navigating new record keeping requirements will be difficult and may be viewed with trepidation or mistrust, particularly if producers do not see a return on investment for the work required. At a time of declining herd numbers in Canada, it would be troublesome if additional reporting burden led to older producers exiting the sector and beef production lands being converted to other uses (such as crop production), further threatening the size of the herd and the economic and environmental benefits associated with raising cattle.

- MBP reinforces the need for simple, standardized reporting processes. Also important will be knowledge transfer to producers, bookkeepers, accountants, business consultants, agriculture department staff, lenders, industry associations and others who may be involved in helping producers navigate the reporting processes. Like the CCA, MBP asks that emissions reporting be voluntary.
- Like the CCA, MBP advocates for a level playing field for beef producers with respect to reporting in the agriculture and agri-food sector, as well as in the context of the Canadian economy in general. It is essential that different sectors are not unnecessarily disadvantaged by different reporting needs.
- MBP supports the CRSB's recommendation that a definition of "sustainability" be included in Appendix A of CSDS 1 for the reasons they have outlined. It is important that there is a clear understanding of the concept and to provide continuity with respect to reporting processes related to sustainability.
- MBP has supported the completion of the National Beef Sustainability Assessments (NBSA) by the CRSB, the most recent of which was released earlier this year. The information compiled through NBSA processes, such as the environmental life-cycle assessments have demonstrated the beef industry's commitment to sustainability and to continuous improvement in areas such as reducing greenhouse gas emissions. MBP strongly agrees the datasets contained within the NBSA should be considered when it comes to assisting the Canadian beef value chain in reporting scope 3 greenhouse gas emissions. MBP therefore asks that the CSSB recognize the data from the NBSA as meeting these needs.
- The CCA has identified concerns about the consequences for Canada's beef cattle sector about certain reporting requirements related to Scopes 1, 2 and 3. In particular, they have identified concerns related to mandatory Scope 3 emissions reporting and the declaration of livestock as being from areas of high to extreme-high water stress, which could have implications for producers in the Prairie provinces where water availability can vary more from year to year compared to other regions of Canada. MBP supports the comments and concerns the CCA is advancing in this regard.
- MBP supports the CCA's comments that the proposed CSDS 1 should remain voluntary, and that there needs to be sufficient time and resources to assist producers in adapting to emissions reporting. MBP also supports the CCA's comment about CSDS 2 with respect to transition relief to allow producers to prepare for new reporting requirements, particularly as it pertains to the complexity of Scope 3.
- MBP also recognizes the importance of the concerns raised by the CCA about the need for Canada-US harmonization when it comes to reporting expectations. This is needed to help ensure that the Canadian beef sector is not placed at a competitive disadvantage when it comes to accessing the US market. It is also unclear what types of reporting strategies may or may not be advanced in countries such as Mexico, Brazil and others which trade a lot of beef and how this could potentially impact Canada's beef industry.

In closing, MBP reiterates the Canadian beef industry's strong commitment to sustainability, as it is a world leader in this area, and its efforts need to be recognized in the context of emissions reporting requirements. MBP respectfully asks that the CSSB continue to engage with the beef value chain as reporting processes are being considered to ensure that they are workable for primary producers and others. Outreach to national and to provincial cattle associations like Manitoba Beef Producers is certainly encouraged given the regional differences in beef production across Canada. Very important as well is the ongoing dialogue with entities such as the Canadian Roundtable for Sustainable Beef and others who can bring considerable expertise to these conversations.

If you require additional information about Manitoba's beef industry and the potential effects of the reporting standards on it, please reach out to me at 204-772-4542 or via ccallum@mbbeef.ca. Again, thank you for the opportunity to participate in this consultative process. We would also appreciate receiving direct notification of future consultations.

Yours truly,

Carson Callum
General Manager
Manitoba Beef Producers

June 10, 2024

Canadian Sustainability Standards Board (CSSB)

Charles-Antoine St-Jean, CSSB Chair

Dear Chair St-Jean,

We are writing to you on behalf of a group of Canada's leading pension plan investment managers that collectively manage over $2 trillion in assets for the long-term benefit of millions of Canadians, of which over $550 billion is invested in Canada. We appreciate 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*.

First and foremost, we commend the CSSB on its efforts to develop a set of standards that would enhance the quality, consistency and comparability of sustainability-related information reported by Canadian entities. We support the CSSB's drafting of CSDS 1 and CSDS 2 in broad alignment with the International Sustainability Standards Boards' (**ISSB**) Sustainability Disclosure Standards, IFRS S1 and S2, as we believe this will facilitate global comparability of sustainability-related disclosures, ensuring Canadian directors have the information they need to appropriately oversee strategy, and investors like us to make more informed investment decisions. This will also support Canadian issuers' access to global capital markets and reduce reporting burden for Canadian entities that operate or raise capital in multiple jurisdictions.

We also recognize that the proposed CSSB Standards 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 CSSB Standards will be incorporated into a CSA rule. We caution that future modifications by the CSSB or CSA have the potential to limit cross-border users' access to timely, consistent and comparable sustainability-related financial information in general-purpose financial reports. We view the domestic regulators as best placed to consider when adoption should become mandatory through securities regulation and that the CSSB should remain focused on defining the standard to meet users' demands for sustainability-related financial disclosures as specified in the exposure draft.

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 of the ISSB as proposed, including in Canada, as the only credible route to secure the ISSB's equivalence with the European Sustainability Reporting Standards (ESRS). Failure to adopt the global baseline in Canada may not only risk issuers falling short of meeting global and domestic investors' expectations of their directors to oversee corporate strategy in the near-term, but also risk issuers having to adopt Canada's final standards and European reporting standards, which could be more onerous for issuers over time.

We have reviewed the exposure drafts of the CSDS and provide our comments below.

- **<u>Criteria for Modification Framework</u>:** 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.

- **<u>Effective date</u>**: 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 issuers.

- **<u>Non-climate disclosures transition relief</u>**: We are not supportive of this transition relief of 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 to foreign entities that are reporting across all sustainability-related issues.

- **<u>Scope 3 GHG emissions transition relief</u>**: We are open to this relief, in principle, as it provides issuers more time to prepare and could also give regulators time to determine the appropriate safe harbor given the assumptions required to report this data. However, we strongly encourage issuers to not delay the measurement and reporting of Scope 3 emissions. We agree with the CSSB's comments that for many entities "Scope 3 GHG emissions make up a significant part of the entity's total GHG emission inventory, [and] Scope 3 GHG emission information is, therefore, critical for investors to understand an entity's exposure to climate-related risks and opportunities within its value chain."

  Entities taking steps to disclose and reduce their Scope 3 emissions provide evidence of transition risk management to investors. Disclosures of Scope 3 emissions 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.

- **<u>CSDS 1: Timing of reporting</u>**. 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.

- **<u>CSDS 2: Climate resilience (scenario analysis)</u>**. The group recognizes the limitations of scenario analysis in comprehensively assessing climate resilience. We, nevertheless, do not support the transition relief on scenario analysis as we believe that issuers 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 preparers to enhance their readiness ahead of any potential mandatory application of CSDS standards. We recognize that producing these disclosures can involve significant effort for companies, especially smaller enterprises with fewer resources. Regulators may decide to lighten this burden on these smaller issuers by allowing further reliefs, such as multi-year implementation, that can allow smaller companies to build the capacity they need to manage these risks where they are material, while not losing access to capital.

In conclusion, we support the CSSB's initiative to develop the CSDS in alignment with the IFRS S1 and S2 and commend the CSSB for its leadership and collaboration in advancing the sustainability reporting agenda in Canada and globally. We believe the CSDS will benefit Canadian entities and stakeholders by providing a high-quality, consistent and comparable set of standards for sustainability-related financial information.

We appreciate the CSSB's consideration of our comments and suggestions, and we look forward to the publication of the CSDS. We remain available to provide further input or clarification as needed.

Sincerely,

Herman Bril, Managing Director and Head of Sustainability & Climate Innovation, **PSP**

Daniel Garant, EVP and Global Head of Public Markets, **BCI**

Alison Loat, Senior Managing Director, Sustainable Investing & Innovation, **OPTrust**

Richard Manley, Chief Sustainability Officer, **CPP Investments**

Brian Minns, Senior Managing Director, Responsible Investing, **University Pension Plan**

Anna Murray, Senior Managing Director, Global Head of Sustainable Investing, **Ontario Teachers' Pension Plan**

Maarika Paul, Executive Vice President, CFO and COO, **CDPQ**

Katharine Preston, Vice President, Sustainable Investing, **OMERS**

Polina Sims, Managing Director, Head of Investment Strategy, Sustainability and Asset Management, **Investment Management Corporation of Ontario**

Barb Thomson, Chief Financial Officer & Sarah Takaki, Head of Sustainable Investing, **Healthcare of Ontario Pension Plan**

Chair, Charles-Antoine St-Jean
Canadian Sustainability Standards Board
277 Wellington Street West, Toronto, Ontario M5V 3H2

June 7, 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 **<u>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</u>.**

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 **<u>the WRI Aqueduct tool was not designed for this purpose</u>**.

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 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. **<u>This binary choice is</u>**

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[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

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.

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,

Michelle Pearson
3062953864
mtrjpearson@gmail.com

[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

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

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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,

Mindy Anderson
1-306-861-2688
Mindyhockley@gmail.com

[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

June 10th, 2024

Mining Association of Canada (MAC) Submission to the Canadian Sustainability Standards Board Consultation on CSDS 1 & 2

MAC is the national organization representing the Canadian mining industry, comprised of companies engaged in mineral exploration, mining, smelting, refining, and semi-fabrication. Our members account for most of Canada's production of base and precious metals, uranium, diamonds, metallurgical coal, and mined oil sands. MAC members are committed to being responsible operators and environmental stewards, going beyond legal compliance. Their commitments are demonstrated through participation in the *Towards Sustainable Mining* (TSM) program, an international mining sustainability standard whereby mining operations evaluate, manage and publicly report on critical environmental and social responsibilities.

MAC and its members support climate action consistent with the Paris Agreement to limit global warming to well below 2 degrees Celsius above pre-industrial levels. To assist the Canadian government in developing an effective pan-Canadian climate change policy, MAC released Principles for Climate Change Policy Design and engages regularly with federal decision-makers on climate policy and regulation development. Our members recognize the importance of decarbonizing their operations and supporting a low-carbon economy.

To this effect, our members understand the importance of environmental, social and governance disclosures with the aim of continuous improvement and TSM has continued to advance the level of transparency and consistency of disclosures amongst our members. MAC is pleased to see that the Canadian Sustainability Standards Board's (CSSB) work is aligned to these goals. We have consulted our members on the draft Canadian Sustainability Disclosure Standards (CSDS) and have summarized the topics for consideration that we believe will facilitate their wider adoption below.

1. **Alignment with TSM**
   Established twenty years ago and developed by MAC, TSM was the first responsible mining standard in the world to require site-level assessments and reporting with independent verification and multi-interest oversight. Through TSM, mine sites develop robust sustainability management systems and report annually on key indicators of performance in areas like climate change, Indigenous and community relationships, biodiversity conservation management, tailings management, water stewardship, safety and health, crisis management, equity, diversity and inclusion and prevention of child and forced labour. Qualified external verifiers review and confirm these results every three years based on a transparent and comprehensive Terms of Reference.

   TSM continually evolves to meet changing expectations and align with current best practices. For example, in 2020, the TSM Climate Change Protocol underwent a significant review, which resulted in several material enhancements. With these revisions, the standard is closely aligned with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

TSM is primarily adopted and implemented by national mining associations. These associations, in turn, are required to establish TSM participation, reporting and verification as a condition of membership—leading to rapid and widespread uptake of TSM in each jurisdiction. Over 200 mining companies are currently implementing or in the process of implementing the program through TSM partner associations in Argentina, Australia, Botswana, Brazil, Canada, Colombia, Guatemala, Finland, Mexico, Norway, Panama, and the Philippines.

TSM is overseen by a national, multi-interest body, called a Community-of-Interest (COI) Panel, in each implementing jurisdiction. These groups ensure that the mining industry sets ambitious and credible standards for sustainability performance that reflect diverse stakeholder expectations in unique national and cultural contexts.

TSM-adopting mining companies evaluate their systems against good practice performance criteria in areas that overlap with the sustainability disclosure frameworks such as CSDS 1 & 2 and others like the GRI. TSM aims to maintain compatibility with these disclosure standards by including criteria that specify a need for disclosure in areas like climate change but allow individual mines to use frameworks such as the GRI and those being consulted on by CSSB to meet their disclosure obligations. Given the maturity of TSM, the mining sector's experience with the performance areas covered by the CSDS, and the existing consistency between the two in terms of foundational principles, the requirements included in the TSM protocols is highly relevant and a key tool for supporting the mining sector's ability to meet the expectations set out in the CSDS. To this end, MAC would be keen to work with the CSSB to ensure TSM and the CSDS can continue to work together to achieve positive sustainability outcomes in the Canadian mining sector.

1. **Climate-First Approach**

MAC recommends that the CSSB adopt a climate-first approach as they seek to finalize CSDS 1 and 2. This means that finalizing and implementing CSDS 2 should be the primary focus of the CSSB. This approach also means that relevant elements of CSDS 1, necessary to facilitate the implementation of effective climate disclosure, be incorporated into CSDS 2 to create a robust and comprehensive climate-first strategy.

MAC encourages the CSSB to focus CSDS 2 on Scope 1 and Scope 2 emissions reporting with flexibility in methodologies and narrow the scope of disclosure by removing the requirement to include a company's value chain climate-related risks and opportunities and as related to Scope 3 emissions reporting, consistent with the recent decision by the United States Securities and Exchange Commission (US SEC). Scope 1 and 2 emissions should be prioritized to ensure more immediate and direct climate actions. This approach has the following benefits:

- Focusing climate reporting on disclosure of greenhouse gas (GHG) emissions that are more directly managed by each reporting entity.

- Reporting on aspects of an organization's emissions profile that have established and comparable methodologies, resulting in data that can be reported with a consistent level of accuracy and reliability.

- Maintaining alignment with comparable reporting requirements recently announced by the US SEC in the United States. Given the integration of the Canadian and US economies, maintaining consistency in reporting standards and ensuring requirements are not more burdensome in Canada is essential.

2. **Materiality-Based Disclosure**

   Given CSDS requirements are based on requiring reporting only where impacts are financially material, MAC supports the CSDS requirements as they are written. With this approach, each organization will disclose only when financially material to the unique facts and circumstances associated with its business. This flexibility is best achieved through a principles-based set of requirements, including defining materiality tests that are consistent with Canadian securities legislation. Without appropriate guidance, the prepares are subject to the assurer's interpretation, which may lead to inconsistency among disclosures due to varying interpretations and may inflate assurance fees due to self-interest on the part of some assurance providers. We recommend the proposed prescriptive requirements be included as guidance and thus not mandatory, such as those for scenario analysis, targets and goals, Scope 3 emissions, and industry-based SASB standards.

3. **Integration and Timing of Reporting**

   The timing of annual financial reports, often in the first quarter of the year, does not align with the timing that sustainability data is available. Sustainability data has many data sources from intradisciplinary departments and the value chain, including both quantitative and qualitative information. Given the diverse nature and sourcing of this data, it requires a vetting process and multiple internal reviews to achieve the level of quality for disclosure in a management report. These processes take time, making Q1 reporting impractical. It is also challenging due to the later timing of regulated provincial reporting and third-party verification and assurance processes. The CSSB needs to address the misalignment between sustainability and financial reporting timelines. MAC suggests providing additional time for sustainability disclosures post financial year-end.

4. **Burden and Feasibility**

   The Canadian mining sector is a leader in disclosure and transparency. Given this leadership, the existing sector specific reporting burden is already significant. MAC recommends that the CSDS should work in conjunction with the current frameworks rather than adding new requirements, creating additional burden. Understanding that undue burden clauses exist within the framework, we believe there is a risk that assurance providers may lead companies down a path of over reporting without appropriate guidance in their use. This is not in the spirit of the CSSB in providing decision-useful information. We encourage strengthening the undue burden clause or providing a definition of undue burden so that companies can work towards meaningful disclosure.

   MAC would also like to comment on the text included in the appendix of CSDS 2 that states that the extractive industry has been identified as "an industry that should have existing resources given existing reporting requirements". It is important to recognize that just because an organization has existing resources focused on sustainability reporting and work has been underway on sustainability reporting for a significant amount of time does not mean that existing resources would be sufficient to address the new disclosure requirements being proposed by the CSSB. The effort required to implement these proposals cannot be underestimated even with the materiality threshold in place.

In addition, it has been estimated that the cost to comply with the proposed CSDS is likely to be material, regardless of the size of the entity reporting. The significant cost results from investments in data systems, internal resourcing and additional costs by accounting, assurance and legal firms. MAC encourages the CSSB to lengthen the proposed relief period and to provide clear guidance on definitions and examples to help companies keep their disclosure costs in control.

5. **Ownership and Boundaries**

It is typical for the mining sector to have various investments beyond its operational control as a pipeline for new projects. Often, these investments are a way to get familiarity and access to information to make informed decisions in the future. It is recommended that the CSDS provide companies with the flexibility to choose their reporting boundaries, for example allowing inclusion of only those assets under direct operational control and excluding entities with shared control where other reporting entities are responsible.

6. **Voluntary and Safe Harbor Provisions**

The mining industry has well-established rules on disclosing life of mines and forward-looking information as investment decisions are based on this information. Unlike sectors that may have a steadier state business, the mining sector has various assets that have a different life of mine, creating uncertainties on scenario analysis and transition plans. We recommend the CSSB maintain a voluntary status for all forward-looking information such as scenario analysis, transition plans, goal, targets, and opportunities. Furthermore, MAC recommends that CSSB work to enable legal liability protections for companies who choose or are required to disclose these types of information through safe harbor provisions.

Specific to scenario analysis, we recommend a phased and continuous improvement-aligned approach, allowing for qualitative disclosures initially and, where findings are material, quantitative details once best practices and safe harbor provisions are established.

Lastly, connected to our first recommendation above, we recommend deferring mandatory Scope 3 emissions reporting until consistent global methodologies and increased data availability are achieved. Establishing a consistent approach with the US SEC for emissions reporting harmonizes requirements and ensures they are not more burdensome in Canada.

7. **Alignment with International Standards**

As the sustainability disclosure landscape continues to evolve, CSSB should ensure, as much as possible, that the CSDS requirements are interoperable with other requirements as well as appropriate for the Canadian market. Consistent with the Undue Burden Clause, the CSSB should enable sufficient flexibility to avoid companies from having to prepare multiple reports to meet regulatory obligations and CSDS obligations.

Furthermore, to maintain competitiveness, the requirements cannot be more burdensome compared to those of the United States, our largest trading partner. The proposed requirements based on the ISSB standards are too broad and should be limited to a baseline that ensures minimum global consistency while relevant to the Canadian market.

8. **Narrow the Scope of Disclosure**

MAC recommends narrowing 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 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 third parties.

9. **Request for more clarity/guidance**

MAC would like to see more clarity/guidance with respect to:

- How qualitative sustainability risks and opportunities can be meaningfully linked to financial impacts, with specific examples.

- How issues which are measured using quantitative metrics (such as injury frequency rates to measure safety risks) can be translated into impacts on short-, medium- and long-term cash flows, access to capital, etc., with specific examples.

- How sustainability risks should be reported if they are initially assessed as high-risk, but which are mitigated sufficiently by management actions and controls to reduce their risk to an acceptable and non-financially material level; that is, more clarity on whether unmitigated or residual risks should be reported.

- Clarity on what disclosing all assumptions that lead to material threshold looks like, as it seems that this disclosure could result in too many footnotes and qualifiers potentially reducing the usefulness of the information presented.

Thank you for the opportunity to comment.

Should there be any questions about the content of this submission, please contact me at bchalmers@mining.ca or +1-613-293-5111.
Sincerely,

Ben Chalmers
Senior Vice President
Mining Association of Canada (MAC)

May 2024

Omolola Fashesin, Principal
Financial Reporting & Assurance Standards Canada, Canadian Sustainability Standards Board
277 Wellington Street
Toronto, ON M5V 3H2

Re. CSSB Exposure Draft - CSDS 1 & 2

Dear Ms Fashesin,

Thank you for the opportunity to comment on the Board's proposed Canadian Sustainability Disclosure Standards 1 & 2.

Morningstar Research, Inc. is a leading provider of independent investment research, and our mission is to create products that help investors reach their financial goals. Our mission includes supporting individual investors, professional financial advisors, and institutional clients to identify sustainability risks, impacts, and opportunities through Morningstar Sustainalytics. We offer insights in this comment letter from the perspective of an ESG data provider, and a research firm covering equities and investment funds.

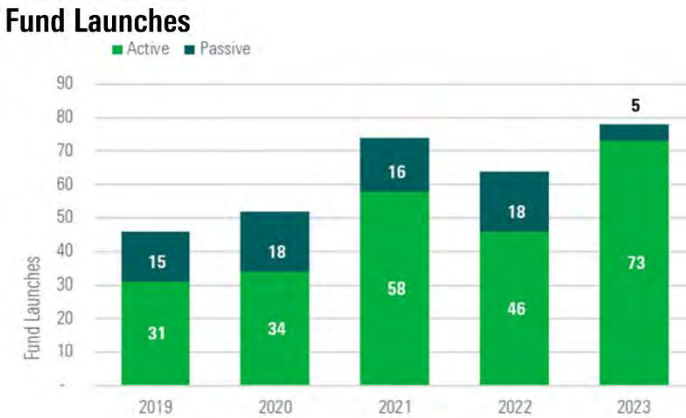
Executive Summary

Morningstar supports this proposal and believes it addresses a significant information gap investors face in assessing sustainability and climate related risks. Sustainability and climate risks have increasingly become material for many companies across different industries and, as such, disclosures in this area are financially material and a key aspect of investor decision-making. Our perspective is informed by data which shows:

- Interest in sustainable investing is strong in Canada.
- Greenwashing is a significant concern among Canadian investors.
- The majority of Canadian companies do not disclose scope 3 emissions or report on climate scenario analysis/resilience testing.
- Canadian companies are exposed to significant financial risks from physical climate change impacts, including extreme heat and flooding.

Sustainable Investing Landscape

Canadian institutional and retail investors continue to demonstrate interest in sustainable investing. Since 2019 the overall universe of funds with an explicit sustainability mandate has increased from 85 to 355, as of Q1 2024.



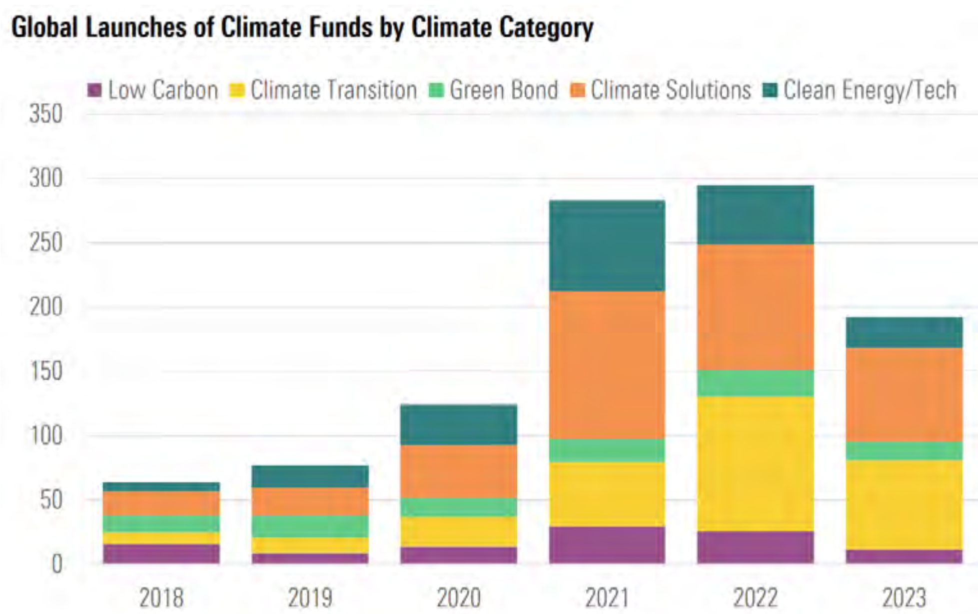
Source: Morningstar Data

The Responsible Investment Association's 2023 Investor Opinion Survey found a strong level of interest in sustainable investing among individual investors in Canada with 65% reporting being somewhat or very interested in sustainable investing. However, these investors also report a high degree of concern about whether sustainability commitments are being meaningfully executed, with 68% of respondents very or somewhat concerned about greenwashing[1]. The proposed CSDS 1 & 2 disclosure frameworks can help to address these concerns by enabling investors to make more informed investment decisions and to report on the attributes of sustainability funds with greater precision.

Climate Funds

Climate funds have grown significantly over the past several years, with 193 funds launched globally in 2023. Climate transition funds have been a particular driver of this growth, gaining 25% of assets in 2023. Climate transition strategies typically entail taking a best-in-class approach across sectors to identify companies that are best positioned to operate in a low-carbon economy. As such, these approaches are particularly reliant on comparable and decision-useful company disclosures to differentiate climate risk exposure and preparedness to manage climate risks.

[1] Responsible Investment Association, 2023 Investor Opinion Survey



Source: Morningstar data

Across all investment funds, there is a strong need for fund disclosures to help investors understand what their sustainable fund does to manage carbon and climate risk. Advancing issuer-level disclosures will help asset managers improve related disclosures to individual investors and provide insights into the characteristics of sustainability and climate focused funds.

Our data shows important differences in how funds approach carbon and climate risk, and resulting fund exposure which should be considered by investors. For example, the majority (57%) of the Climate Solutions and close to half (47%) of the Clean Energy/Tech funds exhibit higher carbon intensity than the benchmark. This is driven by many of these portfolios holding utilities companies that run renewable energy operations, while also having legacy assets in fossil fuels. (For more information on this data, please reference the Morningstar report "Investing in Times of Climate Change: 2023 in Review").

Scope 3 Emissions

Morningstar supports mandating climate-related disclosures when they are financially material to the company, inclusive of Scope 1, 2 and 3 GHG emissions. Scope 3 emissions are particularly important to understanding a company's overall emissions profile given they account for greater than 70% of emissions on average[2]. In Canada, Scope 3 emissions comprise a larger proportion of total emissions relative to other regions. This is driven from the prevalence of sectors such as Financials and Oil and Gas in the Canadian market, which have above average scope 3 emissions as percentage of total emissions.

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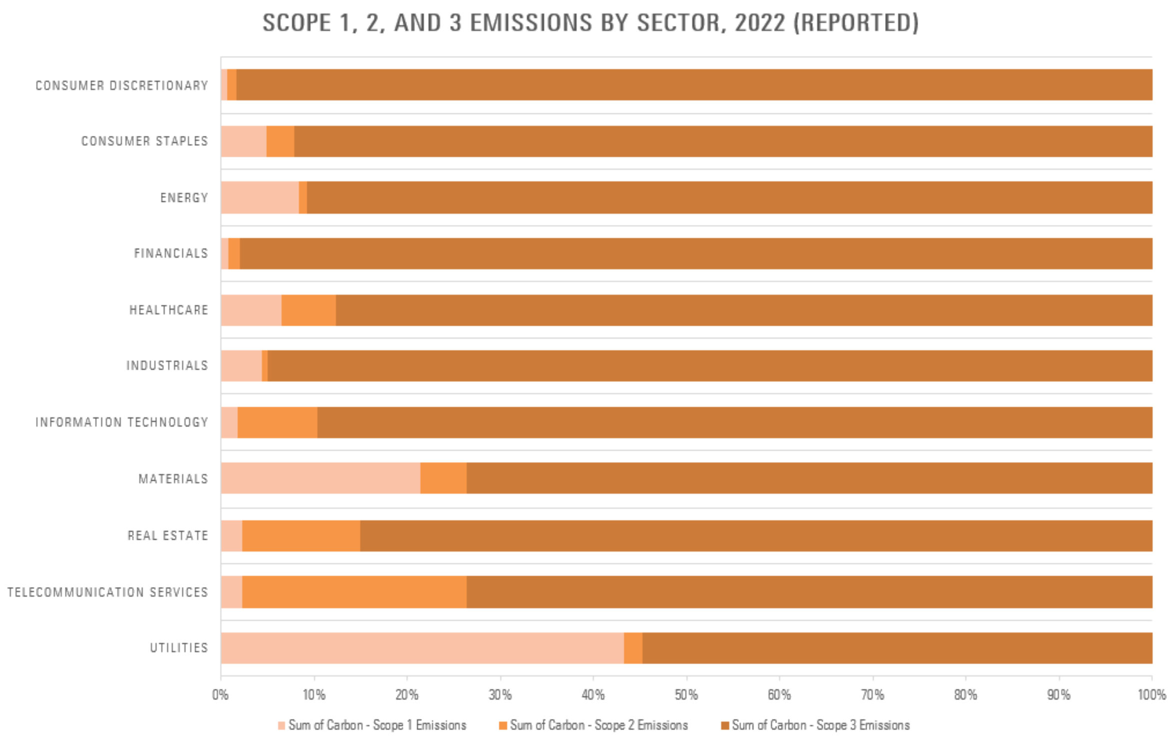
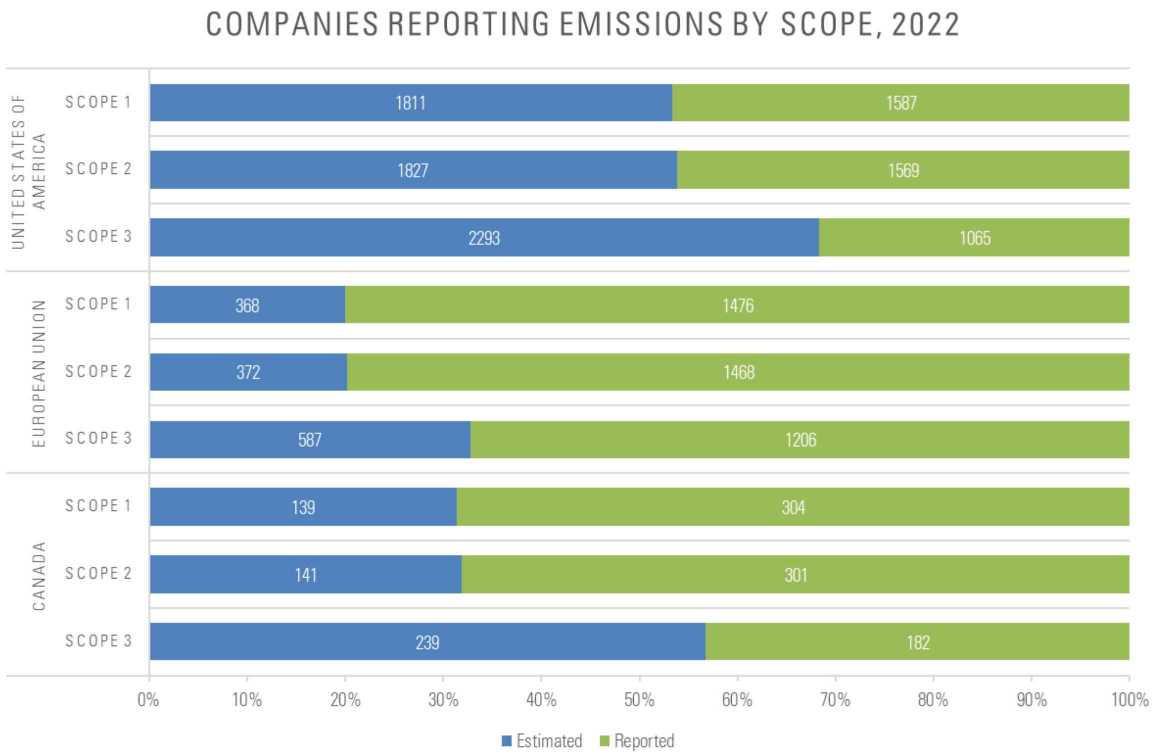
[2] UN Global Compact, https://www.unglobalcompact.org.uk/scope-3-emissions/.



Source: Morningstar Data

Morningstar recognizes that Scope 3 disclosure and accountability are becoming an investor expectation vis-à-vis the largest and leading companies globally. Transparency with respect to Scope 3 reporting can aid companies in reducing emissions across their value chain and help investors in understanding a company's progress, while allowing for more effective resilience and planning tied to physical risk.

Despite a growing number of companies reporting GHG emissions, a minority (43%) of companies covered by Morningstar Sustainalytics in Canada currently disclose some level of scope 3 emissions. In contrast, 67% of covered EU domiciled companies report scope 3 emissions, indicating that such disclosures are broadly feasible and improved disclosures from Canadian companies will foster stronger international comparability of carbon risk and performance.



Source: Morningstar Data

Scenario Analysis

Climate resiliency testing and scenario analysis add much-needed context to the degree of climate-related related risks that Canadian companies are faced with given the heavy concentration of issuers tied to the energy and materials sectors. Although leading companies are already reporting results of their climate scenario analysis, this is constrained to approximately 5% of Canadian public companies.

Improving standard disclosures in this area will better enable investors to better account for business model impacts under different scenarios of climate warming. Such analysis can help investors assess the value at risk in an organization if, for example, regulators introduced a carbon tax, new technology allowed other firms to produce similar products with fewer emissions, or a changing climate increased the price of supply chain inputs. Simply put, these analyses show investors under what circumstances value is at risk, and how a company's strategy will move them forward toward long-term profitability.

Physical Climate Risk

Canadian companies are increasingly exposed to material business impacts from climate-related damage to physical assets and critical local infrastructure, with over 3.1 billion in insured damages from weather events and natural catastrophes realized in 2023[3]. Specifically, our data covering 15 million properties in Canada shows significant risk of asset damage and productive capacity loss from hazards including:

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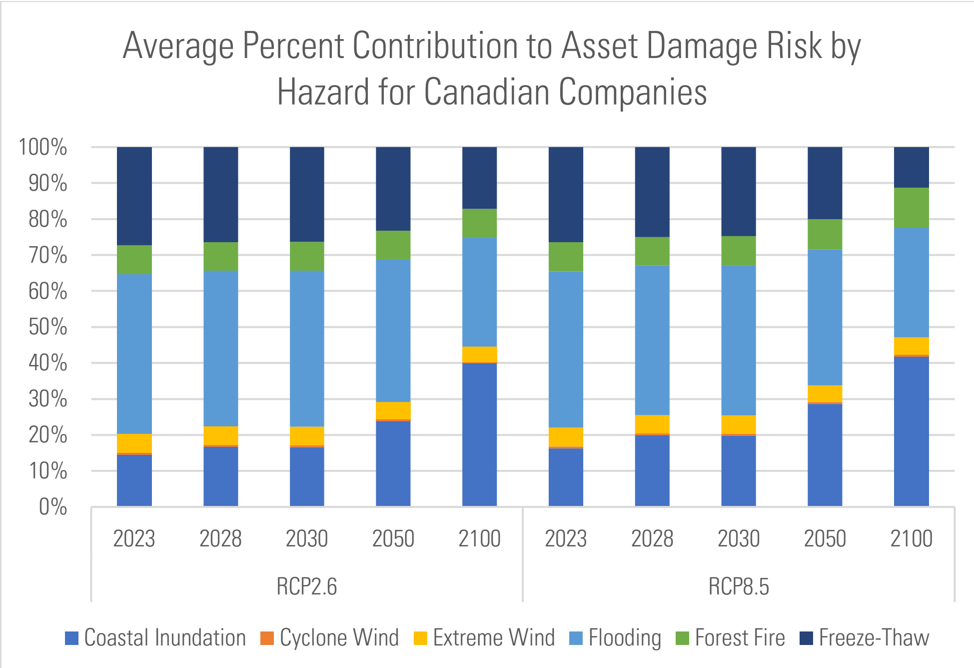
[3] Insurance Bureau of Canada, https://www.ibc.ca/news-insights/news/severe-weather-in-2023-caused-over-3-1-billion-in-insured-damage

flooding, extreme heat and changing freeze-thaw cycles. Scenario analysis can be a valuable tool to understand business impacts driven from both transition and physical risks, and their interaction.



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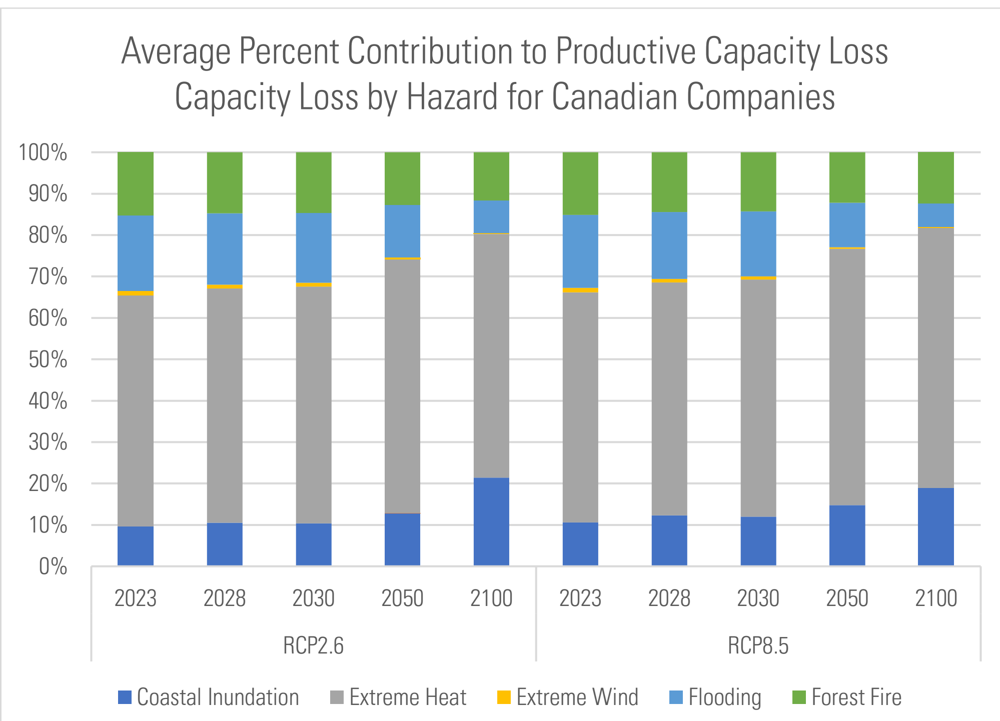


Source: Morningstar Data

Summary

To conclude, we are pleased the Board has proposed high-quality, internationally recognized sustainability disclosure standards for Canadian companies. We feel that improving the comparability and decision-usefulness of sustainability disclosures will support investors to make better informed decisions and report on fund characteristics with greater transparency. Thank you for the opportunity to comment.

Aron Szapiro
Head of Government Affairs
Morningstar Inc.

Trevor David, CFA
Director of Client Solutions
Morningstar Sustainalytics

Montréal, le 10 juin 2024

Madame Lisa French
Vice-présidente, Normes d'information sur la durabilité
Conseil canadien des normes d'information sur la durabilité
277, rue Wellington Ouest
Toronto (Ontario) M5V 3H2

Objet : documents de consultation du CCNID : projet de Normes canadiennes d'information sur la durabilité (NCID) 1 - Obligations générales en matière d'informations financières liées à la durabilité, projet de Normes canadiennes d'information sur la durabilité (NCID) 2 - Informations à fournir en lien avec les changements climatiques et document de consultation du CCNID sur son Projet de critères de modification

Madame,

Le Mouvement Desjardins (le « Mouvement ») apprécie l'opportunité de soumettre ses commentaires au Conseil canadien des normes d'information sur la durabilité (CCNID) concernant l'adoption des normes NCID 1 et NCID 2, fondées sur les IFRS S1 et S2. La présente lettre vise à répondre aux trois documents de consultation du CCNID, soit le projet de *Normes canadiennes d'information sur la durabilité (NCID) 1 - Obligations générales en matière d'informations financières liées à la durabilité*, le projet de *Normes canadiennes d'information sur la durabilité (NCID) 2- Informations à fournir en lien avec les changements climatiques*, et le document de consultation du CCNID sur son projet de *Critères de modification*.

Étant le premier groupe financier coopératif en Amérique du Nord avec plus de 436 G$ d'actifs[1] et 7,7 millions de membres et clients[2], le Mouvement offre une vaste gamme de produits et services à l'échelle canadienne tant pour les clientèles des Particuliers que des Entreprises, incluant la Gestion de patrimoine, l'Assurance de personnes et l'Assurance de dommages.

Les changements climatiques présentent des risques non seulement pour l'environnement, la société et l'économie, mais également pour la santé physique, mentale et financière des individus. Une gestion saine et prudente de ces risques doit être préconisée tant au niveau international que local afin de favoriser la contribution de tous les acteurs essentiels pour le développement et la mise en place des actions nécessaires et en assurer la pérennité. En ce sens, il est primordial que le Canada adopte des normes d'information sur la durabilité alignées sur les normes IFRS S1 et S2, publiées par l'International Sustainability Standards Board (ISSB), dans le but d'assurer des divulgations comparables à l'échelle internationale. À cet effet, nous saluons la mise en place du CCNID pour mener à bien ce projet et assurer les suivis requis pour maintenir ces normes à jour dans le meilleur intérêt du public canadien. Nous appuyons par le fait même l'adoption des normes NCID 1 et 2 avec un minimum de modification, à savoir indispensable, dans le but de garantir l'interopérabilité de celles-ci avec les autres acteurs de la communauté internationale.

[1] Au 31 mars 2024 : Rapports financiers T1-2024
[2] Au 31 mars 2024 : Fiche technique aux investisseurs

Nous comprenons que les modifications visant l'entrée en vigueur ainsi que les allègements transitoires peuvent s'avérer nécessaires. Cependant, nous notons que le Bureau du surintendant des institutions financières (le « BSIF ») a adopté, en mars 2023, sa *Ligne directrice B-15* sur la gestion des risques climatiques applicable aux institutions financières à charte fédérale, laquelle présente clairement l'intention du BSIF de parfaire ses attentes en matière de communication de l'information pour les arrimer à celles de l'ISSB. Les attentes de la Ligne directrice entreront progressivement en vigueur d'ici 2026, date à laquelle l'ensemble des institutions financières fédérales (IFF) devront notamment déclarer la quantité absolue des émissions brutes de GES du champ d'application 3 de l'IFF pour la période visée. Comme cette divulgation nécessite de tenir compte de l'ensemble de la chaîne de valeur, ces dernières auront besoin d'informations sur leurs membres et clients afin de présenter les renseignements quant aux émissions financées, les émissions découlant des actifs sous gestion et les émissions associées à l'assurance. Or, il pourrait être difficile pour les institutions financières de recueillir ces informations si les exigences de divulgation des normes NCID 1 et 2 ne sont pas pleinement en vigueur lors de la période de divulgation.

Par conséquent, nous sommes d'avis qu'il est important de ne pas retarder l'entrée en vigueur des normes NCID 1 et 2 au-delà de 2025, et d'éviter les allègements transitoires autres que ceux déjà proposés afin de prévenir un décalage trop important entre l'application des attentes réglementaires et celle des normes canadiennes d'information sur la durabilité. Un tel procédé favoriserait l'harmonisation des pratiques dans l'industrie et encouragerait les organisations à poser rapidement les actions requises pour se conformer aux attentes.

Par ailleurs, la disposition transitoire C4 b)[3] de la norme NCID 2 devrait limiter à l'an 2026 le délai accordé par la mesure transitoire afin d'être harmonisée avec la Ligne directrice B-15 du BSIF en ce qui concerne les expositions financées pour les entités participant à des activités associées à la gestion d'actifs, aux services bancaires commerciaux ou aux services d'assurance. Les entités réglementées par le BSIF devront divulguer ces informations en 2025 ou 2026 selon leur statut, de sorte que certaines d'entre elles, visées par cette disposition transitoire, ne pourront pas s'en prévaloir. Il serait donc préférable d'assurer une uniformité à cet égard.

[3] Si l'entité se prévaut de l'allègement transitoire permis par le paragraphe E5 : b) pour le troisième exercice pour lequel elle applique la présente norme, elle n'est pas tenue de fournir des informations comparatives sur les possibilités et les risques liés à la durabilité qui se présentent à elle, sauf en ce qui concerne les possibilités et les risques liés aux changements climatiques.

En conclusion, nous réitérons notre position favorable aux critères de modification proposés et invitons le CCNID à maintenir les normes NCID 1 et 2 étroitement alignées sur les normes IFRS S1 et S2. Nous recommandons également de limiter les modifications à des cas exceptionnels indispensables dans le but de faciliter l'atteinte des objectifs en termes d'harmonisation, et ce, dans l'intérêt du public.

Au nom du Mouvement Desjardins, nous vous remercions pour l'occasion offerte de partager nos commentaires.

Pour tout besoin d'information additionnelle, n'hésitez pas à communiquer avec les soussignés.

Veuillez agréer, Madame, nos salutations les plus distinguées.

La directrice principale Affaires réglementaires,

Giuseppina Marra, CPA auditrice, IAS.A

cc.

M. Gildas Poissonnier, chef du développement durable Mouvement

Mme Emmanuelle Côté, directrice principale Divulgation réglementaire, Instances et Marchés, Mouvement

10 June 2024

Financial Reporting & Assurance Standards Canada
Canadian Sustainability Standards Board

Submitted online: www.frascanada.ca

Sir / Madam,

Consultation on Proposed Canadian Sustainability Disclosure Standards (CSDS) 1 - General Requirements for Disclosure of Sustainability-related Financial Information and Proposed Canadian Sustainability Disclosure Standard (CSDS) 2 - Climate-related Disclosures.

MSCI[1] welcomes the opportunity to comment on the CSSB Exposure Drafts – Proposed Canadian Sustainability Disclosure Standards ("Exposure Drafts"). As a leading provider of climate risk data and analytics to the global investment community, MSCI has collected climate and sustainability-related disclosures from thousands of companies globally for over two decades and developed tools to assist investors in their analysis of climate and ESG risk to their portfolios.

MSCI supports the publication by the Canadian Sustainability Standards Board (the "CSSB") of Exposure Drafts which shall lead to availability of consistent, comparable, and timely information on sustainability matters and climate risks facing companies.

For the purposes of this submission, we comment specifically on those matters where we believe MSCI's expertise and experience to be most relevant. As a provider of ESG and climate risk data and analytics, we would like to highlight the following key points:

1. **Transition relief of CSDS -** We welcome the adoption of CSDS-1, in line with the proposed IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1)[2], instead of the proposed two-year transition period. An early implementation timeline aligning with IFRS S1 would ensure consistency and comparability for Canadian entities with counterparts in global markets. CSDS-1's foundation, structured around the Taskforce on Climate-related Financial Disclosures' (TCFD) four pillars[3], provides a clear and comprehensive approach to climate-related financial disclosures, aiding entities in navigating sustainability complexities. Clear guidelines and a structured approach support accurate and consistent application of the standard, benefiting entities of all sizes, including SMEs, and promote transparency and reliability in disclosed information.

[1] MSCI ESG Ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc.
[2] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS, June 2023)
[3] Task Force on Climate-Related Financial Disclosures (TCFD, June 2017)

2. **Alignment of disclosure timelines with financial disclosures and timely release of comparative information -** As a user of sustainability data, we welcome the alignment of the timing of disclosure of sustainability data along with the financial data. However, the preparers are better placed to provide comments on any difficulties in aligning with the timelines of financial disclosures. We support the timely release of comparative information, aligned with the requirements under the ISSB standards, as this would enable investors and stakeholders to more effectively gauge the climate and sustainability-related progress of their portfolio entities.

3. **Climate scenario analysis and guidelines –** Climate scenario analysis is an important tool for examining how future changes in the climate could impact companies' business models, value chains and resilience. For this reason, we believe that a transition relief for climate resilience assessments should not be granted, while simultaneously acknowledging the importance of a proportionality approach, especially for smaller companies. We are supportive of scenario analysis guidance from the TCFD[4] ,[5] as these documents highlight a step-by-step guide on how disclosing entities could get started in applying scenario analysis, acknowledging the importance of key principles such as transparency, comparability of results, consistency of methodology and adequate documentation.

4. **The use of high-temperature scenarios to be encouraged –** According to the ISSB standard, disclosing entities must report whether their analysis includes a diverse range of climate-related scenarios, including one that aligns with the latest international agreement on climate change. MSCI provides a wide range of scenarios in line with the Network for Greening the Financial System (NGFS). Additionally, to better understand the evolving nature of climate-related financial risks, we recommend that disclosing entities include a high-temperature scenario in their analysis, such as the NGFS's 3°C scenario or an equivalent. This approach will help evaluate the most severe impacts of physical climate-related risks, including chronic and acute hazards from wildfires, floods, and extreme heat (non-exhaustive).

5. **Scope 3 Emissions reporting –** The proposed two-year transition relief for Scope 3 GHG emissions disclosures may be too long and could hinder comparability with companies that have already adopted IFRS S2 Climate-related Disclosures (IFRS S2)[6]. We feel that a transition relief period of one year, in line with the ISSB standards, would be more appropriate as this timeframe balances the need for companies to develop the necessary skills and processes with the urgency of providing critical information for assessing climate-related risks. Since Scope 3 emissions often constitute the largest share of a company's carbon footprint[7] and represent significant transition risks, it is crucial to encourage companies to start reporting these emissions sooner. Prompt reporting of material Scope 3 emissions is essential not only for comparability but also for driving upstream and downstream value chain improvements. Many companies are already beginning to address Scope 3 emissions, and an earlier reporting requirement could leverage and build on these efforts. Additionally, target setting on Scope 3 emissions is lagging, so encouraging companies to get started with Scope 3 reporting is important for comprehensive climate risk management (See Exhibit 1 in Annex).

6. **Financed emissions disclosures** in the financial sector are now on the rise and availability of data is no longer a major obstacle. Based on MSCI's research focusing on systemically important banks, we have found that 79% disclosed financed emissions as of January 2024, a significant improvement from 2022 (41%), with most of the banks using the PCAF methodology based on the GHG Protocol.[8] (See Exhibit 2 in Annex.) The comparability of financed emissions reporting could be further enhanced with a detailed sector-level breakdown wherever possible, and reporting gross absolute emissions disaggregated by

4 Technical Supplement: The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities (TCFD, June 2017)
5 Guidance on Scenario Analysis for Non-Financial Companies (TCFD, October 2020)
6 IFRS S2 Climate-related Disclosures (IFRS, June 2023)
7 Breaking Down Corporate Net-Zero Climate Targets, K. Watanabe and A. Panagiotopoulos, MSCI (MSCI, May 2021)
8 G-SIBs Financed Emissions, C. Wang and A. Liang (MSCI, April 2024)

Scopes 1, 2, and 3. To facilitate comparisons between financial institutions of varying sizes, disclosure of the gross financed emissions intensity could also be recommended.

7. **Mandatory disclosure of cross-industry metrics –** MSCI research shows that at present, many jurisdictions do not yet require companies to disclose information across all the TCFD cross-industry metrics, thereby limiting the quantity and quality of decision-useful information for investors and other users of climate data. Disclosure of cross-industry metrics helps investors understand their portfolio exposure to physical risks, transition risks and climate-related opportunities and enables them to predict the future impact of such exposures. Investors need information on how portfolio companies are financing their transition plans and the amount allocated to predict future financial performance, financial position, and cash flows. Investors need information on internal carbon prices applied by companies to assess their management of climate-related risks and opportunities and the planned use of carbon credits to meet climate targets. This core set of cross-industry metrics shall provide a common set of consistent and comparable climate-related disclosures applicable across sectors and industries. In 2021, the TCFD recommended all organizations disclose data across seven cross-industry metrics categories. Therefore, we recommend that CSSB mandates disclosure of the TCFD cross-industry metrics.

8. **Indigenous people in Canada and their rights –** We recognize the importance of indigenous peoples in Canada and the imperative to safeguard their rights. Therefore, it is crucial to evaluate how companies' activities in protected areas intersect with indigenous territories. We propose that companies conduct assessments of environmental and financial impacts on biodiversity and nature risks in indigenous territories based on their operations. Such an approach could draw insights from the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). MSCI's Geospatial Biodiversity Solution is aligned with the TNFD and encompasses over one million location-specific asset data points for over 70,000 companies globally. This solution evaluates corporate assets situated in nature-protected areas and assesses whether their operations contribute to biodiversity loss. We would be delighted to support the CSSB in its further work on this issue as part of a multi-year plan.

Please do not hesitate to contact us to discuss our submission.

Yours sincerely,

/s
Meggin Thwing Eastman
Managing Director, ESG Research
MSCI ESG Research LLC

Exhibit 1 – Breaking Down carbon emissions and corporate net-zero targets by scopes[9]

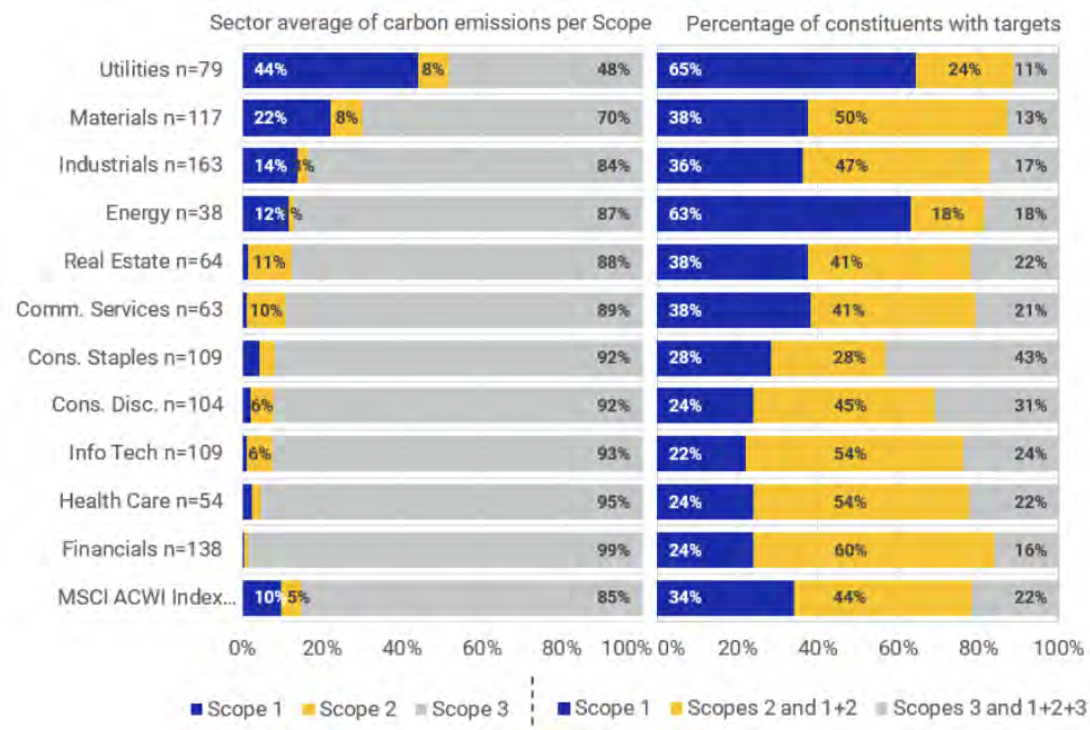
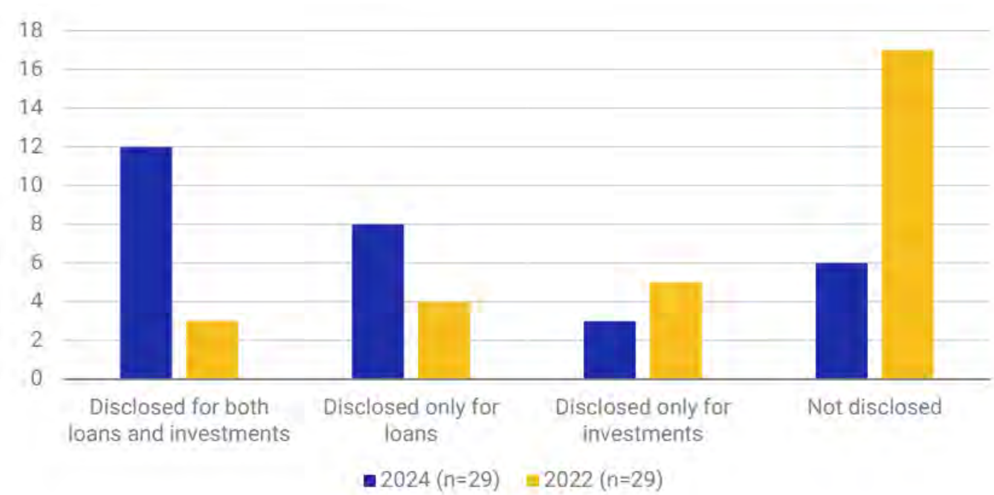


Exhibit 2 – Financed emissions disclosures by global systemically important banks[10]



[9] Breaking Down Corporate Net-Zero Climate Targets, K. Watanabe and A. Panagiotopoulos (MSCI, May 2021)
[10] G-SIBs Financed Emissions, C. Wang and A. Liang (MSCI, April 2024)

Norges Bank
Investment
Management

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

Date: 10.06.2024

Consultation on Canadian Sustainability Disclosure Standards

We refer to the Canadian Sustainability Standards Board's consultation on the Exposure Drafts of the Canadian sustainability disclosure standards CSDS 1 (General Requirements for Disclosure of Sustainability-related Financial Information) and CSDS 2 (Climate-related Disclosures). We welcome the opportunity to contribute our perspective to the Canadian sustainability reporting regime.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with 2,034 billion CAD at year end 2023, of which 28,1 billion CAD in the shares of Canadian companies.

As a long-term, global investor, we consider our returns over time to be dependent on sustainable development in economic, environmental and social terms. We need consistent, comparable and reliable information from companies on social and environmental issues that are financially material to their business. As a global investor with holdings in 70 different countries, we have a clear interest in information being reported in a consistent and comparable manner across markets worldwide. These disclosures inform our investment decisions, our risk management processes and our ownership activities.

We strongly support the International Sustainability Standards Board (ISSB) and its mission to deliver a global baseline of disclosure standards that provide decision-useful information to investors. The ISSB standards IFRS S1 and S2 build on existing frameworks, such as the Taskforce on Climate-Related Financial Disclosures Recommendations (TCFD), and maintain its four-pillar structure around governance, strategy, risk management, and metrics and targets. Furthermore, the ISSB standards have been endorsed by the International Organisation of Securities Commissions (IOSCO) to support the integration of sustainability-related financial information in capital markets. We believe that global comparability and consistency of information can be best achieved by the alignment of jurisdictional regimes with the ISSB standards through the so-called "building blocks" approach, which allows standard setters to address any jurisdiction-specific policy objectives by adding to the global baseline.

We welcome the publication of the Exposure Drafts of the Canadian Sustainability Disclosure Standards (CSDS) and the Canadian authorities' commitment to the adoption of IFRS S1 and S2 as a basis for the former. We strongly welcome that the CSDS are fully aligned with the IFRS standards, with no permanent modification but only extensions of the inherent transition reliefs. We acknowledge

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Management

jurisdictions may need to phase in ISSB requirements in a proportionate way, compatible with their pre-existing regulatory regimes and market practice.

In relation to the proposed criteria for the modification framework, while we acknowledge Canadian authorities' needs to serve the Canadian public interest and achieve consistency with Canadian applicable law or regulation, we underline the importance of maintaining alignment with global standards. Limiting modifications to the ISSB standards promotes global consistency and investors' need for comparable, decision-useful information. It also reduces the reporting burden for companies which operate across borders and might be subject to multiple reporting requirements. We therefore call on the CSSB to only make additions, rather than deletions and/or amendments to IFRS Sustainability Disclosure Standards, under the modification framework.

Regarding focus areas highlighted by the CSSB, we strongly support the suggested scope of CSDS 1 based on IFRS S1 with no modifications, as well as the requirement to align timing of sustainability reporting with financial statements. This alignment improves connectivity with financial information and facilitates analysis by investors and other providers of capital. We also concur with the CSSB that Scope 3 emissions disclosures contain crucial information about a company's exposure to climate-related risks and opportunities in its value chain. Whilst we recognize preparers' concerns about measurement uncertainty and capacity, we strongly encourage the CSSB to maintain related disclosure requirements in the final Standards. Similarly, we reiterate the importance of information on climate resilience, and suggest that feasibility concerns could be tackled by providing guidance rather than removing requirements on scenario analysis. We also note that IFRS S2 allows a commensurate approach to address the variety in skills, capabilities, and resources available to prepares.

Finally, we note the announcement from the Canadian Securities Administrators (CSA) in March 2024, that at this moment it may consider adopting only those provisions in the CSSB standards which are necessary to support climate-related disclosures. However, information about sustainability risks and opportunities that affect companies' prospects, beyond climate-related information, is equally important and relevant to investors. We therefore encourage the CSA to consider broadening the scope of the anticipated climate disclosure regime, or at least signal a commitment and timeframe for doing so soon.

We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely

DocuSigned by:
Carine Smith Ihenacho
C28B267008BE42F...
Carine Smith Ihenacho
Chief Governance and Compliance Officer

DocuSigned by:
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Elisa Cencig
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May 21, 2024

Lisa French
Vice-President
Canadian Sustainability Standards Board
27 Wellington St. W
Toronto, ON M5V 3H2
Email: lfrench@frascanada.ca

Dear Vice-President French,

RE: Opposition to the Climate and Sustainability Disclosure Standards

At the May 17, 2024, regular Council meeting, Council had a discussion regarding the two disclosure standards related to sustainability and climate risks. Following the discussion, Council passed the following motion:

340/05/14/24 MOVED by Councillor Kolebaba that Council direct Administration to send a letter to the Canadian Sustainability Standard's Board expressing Council's opposition to the climate and sustainability disclosure standards. CARRIED

Northern Sunrise County (NSC) is in opposition to the climate and sustainability disclosure statements as we feel they will be detrimental to our municipality. Below are some comments and questions related to the Canadian Sustainability Disclosure Standards (CSDSs).

- Municipalities do not exist to create profit. Rather, municipalities exist to provide services to residents. Therefore, it is unclear how the information generated by the CSDSs will be used with regards to municipalities.
- NSC maintains a vast road network that provides access to Alberta's agriculture, forestry, and energy industries. There is concern that the emissions associated with this required maintenance will be used to unfairly represent its members and the role they play in providing necessary services.
- NSC, like many rural municipalities, have very small finance teams and may not have ready access to the data required to complete the disclosures. Even with a two-year phase-in and more lenient reporting expectations for certain entities, it is likely that many rural municipalities will face significant capacity challenges to comply. How will the CSDSs be structured to ensure that undue burden is not placed on municipalities with limited staffing resources? NSC has a five-member finance team who are already tasked with many responsibilities, such as tax collection, accounts receivable and payables, payroll, budget and provincial reporting.
- It is unclear what level of data specificity will be required. Depending on the level of data required, it is likely that rural municipalities will require significant resources to collect and provide the data to inform their reporting. In many cases, this may require

the use of costly consultants. How will municipalities be supported and/or compensated for this significant administrative and potentially financial undertaking?
- For NSC and many rural municipalities, forming a governance body to oversee sustainability and climate related risk will represent a significant increase in workload. What supports will be available to municipalities to reduce this administrative burden?
- Based on the role of municipalities and our limited capacity to take on additional data gathering, reporting, and governance roles, municipalities should be formally excluded from the CSDSs.

Northern Sunrise County is officially requesting that all municipalities be exempt from CSDSs. Thank you for your attention to this matter and we look forward to your response.

Sincerely,

CWilliams

Corinna Williams
Reeve
Northern Sunrise County

c: Dan Williams, MLA for Peace River
Scott Sinclair, MLA for Lesser Slave Lake
Paul McLauchlin, President, Rural Municipalities of Alberta

Nutrien
Feeding the Future™

June 10, 2024

Delivered online at [Log in (frascanada.ca)]

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

Re: CSSB request for comment – Proposed CSDS 1- General requirements for disclosure of sustainability-related financial information and CSDS 2- Climate-related disclosures

Dear Sir or Madam:

This letter is submitted in response to the request for comments on the CSSB exposure drafts ***CSDS 1- General requirements for disclosure of sustainability-related financial information*** and ***CSDS 2- Climate-related disclosures*** (together, the "proposed sustainability disclosure standards"). Nutrien Ltd. has a market capitalization of approximately US $30 billion and our shares are publicly traded on the New York Stock Exchange and the Toronto Stock Exchange. We are a foreign private issuer of Rule 405 under the Securities Act of 1933 that has elected to report in accordance with Canadian securities laws under the Multijurisdictional Disclosure System ("MJDS"). With the recently issued final rule for Climate-Related Disclosures for Investors by the U.S. Securities and Exchange Commission ("SEC") that does not apply to Canadian registrants that use MJDS to file their required disclosures on Form 40-F, along with the Canadian Securities Administrators ("CSA") statements encouraging comments on the proposed sustainability disclosure standards, we believe the CSSB request for comment is an important consultation for MJDS filers.

Nutrien is a leading provider of crop inputs and services, helping to safely and sustainably feed a growing world. We operate a world-class network of production, distribution, and ag retail facilities that positions us to efficiently serve the needs of growers. We focus on creating long-term value by prioritizing investments that strengthen the advantages of our integrated business and by maintaining access to the resources and the relationships with stakeholders needed to achieve our goals.

We appreciate the opportunity to comment on the proposed sustainability disclosure standards as we support and commend all efforts to introduce sustainability-related disclosures that are consistent, meaningful, and comparable and provide decision-useful information to market participants across jurisdictions.

Development of global baseline standards

As a large multinational organization with diverse operations, that is regulated by securities regulators in Canada and the U.S., we strongly encourage the development of global baseline standards and encourage collaboration with securities regulators, including the CSA.

While there have been significant strides to date, the sustainability reporting landscape (voluntary and mandatory) remains complex and highly fragmented. For multinational companies, reporting under various regimes will be time-consuming and costly. Further, varying requirements and reporting under these requirements may undermine comparability and decision usefulness to investors. In this regard, we respectfully suggest that the CSSB consider whether its proposals are currently too detailed for companies, as compared to standards in other jurisdictions, and consider whether it could eliminate some of the requirements originating from IFRS S1 and S2 standards rather than only modifying effective dates and transition relief periods.

In particular, it is important for Canadian companies to not be at a competitive disadvantage relative to domestic and foreign registrants subject to the SEC's Climate-Related Disclosure rule. The proposed sustainability disclosure standards are substantially more onerous than the final Climate-Related Disclosure rule adopted by the SEC. Our view is that voluntary and mandatory standard setters should work together, or if not feasible, seek to only adopt standards that create a level playing field and harmonize standards. This will improve consistency and comparability and support decision-useful information for investors without the regulatory burden of having to comply with multiple frameworks that, as proposed, have differing requirements.

We have responded to specific questions within the appendix, as well as providing a fulsome response through the template portal. We appreciate your thoughtful consideration of our views and recommendations provided in this letter. If you have any questions or require additional information, please do not hesitate to contact us.

Respectfully,

DocuSigned by:
Pam Morrell
8D89CD2931954BF...

Pam Morrell

Vice President, Corporate Reporting

Tim Faveri

Vice President, Sustainability and Stakeholder Relations

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Appendix A- Request for comments

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

Do you agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is adequate?

We recommend the transition relief for disclosures beyond climate-related risks and opportunities should be **indeterminate and go beyond the two years proposed in CSDS 1 Para. E5.**

In our opinion, it is premature to expand the scope of the proposed standards to require disclosures beyond climate when the topic-specific standards have not been written, exposed, and adopted by the ISSB. While we envision that ultimately the ISSB will develop a suite of sustainability disclosure standards that may be adopted in turn by the CSSB, in this interim period, we believe the CSSB should allow for flexibility within the CSDSs to allow for *requirements* for disclosure on a climate-only basis (for example, by facilitating adoption of requirements with CSDS 1 that facilitate CSDS 2 disclosures, or adopt CSDS 2 only) and make voluntary those disclosure requirements within CSDS 1 on non-climate related sustainability disclosures. This can also be directed as an optional transition relief, allowing those companies desiring to disclose a full suite of sustainability disclosures the ability to do so, and those desiring the ability to only disclose climate-related risks and opportunities the framework to do so.

We believe that focusing on climate-related disclosures at transition should minimize the reporting burden, as well as enhance the preparer's ability to provide an unqualified statement of compliance. Our proposal also aligns with the proportionality mechanism inherent in CSDS 1, as set out in CSDS 1 Para. 37.

As the IFRS Sustainability Disclosure Standards form the basis for the proposed sustainability disclosure standards, any future topic-specific standards issued by the ISSB, some of which are already in their workplan, could prospectively form the basis for disclosure in Canada. Based upon our recommendation, upon issuance, the CSSB would have the ability to assess the new standards once they have been released and ensure their applicability to the Canadian landscape once they have been duly considered, but not before.

The focus from regulators (outside of Europe) is on climate-related disclosures and we believe the CSSB should be aligned with this focus area. We see this as potentially supporting a movement towards a global baseline from regulators and balancing the need for comparable sustainability disclosures with the significant regulatory burden (both financial and human capital) for entities to comply. This approach may also provide preparers with additional time to build capacity for climate-related disclosures and ensure the creation of an effective control environment to provide timely, reliable, decision-useful information.

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Timing of reporting

Is any further relief or accommodation needed to align the timing of reporting?

We recommend sustainability-related disclosures be required within a timeframe of up to **six months after the financial reporting date**, thereby introducing flexibility in the reporting timelines, and ensuring consistency with the SEC's final climate rules. This will offer entities a more adaptable framework to operate within and the ability to better manage their reporting burden. While the CSSB can require the baseline set of voluntary CSDSs, Canadian securities regulators will ultimately determine requirements, if any, and the timing thereof. The CSSB can support the potential broader adoption of its voluntary standards by removing the proposed requirement, as they may create conflict with any future mandatory disclosure requirements.

While Nutrien has adapted to timely reporting of sustainability disclosures, as our sustainability report is published two weeks after our annual financial reporting, we note many Canadian public companies currently publish their sustainability reports at least three months after their annual financial reports. We have general concerns with the timing of reporting given that sustainability-related information may not in all cases be completely available shortly after the completion of the fiscal year-end.

We also currently believe the provision of sustainability-related financial disclosures at the same time as its related financial statements is **not critical**.

We recommend reporting timelines should not be strictly mandated, as for some issuers, aligned reporting timelines will be achievable and support the effective creation of integration in reporting in a timely manner, but for others, it will depend on their resources, materiality of sustainability disclosures, and ability to develop effective data systems and controls. Large multinational organizations with complex operations across multiple jurisdictions and expansive value chains, like Nutrien, may find the proposed requirement of aligned timelines to be too onerous. Hence, our recommendation, which may provide entities with flexibility in their reporting timelines.

In addition, when you factor in the current proposed requirement for disclosure of Scope 3 GHG emissions and the requirement to perform scenario analysis, we have concerns with how to obtain comparable, decision-useful, reliable information on a timely basis, given the currently required timelines to report annual financial results.

Other issues

Do you agree that the requirements in the 'Scope' section are appropriate for application in Canada?

We believe the requirements set out in the 'Scope' section of CSDS 1 are currently not appropriate for application in Canada, as the requirements are heavily dependent on the future issuance of topic-specific standards beyond climate. Until their issuance, we recommend the scope of the proposed sustainability disclosure standards should be limited to climate-related disclosures.

We believe it is imprudent to set standards for sustainability-related financial disclosures when the standards for non-climate-related topics have not yet been drafted. When topic-specific standards beyond climate are released, amendments can be considered, but not before. We recognize this would be a departure from the ISSB global baseline and the guidelines in the IFRS jurisdictional adoption guide, but there are currently too many unknowns until the topic-specific standards have been released.

Do you agree that the requirements in the 'Conceptual Foundations' section are appropriate for application in Canada?

The CSSB should consider whether any of these 'Conceptual Foundations' are needed given existing regulatory frameworks supporting consistent, reliable, and comparable disclosures and allowing for enforcement against misleading or deceptive claims.

It should also be considered whether prescribing a differing materiality standard for voluntary disclosures from that prescribed under securities law for continuous disclosure requirements is effective. When combined with the proposed "location of disclosures", this may create challenges for preparers and confusion for investors.

Do you agree that the requirements in the 'Core Content' section are appropriate for application in Canada?

We do not believe the 'Core Content' section of CSDS 1 is appropriate for application in Canada due to its expansion of the requirements of the underlying TCFD framework. In our opinion, the current requirements are too detailed, too onerous, and ultimately too prescriptive, which could result in the formulaic nature of the disclosures undermining their decision usefulness to investors.

Do you agree that the requirements in the 'General Requirements' section are appropriate for application in Canada?

We believe the 'General Requirements' section of CSDS 1 is currently inappropriate for application in Canada due to topic-specific standards not currently being released for topics beyond climate.

CSDS 1 explicitly states in paragraph 72 that for an entity to assert compliance with CSDSs, an entity must meet <u>all</u> the requirements of these standards. This is in reference to all CSDSs, which will include CSDS 1, and then the thematic disclosure topic standards, including CSDS 2, but also future standards that have not been released for public comment (or may not have yet been written or even contemplated).

To facilitate the adoption of the proposed sustainability disclosure standards, at least in the short and medium-term, the CSSB may want to reconsider this requirement, and allow time for securities regulators to consider whether to adopt any specific CSDSs.

For example, allowing compliance with CSDS 2 only, and a phased-in approach for CSDS 1 once topic-specific standards have been released and finalized. We see this as facilitating the global support needed from public authorities and global regulators, which are balancing the need for sustainability disclosures with the material cost in both financial and human capital for corporations that will need to be exerted to comply. The appropriateness has been augmented by the ISSB assuming responsibility for the SASB standards.

We also have reservations regarding the timing of sustainability-related financial statements and believe they should not be at the same time as the related financial statements for reasons previously articulated.

Do you agree that the requirements in the 'Judgements, Uncertainties, and Errors' section are appropriate for application in Canada?

We believe the 'Judgements, uncertainties, and errors' section of CSDS 1 is appropriate for application in Canada, as it promotes the disclosure of sufficient information to enable users of general-purpose financial reports to understand how an entity has utilized estimates or managed uncertainty that is inherent in financial disclosures. The requirements will encourage clear disclosure of a preparer's approach and therefore provide investors with a transparent view of the accuracy, reliability, and completeness of the disclosed information.

Do you agree that the requirements in 'Appendices A-E' are appropriate for application in Canada?

We do not believe the requirements in 'Appendices A-E' are appropriate for application in Canada for reasons articulated in our responses to the questions previously asked.

We note the reference to the European Sustainability Reporting Standards (ESRS) in Appendix C does, however, open a much wider scope to that currently being considered within the CSDSs, and this, therefore, may cause judgment concerns for those preparers looking for additional guidance. We would recommend that until the scope of the ISSB standards goes beyond climate-related disclosure, it may be prudent to not explicitly refer to GRI standards and ESRSs in Appendix C. Furthermore, these requirements go well beyond those of the SEC and those proposed by CSA, which for those multijurisdictional preparers voluntarily adopting the proposed sustainability disclosure standards, may increase their burden, reduce their competitiveness, and undermine their comparability.

Climate resilience

Is transition relief required for climate resilience disclosure?

We **recommend an entity should not be required to perform and disclose its climate-related scenario analysis, particularly on a quantitative basis.** We recognize scenario analysis is one potential tool to identify an entity's climate-related risks and opportunities and assess the resilience of its climate strategy under hypothetical scenarios. However, we do have concerns regarding the decision usefulness, consistency, and comparability of scenario analyses without a standardized framework of assumptions and variables (i.e., climate models, time horizons, price of carbon, etc.).

In addition, from a preparer's perspective, there are significant costs and resources required to develop multiple transition and physical risk scenarios. It is important to note that scenario analysis is based on a set of assumptions, variables, and hypotheticals, which may not be directly relevant or accurate for the reporting entity. The scientific evidence of changes in the climate system and associated impacts on natural and human systems continues to evolve, making it currently challenging to develop a standardized set of assumptions for decision-useful information for investors to compare scenario analyses across different organizations and industries.

The development of climate-related scenarios is an iterative process involving significant cross-functional collaboration and knowledge building, both internally and externally, to complete. While these are not insurmountable challenges, medium-term, we respectively submit that the CSSB should modify the requirement as proposed, to support the required capacity building.

We also recommend the CSSB supports the addition of securities law safe harbors for disclosed information to mitigate litigation risk for a company providing scenario analysis inherently based on long-term assumptions extending into the distant future.

In the event the CSSB maintains the requirement to perform climate-scenario analysis, the guidance provided should focus on two factors, the proposed phased approach of transitioning from qualitative to quantitative reporting of an entity's climate resilience and proportionality.

Our interpretation of the guidance is that large organizations would be expected from day one to perform a quantitative analysis and provide the disclosures as required in CSDS 2 Para. 22. In our opinion this is overly burdensome, in the spirit of providing support to even the largest of preparers when initially conducting scenario analysis. We believe there should be greater recognition that quantitative data is a highly subjective, judgment-based area and is a relatively new area that will be challenging for many companies, requiring the use of costly consultants, and requiring internal management alignment before external disclosure.

This is where the guidance should not initially be overly prescriptive and should instead allow preparers flexibility to tailor their scenario analysis to their facts and circumstances until a global standard of facts and circumstances has been set. The more prescriptive the requirements are, the more onerous it will become for preparers and potentially, the less decision-useful. We recognize by taking a more principles-based approach, there may be reduced comparability, but the effects of climate change and a company's resilience can be very specific to the company in question and some level of flexibility should be provided within the requirements at transition.

We also recommend the addition of greater clarity on the guidance set out in CSDS 2 Para. B17 to allow for additional proportionality for large Canadian entities considering applying these standards. We believe this could be achieved by removing the following sentence, "~~*An entity with a high degree of exposure to climate-related risks and opportunities, and with access to the necessary skills, capabilities, or resources, is required to apply a more advanced quantitative approach to climate related scenario analysis.*~~'"

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

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?

We currently have concerns over the proposed required disclosure of **Scope 3 GHG emissions and recommend that such disclosures should be voluntary.**

The process for measuring Scope 3 GHG emissions relies heavily on estimates, assumptions, and third-party data which could undermine the reliability, decision-usefulness, and comparability of such information for investors and stakeholders. As such, the disclosure of Scope 3 GHG emissions (and categories that are deemed relevant) should be left to management's discretion and market factors.

An additional concern regarding disclosure of Scope 3 GHG emissions, is the significant challenge of collating vast amounts of data from an entity's upstream and downstream value chain in an effective manner to facilitate the disclosure of decision-useful information. The process of requiring value chain partners to provide decision-useful data is still in its infancy, and in our experience, our suppliers and customers are at different stages of adoption and data reporting maturity.

Further, Scope 3 information is based on a higher proportion of estimates and assumptions, as no dataset is perfect. The 'Judgements, uncertainties, and errors' section of CSDS 1 provides a stable framework for preparers to relay how they have dealt with measurement uncertainty, but they also need to have the parameters/framework to be able to disclose the emissions transparently without undue exposure to claims for misrepresentation reprisal. This is where securities law **safe harbors** will be essential if we are to encourage preparers to commence reporting Scope 3 GHG emissions.

Other issues

Do you agree that the requirements in the 'Objective' section are appropriate for application in Canada?

We would ask the CSSB to respectfully consider whether the "Objective" is already addressed by existing Canadian securities laws and guidance as they relate to MD&A and AIF requirements and therefore may be seen as duplicative.

Do you agree that the requirements in the 'Scope' section are appropriate for application in Canada?

We believe the 'Scope' section of CSDS 2 is potentially appropriate for application in Canada since it is fully aligned with IFRS S2 and the TCFD framework and generally with existing Canadian securities laws and guidance.

However, we note the SEC in their final rule does not require disclosure of climate-related opportunities. By mandating this disclosure, the CSSB may be imposing more onerous requirements than the SEC and this may be an area the CSSB further considers for voluntary application or additional transition relief.

Do you agree that the requirements in the 'Core Content' section are appropriate for application in Canada?

We have concerns regarding the requirements in the 'Core Content' section of CSDS 2 being too detailed and onerous to be appropriate for application in Canada. Further, in addition to concerns raised in response to other questions, there is currently no materiality threshold for numerous requirements including scenario analysis and Scope 1,2 and 3 GHG emissions. The 'Core Content' section goes much further than the CSA proposal and final SEC rule. An entity voluntarily adopting these requirements would potentially add to its regulatory burden and decrease the comparability of its disclosures.

In its current state, the 'Core Content' would require the creation of extensive application guidance to facilitate effective capacity building and alignment with other jurisdictions applying sustainability-related standards based on IFRS S1 and IFRS S2. If the application guidance is not aligned, then this could lead to Canada diverging from the global 'norm' and reducing the efficacy of the prospective disclosure.

We would also question whether the CSSB should be fully aligned with the ISSB at this point. Particularly as we note there is currently no full interoperability between the ISSB standards and other frameworks set globally, such as that in Europe by EFRAG, which is more onerous. As more jurisdictions publish their frameworks, we are starting to see what seems to be a general divergence in a 'global baseline', and perhaps the ISSB bar has been set too high, given that while most jurisdictions are consulting on the full suite of standards, it is only climate being mandated (besides Europe). So, with that in mind, we recommend the CSSB consider what is really needed to be mandatory disclosures for Canadian companies, and what should be left as voluntary until we see greater alignment globally.

Do you agree that the requirements in 'Appendices A-C' are appropriate for application in Canada?

While overall, we believe CSDS 2 is overly burdensome, there are some requirements in 'Appendices A-C' we believe are appropriate for application in Canada, as they offer effective application guidance and expectations and reflect existing protocols. For example, by using the GHG Protocol as the basis for measurement of Scopes 1-3, will support jurisdictional alignment for calculations and ensure increased integrity for disclosed metrics.

Further application guidance will be needed to ensure effective capacity building, but the appendices offer a satisfactory foundation for preparers to commence the application of CSDS 2.

We do however note that CSDS 2 Para B23-B25 only references the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) when looking to measure GHG emissions, which does not require an entity to disclose Scope 3 GHG emissions as it is only optional, as is required within CSDS 2 para 29 (a). It may therefore be prudent to add a reference to the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) in CSDS 2 Para B23-B25, to cover the CSSB's proposal for the disclosure of Scope 3 GHG emissions. Adding the reference to Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) within Appendix B- Application Guidance, will ensure alignment between the relevant sections of the standard and provide more guidance for the measurement of Scope 3 GHG emissions. We also recognize there are ongoing developments with Scope 3 by the WRI and WBCSD. The CSSB may also want to defer concluding on mandating Scope 3 disclosure until this work has been completed and then amend the proposed standards to bring in the finalized measurement and disclosure framework. We recognize this will be a departure from the core ISSB text but may be an area where the CSSB can advocate for an amendment to the core texts.

Another area the CSSB can advocate for improved alignment with the GHG Protocol is clarification on how a preparer can utilize the Guidance prepared by the GHG Protocol. The core GHG Protocol is over 20 years old and many factors have changed since it was issued, hence the reason the GHG Protocol provides further guidance on areas such as Land Sector Removals, Agriculture, and Scopes 2 and 3. It would be beneficial for preparers to understand the level of reliance that can be placed on such guidance, particularly with the increased understanding and utilization of CO2 removals and storage in land, product, and geological carbon pools, which will be a key area in explaining to investors how an entity is meeting their medium and long term targets.

Proposed criteria for modification framework

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

We agree with the CSSB's proposed criteria to assess modifications as it will promote jurisdictional alignment of sustainability-related disclosure unless the proposed amendment will impinge on the effectiveness of the reporting within Canada and not be in the Canadian public interest. The CSSB should canvas the Canadian reporting population, consolidate public opinion, and ensure the final standards are consistent with global reporting requirements and in the Canadian public interest, including consideration of the competitiveness of our capital markets.

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

We believe the voices, rights, and opinions of the Canadian Indigenous Peoples are integral to Canada's identity, and therefore their input should be inherent in the CSSB's Modification Framework. As per the Truth and Reconciliation Commission of Canada's Call to Action, they state:

92. We call upon the corporate sector in Canada to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources. This would include, but not be limited to, the following:

i. Commit to meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects.

Wayne Morgan PhD, CPA, CA, CISA
Byron Ofner CPA, CA, CIA
Colin Semotiuk CPA, CA
Edmonton, Alberta

June 10, 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario

Dear Lisa French,

Please consider this letter as our response for comments on CSSB's CSDS 1 exposure draft. Our response should be read in conjunction with our response to CSSB's CSDS 2 and CSSB's Proposed Criteria for Modification Framework exposure drafts.

We provide our comments motivated by our public interest concerns. CSDS 1 will not sufficiently advance sustainability reporting in Canada and could represent a risk to the public interest by displacing much more relevant, inclusive, and necessary standards, such as the GRI or UN SDGs.

Scope of proposed CSDS 1

In our view, the scope of CSDS 1 is too narrow, because it focuses solely on investors. Cash flows are important to all entities, and investors and creditors are important stakeholders and users. However, over the past few years, two fundamental building blocks of sustainability reporting have emerged globally:

1. Cash flow, entity, or investor concerns (e.g., ISSB).
2. External impacts and multi-stakeholder concerns (e.g., GRI and UN SDGs).

The CSSB has proposed to adopt only ISSB standards. In our view sustainability cannot be legitimate without both building blocks. The GRI and UN SDGs are among the most used sustainability frameworks in Canada, and therefore, CSSB should simultaneously adopt them as Canadian Sustainability Disclosure Standards at the same time the ISSB's standards are adopted.

The scope of changes to CSDS 1 would be extensive to incorporate the GRI and UN SDGs. In our view, CSSB should create a sustainability "Handbook" with various sections that include the GRI, UN SDGs, ISSB, public sector, Indigenous considerations, and other sections.

The narrow scope of CSDS 1 is a result of several factors. We note these below in the spirit of identifying suggestions for improvement.

- CSSB should consult on its mandate, including terms of reference, before issuing any standards. The IRCSS was insufficient for such purpose and was incomplete in that it did not fully describe the issues involved in sustainability standards, nor adequately describe that among the most popular frameworks in Canada were the GRI and UN SDGs. We provide comments on the CSSB's terms of reference herein.

- CSSB should issue a strategic plan and receive public comment before issuing any standards.
- CSSB should ensure meaningful Indigenous consultation. The Independent Review Committee on Standard Setting in Canada (IRCSS) emphasized the importance of Indigenous perspectives on sustainability and therefore, CSSB's first proposed sustainability standards should address Canadian Indigenous issues. The AASB included a potential amendment for Indigenous matters in its exposure of its first sustainability standard (CSSA 5000) and CSSB could have done the same.
- CSSB should ensure other interested and affected parties are considered. Sustainability is not limited to investors' interests but the interests of many others (employees, customers, suppliers, not for profits, analysts and think tanks, for example) but CSDS 1, notwithstanding paragraph 9's reference to other types of entities, is too narrow in scope.

As the Exposure Draft state, there is no current regulatory requirement in Canada to report sustainability. Therefore, no specific regulatory requirement creates demand for these standards or contributes to their urgency. We also note the exposure draft states "*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*." In our view, this language omits that Canada's regulators and legislators may choose to not adopt any sustainability standards, or could choose to adopt other standards such as GRI or UN SDGs, or choose to have a standard setter other than CSSB, all regulatory decisions. It is concerning that CSSB uses language that could imply that legislators' or regulators' only choice is whether CSDSs (as set by CSSB) should be mandated or not (i.e. are CSDSs mandated or voluntary), not the much more important choice as to whether CSDSs or other frameworks should also be used.

The CSSB's exposure drafts and other documents such as its terms of reference may risk sustainability in Canada and may impair the substantial progress many entities have made in sustainability and sustainability reporting. The EDs overlook Canada's early and continuing involvement with the GRI, including serving as GSSB members. Canada, as a member of the UN, should include the UN SDGs as part of Canadian sustainability standards.

If CSSB goal is to serve as a "model" for other countries, as their documents state, ignoring the GRI and UN SDGs may contribute to sidelining the GRI and UN SDGs globally. As trillions of dollars adjust over the coming years into more sustainable activities, CSSB not adopting GRI and the UN SDGs, and only adopting ISSB risks biasing these adjustments in ways that will likely decrease sustainability. In this sense, the proposals included in the EDs may be counterproductive.

We understand CSSB's actions in the context of the IRCSS. Unfortunately, the IRCSS Consultation paper discussed the ISSB but brought no attention to the standards popularly used in Canada, (the GRI and UN SDGs), and avoided any discussion of "double materiality" other than in the appendix to say the EU "clarifies the principle," without explaining that the EU had adopted double-materiality. The IRCSS's Terms of Reference stated:

The goal of the review is to ensure that Canadian standard setting is fit for the future. The Committee's review and recommendations should include:

- The structure and governance of the standard-setting activities currently supported by CPA Canada as well as any future standard-setting activities along with the options for funding.
- The potential creation of a Canadian Sustainability Standards Board to mirror the proposed establishment of the ISSB by the IFRS Trustees.

Academics, Indigenous organization and others in comment letters to the IRCSS encouraged IRCSS to adopt a world-class multi-stakeholder approach to sustainability. Notwithstanding these comments, IRCSS said in its final report "The IRCSS thinks a Canadian sustainability standards board is needed, to work in tandem with the ISSB to support the adoption of IFRS Sustainability Disclosure standards…" and "IFRS Sustainability Disclosure Standards are an appropriate starting point for the CSSB in developing Canadian sustainability standards, which should apply universally to public and private enterprises, not-for-profit organizations, pension plans and public sector entities."

Perhaps the language of "starting point" allows CSSB enough discretion to act in the public interest and adjusts its Terms of Reference to include GRI and the UN SDGs. There is a lot more at stake than investors' wealth, including the environment, safety of Canadians, and those in other countries where Canadian entities operate.

We provide below specific responses to your questions. We have made suggestions to "fix" CSDS 1 although we believe that a more efficient approach would be for CSSB to issue the GRI and UN SDGs alongside the ISSB standards as together comprising acceptable sustainability reporting frameworks in Canada, see question 3 response for further detail.

1. **Scope of proposed CSDS 1**

(a) (b) Do you agree that the two-year transition relief for disclosures beyond climate-related risk and opportunities is adequate?

We disagree. Sustainability disclosures should integrate because sustainability factors interrelated and affect long-term performance. Aligning with global standards like the GRI and UN SDGs, which emphasize integrative reporting, ensures consistency and comparability across organizations.

2. **Timing of reporting**

(a) Is any further relief or accommodation needed to align the timing of the reporting?

In our view, no further relief is necessary. Sustainability and financial reporting are equally important and there are linkages between them, even in multi-stakeholder i.e. actual sustainability reporting, contexts. We agree that a holistic picture should be provided, but how CSSB uses “holistic” is very limited to only financial and investor-related aspects of sustainability, neglecting broader social and environmental impacts. A holistic picture would present the entity’s financial statements and its sustainability performance in accordance with GRI and the UN SDGs.

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

In our view, this is a regulatory or legislative decision. However, best practice is likely that an entity’s MD&A, financial statements and sustainability report are released at the same time. We also note that it is a regulatory decision what, if any, assurance is provided on such information.

3. **Other issues. Do you agree that the requirements in the following sections [scope, conceptual foundations, core content, general requirements, judgments uncertainties and errors, and appendices] are appropriate for application in Canada?**

We provide below comments on each of these sections. Although CSSB did not ask for comments on the Objective, we provide comments because of the importance of the objective. In our view, objective and scope are closely related.

Objective and scope

On their own, the CSDS 1 objective and scope are too narrow. If they are the only sustainability requirements that are in Canadian sustainability disclosure standards, they risk setting back sustainability reporting in Canada many years and may not be in the public interest.

The GRI and UN SDGs are the most developed and adopted sustainability frameworks and represent global baseline general-purpose sustainability standards. ISSB’s standards are more special-purpose financial sustainability standards that have some overlaps with sustainability and more to do with value-reporting. But they do not report on “financial sustainability” fully either – financial sustainability is probably best understood as ability of an entity to sustain or increase cash flows, and therefore would necessarily involve other items beyond CSDS 1, such as plans for new markets or new products, this would be closer to true value reporting.

We stress that the external impacts of an entity are as relevant as the impacts on an entity, and also that the sustainability impacts on an entity are beyond cash flows. Social and governance topics such as diversity may not have material impacts on cash flows but are important to report, for example. Entities may make improvements in emissions, energy usage, water usage or product safety that have no net effect on cash flows but are crucial to understanding an entity’s sustainability and mitigation of negative impacts, as another example. Both internal and external effects, beyond cash flows, must be considered in sustainability reporting standards. So we believe that Canadian sustainability standards will be fundamentally incomplete without including the GRI and the UN SDGs, as well as the ISSB's standards (which in turn incorporate by reference SASB and CDSB).

We stress that the GRI and UN SDGs are among the most used sustainability frameworks in Canada. This is based on the profession's *State of Play* data. We also point out the following data that may be of interest of the CSSB. For a select sample of organizations, many recognize aspects of sustainability beyond CDSD 1's focus on cash flows and investors. CSSB should issue standards that reflect these best practices.

Entity	**Recent sustainability reporting framework(s) used and comment**
EY	Various reports globally, some include GRI, WEF-IBC, SDGs.
Manulife	GRI, SASB, TCFD, UN SDGs, Stakeholder capitalism Metrics
CIBC	GRI, SASB, UN SDGs
Canative Energy	Website mentions sustainability in several places, and references Indigenous economic empowerment and strengthening human capital, health and safety among other initiatives.
TC Energy	GRI, TCFD, SASB, UN SDGs
Vermillion Energy	GRI, TCFD, SASB, UN SDGs
Agnico Eagle Mines	GRI, SASB
Nutrien	SASB, TCFD, GRI, World Business Council for Sustainable Development
Emera	SASB, TCFD, GRI
NEI Investments	Discloses ESG ratings of investments, across E, S and G, indicating considerations beyond cash flows
Fondaction	Notes several frameworks including GRI, TCFD, UN SDGs. Discloses investment themes of biodiversity conservation, climate change, agri-food sustainability, sustainable town and communities, and health and well being. These are beyond cash flows.
Business Development Bank Canada	Discusses sustainability as balancing environmental, social and economic needs and impacts. Considers economic, social and environmental. These are beyond cash flows.
Public Sector Pension Investment Board	When evaluating investments, considers "SASB and other standard setters"

As previously stated, the CSSB's approach should be more like the Canadian Accounting Standards Board (AcSB) with respect to financial reporting standards. AcSB has a set of standards, such as Part I, II, etc. In our view, CSSB's "Handbook" should include multiple sustainability reporting frameworks. The Handbook should include a preface that explains that each part should be used, absent specific legislative and regulatory decisions otherwise. The Handbook should also include parts for application of the EU sustainability standards, if

CSSB research indicates enough Canadian entities are impacted. Therefore, the structure of the Canadian Sustainability Disclosure Standards Handbook would be:

Preface

Part I – GRI

Part II – UN SDGs

Part III – IFRS Sustainabilitiy Disclosure Standards

Part IV – Application of EU Corporate Sustainability Reporting Directive/ European Sustainability Reporting Standards.

Part V – Public Sector Sustainability Standards (this may simply be a reference to PSAB's Sustainability Standards, or perhaps IPSASB Sustainability Standards, as the case may be).

Such a Handbook would be a model for other countries on how to adopt and apply the leading global sustainability frameworks. This model would also not set back sustainability reporting 20 years and instead set an appropriate baseline for advancing sustainability reporting in Canada. Importantly, it would recognize that sustainability reporting is much more than information for capital markets and investors and necessarily has to report on many other topics to meet the needs of many other stakeholders which are equally important as investor's needs.

We recognize that ISSB and CSDS1 "incorporate" GRI and the European Sustainability Reporting Standards (ESRS) via Appendix C. However, this approach is far weaker than the specific inclusions above. It is not clear how to incorporate the GRI and ESRS in "meeting the objective" of CSDS 1 because the objective of CSDS 1 concerns only the affects on the entity's cash flows, whereas GRI and ESRS concern the affects beyond the entity's cash flows including those on external stakeholders. The GRI focuses on mitigation of negative impacts and specific actions, whereas the objectives of CSDS 1 focus on more future oriented things such as risks and opportunities, therefore Appendix C is not sufficient. Given the health and safety of Canadians and the Canadian environment are at stake, CSSB should not take any chances that Appendix C would be mis-interpreted. A further limitation is that CSDS 1's Appendix C does not include the UN SDGs, a prominent framework used in Canada. A better approach is the "Sustainability Handbook" approach we propose herein.

The IRCSS noted Indigenous considerations are important in sustainability. The above approach could also be used to facilitate Canadian amendments, such as for Indigenous considerations. The Handbook could also have either a separate part for Indigenous-specific reporting, or each specific Part could be amended to include Indigenous-specific reporting, depending upon results of consultations with Indigenous groups on the best way forward, or the standards recommended by an Indigenous Council on Financial Reporting and Standard Setting as the IRCSS recommended be created.

If the CSSB creates a sustainability Handbook as we suggest, the objective and scope sections of the "ISSB" part are adequate as proposed. The sustainability of reporting of entities will likely continue the current practice of several reports within one report (i.e. a GRI section, UN SDGs section and ISSB section).

If CSSB does not adopt the GRI and UN SDGs, then we fundamentally disagree with the Objective and Scope of CSDS 1. We suggest the following edits then be made:

- CSDS 1 is renamed "General Requirements for Disclosure of Sustainability-related ~~Financial~~ Information." Consequential changes should be made throughout the standard.
- Throughout CSDS 1 the term "primary users" or "primary users of general-purpose financial reports" or "primary users of general-purpose financial reports make on the basis of those reports" should be changed to "users" or "users based on sustainability reports."
- A definition of sustainability be added that "Sustainability is about meeting the needs of the present without sacrificing the ability of meeting the needs of the future."
- Paragraph 1 is modified to state "The objective of Canadian Sustainability Disclosure Standard (CSDS) 1 General Requirements for Disclosure of Sustainability-related Financial Information is to require an entity to disclose information about its sustainability-related impacts, mitigation of those impacts, and risks and opportunities that is useful to its stakeholders."
- Paragraph 2 should be modified to remove the words "…because an entity's ability to generate cash flows over the short-, medium and long term is inextricably linked" and add "…because the impacts of an entity are inextricably linked…"
- Paragraph 3 is modified to state "This standard requires an entity to disclose all sustainability-related information that could reasonably be expected to impact the entity and the entity's stakeholders. This is referred to as the 'entity's prospects' in this standard."

Conceptual foundations

If CSSB adopts the Handbook approach we suggest, we have no comments on this section.

If CSSB does not adopt the Handbook approach and only issues CSDS 1, we have the following comments:

- Paragraph 15 (b) should refer to users and not be limited to financial statement users nor cash flows.
- Paragraph 18 should incorporate changes noted above, such as referring to users generally, not only financial statement users.
- Paragraph 18 (a) should be added that "Information is material if it represents a material sustainability impact on an entity's stakeholders." We suggest content from GRI 3 be added to Appendix B to explain this further, including an entity's materiality process.

Core content

If CSSB adopts the Handbook approach we suggest, we have no comments on this section.

If CSSB does not adopt the Handbook approach and only issues CSDS 1, we have the following comments:

- Paragraphs 26,28, 43, and 45 and various others throughout should be updated to refer to only "users understanding of an entity's sustainability-related [governance, strategy, risks, metrics, etc.]"
- Paragraphs throughout this section refer to sustainability-related risk and opportunities. Consequential amendments should be made to add "leveraging positive impacts and mitigation of negative impacts" wherever the terms "risk and opportunities" appear, or make it clear that opportunities and risks may be historical as well concerning events that have already happened. An opportunity or risk usually implies something that has not yet happened while an impact and mitigation of those impacts may or may not have happened, but CSDS1 shouldn't exclude the impacts an entity is currently having on its stakeholders. Paragraph 33 (a) helpfully refers to "how the entity has responded to" sustainability-related risks and opportunities but this should be more specific i.e. what actual specific actions the entity has taken, if any.
- Paragraph 29 (c1) should be added to state "the impacts on the entity's stakeholders, the entity's due diligence, and mitigating actions taken."
- Paragraph 40 should add 40 (a1) "provide qualitative information about the impacts on stakeholders of the entity's activities for which information could not be provided."
- Requirements for disclosures of the entity's actual impacts and actions taken to mitigate negative impacts or achieve positive impacts should be added. These are not necessarily metrics and targets but could include qualitative, narrative information.

General requirements

If CSSB adopts the Handbook approach we suggest, CSSB will need to determine whether guidance in CSDS 1 should refer to the GRI and EU Standards as is, be removed, or be amended to refer to those respective parts of the Handbook.

If CSSB does not adopt the Handbook approach and only issues CSDS 1, we have the following comments:

- Paragraph 55 (a1) be added to state "An entity shall apply the Global Reporting Initiative (GRI) and "UN Sustainable Development Goals" in determining its sustainability-related disclosures."

- Paragraph 58 (a1) should be added to state "an entity shall apply the metrics associated with disclosure topics in the Global Reporting Initiative and the UN Sustainable Development Goals."
- Paragraph 59 should be consequentially updated to state "…in Global Reporting Initiative, UN Sustainable Development Goals, and the SASB Standards"
- Paragraph 60 should be modified to state that an entity can provide its disclosures as part of its general purpose financial reports or in a separate report.

Judgments, uncertainties and errors

We have no comments on this section.

Appendices A-E

If CSSB adopts the Handbook approach we suggest, we have no comments on this section.

If CSSB does not adopt the Handbook approach and only issues CSDS 1, we have the following comments:

In Appendix B, B1 should be modified to exclude the references to cash flows, access to finance or cost of capital and instead state "This standard requires an entity to disclose information about all its sustainability-related impacts, mitigation of impacts, risks and opportunities i.e. its "prospects."

B13A should be added to say that users are interested in the impacts of the entity, and its activities to mitigate negative impacts. Users make decisions regarding providing resources to the entity including providing time and talent as workers, goods and services as suppliers, support as customers, and natural resources as communities and governments.

B24 should refer to "impacts" rather than "cash flows."

Appendix C C2 can have the reference to GRI removed (see our comments above on paragraphs 55 and 58).

<u>Comments on other matters</u>

We include in this section our comments on other matters. We note that the "Proposed Criteria for Modification Framework" is a separate exposure draft. We include comments herein because of the context this letter provides for why we are suggesting the modifications. We also include below comments on CSSB's Terms of References and Statement of Operating Procedures, and CSSB's FAQ. In our view, these should have also been subject to due process comments, so we provide our comments below, or we offer suggestions for conforming amendments (as the case is for the FAQ). We provide them herein because of the context this letter provides.

Proposed Criteria for Modification Framework

The separate CSSB document "Proposed Criteria for Modification Framework" asks whether we agree with the proposed criteria and are there any other criteria CSSB should consider.

Consistent with the rest of this comment letter, we believe that the "Proposed Criteria for Modification Framework" should also address modification of GRI and UN SDGs and other sustainability standards that we believe should be part of CSDS. Therefore the Criteria should include references to GRI and the UN SDGs wherever there are references to the IFRS Sustainability Disclosure Standards. For example, the first paragraph would state "The CSSB recognizes the benefits of global standardization of sustainability disclosure standards to the Canadian public interest and, therefore, supports the incorporation of the **GRI, UN SDGs and** IFRS Sustainability Disclosure Standards in Canada to the fullest extent possible… The following sets out criteria for the circumstances in which the Board would make amendments to **the GRI, UN SDGs** and IFRS Sustainability Disclosure Standards in setting Canadian standards based on them:"

Criteria 1 and criteria 2 should also refer to "the GRI, UN SDGs and IFRS Sustainability Disclosure standards…"

CSSB Terms of reference and Statement of Operating Procedures

We provide comments on the CSSB's terms of reference and statement of operating procedures below.

The CSSB's objective under 2. a. is "to set and maintain Canadian Sustainability Disclosure Standards that address the sustainability information needs of capital markets…" In our view this objective is a reorientation of "sustainability" away from external impacts specifically and meeting future needs without sacrificing future needs, and may not be in the public interest. Sustainability has to be beyond the information needs of capital markets to avoid further harm to people and the planet. Information needs of capital markets are not the same as harm mitigation to impacted people, communities, and the planet or the same as acting in ways that meet present needs and also future needs of all stakeholders. This is also a very narrow scope of organizations, whereas sustainability is important for organizations that are not capital market participants. In our view CSSB does not have the authority to reorient the concept of sustainability in such a counterproductive way, and even if it did have such authority, it may not be in the public interest to do so.

We suggest the objective be worded as follows "to set and maintain Canadian Sustainability Disclosure Standards for reporting on sustainability. For purposes of this objective, sustainability is meeting the needs of the present without compromising the ability of future generations to meet their own needs."

We note throughout the Terms of Reference and the Statement of Operating Procedures, there are only references to ISSB. CSSB should incorporate standards of the leading sustainability frameworks in Canada and globally, which include the GRI and the UN SDGs. CSSB does not need to incorporate every sustainability framework that exists, but it should not ignore the most prominent frameworks such as the GRI and the UN SDGs. CSSB should be framework-neutral in supporting the GRI, UN SDGS and ISSB. Therefore, we suggest various improvements below.

Under "Responsibilities" of the Terms of Reference, we disagree that CSSB be limited to only consider the IFRS Sustainability Disclosure Standards and note this is inconsistent with the second objective to "participate with other standard setters in the development of global best practices." Therefore, we suggest that 4. a. i. be modified as follows:

i. Will consider the adoption of **Global Reporting Initiative (GRI), UN Sustainable Development Goals (UN SDGS),** and IFRS Sustainability Disclosure Standards… The CSSB also contributes and works to influence the development of **the GRI, UN SDGs and** IFRS Sustainability Disclosure Standards so that they reflect the Canadian public interest.
ii. May make such additions to, deletions from, and other amendments to **the GRI, UN SDGs** and IFRS Sustainability Disclosure Standards as it determines may be required in the Canadian public interest.

We also suggest that the CSSB consider if public sector sustainability standards are within its scope, and whether and how to best address Canadian entities with European operations that are subject to the European Corporate Sustainability Reporting Directive/ESRS.

Under "Consultation and Communication" and also under "Meetings" in the CSSB's Statement of Operating Procedures, we suggest that the meetings of the CSSB be "normally" public (rather than normally conducting its meetings in private), and meeting materials provided to the public, because of the significant public interest issues involved in sustainability in Canada. We also suggest paragraph 36 of the Statement of Operating procedures be updated to reflect that meeting materials are provided to the public, other than in camera materials.

Under "Due Process" of the Statement of Operating Procedures (paragraph 19), the last sentence should read "In incorporating **the GRI, UN SDGs and** IFRS Sustainability Disclosure Standards developed by the International Sustainability Standards Board (ISSB), the CSSB takes steps to satisfy itself that **the Global Sustainability Standards Board (for GRI), United Nations (for UN SDGs)** and ISSB have followed appropriate processes."

Under "Due Process" of the Statement of Operating Procedures (paragraph 20), it should read "The CSSB may delegate to the CSSB Chair the authority to approve the issuance of corresponding CSSB exposure drafts for documents issued by the GSSB/GRI, UN or ISSB."

Under "Operations" of the Statement of Operating Procedures (paragraph 33), we suggest that each point a. through f. where it states "ISSB" be replaced with "GRI/GSSB, UN (respecting the UN SDGS) and ISSB."

Under "Operations" of the Statement of Operating Procedures (paragraph 34), we suggest removal of the phrase "in addition to the ISSB" so it would be "The CSSB uses its working relationships with international standard setters to ensure that it considers global best practices when making its decisions and contributes to the development of those practices."

Under “Liaison with Other Standard Setters” of the Statement of Operating Procedures (paragraphs 37 and 38) we suggest the specific references to ISSB be removed, so paragraph 37 would state “The CSSB maintains liaison relationships with other sustainability standard setters in support of its objectives~~, with particular emphasis on the relationships with the ISSB~~.” Paragraph 38 would state “CSSB representatives participate in meetings and activities of international standard setters~~, and when invited, meetings of the ISSB’s Sustainability Standards Advisory Forum~~.”

We note the following additional matters that should be in the Terms of Reference or Statement of Operating Procedures:

- How will CSSB interact with PSAB regarding sustainability standards for public sector entities
- Specific mechanisms for Indigenous representation seem largely absent, other than a few references. CSSB perhaps could in consultation with organizations such as First Nations Financial Management Board or Indigenous Council on Financial Reporting and Standard Setting include additional mechanisms as appropriate.

CSSB FAQ

We also provide the following comments on the CSSB’s “FAQ”:

- The question “Why do we need a Canadian Sustainability Standards Board.” The answer to this question should acknowledge Canadians wrote to the IRCSS saying that sustainability standards in Canada should be multi-stakeholder and adopt double materiality, and that is why CSSB is adopting GRI and the UN SDGs as well.
- Under the same question, it would be better if it stated “We hope to be a model for how other countries can interact with the ~~International Sustainability Standards Board (ISSB)~~ three major sustainability standard setters (GSSB for GRI, the UN for UN SDGs, and the ISSB).”
- The FAQ states that “The CSSB’s role is not to reconcile other reporting frameworks, but instead to work in coordination with the ISSB to support the adopting of global baseline sustainability standards.” This statement risks misinforming the public, because in adopting only the ISSB’s standards, not the GRI or UN SDGs, the FAQ omits the popular sustainability standards in Canada and globally. We suggest this statement be removed. If CSSB adopts the Handbook approach we suggest herein, then the statement should be updated as part of their role may involve reconciling different frameworks when necessary.
- The questions on “When are the standards effective” and “Are the sustainability disclosure standards mandatory in Canada” should be answered more fully by explaining the GRI and UN SDGs are not mandatory either. The language “Here’s how the decision might look should it be made” risks misinforming readers, because it does not draw attention to the other sustainability standards more commonly used in Canada. As well, the text “Step 2 Canada’s regulators and legislators will consider whether – and over what time frame—CDSDs should be mandated” omits the most important consideration i.e. that regulators and legislators, if they so choose, are also able to determine if CDSDs

should include the GRI, UN SDGs and/or the ISSB. As written, this risks misinforming readers as it suggests that regulators and legislators can only choose CDSDs with ISSB, not CDSDs with GRI and/or UN SDGs as well.

Thank you for the opportunity to comment.

Sincerely,

Wayne Morgan

Byron Ofner

Colin Semotiuk

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Colin Semotiuk CPA, CA
Edmonton, Alberta

June 10, 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario

Dear Lisa French,

Please consider this letter as our response for comments on CSSB's Proposed Criteria for Modification Framework exposure draft. Our response should be read in conjunction with our response to CSSB's CSDS 1 and CSDS 2 exposure drafts.

Proposed Criteria for Modification Framework

We believe that the "Proposed Criteria for Modification Framework" should also address modifications of GRI, UN SDGs and other sustainability standards that we believe should be part of CSDS. Therefore the Criteria should include references to GRI and the UN SDGs wherever there are references to the IFRS Sustainability Disclosure Standards. For example, the first paragraph would state "The CSSB recognizes the benefits of global standardization of sustainability disclosure standards to the Canadian public interest and, therefore, supports the incorporation of the **GRI, UN SDGs and** IFRS Sustainability Disclosure Standards in Canada to the fullest extent possible… The following sets out criteria for the circumstances in which the Board would make amendments to **the GRI, UN SDGs** and IFRS Sustainability Disclosure Standards in setting Canadian standards based on them:"

Criteria 1 and criteria 2 should also refer to "the GRI, UN SDGs and IFRS Sustainability Disclosure standards…"

Thank you for the opportunity to comment.

Sincerely,

Wayne Morgan
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Edmonton, Alberta

June 10, 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario

Dear Lisa French,

Please consider this letter as our response for comments on CSSB's CSDS 2 exposure draft. This response should be read in conjunction with our response to CSSB's CSDS 1 and CSSB's Proposed Criteria for Modification Framework exposure drafts.

In our view, CSSB's approach must be more like the Canadian Accounting Standards Board (AcSB) with respect to financial reporting standards. AcSB has a set of standards, such as Part I, II, etc. Similarly, CSSB's "Handbook" should include multiple sustainability reporting frameworks. The Handbook should include a preface that explains that each part should be used, absent of specific legislative and regulatory decisions otherwise. The Handbook should also include parts for application of the EU sustainability standards, if CSSB research indicates enough Canadian entities are impacted. Therefore, the structure of the Canadian Sustainability Disclosure Standards Handbook would be:

> Preface
>
> Part I – GRI
>
> Part II – UN SDGs
>
> Part III – IFRS Sustainabilitiy Disclosure Standards
>
> Part IV – Application of EU Corporate Sustainability Reporting Directive/ European Sustainability Reporting Standards.
>
> Part V – Public Sector Sustainability Standards (this may simply be a reference to PSAB's Sustainability Standards, or perhaps IPSASB Sustainability Standards, as the case may be).

1. Climate resilience

If CSSB adopts a "Handbook" approach as we explain above, transition relief for scenario analysis will become less of a concern. We also note GRI has recently released an exposure draft of its climate change and energy standards. We are further encouraged by the January 2024 release by ISSB and GRI of the publication *Interoperability considerations for GHG emissions when applying GRI Standards and ISSB Standards.*

Given these developments, we suggest that CSDS 2 not be released at this time. While climate change is an important issue, it may not be in the public interest to have only CSDS 2 as the sole climate change standard in Canada. Many organizations, as we highlight in our comment letter on CSDS 1, use some combination of GRI, SASB and TCFD in Canada and report emissions. When GRI issues its updated climate change and energy standards, and they are incorporated into CSSB's sustainability Handbook, then CSDS 2 should also be released. This is a practical consideration to avoid issuing CSDS 2 and then have additional requirements of CSDS 2 come into effect when changes to GRI are also being made.

2. Scope 3 GHG emissions

Consistent with our response to question 1, we believe CSDS 2 should not be issued at this time, and therefore the proposed issue of relief is not relevant.

3. Other issues. Do you agree that the requirements in the following sections for application in Canada?

<u>Objective and scope</u>

If CSSB adopts a "Handbook" approach, we have no comments on the objective and scope.

If CSSB does not adopt the GRI and UN SDGs, then we fundamentally disagree with the Objective and Scope of CSDS 2. We suggest the following edits then be made:

- Throughout CSDS 2 the term "primary users" or "primary users of general-purpose financial reports" or "primary users of general-purpose financial reports make on the basis of those reports" should be changes to "users" or "users based on sustainability reports."
- A definition of sustainability be added that "Sustainability is about meeting the needs of the present without sacrificing the ability of meeting the needs of the future."
- Paragraph 1 is modified to state "The objective of CSDS 2 is to require an entity to disclose information about its sustainability-related impacts, mitigation of those impacts, and risks and opportunities that is useful to its stakeholders."
- Paragraph 2 should be modified to replace the words "…that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital" with

"…reasonably impact the entity's stakeholders, including people, economy and the environment."

- Paragraph 2 should also be modified to state "This standard requires an entity to disclose all sustainability-related information that could reasonably be expected to impact the entity and the entity's stakeholders. This is referred to as the 'entity's prospects' in this standard."

Core content

Throughout the core content, "users of general-purpose financial reports" should be changed to "users."

In paragraph 14 (a) (i), we note references to "carbon-, energy- or water-intensive operations." This is an important requirement and demonstrates how sustainability issues are intrinsically related. It also demonstrates why CSSB should adopt the GRI, which has many more topics including energy and water usage, and therefore users may be presented with complete information regarding climate change strategy and decision-making, and impacts, of the entity.

In paragraph 15, another requirement should be added which states "(c) the effects of climate-related matters on the entity's stakeholders."

Appendices

We have no comments on the appendices, other than conforming adjustments needed as a result of comments above. For example, B4 should replace "users of general-purpose financial reports" with "users."

Thank you for the opportunity to comment.

Sincerely,

Wayne Morgan

Byron Ofner

Colin Semotiuk

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

June 10, 2024

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

Re: Consultation Paper - Proposed Criteria for Modification Framework.

Thank you for the opportunity to provide feedback on the above Consultation Paper. I am responding on behalf of the Office of the Auditor General of Canada.

Our response to the specific questions posed in the Consultation Paper is provided below. Responses may be limited to questions of relevance to our Office and public sector audit.

Yours sincerely,

Heather Miller, CPA, CA
Assistant Auditor General

240 Sparks Street
Ottawa, Ontario K1A 0G6

Specific questions posed by CSSB:

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.

We agree with the CSSB’s proposed criteria to assess modifications, namely additions, deletions and amendments to ISSBs global baseline standards. In comparing the amendment criteria to those of the Canadian Accounting Standards Board and Canadian Assurance Standards Board, we noted no explicit statement that proposed amendments to the ISSB’s global baseline standards will be highlighted in exposure drafts of proposed Canadian standards or commitment that the Canadian amendments be separately identified in the final Canadian standard. We would encourage this be reflected in the documentation surrounding the criteria.

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

We did not identify other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework.

Office of the Superintendent of Financial Institutions Canada
Bureau du surintendant des institutions financières Canada

June 10, 2024

Submitted Electronically

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

Dear Lisa French:

Re: Exposure Drafts Canadian Sustainability Disclosure Standards (CSDS) 1 and 2

Thank you for the opportunity to comment on the Canadian Sustainability Standards Board's (CSSB) Exposure Drafts – CSDS 1 General Requirements for Disclosure of Sustainability-related Financial Information and CSDS 2 Climate-related Disclosures, published in March 2024. The Office of the Superintendent of Financial Institutions (OSFI) is Canada's prudential regulator and supervisor of federally regulated financial institutions and private pension plans. OSFI acts to protect depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete effectively and take reasonable risks.

We support the CSSB's consultation on its inaugural sustainability and climate-related reporting standards and the eventual issuance of its final standards for use in Canada. OSFI's current focus on promoting robust climate risk management is reflected through expectations set out for federally regulated financial institutions in Guideline B-15: Climate Risk Management. Our comments are primarily focused on the reporting of climate-related risks.

We appreciate the CSSB's approach in fully adopting the ISSB's IFRS S1 and S2 standards and its proposed approach to CSDS 1 in allowing disclosures to start with climate-related risks and opportunities only. We support the CSSB's efforts towards enabling transparency of climate-related risks and opportunities. The entire Canadian economy and reporting ecosystem will benefit from the application of high-quality standards that take into account the public interest and improve the quality of data and disclosures.

In March 2024, OSFI released updates to Guideline B-15 to achieve a high degree of interoperability of its climate-related financial risk disclosure expectations with those of IFRS S2 Climate-related Disclosures. We will consider which CSDS disclosure elements to integrate into our guidance when the CSSB issues its final standards.

More broadly, sustainability-related international standards on reporting, assurance, ethics and independence are rapidly evolving. Under the oversight of the newly formed Reporting and Assurance Standards Oversight Council, we encourage Canadian standard setters, including the CSSB, to work closely together and coordinate their work and priorities to ensure that both preparers and assurance providers can apply Canadian standards that are coherent, interoperable and meet the public need for sustainability information.

If you wish to discuss the contents of this letter further, Kenneth Leung, Managing Director, Accounting Policy Division or Kathy Huynh, Director, Accounting Policy Division would be pleased to meet with you.

Yours sincerely,

Tolga Yalkin
Assistant Superintendent
Regulatory Response Sector

June 10th, 2024

Canadian Sustainability Standards Board (CSSB)

Charles-Antoine St-Jean, CSSB Chair

Dear Chair St-Jean,

Thank you for publishing Exposure Drafts on the CSSB Standards, *General Requirements for Disclosure of Sustainability-related Disclosure Standard* (CSDS 1) and *Climate-related Disclosures* (CSDS 2), and for the opportunity for OPTrust to comment.

With net assets of $25 billion, OPTrust invests and manages one of Canada's largest pension funds and administers the OPSEU Pension Plan (including OPTrust Select), a defined benefit plan with over 111,000 members. At OPTrust, our overarching objective is summarized by our mission statement: *Paying pensions today, preserving pensions for tomorrow*.

We wish to reaffirm the comments provided in our joint submission with other members of the Maple 11 pension funds, a group of Canada's leading pension plan investment managers, and further share our views in this submission. As long-term investors, we advocate for transparency and disclosure around material ESG factors to ensure we are equipped to make informed investment divisions for our members' pension security.

Broadly, we support the CSSB's initiative to establish standards for high quality and comparable sustainability reporting by Canadian issuers, as well as the overall alignment of CSDS 1 and 2 with the International Sustainability Standards Boards' (ISSB) IFRS S1 and S2. Consistency in this area will enable comparability of disclosures globally and, as sustainability reporting matures, competitively position Canadian issuers across markets over time.

In the nearer-term, we also acknowledge that, for many, sustainability reporting requires investment in capacity and competency building and that this may pose challenges for smaller, resource-constrained issuers. Keeping in mind the imperative of aligning Canadian disclosure practices with the global baseline and the principle of proportionality already embedded within the ISSB standards, we encourage the CSSB to limit modifications in these voluntary standards but recognize that the Canadian Securities Administrator (CSA) may, in instituting the standards, include further transition reliefs based on preparer capacity. Reliefs may include graduated implementation based on company size or ESG-materiality, as well as safe harbour provisions to facilitate the introduction of these reporting requirements. We believe that these measures will help ensure that Canada moves in the right direction towards the global standard, recognizing that adoption may lag in other countries, such as the United States.

With the above in mind, please see below comments on some of the proposed changes (against IFRS S1 and S2) and specific questions flagged in the Exposure Drafts:

- <u>Effective date</u>: Given the ongoing CSSB consultation and standards refinement process through 2024, we are supportive of extending the effective date by one year to January 1, 2025.

- Transition relief for non-climate-related disclosures: We recommend aligning the CSSB Standards with the ISSB in this area and providing transition relief for only the first reporting period, rather than the first two reporting periods. Other sustainability factors may be just as (if not more) impactful as climate-related factors on long-term performance, depending on the company, and we should strive for timely disclosure of all such material issues to facilitate informed investment decision-making and ensure that investors in the Canadian market are not disadvantaged.
- Timing of reporting: We recognize, in the current sustainability data landscape, the challenges in preparing high-quality sustainability disclosures in alignment with the timing of traditional, well-established financial reporting. As such, we support the provision of accommodation in this area as the sustainability reporting practices mature towards the ideal end state of integrated reporting in line with the ISSB standards.
- Scope 3 GHG emissions transition relief: Balancing the importance of achieving transparency around Scope 3 emissions given their potential significance in many companies' overall emissions profiles against the widely recognized current methodological challenges in measuring these emissions, we support the proposed transition relief of two years to afford preparers and regulators additional time to develop capacity in this area and establish safe harbour measures, respectively.
- Climate resilience: We are not supportive of transition relief for scenario analysis. We acknowledge that preparers may currently face challenges relating to capacity, data quality and methodological maturity in conducting scenario analysis. However, we believe that scenario analysis is an important exercise for issuers to strategically plan around climate impacts and for investors to evaluate climate resilience and as such, Canadian preparers would benefit from conducting scenario analysis (even if just qualitatively) without further delay.

Thank you again for your work in establishing the CSDS standards and for providing us the opportunity to comment.

Regards,

Alison Loat

Senior Managing Director, Sustainable Investing and Innovation

Paramount resources ltd.

Suite 4700, Bankers Hall West, 888 - 3rd Street SW Calgary, Alberta, Canada T2P 5C5 www.paramountres.com
tel 403 290 3600

June 7, 2024

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

Attention: Lisa French, Vice-President, Sustainability Standards

Comments on the Exposure Draft of Canadian Sustainability Disclosure Standard 2, Climate Related Disclosures ("Proposed CSDS 2")

Paramount Resources Ltd. ("Paramount") is an independent, TSX-listed energy company with a proud 45+ year history of responsible energy development in Western Canada. We are pleased to submit this comment letter in response to the consultations of the Canadian Sustainability Standards Board (the "Board") respecting Proposed CSDS 2.

Paramount recognizes the growing importance of climate-related disclosures to its stakeholders and to Canada's capital markets. Our commitment to providing this information to the public is reflected in the publication of our annual ESG report, where we voluntarily report our Scope 1 and Scope 2 GHG emissions and discuss climate-related risks, opportunities and initiatives.

Although Paramount is generally supportive of the objectives of Proposed CSDS 2 to the extent it would promote clear, consistent and comparable disclosure among publicly accountable enterprises, we would like to take this opportunity to provide the following specific comments with respect to certain elements of the proposed standards.

<u>Mandatory Climate Related Scenario Analysis – General Comment</u>

As a general comment, Paramount is not supportive of the implementation of mandatory quantitative climate related scenario analysis at this time.

Mandatory quantitative climate related scenario analysis may be appropriate in the future, but only after the orderly adoption of mandatory Scope 1 and Scope 2 reporting and then only to the extent that such analysis would:

(i) be specifically mandated as being applicable to all publicly accountable enterprises after an appropriate transition period;

(ii) utilize standardized methodologies and reliable input data; and

(iii) yield meaningful information for investors and other stakeholders.

Many of the proposed quantitative scenario analysis disclosures contained within Proposed CSDS 2 lack some or all of these elements, with the result that a patchwork of quantitative disclosure of differing comparability, reliability and utility will continue to proliferate if Proposed CSDS 2 is implemented as drafted.

<u>Mandatory Climate Related Scenario Analysis – Reserves Disclosure</u>

Paragraph 22 of Proposed CSDS 2 provides, in part, as follows:

> The entity shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity's circumstances.

Paragraph 23 of Proposed CSDS 2 provides as follows:

> In preparing disclosures to meet the requirements in paragraphs 13-22, an entity shall refer to and consider the applicability of cross-industry metric categories, as described in paragraph 29, and industry-based metrics associated with disclosure topics defined in the *Industry-based Guidance on Implementing Climate-related Disclosures* as described in paragraph 32.

Paragraph 32 of Proposed CSDS 2 provides as follows:

> An entity shall disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterize participation in an industry. In determining the industry-based metrics that the entity discloses, the entity shall refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the *Industry-based Guidance on Implementing Climate-related Disclosures*.

Section EM-EP-420a.1 of the *Industry-based Guidance on Implementing Climate-related Disclosures,* which would be applicable to exploration and production entities such as Paramount, provides, in part, as follows:

> 1 The entity shall perform a sensitivity analysis of its reserves to determine how several future scenarios may affect the determination of whether the reserves are proved or probable.
>
> 2 The entity shall analyse the sensitivity of its current proven and probable reserves using the price trajectories published by the International Energy Agency (IEA) in its World Energy Outlook (WEO) publication, including:
>
> 2.1 Current Policies Scenario, which assumes no changes in policies from the mid-point of the year of publication of the WEO.
>
> 2.2 New Policies Scenario, which assumes that broad policy commitments and plans that have been announced by countries (including national pledges to reduce greenhouse gas emissions and plans to phase out fossil-energy subsidies), occur even if the measures to implement these commitments have yet to be identified or announced. This broadly serves as the IEA baseline scenario.

2.3 Sustainable Development Scenario, which assumes that an energy pathway occurs that is consistent with the goal of limiting the global increase in temperature to 1.5°C by limiting concentration of greenhouse gases in the atmosphere.

2.4 The entity shall consider the WEO scenarios as a normative reference; thus, any updates to the WEO made year-on-year shall be considered updates to this guidance.

3 The entity shall follow the applicable jurisdictional guidance for the following:

3.1 Classifying reserves as proved and probable

3.2 Conducting a reserves sensitivity analysis and disclosing, in the aggregate, an estimate of reserves for each product type based on various price and cost criteria, such as a range of prices and costs that may reasonably be achieved, including standardised futures prices or management's own forecasts

3.2.1 The entity shall disclose the price and cost schedules and assumptions on which disclosed values are based

3.3 Determining current (or base) case of reserve levels

The combined effect of the above provisions could be taken to imply that a Canadian reporting issuer that is an exploration and production entity should rerun its annual reserves evaluation, which is prepared and disclosed in accordance with *National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101"),* using the alternative pricing and cost scenarios stipulated in Section EM-EP-420a.1 of the *Industry-based Guidance on Implementing Climate-related Disclosures.* In addition to imposing a substantial additional burden of cost and resources on such reporting issuers and their independent reserves evaluators, such a requirement would not appear to be contemplated within the existing framework and intent of NI 51-101. Paramount believes that any change to the disclosure regime applicable to reserves evaluation and disclosure by Canadian reporting issuers, whether optional or mandatory, should be implemented solely through appropriate amendments to NI 51-101 after due stakeholder consultation and consideration. Accordingly, we urge the Board to clarify that Proposed CSDS 2 does not require any disclosure with respect to reserves that is not specifically stipulated under NI 51-101.

Mandatory Disclosure of Scope 3 Emissions

Paragraph 29(a)(i)(3) of Proposed CSDS 2 would require the mandatory disclosure of Scope 3 emissions. Paramount is of the view that the mandatory disclosure of Scope 3 emissions, even on the proposed deferred timeline presented by the Board, would not promote clear, consistent and comparable disclosure among publicly accountable enterprises as the compilation of such emissions data is:

(i) dependent on the timely and accurate provision of information from third parties, such as service providers, who are beyond the control of the reporting entity and may not be able or willing to furnish such information, and

(ii) subject to broad variations in the underlying assumptions and estimation methodology utilized by each issuer.

The imposition of mandatory disclosure of Scope 3 emissions would require issuers to devote considerable time and resources to collecting, compiling and disclosing data that is of limited use to investors due to the lack of comparability and reliability, while exposing such issuers to potential primary and secondary market liability.

Further, we question whether there is in fact material market demand for Scope 3 emissions data. To the extent that other publicly accountable enterprises desire, they are free to provide it on a voluntary basis.

Finally, we would note that the imposition of mandatory disclosure of Scope 3 emissions is out of step with the approach of the SEC in the United States, whose capital markets are highly aligned and interconnected with Canada's. Simply put, Canadian energy producers compete directly for capital with producers located in the United States. Additional misalignment of the Canadian regulatory regime with that of the United States through the imposition of incremental regulatory burdens will only serve to further disadvantage Canadian producers.

Timing of Disclosure of Scope 1 and Scope 2 Emissions

Paramount would encourage the Board to ensure the alignment of the timing of disclosure of Scope 1 and Scope 2 emissions with the timing of existing regulatory reporting requirements for emissions.

In the case of Paramount, we are required to report annual Scope 1 emissions from stationary sources of combustion under the the *Technology Innovation and Emission Reduction Regulation* by no later than June 30 of the following year. In addition, we are required under the *Specified Gas Reporting Regulation* (Alberta) to report the annual emissions from facilities emitting more than 10,000 tCO_{2e} per year by no later than June 1 of the following year. In contrast, Paramount's annual information form and annual audited financial statements and MD&A are generally filed in the first week of March in each year. Accordingly, the inclusion of emissions reporting in these annual disclosure documents would pose a timing challenge that would require us to either delay the filing of our annual financial disclosures, which would not benefit our stakeholders, or accelerate our reporting under the applicable provincial legislation to an extent that is not currently practicable. As a solution, we would suggest that issuers be permitted to disclose their Scope 1 and Scope 2 emissions in a stand-alone SEDAR filing with a later deadline. Such a filing, once made, would be deemed to be incorporated by reference in the issuer's annual information form.

We thank you for allowing us the opportunity to comment on these matters.

Yours truly,

Paramount Resources Ltd.

(signed) "Paramount Resources Ltd."

CSSB Exposure Draft – Proposed Canadian Sustainability Disclosure Standard

RESPONSE TO THE CSSB EXPOSURE DRAFT BY THE PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS

June 10th 2024

PCAF Partnership for Carbon Accounting Financials

RESPONSE TO THE CSSB EXPOSURE DRAFT

Dear Canadian Sustainability Standards Board,

Thank you for the opportunity to provide feedback on the Canadian Sustainability Standards Board (CSSB) "Proposed Canadian Sustainability Disclosure Standard (CSDS) 1: General Requirements for Disclosure of Sustainability-related Financial Information" and "Proposed CSDS 2: Climate-related Disclosures."

The following response is provided on behalf of the Partnership for Carbon Accounting Financials (PCAF) Secretariat. PCAF represents a collaborative industry-led initiative of over 495 financial institutions worldwide, striving to establish and execute a standardized methodology for assessing and disclosing GHG emissions associated with financial activities. By having developed the Global GHG Accounting & Reporting Standard, PCAF equips financial institutions with a consistent, transparent, and harmonized methodology to quantify and report the emissions associated with their financial activities (Scope 3, Category 15).

PCAF acknowledges the relevance of establishing a disclosure framework for the Canadian financial industry in line with the International Sustainability Standards Board's (ISSB) IFRS® Sustainability Disclosure Standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, respectively.

The PCAF Secretariat proposes the following amendments to CSDS 1 & 2.

CSDS 1

The PCAF Secretariat wants to underscore the significance of integrating a reference to the Global GHG Accounting & Reporting Standard developed by PCAF into the disclosure framework. More precisely, we propose to add an additional point to Appendix C of CSDS 1, reading as follows:

"The Partnership for Carbon Accounting Financials (PCAF) offers the Global GHG Accounting & Reporting Standard for the Financial Industry which builds on the Greenhouse Gas Protocol and extends the methodology for the financial industry to measure greenhouse gas emissions associated with financial activities (Scope 3, Category 15)."

CSDS 2

Scope 3 emissions

It's worth noting that the Greenhouse Gas Protocol offers guidance for GHG accounting for Scope 1, Scope 2, and Scope 3. However, the Greenhouse Gas Protocol currently does not offer a detailed calculation methodology for Scope 3, Category 15. PCAF's methodology is closing this gap by providing a common methodology and guideline for financial institutions to calculate emissions associated with financial activities – which also received the Built on Greenhouse Gas Protocol mark.

Compliance with IFRS ISSB

The PCAF Standard is referenced by the Task Force on Climate-Related Financial Disclosures (TCFD) for the disclosure of GHG emissions of lending and other financial activities. The TCFD states that emissions "should be calculated in line with the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF Standard) or a comparable methodology" (Metrics and Targets - TCFD Knowledge Hub).

Moreover, PCAF's Global GHG Accounting & Reporting Standard assists with complying with the International Financial Reporting Standards (IFRS), enabling financial institutions to disclose their financed emissions in accordance with IFRS S1 and S2 standards for loans, project finance, and investments. A guideline for disclosures of undrawn loans is currently up for development.

Also, IFRS observed in their effects analysis (effects-analysis.pdf (ifrs.org)) the "rapidly expanding support of the GHG Protocol Corporate Standard and membership in the PCAF". According to this effects analysis, companies applying the PCAF Standard are likely to face lower costs of implementing IFRS S1 and S2, if they have the necessary processes and systems in place.

Scope 3 measurement framework - data availability

By referring to the PCAF Standard, financial institutions with differing data maturity levels can calculate financed emissions using a standardised methodology. Estimated data, using activity-based or economic-based emission factors, as well as reported emissions can be used in PCAF aligned calculations and disclosures of financed emissions. The PCAF data quality score, ranging from 5 (least accurate) to 1 (most accurate), allows financial institutions to consistently measure and communicate on the accuracy of their underlying data. Based on this, we recommend adding the following section to Appendix B under “Scope 3 measurement framework”:

“Data limitations should not deter financial institutions from embarking on their GHG accounting journeys. Data quality should improve over time and financial institutions should use the highest possible quality data. The PCAF Standard provides options for each asset class to account for different data availabilities. The PCAF data quality score reflects the accurateness and certainty of the underlying data used. This enables financial institutions with different data maturity levels to calculate financed emissions in a standardised, consistent, and transparent manner.”

Thank you for considering our detailed feedback.

Sincerely,

Lina Fromme and Dylan Hauser
PCAF Secretariat

Pension Investment
Association of Canada
Association canadienne des
gestionnaires de caisses de retraite

June 10, 2024

Canadian Sustainability Standards Board
(Via Consultation Website Online Form)

Re: Canadian Sustainability Standards Board on Canadian Sustainability Disclosure Standards (CSDS 1 & 2) Adoption.

The purpose of this letter is to provide comments from the Pension Investment Association of Canada (PIAC) on the Canadian Sustainability Disclosure Standards (CSDS 1 & 2) exposure drafts released by the Canadian Sustainability Standards Board (CSSB) and the accompanying Criteria for Modification Consultation Paper.

The Pension Investment Association of Canada (PIAC) has been the voice for Canadian pension funds since 1977 in matters related to pension investment and governance. PIAC's members manage over $2.8 trillion of assets on behalf of millions of Canadians. Our mission is to promote sound investment practices and good governance for the benefit of plan sponsors and beneficiaries.

PIAC members operate under a fiduciary framework that mandates a duty of loyalty and a duty of prudence for plan administrators. Pension plan trustees must act in good faith and prioritize the best interests of plan members and beneficiaries, while ensuring intergenerational fairness of the plans. PIAC believes that due to the potential financial impacts of ESG factors, especially climate change, on plan investments both now and in the future, it falls within the scope of our members' fiduciary responsibilities to incorporate these considerations into their investment processes and stewardship activities.

PIAC commends and supports the adoption of the Canadian Sustainability Disclosure Standards (CSDS 1 & 2) in alignment with the International Financial Reporting Standards (IFRS S1 & S2), with only necessary Canadian-specific modifications. Alignment between financial and sustainability reporting supports a connectivity that is essential in the evaluation of entities' value and understanding of the impacts of sustainability risks and opportunities. Modification for a Canadian context should only be made to strengthen this connectivity.

Please note that this letter addresses only those aspects of the exposure drafts that PIAC and its Investor Stewardship Committee consider essential for comment.

We share our comments below:

CSDS1

Scope

PIAC recommends alignment with ISSB's application of transition relief for only the first reporting period, rather than the two-year transition relief for disclosures beyond climate-related risks and opportunities proposed in the exposure draft. Alignment with ISSB's application of transition relief streamlines the process for the reporting entities which must adhere to both guidelines. Moreover, Canadian regulators mandate standard(s) adoption and adherence and can work with regulated entities, including pension plans, to determine if disclosure deferrals are necessary and/or appropriate.

Timing of Reporting

With a prioritization of content quality over timing alignment, and in support of issuers/entities who may be new to sustainability reporting, PIAC is open to further relief and/or accommodation. However, we support the ultimate (and essential) goal of alignment with global ISSB standards.

CSDS 2

Climate Resilience

PIAC believes that no additional transition relief for climate resilience disclosure is required. Climate-related scenario risk analysis is a well-developed and important existing strategic exercise for many Canadian issuers. Moreover, proposed proportionality mechanisms in CSDS 2 for first-time users/reporters are sufficient.

By permitting a reporting lag, transition relief could disadvantage Canadian issuers, relative to the international market and international entities. Alternatively, the introduction of safe harbour measures, such as pure qualitative analysis, could relieve smaller entities with fewer resources, encouraging them to develop these competencies over time. Moreover, the CSSB could provide additional industry-specific (quantitative and qualitative) climate resilience assessment guidance.

Scope 3 GHG Emissions

Acknowledging the challenges with measuring Scope 3 emissions, PIAC is supportive of providing relief in this area. However, we emphasize the crucial nature of Scope 3 reporting in providing a fulsome view of an issuer's overall emissions profile and urge companies to invest in developing this capacity during the relief period. The proposed CSDS 2, consistent with IFRS S2, already provides for proportionality in relation to disclosures including Scope 3, such that an entity is only responsible to disclose 'reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort.' Echoing our comments on the scope of CSDS 1, Canadian regulators are equipped to determine if additional deferrals are needed.

PROPOSED CRITERIA FOR MODIFICATION FRAMEWORK

We agree with the additions to CSSB's Proposed Criteria for Modification Framework to ISSB's IFRS 1 & 2 in the adoption of Canadian-specific modifications. However, PIAC does not endorse the subtractions to the Framework.

PIAC would like to thank the CSSB once again for the opportunity to contribute our ideas to this crucial work. Please reach out with any questions or comments on this submission. PIAC members would welcome the opportunity to provide clarification.

Yours sincerely,

Don Andrews

Don Andrews
PIAC Executive Director

Power Sustainable
751 Rue du Square-Victoria
Montréal, Québec H2Y 2J3

Wednesday, May 28, 2024

Members of the Canadian Sustainability Standards Board (CSSB)
277 Wellington Street West
Toronto, ON M5V 3H2

Re: CSSB Consultation on S1, S2, Criteria for Modification

Dear Members of the CSSB,

We are writing to you in response to the recently released Exposure Drafts of the Proposed Canadian Sustainability Disclosure Standards (CSDS) 1 and CSDS 2, as well as proposed Criteria for Modification Framework.

As a climate-focused asset manager, Power Sustainable is dedicated to advancing the transition to a low-carbon, socially inclusive economy, while delivering competitive returns for our investors. In our view, sustainability-related information that is relevant, accurate, and comparable is key to making well-informed investment decisions. We therefore strongly support the development of a consistent and comprehensive global baseline for sustainability disclosures that matches the quality and robustness of the financial reporting standards.

The adoption of the CSDS 1 and CSDS 2, along with the convergence with the International Sustainability Standards Board (ISSB), is critical to ensuring Canada is aligned with international disclosure standards – thus preserving the competitiveness of its businesses and its financial sector. We believe that, by aligning with global best practices and expectations, Canada will demonstrate its commitment to addressing the environmental, social, and governance (ESG) challenges and opportunities that affect the long-term value creation and resilience of businesses and society.

We endorse the CSSB's vision and leadership in developing these standards, which will enhance the transparency, comparability, and reliability of sustainability disclosures in Canada and globally.

Ms. Delia Cristea
Partner and General Counsel
Associée et cheffe du contentieux

Power Sustainable
751 Rue du Square-Victoria
Montréal, Québec H2Y 2J3

We support the proposed Criteria for Modification. We view them as sufficient, and we do not suggest adding more criteria for modification at this time. Additionally, we do not recommend any deletions or similar amendments to the global standards developed by ISSB. We believe that a consistent global baseline is key to capital allocation decisions that will allow investors to create long term value while building a more sustainable global economy.

As an investor in growth companies, and as an asset manager anchored in Canada, whose economy is powered by small and medium-sized enterprises (SMEs), we however encourage the adoption of tailored standards for SMEs, in due course. We also recommend that the CSSB consider the ability of SMEs to comply with the reporting requirements and take a staged implementation approach towards such standards, while at the same time working on capacity building to support SMEs as they transition to these standards. With respect to CSDS 2, Climate-Related Disclosures specifically, we believe that the proposed relief period for disclosure requirements regarding climate resilience is sufficient. Additional guidance will be required with respect to the climate resilience disclosure requirements, specifically in terms of methodology by sector and industry. Finally, we would recommend detailed and differentiated guidance for financial institutions to steer them in applying these requirements to their portfolios.

We value the CSSB as an independent standard-setter that represents the diverse perspectives and interests of various stakeholders in Canada. We trust that the CSSB will continue to engage with and solicit feedback from the public and private sectors, as well as civil society and academia, to ensure that the CSDS 1 and CSDS 2 reflect the needs and views of the Canadian market and society, while support the global effort to standardization in this sector.

Thank you for considering our comments,

Delia Cristea
Partner and General Counsel
Associée et cheffe de contentieux

Ms. Delia Cristea
Partner and General Counsel
Associée et cheffe du contentieux

June 7, 2024

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

RE: Request for Comment – CSSB Exposure Drafts – Proposed Canadian Sustainability Disclosure Standards (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information and (CSDS) 2, Climate-related Disclosures.

Dear Ms. French,

Precision Drilling Corporation ("Precision") welcomes the opportunity to provide comments to the Canadian Sustainability Standards Board ("CSSB") regarding the Proposed Canadian Sustainability Disclosure Standards ("CSDS") General Requirements for Disclosure of Sustainability-related Financial Information (CSDS 1) and, Climate-related Disclosures (CSDS 2).

Precision is a provider of contract drilling and completion and production services primarily to oil and natural gas exploration and production companies in Canada, the United States and certain international locations. Precision is headquartered in Calgary, Alberta, Canada and is listed on the Toronto Stock Exchange and on the New York Stock Exchange. Precision employs approximately 5,000 employees worldwide, including approximately 2,000 employees in Canada. We are committed to reducing the environmental impact on our operations.

Precision provides stakeholders with information aligning with internationally recognized reporting standards and frameworks, including reporting guidelines and indicators developed by the Sustainability Accounting Standards Board ("SASB") and Task Force on Climate-Related Financial Disclosures ("TCFD"). We provide an overview of our environmental, social and governance performance, including data on emissions, safety, local community engagement, and more on our website. We continue to assess and monitor developments on environmental reporting requirements in both Canada and internationally.

Overall Comments

Precision supports the formation of the CSSB and its objective of ensuring businesses transparently disclose their sustainability-related risks and opportunities. We pride ourselves on thorough and transparent disclosure and maintaining a good standing with regulators. We appreciate the International Sustainability Standards Board's "building-block approach" which allows the CSSB to build specific requirements relevant to Canadian circumstances.

Precision's view is that implementing a "one size fits all" framework for sustainability-related disclosure on a disparate range of companies in Canada will result in costs and resource burdens for IFRS reporters, particularly small to medium-sized reporters, that far outweigh any perceived benefits. We believe that the proposed standards also fail in the International Sustainability Standards Board's efforts to promote consistent, comparable, and reliable sustainability-related disclosure among reporters.

We have provided commentary below on select topics in the Exposure Drafts that we deem most relevant to Precision and the oil & gas industry.

1) Effective Date

The January 1, 2025, deadline requiring compliance with these proposed standards is insufficient to create reliable and auditable sustainability reporting. We propose that the effective date of CSDS 1 and CSDS 2 be pushed back due to the following reasons:

- Meeting the disclosure requirements of CSDS 1 and CSDS 2 would be a potentially insurmountable challenge. Designing, implementing, and refining internal reporting programs requires substantial upfront time, investment, and resources, including identifying, recruiting, and hiring additional staff.
- Companies may also need to seek advice and assistance from external advisors and consultants when implementing new initiatives. These resources are not likely to be available at a scale where all reporters affected by the new standards will manage to procure them given the timelines in the proposed standards, likely increasing the costs of these services.
- Assurance on sustainability disclosures presents challenges, as sustainability reporting is complex and subject to significant judgement and estimation uncertainty. It will take time and considerable effort for internal audit departments and external audit firms to develop processes and procedures to gain assurance over new sustainability processes, controls, and Greenhouse Gases ("GHG") information. There are presently no guidelines in the CSDS 1 and CSDS 2 standards on the attestation of emissions. Without clarification on reporting against these subjective standards, the emissions reporting and attestation requirements create undue liability concerns for reporting companies.

We believe six months to develop these processes is insufficient. Businesses should be given two years from January 1, 2025, to develop new processes, controls and identify and train resources needed to properly prepare for sustainability reporting. After this period, sustainability reporting should be voluntary for another two years until a mandatory effective date of January 1, 2029. This effective date includes reporting of all sustainability and climate disclosures, excluding Scope 3 GHG emissions and scenario analysis as per our discussion below.

2) Timing of Reporting

We have concerns regarding reporting sustainability-related disclosures at the same time as the financial statements. Precision believes that providing GHG emission disclosures in a separate report with a later reporting deadline than related financial statements will help ease the challenge of compiling sustainability data and better align with the existing processes and current Canadian reporting requirements. Therefore, we recommend the CSSB reconsider this requirement and permit supplemental disclosures staggered from financial reporting deadlines for the following reasons:

- Corporations like Precision and their audit firms already experience **considerable pressures** to meet existing annual financial reporting deadlines and these new standards will represent a substantial claim on the availability of personnel already dedicated to existing financial disclosures. With non-venture exchanges requiring annual audited financial statements within 90 days of each financial year, we believe the CSSB significantly underestimates the burden associated with increasing the scope of disclosure information to be compiled, reviewed, and audited within that same timeframe. We believe that many issuers would struggle to adequately complete the required disclosures by the filing deadline and that many issuers, including Precision, who normally file well in advance of the deadline will be required to file later than has historically been the case. In an environment where investors are constantly seeking more timely and relevant information, delaying the release of this important information to investors will negatively impact investor confidence.

- Finance departments and audit firms already follow strict reporting deadlines, and the addition of reporting sustainability-related disclosures simultaneously with year-end results would result in immense **capacity constraints**. It is unreasonable to expect companies and audit firms to employ workers to meet these new deadlines who will be occupied for only a few months to meet these reporting requirements and may be idle in subsequent periods.

We believe that a three-month reporting delay for sustainability-related information would be sufficient to relieve the considerable pressure of having to report at the same time as the related Financial Statements and Management Discussion & Analysis.

3) Scenario Analysis

We understand the use of scenario analysis to assess climate resilience; however, we feel that it should not be mandatory to disclose the results of the scenario analysis at this time. We propose that scenario analysis be removed from this accounting standard for the following reasons:

- The requirement for reporting scenario analysis is exceedingly time-consuming and expensive, causing undue **burden** on Canadian companies. There is a considerable cost for additional internal resources, model development, auditors, and legal teams to prepare, evaluate, and report confidently on scenarios.
- The interpretations of scenarios are **highly subjective**. We would like to see a common framework introduced before scenario analysis is required. Climate scenario analysis is an emerging discipline for many small to mid-sized companies. Many barriers to adoption must be addressed in a short time frame and access to data, models, and documentation is lacking.
- Scenario planning is heavily based on assumptions that will change materially over time, necessitating frequent updates. These scenarios are conceptual, can be subject to uncertainty, and have no standard model. We are concerned about the **lack of comparability** between organizations, which will result in inaccurate assumptions for stakeholders.
- Minor changes in assumptions can lead to significant variances in outcomes. Because so many assumptions can made, and no specific model has been defined, there is a **lack of consistency** as each company will have its own model.

4) Inclusion of Scope 3 Emissions

We do not agree that the proposed relief of up to two years after the entity applies is adequate for an entity to develop the skills, processes, and required capacity to report its Scope 3 GHG emissions disclosures. We request that mandatory reporting of Scope 3 GHG emissions be removed from this accounting standard for the following reasons:

- It can be **burdensome** for companies to establish the organizational structure and processes necessary to estimate, measure, and extrapolate Scope 3 data across business units. Even when companies have the necessary resources, knowledge, and expertise, the large volume of internal data involved in Scope 3 GHG emissions measurement makes it challenging to integrate into business operations. This may lead to companies only reporting those items that are easiest to measure rather than their most significant and material emissions.

- Scarcity of external data, poor external data quality, and reliance on others in the value chain cause **difficulty in gathering data**. Many sources of data lay beyond the company's organizational reach. Unreliable data and lack of consistency among vendors make it necessary for companies to use secondary data based on industry averages or spend-based emissions factors which may not necessarily reflect their actual emission footprint.
- Supply chains are interconnected networks and there is the potential for **double counting** of emissions (one entity's Scope 1 GHG emissions can be another entity's Scope 3 GHG emissions), inflating the perception of a company's carbon risk. If financial institutions have multiple members of a supply chain in their portfolios, this double counting could result in significantly inflated carbon risk exposures. In addition, companies may calculate and report Scope 3 GHG emissions differently than how companies within their value chain report their Scope 1 and 2 GHG emissions, creating unwanted variances between reports in the value chain.
- There is **currently no reliable framework** to collect and report Scope 3 GHG emissions. Many companies will rely upon estimates of Scope 3 GHG emissions from external data providers instead of producing their own estimates, and the methodologies and procedures used to estimate Scope 3 GHG emissions are frequently not disclosed by data providers. This will lead to a lack of reliability, completeness, and comparability across companies and sectors as there is no consistency in how Scope 3 GHG emissions are determined among companies.
- Difficulty with **verifiability** and the **complexity** of various calculation methodologies across emissions categories may result in poor auditability from an assurance perspective. We are concerned that the assurance process will not provide confidence in the methodologies used to calculate data provided by third parties since auditors will most likely not be able to access their models.
- The Securities Exchange Commission ("SEC") released its climate-related disclosure final rule in March 2024, which **eliminated Scope 3 GHG disclosures** for all registrants. If a global baseline is the goal for sustainability and climate reporting, there should be consistency across all major regulatory bodies. There will be a disconnect between the financial reports of public US companies and Canadian foreign private issuers should Canadian companies be required to report their Scope 3 GHG emissions, and comparability will become an issue for primary users of general-purpose financial reports.
- There are also unanticipated secondary and tertiary effects of adopting disclosure requirements for Scope 3 GHG emissions. For example, small businesses will likely be ill-equipped to provide data at the level necessary to allow companies subject to the reporting requirements to prepare required Scope 3 GHG emissions disclosure. One can expect to see a natural move over time toward using larger suppliers, which are often better equipped to bear the financial consequences and complexities of burdensome regulation as compared to smaller competitors. The complexity associated with collecting and providing information necessary for reporting Scope 3 GHG emissions will **drive up costs** unnecessarily for a wide range of companies, including those that are not publicly listed, but which provide critical services and products to the Canadian market.

Increasing costs and having complex and inconsistent disclosures may discourage companies from accessing Canadian capital markets. For example, smaller companies may defer plans for a listing in Canada or may decide to list on an international exchange, rather than be subjected to the required disclosures.

5) Disaggregation of GHG Emissions

CSDS 2: Climate-related disclosures states that for Scope 1 and Scope 2 GHG emissions disclosed in accordance with paragraph 29(a)(i)(1)-(2), emissions shall be disaggregated between the consolidated accounting group and other investees including associates, joint ventures and unconsolidated subsidiaries. This is a significant departure from existing GHG emissions reporting frameworks, including the SASB standards which CSDS 1 refers to directly as a reference for entities on the applicability of disclosure topics. To disaggregate GHG emissions disclosure would require the implementation of an entirely new internal reporting program by reporters, would be unduly burdensome to them, and fail to promote consistent, comparable, and reliable disclosure among them.

Thank you for the opportunity to comment on the proposals. If you have any questions in relation to this letter, please do not hesitate to contact Carey Ford, Senior Vice President and Chief Financial Officer (713-435-6100).

Regards,

Carey Ford
Senior Vice President and Chief Financial Officer
Precision Drilling Corporation
10350 Richmond Avenue, Suite 700
Houston, TX 77042 USA

June 10, 2024

Canadian Sustainability Standards Board (CSSB)

Charles-Antoine St-Jean, CSSB Chair

Dear Chair St-Jean,

We are writing to you on behalf of the Public Sector Pension Investment Board (PSP Investments), one of Canada's largest pension investors with $243.7 billion of net assets under management as of March 31, 2023, of which over $55 billion is invested in Canada. Our mission is to protect the retirement of people who protect and serve Canada. In doing so, we manage a diversified global portfolio composed of investments in capital markets, private equity, real estate, infrastructure, natural resources, and credit investments.

We appreciate 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*.

First and foremost, we commend the CSSB on its efforts to develop a set of standards that would enhance the quality, consistency and comparability of sustainability-related information reported by Canadian entities. We support the CSSB's drafting of CSDS 1 and CSDS 2 in broad alignment with the International Sustainability Standards Boards' (**ISSB**) Sustainability Disclosure Standards, IFRS S1 and S2, as we believe this will facilitate global comparability of sustainability-related disclosures, ensuring Canadian directors have the information they need to appropriately oversee strategy, and investors like us to make more informed investment decisions. This will also support Canadian issuers' access to global capital markets and reduce reporting burden for Canadian entities that operate or raise capital in multiple jurisdictions.

We also recognize that the proposed CSSB Standards 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 CSSB Standards will be incorporated into a CSA rule. We caution that future modifications by the CSSB or CSA have the potential to limit cross-border users' access to timely, consistent and comparable sustainability-related financial information in general-purpose financial reports. We view the domestic regulators as best placed to consider when adoption should become mandatory through securities regulation and that the CSSB should remain focused on

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defining the standard to meet users' demands for sustainability-related financial disclosures as specified in the exposure draft.

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 of the ISSB as proposed, including in Canada, as the only credible route to secure the ISSB's equivalence with the European Sustainability Reporting Standards (ESRS). Failure to adopt the global baseline in Canada may not only risk issuers falling short of meeting global and domestic investors' expectations of their directors to oversee corporate strategy in the near-term, but also risk issuers having to adopt Canada's final standards and European reporting standards, which could be more onerous for issuers over time.

We have reviewed the exposure drafts of the CSDS and provide our comments 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.

- **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 issuers.

- **Non-climate disclosures transition relief**: We are not supportive of this transition relief of 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 to foreign entities that are reporting across all sustainability-related issues.

- **Scope 3 GHG emissions transition relief**: We are open to this relief, in principle, as it provides issuers more time to prepare and could also give regulators time to determine the appropriate safe harbor given the assumptions required to report this data. However, we strongly encourage issuers to not delay the measurement and reporting of Scope 3 emissions. We agree with the CSSB's comments that for many entities "Scope 3 GHG emissions make up a significant part of the entity's total GHG emission inventory, [and] Scope 3 GHG emission information is, therefore, critical for investors to understand an entity's exposure to climate-related risks and opportunities within its value chain."

  Entities taking steps to disclose and reduce their Scope 3 emissions provide evidence of transition risk management to investors. Disclosures of Scope 3 emissions 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.

- **CSDS 1: Timing of reporting**. 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.

- **CSDS 2: Climate resilience (scenario analysis)**. The group recognizes the limitations of scenario analysis in comprehensively assessing climate resilience. We, nevertheless, do not support the transition relief on scenario analysis as we believe that issuers 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 preparers to enhance their readiness ahead of any potential mandatory application of CSDS standards. We recognize that producing these disclosures can involve significant effort for companies, especially smaller enterprises with fewer resources. Regulators may decide to lighten this burden on these smaller issuers by allowing further reliefs, such as multi-year implementation, that can allow smaller companies to build the capacity they need to manage these risks where they are material, while not losing access to capital.

In conclusion, we support the CSSB's initiative to develop the CSDS in alignment with the IFRS S1 and S2 and commend the CSSB for its leadership and collaboration in advancing the sustainability reporting agenda in Canada and globally. We believe the CSDS will benefit Canadian entities and stakeholders by providing a high-quality, consistent and comparable set of standards for sustainability-related financial information.

We appreciate the CSSB's consideration of our comments and suggestions, and we look forward to the publication of the CSDS. We remain available to provide further input or clarification as needed.

Sincerely,

Herman Bril
Managing Director and Head of Sustainability and Climate Innovation
PSP Investments

June 7, 2024

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

Dear Ms. French:

We appreciate the opportunity to respond to the Canadian Sustainability Standards Board's (CSSB's) initial proposed Canadian Sustainability Disclosure Standards (CSDS's) and the Consultation Paper requesting views on the "Proposed Criteria for Modification Framework".

Overall, we have been very supportive of the International Sustainability Standards Board (ISSB) and welcomed the publication of their initial standards. PwC Canada participated in the process of providing feedback to those standards together with PwC's other network firms.

As such, we agree with the CSSB's approach of considering only limited modifications to those standards. However, we do not believe that the CSSB has proposed suitable amendments to the ISSB standards to facilitate the adoption of CSSB standards in Canada.

We believe one of the goals of the CSSB must be to ensure the standards issued are adopted by the applicable regulators. We believe adoption of finalized CSDS's is important for Canada so we are not left behind other major countries and capital markets.

With respect to adoption by public companies we believe it would be optimal for both preparers and investors to be able to reference CSSB standards. Based on the March 13, 2024 press release issued by the Canadian Securities Administrators (CSA), it seems clear they will only support climate reporting, at least initially. We strongly encourage the CSSB to work closely with the CSA so that the CSSB produces final standards written in a manner which allows the CSA to easily incorporate CSSB standards into applicable securities laws and regulations. We believe that this would be best accomplished through the adoption of transitional relief provision that does not have an expiry date for "climate only" reporting, but we understand that how to operationalize this may be dependent on what is allowed by Canadian laws. Ultimately, we believe that whatever the method of operationalizing, the goal should be to have Canadian public companies state compliance with CSSB standards. Importantly, an indefinite deferral does not mean a permanent deferral. We would encourage the CSSB and the CSA to work together on a process to periodically re-evaluate the deferral. The next appropriate interval may be when the ISSB finalizes its next thematic standard and to consider whether that should be adopted by public companies in Canada.

Furthermore, we anticipate specific considerations by the CSA might include the timing of adoption, application of guidance to Canadian companies who are dual listed with the US SEC, and the applicability to non-venture issuers and assurance requirements.

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The CSSB's standards should also allow for voluntary adoption of all ESG provisions for those companies interested in such an approach (i.e. the climate deferral by its nature should be optional for companies).

We agree with the inclusion of absolute gross Scope 3 emissions as a cross-industry metric, because this data might benefit investors trying to understand a company's broader environmental footprint particularly in circumstances where the registrant's downstream or upstream activities are emissions intensive. However, we recognise the challenges faced by entities in measuring these emissions, given the reliance on third party information and the level of estimation typically required.

Although, we believe that reporting of Scope 3 emissions is valuable and should ultimately be included in any sustainability rule, in respect to the Canadian markets we believe additional consideration and further study should be given to the timing of adoption. We note that the US Securities and Exchange Commission (SEC) rules do not require reporting of Scope 3 emissions in its final Climate Rule. However, we recognise that many companies may still be required to report emissions because of European or US State level legislation (e.g. California). Nevertheless, a deferral of mandating reporting would allow more focus on adopting robust systems for Scope 1 and 2 emissions and ultimately facilitate higher quality Scope 3 reporting upon adoption. This would also allow Canadian companies to benefit from the experience in other countries where Scope 3 will be adopted earlier.

Our detailed responses are included in the appendices to this letter.

If you have questions on our response please contact Sean Cable, Sarah Marsh, Scott Bandura or Carolyn Anthony.

Yours sincerely,

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants

cc Stan Magidson, Chair of the CSA

Appendix 1

Responses to CSDS 1 - General Requirements for Disclosure of Sustainability-related Financial Information

1. **Scope of proposed 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.

   - No, we believe that this should initially be an indefinite period of relief and that the CSSB should commit to working with the CSA to study when the appropriate timeline for adoption of reporting beyond climate is required.
   - We note the CSA's decision that it does not anticipate adopting standards beyond climate at this time.
   - We also note that the SEC is taking a climate first approach, but will likely over time go beyond climate (e.g. as evidenced by adopting Cybersecurity and proposals for Human Resource standards); and
   - We think that an indefinite transitional relief will allow those companies that want to adopt the full standards to do so and that a compromise in the short-term on the application of the standards is the best path to enable ultimate adoption of the full global baseline in Canada.

   (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.

   - Paragraph E5 could be amended to say:

     In ~~the first annual~~ **each** 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.
   - If additional amendments are required to incorporate CSSB standards in a National Instrument by the CSA work with them on the operationalization. For example, a different "Part" of the Handbook might be used for standards applicable for reporting issuers vs. other companies (e.g. Part I - Full standards and Part II - Climate standards); and
   - Secure commitment of the CSA to re-expose as each thematic standard is released by the ISSB whether to adopt new thematic standards or the full ISSB standards.

2. **Timing of Reporting**
   (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 would support scaling these requirements over a number of years; and
   - For example, in the first 2 years allow reporting up to 6 months after year-end filings, for second 2 years allow reporting up to 3 months after annual filings and thereafter require reporting on the same timeline as filing annual financial statements.

   (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 believe that it is desirable to have the reporting on the same timeline because this allows the best interconnectivity between the financial statements and the sustainability reports for all companies.
   - However, we do acknowledge that for long-term sustainability risks/opportunities there may not be immediate changes from one year to the next. Therefore, the most benefit will be for those companies that are exposed to material short-term risks and opportunities including those as a result of changes to their business; and
   - During the transitional period, the effect on short-term risks might be accomplished through companies filing press-releases or material change reports for significant changes that have arisen since the last sustainability report.

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.
   - Other than as noted above we do not see any compelling reasons to deviate from the ISSB standards for Canada in these areas.
   - PricewaterhouseCoopers International Limited has provided feedback to the ISSB on many of these areas: Link; and
   - With regards to application in Canada, we remark that the current proposal from the CSSB focuses on profit-oriented entities, in a manner consistent with the IFRS Sustainability Standards. There is a general mention of public sector entities in paragraph 9 of both CSDS 1 and IFRS S1, but there is no guidance specific to user needs for public sector entities which may differ from those of primary users for profit-oriented entities. Therefore, we encourage the CSSB to clarify and confirm their role in developing specific sustainability reporting standards relevant to Canadian public sector entities in order to serve the public interest.

Ms. Lisa French
Sustainability Standards Board
June 7, 2024

Appendix 2

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

1. **Climate Resilience**
   (a) **Is transition relief required for climate resilience disclosure? If so, for how long and why?**
   - No, we believe that the proportionality approach in S2 is sufficient and therefore additional transitional reliefs are not required.

   (b) **Is further guidance necessary? If so, which specific elements require guidance and why?**
   - We would support that the CSSB encourage that the ISSB provides further implementation guidance on the application of these disclosures; and
   - We think the [CPA Canada Sustainability Reporting Alert on Climate Related Scenario Analysis] does a good job of highlighting some of the challenges overall and with assessing an entity's circumstances to apply the proportionality within the ISSB standard.

   (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 above, additional guidance on how to apply the proportionality reliefs in ISSB standards.

2. **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.**
   - We would also support working with the CSA to consider further whether there is sufficient support for the adequacy of the deferral period proposed; and
   - The SEC no longer requires reporting of Scope 3 emissions in its final Climate Rule. However, we recognise that many companies may still be required to report emissions because of US State level legislation (e.g. California).

   (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.**

- Proponents of a longer deferral argue it would allow more focus on adopting robust systems for Scope 1 and 2 emissions and ultimately facilitate higher quality Scope 3 reporting upon adoption.
- Furthermore for some companies the initial focus may be for reporting systems to fully develop for Scope 1 and 2 emissions and after reporting of Scope 1 and 2 is widespread further time to develop systems to gather information from their value chain entities; and
- Scope 1 and 2 are generally considered more important for investors in the short-term, but investor use continues to evolve.

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

- Other than as noted above we do not see any compelling reasons to deviate from the ISSB standards for Canada in these areas; and
- PricewaterhouseCoopers International Limited has provided feedback to the ISSB on many of these areas: Link.

Appendix 3
Response to 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.**
   - No, although the CSSB's criteria would be appropriate for a mature set of standards that is globally applied, they don't acknowledge the current state of standards and global adoption; and
   - We believe that the CSSB should have the goal of allowing their standards to be applied by public companies in Canada which will require them to work closely with the CSA and therefore make modifications appropriate to achieve that goal in the short-term.
2. **Are there other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework?**
   - Additional application guidance on how proportionality provisions may be applied in Canada taking into account the Canadian environment; and
   - Additional application guidance on Canadian specific issues (e.g. taking into account Canadian laws and regulations). For example, providing application guidance on the relevant Canadian laws and regulations to consider for SASB industry disclosure.

QUÉBEC NET POSITIF

June 7, 2024

To:
Charles-Antoine St-Jean, Chair,
Canadian Sustainability Standards Board
277 Wellington Street West Toronto, Ontario M5V 3H2

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

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

Thank you for the opportunity to comment on the Canadian Sustainability Standards Board (CSSB) consultation on its 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). We, Quebec Net Positive, support 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. We also support the Canada Climate Law Initiative (CCLI) submission to CSSB on CSDS 1 and CSDS 2, including their following three key recommendations:

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.[1] 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.
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.

As a complement, as an independent, not for profit, think tank, our purpose is to support SMEs to accelerate their transition to a low-carbon economy, we also wish to add the following key considerations. We conduct the most complete surveys to measure the level of maturity of Quebec businesses in implementing climate actions : the Businesses Transition Barometers[2].

[1] Government of Canada, Government of Canada's Greenhouse Gas Emissions Inventory - Canada.ca (December 2023).
[2] Québec Net Positif (2023). Baromètre de la transition des entreprises du Québec, étude réalisée auprès de 596 dirigeant.e.s représentatifs de l'ensemble de l'économie du Québec, mandaté auprès de la firme Léger par Québec Net Positif (Baromètre de la transition | Quebec Net Positif)

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Our Businesses Transition Barometer shows how far companies have come in their climate action journey. In 2023, the average Transition Index is 32.4. This means Quebec companies are implementing less than a third of the necessary climate actions in their operations, supply chains, culture, and climate adaptation. A perfect score of 100 would indicate full alignment with a low-carbon transition pathway. Currently, over 80% of Quebec businesses have a Transition Index below 50%. Small businesses (1-9 employees) lag with an average score of 30.1, while SMEs (10-249 employees) and large companies (250+ employees) are slightly better than average at 35.7 and 35.9, respectively. Despite the gap between climate commitment and actual action, our data shows that both large corporations and SMEs currently have equal opportunities to implement climate action and start aligning with likely transition pathways at this stage. In this context:

- **CSSB must send a strong transition signal to the Canadian economy**: the full standard should be implemented no later than January 2025, including Scope 3 emissions, with no further transition relief for any part of the reporting standard. We do not see any potential of value creation by delaying any aspects of the implementation while the risks of value destruction from climate, biodiversity loss and a slower economic transition than other jurisdictions is real.

- **Integrated reporting:** we recommend that the CSSB adopts a fully integrated reporting approach aligned with international standards. Extra-financial data should be made available at the same time as traditional financial data, which is the best practice for providing a full overview of a corporation's material issues. Integrated reporting is the best way to foster ownership of the extra-financial data by senior management, finance, accounting, and legal functions, and it strongly promotes the need for the extra-financial data to meet the exact same quality as the financial data : accuracy, completeness, balance, comparability, and availability at the most appropriate time and with transparency.

- **Compliance requirements implementation must trigger concrete business actions to create real value:** investment/efforts in disclosure should not be promoted as an objective in itself but rather should aim to accelerate climate action across the whole Canadian economy to create economic, social and environmental value, including SMEs. The potential benefits for SMES are to strengthen, across their value chain, transparency, accountability, stakeholder trust, regulatory compliance/supply chain requirements, and market advantage, and avoid greenwashing risk and make more informed decisions.

- **Expertise and support by key professionals will be key to ensure SMEs fully benefit from the new requirements:** adoption of CSSB, including Scope 3 emissions by January 2025 will trigger disclosure requirements across value chains. We expect larger corporations to turn to their supply chain vendors for getting climate-related and other extra-financial data, including SMEs. Without a clear role and full accountability by professionals with whom SMEs have already built a trustful relationship – including CPA, CMA, finance, legal, engineering and other key professions – the cost, burden and complexity of reporting will lead to a disproportionate impact for SMEs that operate with limited resources as well as a lack of climate literacy and expertise in collecting and disclosing extra-financial data. This may translate in a risk for larger corporations who may not be able to collect the required data to assess their Scope 3 emissions or that may collect inaccurate and misleading data from SMEs that will in turn generate inaccurate disclosure on which policies and investment decisions will be made.

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- **Climate data must become as useful to SMEs decision-making as the financial data**: accompanying the adoption of CSSB by a strong mobilization of key professionals that already support SMEs is a unique opportunity to ensure that all available and relevant expertise across the business ecosystem will align to fully serve the needs of SMEs. By rapidly raising the quality of extra-financial data to the same level of accuracy and usefulness as financial data, combined with a strong ownership by finance, accounting, legal and engineering, SMEs will directly benefit from the integration of extra-financial data in their decision making process, which will trigger wiser choices in material and immaterial investments, product performance, supply chain relationships, customer acquisition, business model, strategy, governance and operations.

- **Climate scenarios in accordance with TCFD and TNFD requirements must be developed on a sectoral basis and for value chains**: high-level climate scenario planning at the sectorial and value chain levels should be prioritized for SMEs to access strategic prospective information about the business environment in which they may operate in the future. Mobilizing larger corporations, in collaboration with their sectoral associations and cluster, with input from key experts should lead to sharing resources for developing and promoting scenario planning in a pre-competitive mindset to the benefit of all businesses across value chains. SMEs are currently shielded from the prospective discussions happening withing larger corporations and their consultants, and thus, are not getting prepared for the risks, nor to seize the business opportunities, that lie ahead. By sharing common high-level scenarios and being more transparent about expected future scenarios, larger corporations and governments will provide useful information about the most material issues across value chain and help trigger SMEs climate action both on the adaptation and mitigation fronts, that will help strengthen the entire Canadian economy.

We believe these recommendations will help advance clear and consistent standards that will protect Canada's financial system, its users, and the public interest more generally.

It is critically important that Canada adopt consistent and comparable standards of climate-related and sustainability-related financial disclosures that are aligned with the global baseline to meet the needs of capital and financial markets.

We strongly support the requirement of an entity to report on climate-related risks and opportunities in its value chain, including external relationships with customers, suppliers, society, and nature and biodiversity, as the value chain has an impact on the entity's ability to generate enterprise value over the short, medium, and long term. Ensuring that professionals with whom SMEs have built trustful relationship are made accountable for supporting extra-financial disclosure, will make it possible for businesses of all sizes to integrate climate-related data in their decision-making and align on likely transition pathways.

Sincerely,

Anne-Josée Laquerre

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June 10, 2024
Submitted via electronic email

Dear Sir/Madam:

We are submitting this comment letter in response to the *Exposure Draft Proposed Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information* and *Exposure Draft Proposed Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures*.

REALPAC is the national industry association dedicated to advancing the long-term vitality of Canada's real property sector. Our members include publicly traded real estate companies, real estate investment trusts (REITs), private companies, pension funds, banks, and life insurance companies with investment real estate assets each in excess of $100 million. The association is further supported by large owner/occupiers and pension fund managers, asset managers, lenders, government real estate agencies as well as individually selected investment dealers, real estate brokerages, and consultants/data providers.

As an industry we understand the importance of reporting on material climate and sustainability-related information to meet investors' needs. We appreciate the efforts of the Canadian Sustainability Standards Board (CSSB) in proposing standards to address these needs.

Our key comments:

1) Reporting at the same time as the general-purpose financial reports

   In a quarterly reporting regime such as Canada, reporting climate and sustainability-related information at the same time and for the same period as financial information will require such significant estimates that the information provided will be low quality and of limited value to investors.

2) Data reliability, complexity, cost and dependence on external consultants

   Due to the complexity of modeling required to perform scenario analysis, real estate companies do not have the internal expertise and skills required. Reliance on external consultants is significant and costly and can lead to materially different results using the same data.

3) Phasing in reporting on scenario analysis

We strongly recommend phasing in the reporting of scenario analysis over time to allow companies time to develop the necessary internal expertise. We also suggest scaling the requirements based on size of entity, allowing these to be voluntary for smaller public entities.

4) Exclusion of Scope 3 Emissions

We believe that scope 3 emissions should be reported on a voluntary basis only at this time. In the real estate industry, the availability of high-quality actual scope 3 emissions data is extremely limited at this time and often includes data that is only provided by tenants on a voluntary basis. We strongly recommend aligning with the U.S. Securities and Exchange Commission (SEC) regarding Scope 3 emissions reporting requirements.

Our specific responses to questions:

Regarding the ED CSDS 2 Climate-related Disclosures

Specific questions included in the ED:

1. Climate resilience and scenario analysis
    - Do you have concerns regarding the level of resources, skills and capacity required to prepare the disclosures required for resilience and scenario analysis?

Yes. Currently, it is extremely rare for entities in our industry to possess the internal expertise, skills, and knowledge necessary to prepare the disclosures required for resilience and scenario analysis. Our specific concerns are outlined below:

Talent Gap:

There is a significant shortage of individuals with the necessary skills to model climate risk, conduct scenario analysis, and develop the proposed disclosures. Companies need time and resources to build the necessary capacity and upskill employees to meet these requirements.

Complexity, Cost and Dependence on Consultants:

Assessing the financial impacts of climate change demands sophisticated modeling which requires specialized training and experience. Although CSDS 2 suggests that "publicly available climate-related scenarios – from authoritative sources – that describe future trends and a range of pathways to plausible outcomes are considered to be available to the entity without undue cost or effort", this oversimplifies the process. Expertise is essential for selecting and analyzing these scenarios correctly. Our experience indicates that initially, and often on an ongoing basis, external consultants are necessary to perform this work. These costs are substantial, especially for smaller public entities with limited resources.

Data Reliability:

Performing scenario analysis requires significant estimates. The subjective nature of setting parameters and numerous variables can result in materially different outcomes, even when different service providers use the same data.

We are concerned about the usefulness and comparability of disclosures where amounts are expected to vary by material amounts. Additionally, we worry about the implications under securities law when disclosing forward-looking information that is likely to change materially between reporting periods.

Our Recommendation:

We recommend phasing in the requirement for scenario analysis over time, allowing entities to develop processes for disclosing qualitative information first. This phase-in should consider not only the time to develop these skills and requirements but also the size of the entities required to provide these disclosures. For smaller public entities, we recommend that the disclosures be voluntary.

- CSDS does not propose any transition relief. Do you think that transition relief (and/or guidance) is needed to address concerns related to providing climate resilience-related disclosures and scenario analysis? If so, for how long and why?

Yes. We believe that transition relief is necessary to allow entities time to build the necessary expertise and processes for accurate climate resilience and scenario analysis. The complex requirements and the need for capacity building underscore the importance of transition relief. We recommend a period of 2 to 3 years. We also recommend a phased approach, allowing entities to first develop the processes for disclosing qualitative information before moving to quantitative analysis.

- Is further guidance in this area necessary? If so, which specific elements require guidance and why?

As entities are still in the early stages of capacity building and understanding the specific processes required to meet the proposed disclosure requirements, the precise nature of additional guidance remains unclear. It is expected that entities will be better positioned to identify and respond to these needs once the reporting processes are fully developed. Currently, entities lack the advanced expertise necessary to apply the existing guidance and identify potential gaps.

2. Scope 3 GHG emissions

- CSDS 2 provides 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.
  - 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?

As a base premise, we suggest that Scope 3 GHG emissions reporting be excluded from the requirements or disclosed under a "comply or explain" premise.

<u>Exclusion of Scope 3 Emissions</u>:

As an industry, we have significant concerns about a requirement to report Scope 3 GHG emissions. The availability of high-quality actual scope 3 emissions data is extremely limited at this time. As a result, if required to report on these, the results will be significantly reliant on estimates that can differ significantly between companies and change by material amounts between reporting periods. We strongly recommend aligning with the U.S. Securities and Exchange Commission (SEC) regarding Scope 3 emissions reporting requirements rather than introducing a specific relief period of two years.

<u>Regarding the ED CSDS 1 General Requirements for Disclosure of Sustainability-related Financial Information</u>

Specific questions included in the ED:

1. Scope of proposed CSDS 1

Apart from effective date and transition relief, CSDS 1 proposes to adopt IFRS S1 without amendment. Note: the ED indicates that the CSSB's objective is to fully support the adoption of the ISSB's standards.

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

Yes, we agree with a two-year transition period.

- 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.

2. Timing of reporting

The sustainability information disclosed (including climate-related disclosures per CSDS 2) must be for the same reporting entity and disclosed at the same time as the financial statements. This may include interim reporting. The CSSB heard of the following challenges. Please comment on which (if any) apply to your organization:

- increased reporting burden;
- staffing constraints;
- heightened consulting and assurance costs;
- data-quality risk; and
- data-collection process limitations.

Despite these concerns, the CSSB is not proposing changes but seeks feedback on the following matters:

- 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 disagree with the requirement to disclose sustainability information at the same time and for the same period as the financial statements.

Reporting at the same time as the general-purpose financial reports:

As noted above, not only will significant estimates be required to model the data for reporting on Scope 3 emissions, but there is also insufficient time to collect and model actual data received for it to be incorporated at the same time and for the same period as financial reporting. Given the high level of estimation required in the time period suggested, we are concerned that the information presented will be of limited value to investors. We also have significant concerns about disclosing such highly estimated information under the scrutiny of securities law.

Currently, Canadian real estate companies report climate and sustainability information up to 8 months after the reporting period ends. This reflects the time it takes to collect, analyze and verify the data to ensure that the information reported is reliable. We recommend allowing a timing difference between the reporting period for sustainability information and reporting for financial statements to ensure that reliable and relevant can be reported.

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

We believe that to provide reliable information to investors, a timing difference is necessary between reporting climate and sustainability-related information and the financial statements. If entities are required to provide sustainability information for the same period, at the same time as the financial statements, we have significant concerns that the information presented will be low quality and of limited value to investors.

Other comments and considerations on Core Content for CSDS 1 and CSDS 2:

In terms of the proposed requirements under Strategy, Risk Management, and Metrics & Targets, we generally believe that the requirements under the Taskforce for Climate-related Financial Disclosures (TCFD) should be the baseline of requirements. Additional requirements and disclosures should only be applicable to the largest and most sophisticated reporting issuers at the onset, and potentially phased in over time to smaller public companies.

Strategy:

We have concerns about disclosing quantitative information on the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over time. This type of information falls under securities regulation as forward-looking information, which poses significant implications for reporting issuers where amounts are likely to change by material amounts from period to period.

While we agree that it is important to identify and disclose material climate-related risks and opportunities, we believe the current wording regarding time horizon is too vague and potentially overly broad. Allowing entities to determine their own time horizons will likely lead to inconsistencies, undermining comparability between entities. Additionally, the further out the time horizon extends, the more challenging it becomes for entities to accurately predict and quantify the impacts on their financial position and performance. Although this information may be relevant, the wide range of necessary estimations reduces its reliability.

We also question the usefulness of medium- and long-term estimates extending beyond a few years. Providing reliable forecasts for such extended periods is inherently difficult due to the high degree of uncertainty and potential lack of reliable data. This raises doubts about the usefulness of such disclosures to users. If users base their decisions on these quantitative disclosures, the potential imprecision and unreliability could negatively impact their decisions and expose entities to legal risks if actual results differ materially from estimates. Therefore, we do not support these additional disclosure requirements and recommend making quantitative disclosures optional.

We recommend not requiring scenario analysis for all entities and phasing in this requirement to allow smaller, less sophisticated preparers time to catch up in their climate-reporting journeys.

Currently, only the largest and most sophisticated entities have set specific emissions targets and developed transition plans. Thus, we recommend that transition plans and carbon offsets should not be baseline requirement. Instead, these should be optional and phased in over time, giving entities the opportunity to develop the necessary processes.

Risk Management:

We recommend that the baseline for disclosures should align with the requirements of TCFD and not extend beyond them at this time. For instance, the initial phase could focus on qualitative disclosures related to an entity's risk management practices, with subsequent phases gradually incorporating quantitative disclosures.

The standard could specify that qualitative disclosures are mandatory, using language that sets these as baseline requirements. Simultaneously, it could state that entities may also provide quantitative information where they can ensure its reliability. For example, the standard could indicate that entities "may" include quantitative information when they meet the thresholds for providing reliable data.

Metrics & Targets:

As noted above, we believe that scope 3 emissions should be reported on a voluntary basis only at this time.

We disagree with the requirement for separate disclosures for the consolidated entity and associates, joint ventures, unconsolidated subsidiaries, or affiliates not included in the consolidated accounting group. We believe that disclosures should be mandated only for entities within the consolidated group's control. Additionally, there should be consistency between the reporting entity boundaries for CSDS 1 and CSDS 2.

Other comments on CSDS 1 and CSDS 2

While climate and sustainability related disclosures should be provided to users and other stakeholders, the pace of adoption of the proposed CSSB standards should reflect the ability of the Canadian market to gradually report on the required disclosures. This includes taking into consideration the significant challenges faced by many entities in obtaining the resources and data to comply with the proposals.

In Conclusion

We thank the Board for the opportunity to provide our input on the *Exposure Draft Proposed Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information* and *Exposure Draft Proposed Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures.* We strongly encourage the CSSB to consider the ability of public entities within the Canadian market to meet the requirements as proposed and recommend making considerable changes to the standards to address these challenges.

If you would like to discuss our comments, please contact Nancy Anderson, REALPAC's Vice President Financial Reporting and Chief Financial Officer, at 416-642-2700.

Respectfully submitted,

nAnderson

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June 10, 2024

Canadian Sustainability Standards Board
Financial Reporting and Assurance Standards (FRAS)
RE: Canadian Sustainability Disclosure Standards (CSDS) Feedback

Submitted online via the comment portal on www.frascanada.ca

Retail is Canada's largest private-sector employer with over 2 million Canadians working in our industry. Retail impacts hundreds of thousands of related jobs in wholesale, transportation, information technology, legal and accounting professions. The sector annually generates over $85 billion in wages and employee benefits. Retail Council of Canada (RCC) members represent more than two-thirds of core retail sales in the country. RCC is a not-for-profit industry funded association that represents small, medium, and large retail businesses in every community across the country. As the Voice of Retail™ in Canada, we proudly represent more than 54,000 storefronts in all retail formats, including department, grocery, specialty, discount, independent retailers, online merchants and quick service restaurants.

RCC appreciates the opportunity to provide feedback on the adoption of the ISSB's Sustainability 1 and 2 (S1 and S2) standards to Canada. These standards, which will be known in Canada as the Canadian Sustainability Disclosure Standards (CSDS), will comprise of two parts, CSDS-1 and CSDS-2. These standards, effective January 1, 2025, represent a significant voluntary advancement in the Canadian sustainability reporting landscape. RCC commends the Financial Reporting and Assurance Standard (FRAS) for integrating sustainability reporting with annual financial disclosures.

RCC understands that the Canadian Sustainability Standards Board (CSSB) intends to fully adopt ISSB S1 and S2 standards in Canada, with the only adjustments being made to implementation dates and delays in reporting Scope 3 and non-climate-related risks. We appreciate the open comment period and want to take this opportunity to provide our responses to the questions posed (see appendix) and provide additional comments on CSDS-1 and CSDS-2. We understand the final standards will have an impact on the Canadian Security Administrators' (CSA) future regulated sustainability disclosures and this will have significant implications to our members. As such, RCC is keen to communicate feedback in the process as early as possible. Our key recommendations include the following:

Timing of reporting and verification:
RCC believes that aligning the timing of the reporting requirements with financial reporting is important. While this alignment can be challenging, we understand that this is manageable for larger companies that have a high level of maturity in reporting on sustainability matters. However, we would like to note that smaller companies, and those that are not as mature in their sustainability journeys may experience difficulties initially in meeting these deadlines. Moreover, one point of concern is regarding a potential future inclusion of 3rd party verification to be completed at the same time.

> ***Recommendation 1 – Verification Timelines:***
> *RCC understands that 3rd party verification or assurances are not included in the draft CSDS reporting requirements currently but does note that the CSSB has identified assurance costs as a potential challenge. This appears to leave the door open for future additional 3rd party verification and*

assurance requirements for CSDS reporting. If this requirement was to be included in the future, RCC suggests delaying verification by 6 months after reporting to ensure that companies participating in CSDS reporting would be able to comply.

Delays on inclusion of Scope 3:
The inclusion of Scope 3 reporting in CSDS is something RCC and its members accept and the two-year delay for its inclusion is sufficient for large, sustainability sophisticated companies. The inclusion of Scope 3 will pose a challenge for smaller and medium-sized companies. Smaller and medium-sized companies are likely to be just beginning to embark on their sustainability journeys and they will not have the policies and practices in place to adequately calculate and disclose their scope 3 emissions, and a 2-year delay will not be sufficient for them to disclose their Scope 3 emissions.

Recommendation 2 – Timelines for SMEs:
To address the issues that smaller and medium-sized firms will experience in disclosing Scope 3 emissions RCC recommends a phased approach. Following an approach like the proposed US Security Exchange Commission's (SEC) reporting with large, accelerated filers being required first, followed the next year by large filers and then in the following year requiring the remaining obligated companies to comply. For the CSSB, RCC would like to propose keeping the 2-year delay in the initial implementation of Scope 3 emissions, then allowing an additional year delay for smaller and medium sized companies to comply.

Comparability:
As CSDS reporting ties to financial statements, comparability between companies is crucial for clear performance benchmarking. Investors will use CSDS data in their decisions, affecting both their finances and those of the reporting companies. Consistent information is essential, especially for determining and disclosing materiality and the internal price of carbon. Materiality helps investors assess risks and opportunities and influences internal company decisions. Although allowing companies to define what is material to them seems practical, this will have an impact on comparability. The internal price of Carbon will be a new concept for many companies. As outlined in the CSDS-2 disclosures, it should be applied towards decision-making for investments, scenario analysis as well as in the identification of risks and opportunities. Disclosing this price and its internal application, as required by CSDS-2, is vital for investors but is something that will suffer from a lack comparability across firms.

Recommendation 3 – Further Guidance:
RCC suggests that further guidance would be beneficial. One option is to link materiality to a financial metric, such as considering anything that could impact revenue by a predetermined threshold as material. This approach would accommodate the varying sizes of reporting companies while ensuring consistent and comparable materiality reporting. Moreover, as the internal price of carbon is a new concept for many companies, additional guidance on calculation methods for companies to use is necessary. This would allow for a more direct comparison, but also provide companies that have not yet calculated their internal price of carbon a starting point to do so. As comparability in financial reporting is crucial, RCC and its members also seek guidance for Scope 3 reporting and associated calculations.

Disclosure of risks and opportunities:
Reporting short, medium, and long-term climate-related risks and opportunities from the onset and allowing a two-year delay before requiring the inclusion of disclosures beyond climate-related risks is sufficient for compliance. However, how a company defines risks and opportunities will create issues for comparability. The identification of risks and opportunities should be linked to materiality, which as mentioned previously, requires additional guidance.

> ***Recommendation 4 – Safe Harbours Clause:***
> *As the disclosure of these risks and opportunities requires forecasting on a short, medium, and long-term time scale, many estimations will be required to meet this requirement. Further, as the disclosure of both climate and non-climate risks and opportunities is tied to financial metrics (cash flow, access to/cost of capital) RCC would like to see the inclusion of a safe harbours clause. RCC would like to see this specifically related to the financial implications of identified medium and long-term risks. RCC's members are committed towards providing this information to the best of their abilities but in many cases, these may be difficult to estimate due to the breadth of climate scenarios and length of time involved.*

As the CSDS is set to take effect in January 2025, RCC greatly values this comment window and the opportunity to contribute our feedback. The FRAS's administration and implementation of the CSDS reporting in Canada is indeed a herculean task. RCC commends the FRAS for spearheading the integration of sustainability reporting with financial reporting in Canada, a move that promises to standardize and harmonize Canadian sustainability practices with global standards. This initiative not only aligns Canada with global leading countries in the realm of sustainability reporting, but it also ensures that our financial reporting reflects our commitment to sustainable development.

Yours truly,

Michael Zabaneh
Vice President, Sustainability

CC: Harrison Brook
Manager, Sustainability

Appendix:

Questions and RCC comments related to CSDS-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.

   RCC believes that the relief period of two years for the disclosures beyond climate-related risks and opportunities is adequate. However, as outlined in the main body of this comment letter, RCC would like to see additional guidance on the determination of these risks and opportunities, specifically related to the determination of materiality.

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 believe the transition relief of two years is adequate.

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 rationale behind it.

   One concern that is outlined in the CSDS-1 document itself under this proposed question states that an anticipated challenge could be "heightened consulting and assurance costs". This is not explicitly stated, however RCC understands that "assurance costs" could relate to third party assurance and/or verification. RCC does have major concerns about this if this point were to evolve to include a requirement for third party assurance and/or verification related to the CSDS-1 (and CSDS-2) reporting. It will be extremely difficult to both complete the reporting and obtain verification on CSDS-1 and CSDS-2 disclosures with timing aligned to that of financial disclosures. If this is something that is being considered in the future, we suggest allowing for verification to occur and be released after the financial and sustainability reporting cycle, a delay of 6 months to obtain 3rd party verification would 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?

   RCC agrees that is it important to have sustainability-related financial disclosures released at the same time as financial statements, keeping in mind the concern listed in the answer above.

Questions and RCC comments related to CSDS-2:

Climate resilience (proposed paragraph 22 or CSDS-2)

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

   RCC does not believe that any relief is required here for larger companies that are mature in their sustainability reporting. The move up of timing to align with financial reporting will be difficult, even for these corporations, however it will be extremely difficult for smaller and medium sized companies to align with. We suggest an approach like that outlined in answer b to the scope 3 question below to accommodate these small and medium sized companies and ensure compliance.

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

   RCC would like to see further guidance towards the determination of materiality, as outlined in the main body of this comment letter. Materiality is pertinent here as it will be essential in determining what climate-related risks and opportunities would warrant inclusion here and comparability between companies reporting CSDS disclosures.

c) Proposed CSDS—2 references the Task Forse of Climate-related Financial Disclosures for related application guidance. What additional guidance would an entity applying the standard require? Please be specific.
   RCC believes that pointing towards the TCFD as guidance is sufficient.

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.

   RCC believes that the relief period of two years for the reporting of scope 3 emissions is adequate for companies that are mature in their sustainability reporting. This largely means, but is not exclusively, larger corporations that have been reporting their emissions already. However, aligning the timing of the CSDS reporting with financial reporting will be challenging, even for these more mature, larger corporations. It will be exceedingly difficult for smaller and medium-sized companies, even with the two-year reporting relief.

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.

   RCC would like to see a staggered reporting implementation for scope 3 reporting. The SEC has proposed a reporting timeline like this, with large accelerated filers reporting first, followed by accelerated filers (a year delayed) and finally smaller reporting companies and emerging growth companies (delayed 2 years from large accelerated filers). While the final SEC rules do not include scope 3 reporting, we would like to see an approach such as this for the disclosures of scope 3 as climate reporting is implemented in Canada. RCC suggests that a delay of an additional year for small and medium-sized companies in reporting scope 3 would be needed to ensure compliance.

SASKATCHEWAN STOCK GROWERS ASSOCIATION
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June 7, 2024

Charles-Antoine St-Jean, Chair
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

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.

Saskatchewan Stock Growers Association is a member-driven advocacy organization representing livestock producers' interests through education, communication and research focused on an economically and environmentally-sustainable livestock marketplace, free of industry-limiting laws and regulation.

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 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.

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

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 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

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3 https://files.wri.org/d8/s3fs-public/2023-08/aqueduct-40-technical-note.pdf?VersionId=G_TxTR2LAnlgXGzy7xtdUP_5lmkXJY7d , p.36.

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

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.

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,

Garner Deobald, President
Saskatchewan Stock Growers Association

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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

SHARE

Omolola Fashesin
Principal, Sustainability Standards
277 Wellington St. West
Toronto ON M5V 3H2

June 10, 2024

Re: CSSB Consultation on CSDS 1 & 2 and Criteria for Modification Framework

Dear Ms. Fashesin,

We are writing to provide comments on the CSSB Exposure Drafts, "Proposed Canadian Sustainability Disclosure Standard (CSDS) 1: General Requirements for Disclosure of Sustainability-related Financial Information" and "Proposed CSDS 2: Climate-related Disclosures," as well as the accompanying "Consultation Paper on the Proposed Criteria for Modification Framework."

SHARE—the Shareholder Association for Research and Education is a Canadian leader in responsible investment services, research and education for institutional investors. Since its creation in 2000, SHARE has carried out this mandate by providing active ownership services, including shareholder engagement, proxy analysis, education, policy advocacy, and practical research on issues related to responsible investment and the promotion of a sustainable, inclusive and productive economy. Our direct clients include pension funds, universities, mutual funds, foundations, Indigenous trusts, endowments, faith-based organizations and asset managers across Canada with more than $150 billion in assets under management, and we are the secretariat for several national and international networks of investors with many trillions of dollars in assets. We actively assist asset owners in developing climate action plans and interpreting climate-related data, developments and initiatives, and coordinate collective investor advocacy for policies and regulations that support effective and fair transitions.

In preparing to respond to this consultation SHARE not only met with our own institutional investor clients and members, but also hosted a roundtable with eleven Canadian reporting issuers from a variety of sectors and nine large Canadian asset owners/financial services organization to discuss common ground on the more challenging questions of Scope 3 reporting and scenario analysis. Anonymized results from that roundtable have been included here.

We commend the CSSB for recommending adoption of the ISSB's proposed global standards. The draft standards position Canada alongside the 18 other nations and the EU currently demonstrating climate leadership by aligning disclosure standards with the ISSB. In addition, we greatly value the CSSB's stated commitment to upholding the rights of Indigenous people, including Indigenous participation in the shaping of the final disclosure standards. As an organization that works on behalf of or in partnership with many Indigenous trusts and Indigenous organizations, it is critically important to our members to ensure Indigenous organizations are autonomously determining how their rights and title and interests are integrated into the climate disclosure standards. We speak about this more in section 3 of the letter.

SHARE supports the stated objectives of both CSDS 1 and 2, particularly regarding integration of Scope 3 requirements and climate scenario analysis. Below, we have outlined where we have concerns or input regarding the specified areas for comment:

1. **CSDS 1: General Requirements for Disclosure of Sustainability-related Financial Information**
    a. *Question 2. Timing of reporting (proposed paragraphs 64-69 of CSDS 1)*

The CSSB has proposed a two-year transition period, one year longer than recommended in IFRS S1. While we do not completely oppose the added relief period, after consulting with various investors and companies in our network, we believe it is best to have an imperfect estimate disclosed in a timely one-year manner, to keep Canada in line with global standards, and do not believe an additional year will result in significantly more robust data.

We see more value in keeping Canada in sync globally and continuing to refine and improve data overtime. Beyond Scope 3, there are already clear provisions outlining best practices for Scopes 1 and 2 emissions disclosures, and among the investors we have consulted, there is agreement that timely progress is more important than perfection as it relates to Scope 3.

Other jurisdictions, including Japan, Brazil and Nigeria, are moving forward with the proposed one year of transition relief and not giving an additional year for disclosure. With this in mind, we believe the CSSB should align with IFRS S1 and international peers by following a one-year transition relief period and keeping Canadian companies in line with global competitors.

Additionally, we believe it is key to have disclosures and financial statements released at the same time to provide investors with a more adequate full picture of the business and its risks. Of note, Climate Engagement Canada, for which SHARE is the Secretariat alongside the RIA, uses a cut-off date of June 1st each year for Scopes 1 to 3 climate disclosures when creating the annual net-zero benchmark. Representing 46 investors with over $6 trillion in assets under management, this timing has been both well-received, and consistently achieved.

2. **CSDS 2: Climate-related Disclosures**
    a. *Question 1. Climate resilience (proposed paragraph 22 of CSDS 2)*

We fully support the inclusion of scenario analysis and agree it is crucial to informing an entity's climate-resiliency assessment. While we understand climate scenario analyses can be complex, and we believe there may likely be capacity constraints when it comes to preparing and disclosing said analyses, in our view, the proportionality components of CSDS 2 already address these capacity concerns. In *CSDS 2, Appendix B, B1*, the proposal outlines that entities can disclose information regarding climate scenario analysis that is “commensurate with its circumstances,” including without undue cost or effort, with available skills and capacities, and through the use of an iterative process.

As stated in section 1a of our response, we believe in a model of progress over perfection, and it is better for an entity to begin the climate scenario analysis process where they are at, instead of building additional relief time to achieve a yet undefined standard of perfection.

We strongly support the inclusion of climate scenario analysis within disclosure frameworks, and we believe it is best for entities to begin this process as they see fit given their size and resources, and to update it through an iterative process. In our recent roundtable of reporting issuers and large institutional investors, participants unanimously agreed that this was an important inclusion. Despite challenges in collecting the relevant data, as long as entities are given the opportunity to define the scope of their analyses it should be achievable in the current defined timeframe, without additional relief.

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

As stated earlier, we wholeheartedly support the inclusion of Scope 3 GHG emissions in disclosures, though believe there are some modifications that could be made to account for both capacity and liability concerns in a relatively new and emerging field.

Both company and investor representatives in our roundtable identified data quality and assurance as concerns. According to issuer participants, one of the most prominent challenges when implementing Scope 3 measurements was concern with liability or re-statements related to publishing potentially inaccurate data. However, despite the challenges that come with estimates, Scope 3 numbers are important for building and evaluating methodologies, and assessing risk.

Due to these concerns over data quality in a still-developing field, and the urgency of achieving progress over perfection, all participants believed that Scope 3 emissions reporting should be subject to a *limited assurance* standard, rather than requiring audited data, at least at the earliest stages.

As CSDS is itself a voluntary standard, the question of safe harbour for Scope 3 disclosures made in good faith is a question for Canadian Securities Administrators to clarify when developing regulations for climate-related disclosures. While we support inclusion of Scope 3 data in regulated disclosures, issuers should have access to safe harbour provisions for at least a transition period while data availability, capacity and methodologies develop further. This is a question to propose to regulators, though we believe CSSB could have a hand in ensuring this message is adequately communicated.

In addition, consistent with the standard, we believe qualitative discussion of potential limitations to the data collected should be included to provide appropriate context for investors. Given that diverse frameworks and metrics for Scope 3 disclosures have been developed and adopted for entities of varying sizes, it would be valuable to further emphasize the proportionality clauses of CSDS 2 to ensure salient communication on the asks of reporting entities. There is more value in identifying the most relevant subcategories of Scope 3 emissions for disclosure and management rather than waiting to calculate all categories in detail as a precursor.

During the aforementioned roundtable of investors and issuers, participants suggested using broad estimates to determine a) where the bulk of Scope 3 emissions lie, and b) where the company has most ability to influence or change the quantity of emissions, and focus more resources on measurement and mitigation in those categories.

We understand, however, that the current CSDS 2 allows for this: as described in *CSDS 2, Section 29 (a) (vi) (1),* the reporting entity is not required to report every category of Scope 3 emissions but rather to identify the categories included within the entity's measure of Scope 3 greenhouse gas emissions, which allows issuers to focus on the most material emissions and identify those for which it has the most ability to influence results. We want to ensure that this is reflected in any related regulatory requirements as well.

3. Consultation Paper on the Proposed Criteria for Modification Framework

Regarding general comments on the Modification Framework, we emphasize the value and importance of including Indigenous perspectives, and priorities in adjustments pertaining to a Canadian context.

The CSSB can play a pivotal role in ensuring meaningful, and substantive Indigenous inclusion prior to the standards moving to Canadian Securities Administrators, and provincial regulators for review, and consultation. As Crown agencies, CSA members have a duty to consult with First Nation, Métis and Inuit communities where legal and regulatory decisions may impact their rights, title, and interests. We expect that as these voluntary regulations move towards standardization, the CSSB will continue to advocate for, and ensure meaningful Indigenous inclusion with organizations that were both part of the ongoing consultation, and those who to date were unable to engage.

It is also critical that these frameworks acknowledge, and include the expectations outlined in the United Nations Declaration on the Rights of Indigenous People (UNDRIP), specifically the inclusion of language on Indigenous self-determination, protections of land rights, consultation on land usage, and protection against land dispossession, amongst many others. In addition, Section 9 of the Climate Engagement Canada Net-Zero Benchmark1 also includes disclosure indicators relevant to how Indigenous peoples may be affected by the implementation of the reporting issuer's decarbonization strategy, which may provide some additional options for consideration by the CSSB.

As the ISSB has not set a clear framework for how Indigenous, and human rights principles would be incorporated into the standards, we are keen to see how the results of this consultation may influence changes, particularly relating to feedback from Indigenous organizations.

…

Again, we commend the CSSB for building capacity to adopt and interpret IFRS 1 and 2 into the Canadian context, and we thank you for the opportunity to submit a response to this consultation. For

[1] Available at: https://climateengagement.ca/cec-net-zero-benchmark/

general questions regarding our submitted response, please contact Amanda Watkins at awatkins@share.ca.

Thank You,

Kevin Thomas, CEO
SHARE—Shareholder Association for Research and Education

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10 June 2024

Omolola Fashesin

Principal, Sustainability Standards

Financial Reporting and Insurance Standards Canada

Dear Ms. Fashesin,

Subject: Canadian Sustainability Disclosure Standards Consultation

Smart Prosperity Institute (SPI) welcomes the opportunity to provide feedback on the Canadian Sustainability Standard Board's (CSSB) proposed Canadian Sustainability Disclosure Standards (CSDS) (CSDS 1, CSDS 2, Criteria for Modification Framework).

Recent progress under Canada's Sustainable Finance Action Council (SFAC) and commitments made in the 2023 Fall Economic Statement and the 2024 Budget, represent critical first steps in orienting and aligning financial markets toward Canada's net-zero transition goals. However, key implementation challenges remain.

With this letter, SPI offers comments drawing from our experience providing independent research support to the SFAC Technical Expert Groups on data, disclosure, capital allocation, and taxonomy, as well as ongoing original research into how policy innovation can support efficient and effective public and private investment in net-zero projects and entities.

Firstly, SPI commends the CSSB for aligning the CSDS closely with the ISSB standards, paving the way for a comprehensive, coherent and transparent sustainability disclosure regime across the broader economy.

Canadian capital markets are highly integrated with other North American and European markets. With several jurisdictions moving ahead in mandating disclosures, alignment with global standards paves the ways for Canadian regulatory interoperability with these jurisdictions. Alignment between disclosure standards also paves the way for early adoption by sustainability leaders, allowing Canadian firms to enjoy an improved reputation among stakeholders and increasing their access to capital from a diverse range of investors.

SPI appreciates the need for transitional relief periods for Canadian entities to prepare for adoption. We urge the CSSB and related Canadian governance bodies to use this time to create momentum for expanding and strengthening disclosure requirements over time, in addition to addressing immediate implementation challenges. Pursuing strategies to smooth implementation and ease of compliance should reduce pushback when these standards are eventually moved to mandatory rule-setting processes. To this end, we put forth the following suggestions for consideration. We also recommend that the CSSB consider how it can approach developing guidance for AI applications in the context of sustainability reporting.

SPI also commends the CSSB for adopting a public interest lens to proposed criteria for modifications. The second portion of this letter discusses how disclosures could be further aligned with Canadians' environmental, economic and social goals.

IMPLEMENTATION CHALLENGES

Data Capacity and Governance

Identify and address data challenges through iterative processes.

Credible, reliable, comparable sustainability data and analytics underpin any effective sustainability disclosure regime. As highlighted in SPI's report "Climate Data Requirements, Gaps, and Challenges to Support Climate-Related Financial Disclosures," (undertaken with members of SFAC), there are extensive data challenges around reporting GHG emissions across the value chain (Scope 3, including financed and insurance-associated emissions), transition pathways, and business-relevant inputs for scenario analysis, especially data to assess exposure, vulnerability to physical risks, and transition preparedness. To effectively implement a sustainability disclosure regime in Canada, data availability in these areas must be improved through iterative processes like regular physical risk mapping, stakeholder surveys, and ongoing development of methodological guidance across Scope 3 GHG emissions, transition pathways and scenario analysis.

Specifically, we recommend the CSSB and other stakeholders such as the Canadian Standards Association (CSA), Office of the Superintendent of Financial Institutions (OSFI), Bank of Canada (BoC), and Canadian Association of Pension Supervisory Authorities (CAPSA) coordinate to provide guidance on the usage of proxy data, restatement of emissions data and emissions factors, actionable steps if information is unavailable, and/or if new information and calculation methodologies become available to improve GHG emissions disclosures across value chains.

Many firms, especially SMEs, may not have access to data or the capacity to analyze data such as GHG emissions and physical risk exposures, which may impede their ability to disclose this information. It may be useful to analyze the tools & solutions available to support data collection and analysis by SMEs, with adequate considerations for sectoral differences. Efficient, ideally automated, data collection is important to minimize efforts and resources in data collection for financial institutions. Guidance in this regard can drive innovation in technological applications for data collection and processing and help promote leading practices based on the best available technologies.

Ensuring Taxonomy Alignment and Coherence

Climate and broader sustainability disclosures, along with taxonomies, transition plans, and scenario analysis, are important pillars of Canada's sustainability information architecture. As SPI stated in "Guiding Sustainable Finance Toward a Net-zero Future", it is important to recognize that these tools depend on and reinforce each other and must be developed to produce alignment and coherence to remain effective. In particular, we recommend that the CSSB pay special attention to Canadian taxonomy developments to ensure the necessary coherence is developed between these instruments to amplify the overall impact of Canada's sustainable finance regime.

While Canada does not yet have a sustainable finance taxonomy in place, the SFAC delivered a Taxonomy Roadmap Report in 2022 addressing the merits, design and implementation of a green and transition finance taxonomy for Canada. More recently, the Government of Canada confirmed in Budget 2024 that it is undertaking "next steps, in consultation with regulatory agencies, the financial sector, industry, and independent experts, to develop a taxonomy that is aligned with reaching net-zero by 2050" (p. 198).

Against this backdrop, it is crucial to think through how a Canadian taxonomy and sustainability disclosure regime would interact, and where policymakers, standard setters, and guidance organizations should focus their efforts on ensuring alignment. For example, if a Canadian taxonomy would be accompanied by taxonomy-related reporting obligations, it is important to ensure coherence between potential taxonomy-related reporting and broader sustainability-related disclosure.

A Canadian taxonomy would also interact with entity-level transition planning in important ways related to informing investment planning and decision-making. Specifically, taxonomies can support the development of transition plans for climate change mitigation by providing companies with a method to develop and disclose investment plans with capital expenditures dedicated to taxonomy-aligned activities. SPI is currently undertaking research addressing this linkage.

Scenario Analysis and Transition Planning

Effective stakeholder engagement and cooperation can improve disclosures for climate resilience scenario analysis without further transitional relief.

Scenario analysis is important to understand entity-level exposure to risks and opportunities and help build appropriate strategic responses for them. Like Scope 3 emissions, other jurisdictions are mandating scenario analysis disclosures within their standards and regulatory frameworks. While there are valid concerns about resources, skills and capacity required to prepare and disclose results from scenario analysis, stakeholders can overcome these challenges through effective engagement and coordination.

For example, SPI's climate data report suggests that governments, securities regulators (CSA), and financial regulators (OSFI, BoC) can work with industry groups to outline data and analytics gaps pertaining to scenario analysis and their disclosures. SPI is currently conducting research (literature review, case studies) to inform entity-level scenario analysis and transition plans to understand how they are currently being conceptualized and conducted, as well as the main points of agreement and contention as they relate to credibility.

One model for consideration is the UK's Transition Planning Taskforce's elaborated best practices and Disclosure Framework. The Taskforce's materials build on the ISSB and GFANZ to offer further depth and details for preparers and users, as informed by global engagement with financial institutions, corporate decision-makers, policymakers, regulators and civil society. Its Disclosure Framework and additional implementation and sector guidance are leading examples of how to reduce the level of disclosure complexity for firms in developing a credible and robust climate transition plan based on forward-looking scenario analysis.

AI and Sustainability Reporting

Taking an anticipatory approach to establishing an evidence base for developing guidance.

Various AI tools, including generative AI applications, are increasingly being used in entity-level sustainability reporting. While these are valuable advancements for reducing the cost of compliance for firms, these technologies bring both benefits and risks. We recommend that the CSSB and others seek to understand and consider what kinds of tools are being used, and where risks and benefits lie in order to mitigate the first and amplify the latter. Without standards and guidance governing the application/implementation of AI in this context, already unclear waters could be further muddied and opportunities to drive innovation in monitoring and reporting could be missed.

AI is already used in reporting to automate data collection and processing/analysis, but generative AI poses additional opportunities and risks in this space and requires special attention. Standards are needed first to gain information on how firms are using generative AI in climate/sustainability monitoring, reporting and verification, to establish an evidence base for developing further guidance addressing specific applications. Collaboration between the CSSB and relevant stakeholders will be required to understand how to develop guidance for these novel technologies, which in certain cases may come down to regulating kinds of algorithms. More research is needed to understand how best to guide the numerous AI applications for sustainability reporting.

PUBLIC INTEREST CONSIDERATIONS

Public Interest and Materiality

Extending materiality to serve the public interest

SPI supports the ISSB's recent announcement to support the future integration of financial materiality of biodiversity, ecosystems and ecosystem services, and human capital disclosures.

However, we believe that the public interest of Canadians lies in going further. Canada and the CSSB have an opportunity to show global leadership by adopting double materiality for climate and biodiversity risk.

The arguments for double materiality are well established, as are investor interest and appetite. According to PwCs 2023 Global Investor Survey, 75% of surveyed investors want information from companies pertaining to their impacts on the environment and society, an increase from 60% in the 2022 survey. In the same survey, 67% of investors also indicated that they would increase their level of investment in companies that shift their business practices to beneficially impact the environment or society. Likewise, an ISS ESG Corporate Rating Survey reported that 71% of investor respondents and 81% of non-investor respondents consider double materiality as either "very relevant" or "of higher relevance."

In line with the CSSB's mandate to serve the public interest, double materiality would serve the informational needs of stakeholder groups beyond the primary users defined in the exposure drafts. While there is some overlap between information being considered material from both an impact perspective and from a financial perspective, there is not a perfect overlap. Other regions are taking steps to incorporate double materiality into sustainability-related reporting requirements. The introduction of the European Sustainability Reporting Standards by the European Union, which recognizes the information needs of a diverse set of stakeholder groups, is a notable example (see: Figure 1 - Integrated Overview of Drivers, Problems and Consequences).

SPI holds that these public interest arguments in favour of double materiality are even stronger in Canada than elsewhere. This is because Canada's mining, forestry, and agricultural sectors are set to grow in a carbon-constrained world characterized by higher demand for CSMs, mass timber, biomass, and agri-food products. Global decarbonization will put added strain on Canada's natural resources, making it increasingly important that biodiversity risk be understood, managed, and mitigated. Canada's economic prosperity will increasingly rely on the health of our ecosystems, and there is a clear public interest in the availability of data on how economic activities impact nature.

Modification Framework and Public Interest

Increased clarity and transparency around decision-making.

We applaud the CSSB for putting forth its Criteria for Modification Framework, in acknowledgment of the real need to balance international alignment with the Canadian public interest. We agree with the CSSB's proposed criteria to assess modifications, namely additions, deletions and amendments to the ISSB's global baseline standards. However, we would urge the CSSB to provide additional clarity on how decisions would be made under paragraph 2 of the proposed modification framework, which requires an assessment of whether modifications are needed based on upholding the Canadian public interest and/or quality of sustainability disclosures in Canada. Currently, it is unclear how the public interest is defined in this context, and how decisions to modify the standard outside of those listed in paragraph 1 will be made. As such, we recommend increased clarity and transparency in this regard, particularly for decision justifications to be made easily accessible to the public.

We welcome any follow-up engagement with the CSSB. For further information or to discuss the submission, please contact Dr. Colleen Kaiser at colleen@smartprosperity.ca.

Sincerely,

Smart Prosperity Institute

À destination du Conseil canadien des normes d'information sur la durabilité

Le 10 juin 2024

Objet : NCID 1 & 2 – réponse aux exposés-sondages sur les premières normes canadiennes d'information sur la durabilité

À l'attention du Conseil canadien des normes d'information sur la durabilité,

Nous sommes des étudiants et étudiantes, des chercheurs et chercheuses, mais aussi des citoyens et citoyennes qui souhaitons dans cette lettre faire état de notre réflexion au regard des normes NCID 1 et 2. Nous accueillons favorablement le développement de normes canadiennes sur la durabilité. Il nous semble cependant que ces projets de normes ne reflètent pas l'urgence climatique et sociale.

Cette réponse n'est pas exhaustive, elle n'aborde qu'une partie des enjeux soulevés par les normes. Nous discuterons successivement les critères de modification, la proposition d'allègement transitoire, les possibilités d'accommodements supplémentaires, pour finir sur quelques enjeux importants soulevés par ces normes, mais pour lesquelles le CCNID ne pose pas de questions précises.

Examen des critères de modification proposés

En réponse à l'appel à commentaire sur « les critères dont le CCNID propose de tenir compte pour déterminer s'il convient d'apporter des modifications aux dispositions reprises des Normes IFRS d'information sur la durabilité telles qu'elles ont été publiées par l'ISSB », nous sommes favorables aux critères proposés (P1 Q1).

Néanmoins, de manière cohérente avec ce que souligne le CCNID, dans certains cas, d'autres référentiels doivent être mobilisés pour produire de l'information en matière de durabilité (§55bii et §55biii). Le CCNID pourrait donc ajouter un critère de modification qui serait le suivant : « incorporer tout autres référentiels pertinents à la production d'informations sur la durabilité » (P1 Q2).

En complément, nous pensons par exemple que les ESRS sous la CSRD de l'EFRAG[1] pourraient être mobilisés comme une ressource éventuelle. L'initiative ACT[2] peut également être une ressource intéressante s'agissant des scénarios climatiques (P3 Q3). Nommer les référentiels utiles et guider les utilisateurs des normes dans leur appropriation pourrait également faire l'objet d'un travail du conseil.

De la même manière, le Canada doit conserver un avantage stratégique en permettant au CCNID de pouvoir s'aligner sur des référentiels plus complets que ce que propose l'ISSB. Permettre aux

[1] EFRAG. (s. d.). *The first set of ESRS*. Consulté 10 juin 2024, à l'adresse https://www.efrag.org/lab6
[2] ACT initiative (s.d.). *Abous us.* Consulté le 10 juin 2024, à l'adresse https://actinitiative.org/fr/about-us/#about

entreprises canadiennes de divulguer des informations en double matérialité – comme ce que préconise l'EFRAG – et d'accéder à des normes thématiques et sectorielles consolidées leur offrirait l'opportunité de rester concurrentielles avec les entreprises européennes, notamment pour attirer les capitaux des investisseurs.

La CSDDD finalement adoptée en mai 2024 par la Commission européenne[3] vient soutenir cette considération : le devoir de vigilance dans les chaînes de valeurs des entreprises européennes – et canadiennes ayant un chiffre d'affaires[4] – implique pour les entreprises canadiennes de prendre en compte les exigences européennes, notamment à la suite de l'accord de libre-échange[5].

Par ailleurs, le Shanghai Stock Exchange a publié en mars 2024[6] un projet de normes générales pour la publication d'informations sur la durabilité – adopté en avril pour une entrée en vigueur en 2026 et qui vise toute société qui fait partie de l'indice SSE 180 ou de l'indice STAR 50, ou est cotée simultanément sur les marchés chinois et étrangers – et s'aligne sur la divulgation en double matérialité proposée par l'EFRAG.

L'ajout d'un critère de modification permettant l'intégration d'autres référentiels au sein des projets de normes canadiennes semble d'autant plus important que le récent rapprochement entre l'ISSB et le GRI[7] suggère une complémentarité des référentiels qui semble indispensable.

En fin de compte, plutôt que de repousser les échéances, il est possible de simplifier l'exercice de divulgation en intégrant au sein des normes les différentes ressources qui peuvent soutenir l'exercice. Internaliser les référentiels et méthodologies externes (§54 et §55) de manière plus consistante à l'intérieur du périmètre des NCID – plutôt que d'en laisser la discrétion aux entreprises – pourrait notamment faire l'objet d'un travail de synthèse.

Examen des critères d'allègement transitoire concernant la date d'effectivité de l'entrée des normes

Aucun allègement transitoire ne devrait être accordé concernant l'implantation des normes (P2 Q1, P3 Q1 et P3 Q4). Trois raisons principales motivent notre prise de position.

En premier lieu, la mise en œuvre de ces normes constitue un avantage stratégique qu'il s'agirait de ne pas perdre, notamment au regard de la temporalité imminente de déploiement des normes

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[3] Conseil de l'union européenne. (s. d.). *Corporate sustainability due diligence : Council gives its final approval.* Consulté 10 juin 2024, à l'adresse https://www.consilium.europa.eu/en/press/press-releases/2024/05/24/corporate-sustainability-due-diligence-council-gives-its-final-approval/

[4] Parlement européen. (s. d.). *Directive—2022/2464—EN - EUR-Lex*. Consulté 10 juin 2024, à l'adresse https://eur-lex.europa.eu/legal-content/FR/TXT/?uri=uriserv%3AOJ.L_.2022.322.01.0015.01.FRA&toc=OJ%3AL%3A2022%3A322%3ATOC

[5] Gouvernement du Canada. (2016, avril 25). L'Accord économique et commercial global (AECG) entre le Canada et l'Union européenne (UE). AMC. Consulté 10 juin 2024, à l'adresse https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/ceta-aecg/index.aspx?lang=fra

[6] Shanghai Stock Exchange. (2024). *Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial).* https://english.sse.com.cn/news/newsrelease/c/10753174/files/5a3884ca89cd434bb34ab39dd539f8e7.pdf

[7] Global reporting initiative. (2024, mai 24). *GRI and IFRS Foundation collaboration to deliver full interoperability that enables seamless sustainability reporting.* https://www.globalreporting.org/news/news-center/gri-and-ifrs-foundation-collaboration-to-deliver-full-interoperability-that-enables-seamless-sustainability-reporting/

européennes et chinoises sur la durabilité. Il est nécessaire que le Canada s'aligne sur l'agenda international s'il aspire à conserver sa compétitivité avec les continents étrangers. L'absence d'information de durabilité risque d'avoir un impact d'abord sur l'attraction des capitaux vers les entreprises concernées, ensuite les décisions de partenariat d'affaires dans les chaînes de valeurs et enfin les décisions d'achats des consommateurs.

Une deuxième raison qui soutient cette position s'inscrit dans le pragmatisme incrémental inhérent à l'exercice de construction de l'information financière et de durabilité. Les recherches sur l'incomplétude (Jordan et Messner, 2012) viennent étayer ce point et soutenir la préférence pour la production d'une information de moins bonne qualité à celle de l'absence de production d'information. Les recherches sur l'apprentissage organisationnel (Argyris et Schön, 1978 ; Naro et Travaillé, 2019) proposent également que la conception du dispositif de contrôle de gestion – en l'occurrence les normes – constitue un levier d'apprentissage pour les organisations. Si l'on se réfère à Gond *et al*. (2024), on peut même suggérer que cet apprentissage – par le biais des experts-conseils de ces dispositifs – peut s'élargir à l'ensemble de l'écosystème des organisations touchées par les normes. Une certaine tolérance à l'égard de la qualité des informations de durabilité divulguées les deux premières années par les entreprises canadiennes serait une disposition suffisante pour débuter l'apprentissage de l'ensemble de l'écosystème.

Troisièmement, un nombre croissant des entreprises produisent et divulguent des données à caractère environnemental et social depuis de nombreuses années (Whiteman, Walker, et Perego 2013 ; Malik, 2015). Dans son dernier sondage sur la divulgation sur la soutenabilité, KPMG International montre que 96% des entreprises des plus grosses entreprises mondiales divulguent des informations sur la RSE ou la soutenabilité et que 64% mentionnent le risque climatique comme étant majeur pour leurs affaires. La GRI, du TCFD et les ODD sont les référentiels les plus utilisés, et l'adoption du TCFD a presque doublé entre 2020 et 2022, passant de 36% à 61%[8]. La plupart des entreprises dispose donc déjà des connaissances et compétences suffisantes pour adopter rapidement les normes NCID 1 & 2.

Finalement, et afin de pallier la complexité que représente l'exercice de divulgation des informations de durabilité, le conseil devrait incorporer dans ses outils de référence des modèles et exemples illustratifs d'informations et de documents que les entreprises devraient s'attendre à divulguer – ce point a notamment déjà été évoqué par l'AASOC et l'AcSOC lors de la consultation de l'ISSB[9]. Faciliter de la sorte l'accès à la construction de l'information impliquerait de minimiser les coûts ou efforts excessifs (§37a) pour la produire. Cela simplifierait la tâche des entreprises et limiterait les demandes d'allègement transitoire.

[8] KPMG International (2022). Survey of Sustainability Reporting 2022. https://assets.kpmg.com/content/dam/kpmg/se/pdf/komm/2022/Global-Survey-of-Sustainability-Reporting-2022.pdf.

[9] Auditing and Assurance Standards Oversight Council & Accounting Standards Oversight Council. (2022, juillet 28). *Commentaires sur les projets de normes IFRS S1 de l'ISSB*. https://ifrs-springapps-comment-letter-api-1.azuremicroservices.io/v2/download-file?path=610_65095_2_canada-s-auditing-and-assurance-standards-oversigh-ifrs-s1-aasoc-and-acsoc-response-jul-28.pdf

Examen des accommodements supplémentaires proposés concernant la communication simultanée

De la même manière, aucun accommodement supplémentaire ne devrait être accordé concernant la communication simultanée des informations financières et extra-financières (P2 Q2).

Au-delà des arguments développés dans les paragraphes précédents concernant la nécessité de report ou d'allègement, il nous semble que trois arguments principaux invitent à ne pas déroger à la nécessité de divulguer de manière simultanée l'information financière et l'information sur la durabilité.

D'abord, les paragraphes 21 à 24 mettent en avant l'importance de mettre en lien les informations financières et les informations sur la durabilité pour améliorer la qualité des informations divulguées par les entreprises. Ainsi, décorréler la divulgation de ces différents types d'informations ne permettrait pas aux utilisateurs de ces informations de saisir pleinement les interrelations entre ces différentes informations. Cela viderait la norme NCID 1 de sa substance et rentrerait en contradiction avec l'esprit de cette norme. C'est pourquoi il est extrêmement important que les entités fournissent leurs informations financières en lien avec la durabilité en même temps que leurs états financiers correspondants (P2 Q3).

Ensuite, en permettant aux entreprises de différer la divulgation d'informations sur la durabilité, le CCNID envoie un signal que ces informations sont moins importantes que les informations comptables et financières. Les utilisateurs d'information financière ne seront pas incités à prendre en compte l'information sur la durabilité dans leur prise de décision.

Enfin, il est possible de faire face aux problèmes de main-d'œuvre comptable en ouvrant l'expertise de construction d'informations sur la durabilité à d'autres professions. Les acteurs du conseil en développement durable sont par exemple une ressource capable de se plier à cet exercice. Ainsi, il semble d'intérêt pour le Canada de déployer des moyens éducatifs et législatifs pour appuyer cette transition.

Autres points

Globalement, les aménagements proposés par le CCNID vont tous dans le même sens. Ils visent à reporter ou alléger les éléments contraignants pour les entreprises en ce qui concerne la divulgation d'informations dans le domaine de la durabilité. Pourtant, dans certains domaines, le CCNID aurait pu aller plus loin, notamment sur les trois points suivants :

1. Étendre la définition des cibles des divulgations extra-financières (§B13 à §B18) – restreinte aux principaux utilisateurs des états financiers compris comme étant les acteurs de la finance – à un plus large ensemble de parties prenantes. Les enjeux liés à la restriction de la divulgation d'informations comptables à certaines parties prenantes a notamment déjà fait l'objet de recherches qui pointent du doigt les éventuelles dérives de cette pratique

(Young, 2006). La définition des lignes directrices européennes[10] intègre par exemple la définition de l'ISSB sans s'y limiter, de même que la définition chinoise[11] ;

2. Clarifier les notions de risque et possibilité (§1 à §3, §6, §30, §31, §43, §44, §54 et §55) et de significativité (§17, §18, §19, §B19 à §B28 et §D8) en prenant notamment en compte l'exigence de double matérialité. Dans la mesure où la notion de partie prenante devrait être élargie, la taxonomie des enjeux qui les affecte devrait l'être également. La notion de « *sustainability* » devrait notamment être traduite en utilisant le concept de « soutenabilité » plutôt que « durabilité ». Par ailleurs, il faudrait s'orienter vers une soutenabilité qui soit forte et considérer les enjeux d'impact pour représenter pleinement son essence. C'est-à-dire que le conseil devrait définir plus précisément les enjeux environnementaux et sociaux auxquels les entreprises et leurs parties prenantes peuvent être rattachées et ne pas accepter la possibilité de substituer entre elles les performances des solutions portant sur des enjeux différents : que ce soit de l'extérieur vers l'intérieur de l'organisation (principe de matérialité financière) comme de l'intérieur vers l'extérieur (matérialité d'impact) ;
3. Limiter la possibilité de s'exonérer des normes (§38 et §39). Il semble indispensable de mettre en place une définition plus précise des conditions de possibilité d'exonération de la production d'information de durabilité. Le seuil des « compétences, capacités et ressources » doit être clairement défini et mis en relation avec la taille et le secteur d'activité des entreprises. Laisser le champ libre à l'interprétation dans ce domaine risque de faire perdre à ces normes tout caractère contraignant.

Sincèrement,

Maxime Robin, étudiant à la maîtrise en management et développement durable à HEC Montréal, consultant en stratégie climatique et d'écoresponsabilité chez ADDERE service-conseil

Samuel Sponem, professeur, HEC Montréal, titulaire de la Chaire internationale CPA de recherche en contrôle de gestion

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[10] « Les parties prenantes sont celles qui peuvent affecter ou être touchées par l'entreprise. Il existe deux principaux groupes de parties prenantes :
a) parties prenantes affectées : les personnes ou les groupes dont les intérêts sont ou pourraient être affectés – positivement ou négativement – par les activités de l'entreprise et ses relations commerciales directes et indirectes tout au long de sa chaîne de valeur ; et
b) utilisateurs des déclarations de durabilité : principaux utilisateurs de l'information financière à usage général […] »
ESRS 1 – General requirements, p.9

[11] « Toute personne ou tout groupe dont les intérêts sont ou peuvent être touchés par : les activités d'une entité divulgatrice, telles que les employés, les consommateurs, les clients, fournisseurs et investisseurs. »
Guidelines No. 14 of Shanghai Stock Exchange for Self-Regulation of Listed Companies, p.23

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Mouna Hazgui, professeure, HEC Montréal, titulaire de *professorship* de recherche en développement de l'expertise comptable

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June 10, 2024

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2
[submitted via online form]

Re: Exposure Drafts of Canadian Sustainability Disclosure Standards (CSDS) 1 and 2

Dear CSSB,

Suncor would like to express our appreciation for the opportunity to provide feedback on the exposure drafts of CSDS 1 and 2. We have been following the ongoing development of the IFRS S1 and S2 and the topic of sustainability disclosures for the benefit of investors. Suncor supports the publication of Canadian-specific standards for sustainability disclosures that align with international standards, and the strong alignment of the CSDS 1 and 2 with IFRS S1 and S2, as well as the extended timelines for implementation in Canada.

Implementation timelines and relief periods

Regarding timing of implementation, we understand the nascent nature of some of the details of financial-related sustainability disclosures and the complexities of the initial development and publication of this information by preparers; accordingly, we encourage the CSSB and the Canadian Securities Administrators to provide extended implementation timelines and relief periods for some aspects of these mandatory disclosures. One aspect of the CSDS 1 and 2 that Suncor feels warrants a longer relief period is any requirement for assurance reviews of the data. As many of these disclosure processes will be new to preparers, it is reasonable to provide time for the processes to be improved and refined before the data and results are subject to assurance in future years. Another aspect of CSDS 2 that will require additional time for some preparers to implement is the use of scenario analysis. A longer relief period for scenario analysis would allow for the implementation of more meaningful scenario analysis. Suncor also sees opportunities to provide support for preparers dealing with the challenges of implementing scenario analysis for the first time, as in the section on guidance, below.

Alignment of timing of GHG metrics and targets with financial disclosure

In addition to the overall timeline for implementation, Suncor requests that CSSB consider revising the section of the CSDS 1 and 2 requiring that sustainability disclosure timing align with financial reporting disclosure timelines by allowing certain disclosures to be published alongside Q2 financial results. For example, the availability of reliable GHG emissions data often falls beyond the first quarter following the reporting year. Keeping in mind what information investors require to make informed decisions, it is possible to allow a split in the disclosure of climate-related financial information. Some aspects of CSDS 2 can be more readily provided along with the annual financial reporting, such as the CSDS 2 sections on governance, strategy, and risk management. More detailed and reliable information around targets and metrics are typically available by the second fiscal quarter, as required by environmental regulations. This approach is consistent with the SEC rules around climate-related financial disclosures published in 2024.

Suncor also requests the CSSB specifically address the interplay between CSDS 1 and 2 and the recently proposed amendments to the Competition Act (ref. s. 74.01(1)(b.2)) that require companies to be able to provide adequate and proper substantiation of representations to the public, in accordance with internationally recognized methodologies. Suncor requests the CSDS 1 and 2 regime incorporate adequate safe-harbour provisions, undertakings regarding the non-public nature of submissions and other legislative superseding provisions to ensure that submissions under CSDS 1 and 2 do not expose companies to litigation and potential liability under the above referenced proposed revisions of the Competition Act.

Guidance and supporting documentation

Beyond the implementation timelines and alignment of sustainability disclosure timing with financial disclosure, as noted above, Suncor does not have additional suggested revisions to the standards themselves. We do, however, have requests for clarification of some specific aspects of the standards. These clarifications could be addressed through supplementary documents from CSSB or the CSA. These clarifications may be handled through guidance documents or examples of suitable disclosures. Following is our list of topics for which we would appreciate more guidance.

- Materiality – The alignment of the definition of materiality in CSDS 1 with IFRS financial materiality is helpful. The challenge we see is how to translate the financial materiality thresholds to the respective environmental or social performance metrics. While several possible approaches exist, some level of consistency in this calculation would be beneficial to investors. Suncor requests that CSSB provide some guidance on how to translate environmental and social performance metrics into financial impacts for the purpose of materiality assessment.
- Strategy disclosure – Suncor would appreciate guidance on how to address the disclosure of business strategy that is related to climate risks and opportunities when such information may be confidential or competitively-sensitive. This concern includes both the level of detail of such disclosure as well as the very need to disclose information that is speculative and competitively sensitive. In particular, we are concerned with how the phrase "… investment and disposal plans … including plans the entity is not contractually committed to" may be interpreted by regulators.
- Scenario analysis – While Suncor has published summaries of its energy scenarios and their influence on our business planning, some companies would not have access to numerical scenarios, and likely don't have practice applying them to their business models. We encourage the CSSB to advise on how companies can access numerical scenario information and provide guidance for business planners on how the scenarios could be used to test the resilience of business plans. For many, the development of scenarios and the integration of scenarios into business planning will take some time and, as suggested above, we encourage the CSSB and/or the CSAs to provide a relief period of at least two years.
- Scope 3 materiality – Given the 15 categories of Scope 3 GHG emissions with each of those categories having different levels of availability and materiality to companies, we encourage the CSSB to provide guidance on assessing materiality and further guidance, beyond the GHG

Protocol, on navigating data availability. The absence of guidance could lead to very different methods of calculating and reporting the various Scope 3 categories, resulting in disclosures with incomparable data and undermining the utility of the standards.

Thank you for your consideration of Suncor's feedback to the CSDS 1 and 2 exposure drafts and anticipation of associated regulations.

Sincerely,

Jon Mitchell
Chief Sustainability Officer
Suncor Energy Inc.

June 7, 2023

The Honorable Lisa French
Vice-President, Sustainability Standards

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

Re: Comments on the Exposure Draft for Proposed Canadian Sustainability Disclosure Standard (CSDS)

Dear Vice-President Frech,

Sunesis appreciates the opportunity to provide feedback on the Exposure Draft for the Proposed Canadian Sustainability Disclosure Standard (CSDS). We commend the Canadian Sustainability Standards Board (CSSB) for its diligent efforts in developing comprehensive sustainability disclosure standards that bring clarity to businesses on expectations and requirements and that address Canadian-specific needs.

A Brief on Sunesis

Sunesis was established in 2004 and, as an advisory firm, has served the Canadian and energy industry over the last 20 years. We have worked extensively with both large and small publicly traded energy companies and this allows us to provide an informed perspective on the benefits and challenges that sustainability standards will have on these organizations and those aspects of the standards that require refinement to ensure they best support the reporting organizations, their shareholders and other relevant stakeholders. As an advisory firm that includes a specialization in assurance and verification, we are committed to supporting organizations in maintaining the accuracy and reliability of their sustainability reports. Our motivation lies in advancing trustworthy reporting processes that make transparency and accountability possible.

The Critical Role of Disclosure Standard

Canadian companies have been publishing their ESG and Sustainability reports over the last several years, but, due to the lack of a standardized requirement, different frameworks and methodologies were used. This variation has made it challenging for management and end users to effectively compare sustainability performance across different organizations.

A standard like the CSDS will be instrumental in addressing this issue as it provides a coherent framework for sustainability reporting. This helps ensure that all companies are similarly assessed, which enables a level playing field across Canadian businesses and industries.

The Importance of Scope 1 and 2 Emission Reporting

We support the proposed reporting of Scope 1 and 2 emissions as it fosters trust and credibility among stakeholders by showing that the entity is addressing its primary carbon footprint by providing a more accurate picture of its environmental impact, and enabling more informed decision-making. However, we believe that this benefit would be amplified if the CSSB takes into consideration and incorporates the following recommendations, as noted in our specific responses below.

Specific Response to Comments Request

Shift The Reporting Timeframe

The stated reporting timing requirements in the exposure draft for CSDS stipulate that entities must report their sustainability-related financial disclosures simultaneously with their related financial statements. While this alignment aims to provide a holistic picture of an entity's financial and sustainability performance, it imposes significant challenges on reporting entities. These challenges include an increased reporting burden, staffing constraints, and data quality risks due to rushed data-collection processes, especially with the proposed requirement to include Scope 3 emissions in the disclosure.

Recognizing these challenges, we propose amending the reporting timeframe to be the second quarter of the year following the entity's reporting period. This shift in timing requirements would provide entities with the necessary time to thoroughly collect and consolidate data, and allow internal or external verifiers to deliver higher-quality assurance services. Ultimately, this will support greater transparency and accountability in sustainability-related and climate-related reporting.

Clarify The Standardization of Attestation for Scope 1 and 2 Emissions

The exposure draft requires entities to disclose Scope 1 and Scope 2 emissions, which is a significant step forward. However, we recommend that CSDS specify whether an independent attestation report is required and outline the specific level of assurance needed. This would be similar to the approach taken by the Securities Exchange Commission (SEC) in its final rule on the reported Scope 1 and 2 emissions.[1] We also recommend that clarity over the timeline for implementation of the attestation be included in the standard, and we believe that the timing for the proposed requirement should be based on the size of the organization and should be effective for the 2026 reporting period at the earliest. This would enable organizations to have adequate time to ensure compliance.

Standardizing the requirement on whether an attestation is required and the level of assurance needed would provide reporting entities and verifiers with clear and consistent approach, reduce confusion, and ensure a streamlined process.

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[1] *See* SECURITIES AND EXCHANGE COMMISSION 17 CFR 210, 229, 230, 232, 239, and 249 [Release Nos. 33-11275; 34-99678; File No. S7-10-22] RIN 3235-AM87 The Enhancement and Standardization of Climate-Related Disclosures for Investors, Section II, I

Remove Disclosure of Third Party Validation of Targets

The exposure draft requires entities to disclose whether their climate-related targets and the methodologies for setting those targets have been validated by a third party. We recommend that this disclosure requirement be completely removed. The current disclosure requirements over targets are quite comprehensive and stringent and provide clarity to users over the target-setting process.

Organizations typically possess deeper insights into their own operations and strategic goals than third parties, making them best suited to set and validate their own targets. Instead of requiring entities to disclose whether third-party validation has been performed, we support the CSSB to encourage entities to consult with external experts, particularly on compliance with relevant laws and regulations, during the target setting process to ensure robustness and alignment with best practices, without necessitating disclosure of third-party validation.

As mentioned in the previous comment regarding attestation, the independent attestation of an entity's greenhouse gas (GHG) inventory provides users and management with confidence in the integrity of the reported data, which serves as the foundational input for setting credible and achievable targets. This validation process is analogous to the evaluation process of reserve reports in the Oil and Gas sector, where independent evaluators provide investors with confidence in the accuracy and reliability of an entity's reserves.[2]

Remove Disclosure of Scope 3 Emissions Targets

The exposure draft requires entities to disclose whether their climate-related targets include Scope 1, 2, and 3 emissions. While we recognize the value that comprehensive emissions reporting may bring to users, we recommend that the CSSB revise the exposure draft to clearly state that the disclosure of climate-related targets is applicable for only Scope 1 and Scope 2. We believe that including optional Scope 3 emissions target disclosure could create an implicit and detrimental expectation that Scope 3 targets should be established and disclosed, even though the exposure draft, as currently written, does not explicitly require this.

Entities often have limited control over their Scope 3 emissions. Setting targets that include Scope 3 emissions, over which entities have limited influence, may not be practical or achievable. This could lead to confusion and misinterpretation by users of the reports regarding the entities' ability to meet their climate-related targets. We suggest that the focus should be on Scope 1 and Scope 2 emissions, where entities have direct control and can implement effective reduction strategies.

Voluntary and Risk-based Approach on Scope 3 Emissions Disclosure

Through our work with various entities, we have observed significant challenges in accurately reporting Scope 3 emissions. These challenges include the vast number of indirect emission sources, such as suppliers, customers, and other elements within the value chain. These factors significantly complicate the collection and verification of Scope 3 emissions data. Additionally, Scope 3 emissions do not directly impact the entities' own climate-related risks and provide limited value to the investors.

[2] *See CSA Notice of Amendments to NI 51-101 Standards of Disclosure for Oil and Gas Activities and Companion Policy 51-101 Standards of Disclosure for Oil and Gas Activities*

Given these challenges and the cost-effectiveness of complying with the proposed requirement in this exposure draft, the mandate of Scope 3 emissions disclosure is questionable. Therefore, we recommend that the CSSB adopt a voluntary approach for Scope 3 emissions reporting. We also recommend that the CSSB permit entities that voluntarily disclose their Scope 3 emissions to use a risk-based approach. This approach, which can be guided by the Scope 3 Accounting Protocol, focuses on the most significant emissions sources and prioritizes efforts based on materiality and capacity.[3] By allowing entities to concentrate on the most impactful areas, this method ensures more accurate and meaningful disclosures while managing the associated reporting burdens.

Summary

Sunesis supports the objectives of CSDS and the steps taken to improve sustainability disclosure in Canada. However, we believe that the expectations and requirements, as set out in the current exposure draft, will have a greater industry impact and adoption by incorporating the recommendations we have articulated. The summary of our key recommendations is as follows:

1. **Shift The Reporting Timeframe**: Amending the reporting timeframe to the second quarter of the year following the reporting period to allow thorough data collection and validation, thus ensuring high-quality sustainability disclosure.

2. **Clarify The Standardization of Attestation for Scope 1 and 2 Emissions**: We recommend specifying whether an independent attestation report is required and the level of assurance needed, effective for the 2026 reporting period at the earliest.

3. **Remove Disclosure of Third-Party Validation of Targets**: We suggest removing the requirement for disclosing third-party validation of climate-related targets, while encouraging entities to consult external experts during the target-setting process without necessitating disclosure.

4. **Remove Disclosure of Scope 3 Emissions Targets**: We recommend removing the implicit expectation to disclose whether climate-related targets include Scope 3 emissions due to the limited control entities have over these emissions and the potential for confusion among users.

5. **Voluntary and Risk-Based Approach for Scope 3 Emissions Disclosure**: We propose adopting a voluntary approach for Scope 3 emissions reporting and allowing entities to use a risk-based approach, guided by the Scope 3 Accounting Protocol, to focus on the most significant emission sources based on materiality and capacity.

[3] *See* Corporate Value Chain (Scope 3) Accounting and Reporting Standard, Supplement to the GHG Protocol Corporate Accounting and Reporting Standard

We appreciate the opportunity to contribute to the development of the CSDS and commend the CSSB for its efforts in enhancing the transparency and reliability of sustainability reporting. We believe that our recommendations will help improve the implementation and effectiveness of the standards, ensuring they meet the needs of both reporting entities and their stakeholders. We look forward to the final version of CSDS and are committed to supporting its successful adoption and implementation.

Sincerely,

Bolin Zhang

Director ESG & Advisory

Sunesis Consulting Ltd.

cc. Lori Caltagirone, President Sunesis

T. Rowe Price®
INVEST WITH CONFIDENCE

June 10, 2024

Online submission

Re: RESPONSE TO CANADIAN SUSTAINABILITY DISCLOSURE STANDARDS PUBLIC CONSULTATION

T. Rowe Price[1] welcomes the opportunity to submit our firm's comments on the Canadian Sustainability Disclosure Standards (CSDS) Public Consultation published for comments by the Canadian Sustainability Standards Board (CSSB). We support Canada's adoption of the ISSB standards, subject to our recommendations on timing and further assistance with Scope 3 greenhouse gas (GHG) emissions reporting, as we outline below.

Our support for the ISSB standards is based on its emphasis on providing environmental and social disclosures centered on financial materiality, which also includes applying an industry-specific lens to disclosures. We believe that our clients benefit from the provision of sustainability disclosures, as they help us quantify environmental and social risks and opportunities. Additionally, qualitative disclosures aid our analysis of the management team's management of risks and strategic approach in these areas.

Relevance of GHG reporting to our investment process. As a global investment management organization , we generally support regulation that facilitates disclosure of Scope 1, 2, and 3 GHG emissions, as we believe climate change is a financially material factor impacting many of the sectors in which we invest. For several years, T. Rowe Price has advocated that our investee companies adopt Sustainability Accounting Standards Board (SASB) and Taskforce on Climate-related Financial Disclosures (TCFD) reporting standards. Given the ISSB's incorporation of these two standards in its framework, we are recommending that our investee companies look to adopting the ISSB standards, IFRS S1 and IFRS S2.

Sufficient time for adoption. We support a sufficient transition period for the standards' adoption. The IFRS S1 and IFRS S2 standards have become effective in January 2024. We anticipate that the most ambitious companies will use these ISSB standards for year-end 2024 reports, issued in 2025, but that most of our investee companies will require a longer period of time to transition. During this transition period, we expect that many of our investee companies will continue to report using SASB and/or TCFD standards. Many companies have invested in the infrastructure to prepare SASB and/or TCFD reporting, and we believe that forcing them to change reporting standards in a short period of time may be an undue burden. We also recognize that some multinational companies may become subject to new sustainability reporting requirements in a number of jurisdictions, thereby increasing compliance burdens over the same period of time.

In our view, large capitalization companies should not be required to make ISSB-type disclosures any earlier than 2026 (capturing year-end 2025 disclosures). Allowing a longer transition period for companies already using SASB and TCFD disclosures could be reasonable. Additionally, smaller capitalization companies should be given a longer transition period than their larger peers.

[1] T. Rowe Price is a global investment management organization, serving a broad array of clients, from individual savers to large institutions and funds. Headquartered in the United States, T. Rowe Price has offices in 17 jurisdictions around the world, including in Canada, with global assets under management of $1.48 trillion as of April 30, 2024.

T.RowePrice®

Greenhouse gas emissions—timing of Scope 1 and 2 GHG reporting. We recommend that publicly listed corporate issuers should disclose Scope 1 and 2 GHG emissions at the same time as, or relatively close to, their financial results. In our experience, publicly listed company disclosure of Scope 1 and 2 GHG emissions data is fairly good; however, it is not ideal that reporting of GHG emissions often occurs much later than financial reporting. We believe that our assessment of environmental and social factors affecting our investments would strongly benefit from publicly listed corporate issuers disclosing this data, either at the same time or relatively close to their financial results.

Our current position on Scope 3 GHG emissions reporting. We strongly encourage all issuers to report their Scope 3 GHG emissions that are most material to their business. We recognize that reporting Scope 3 GHG emissions adds much more complication than reporting Scope 1 and 2 GHG emissions, with dependencies on third-party data. For some industries, estimating methodologies are still evolving. Given these challenges, we do not believe it is appropriate for us to unilaterally expect all issuers to report a full suite of Scope 3 GHG emissions categories at this time. However, we do expect that the landscape and our expectations will evolve over the next 12–36 months. In the interim, we strongly encourage issuers to report the Scope 3 GHG emissions categories most material to their business.

Phased regulatory approach—focusing on material Scope 3 GHG emissions. We look to regulators to facilitate the disclosure of material Scope 3 GHG emissions (the approach adopted by the ISSB) in their respective jurisdictions, which would significantly close the “information gap” on measuring Scope 3 emissions at the portfolio level. We find that, at a company level, Scope 3 GHG emissions tend to be concentrated within one to five categories. Therefore, if a company provides disclosure on its largest Scope 3 GHG emissions categories, the remaining portion of estimated Scope 3 GHG emissions would not be that significant, meaning investors could have much higher confidence in the data set.

Need for regulatory guidance for corporate issuers on estimating methodologies for Scope 3 GHG emissions. Based on our engagement with corporate issuers on the topic of GHG emissions disclosure, we believe that regulatory support, coordinated globally, is needed for any meaningful change in reporting to occur. In our view, the key problem sits with Scope 3 GHG emissions where only a minority of the investment universe reports the Scope 3 GHG emissions categories that are financially material to their business, as discussed above.

Based on both our discussions with our investee companies and our experience as an issuer, we know that many companies are struggling with the estimation methodologies and data sourcing for the various Scope 3 GHG emissions categories. This is, in part, due to the nascency of estimating methodologies and systems used to track sources of Scope 3 GHG emissions, and, often, the issuer’s primary concern is one of legal liability. We believe that regulators could ease this concern by providing a safe harbor or guidance to publicly listed corporate issuers on the use of estimating methodologies for Scope 3 GHG emissions.

In the absence of company-reported data, investors have become reliant on estimated Scope 3 GHG emissions provided by third-party vendors, such as MSCI, Sustainalytics, Bloomberg, and Institutional Shareholder Services, among others. While these estimates are done on a best-efforts basis, in almost all instances, the vendors do not have access to key inputs from the companies, which can be meaningful determinants of a company’s emissions profile. This means we have less confidence in this estimated data.

RESPONSE TO THE CANADIAN SUSTAINABILITY STANDARDS BOARD (CSSB) ON THE EXPOSURE DRAFTS: PROPOSED CANADIAN SUSTAINABILITY DISCLOSURE STANDARDS (CSDS 1 AND CSDS 2)

TC Energy Submission | *June 3, 2024*

NATURAL GAS PIPELINES

75%

of Canada's demand

...

Our 93,700-kilometre network serves the largest, most competitive resource basins and the highest-value demand markets spanning Canada, the U.S. and Mexico. In Canada, LNG exports facilitated by our Coastal GasLink pipeline could reduce global CO_2 emissions by 60-90 million tonnes by displacing higher carbon-emitting energy sources, such as coal.

LIQUIDS PIPELINES

20%

of Canadian exports to markets served

...

Our 4,900-kilometre liquids pipeline system directly connects one of the largest global oil reserves, the Western Canadian Sedimentary Basin, to the largest refining markets in the U.S. Midwest and Gulf Coast. This irreplaceable system serves a highly strategic corridor.

POWER AND ENERGY SOLUTIONS

30+

years of experience

...

We own or have interest in facilities in Canada and the U.S. providing approximately 4,600 megawatts of capacity, over 75 per cent of which is emission-less. We continue to progress power and energy solutions initiatives, including at our Bruce Power nuclear facility.

TC Energy

June 3, 2024

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

TC Energy
450 - 1 Street S.W.
Calgary, AB Canada, T2P 5H1

DELIVERED VIA THE CSSB'S ONLINE FORM

Dear Ms. French,

Re: Request for Comment on Proposed Canadian Sustainability Disclosure Standards (CSDS 1 and CSDS 2)

TC Energy Corporation (TC Energy or TCE) is pleased to provide comments on the Canadian Sustainability Standards Board's (CSSB) proposed Canadian Sustainability Disclosure Standards (CSDS 1 and CSDS 2, collectively the "Standards" or "CSDSs") published on March 13, 2024.

About TC Energy

We're a team of over 7,000 energy problem solvers working to safely move, generate and store the energy that North America relies on. Today, we're delivering solutions to the world's toughest energy challenges – from innovating to deliver the natural gas that feeds LNG to global markets, to working to reduce emissions from our assets, to partnering with our neighbors, customers, and governments to build the energy system of the future. It's all part of how we continue to deliver sustainable returns for our investors and create value for communities.

Our industry is experiencing unprecedented change as we collectively tackle the central challenge that unites us all: meeting growing global energy demand while reducing greenhouse gas (GHG) emissions. TC Energy is working to solve this problem as we deliver responsibly produced energy every day. Our highly integrated asset base delivers energy across Canada, the U.S. and Mexico. TC Energy's assets enable the global export of LNG, one of the most immediate and enduring solutions for displacing and reducing global emissions. We also have power assets and opportunities anchored by our investment in Bruce Power, the largest operating nuclear facility in the world. We are proud to invest in safe, reliable, affordable energy that enables the energy transition.

Our Approach to Sustainability Disclosures

Our annual Report on Sustainability is developed with guidance from globally recognized sustainability reporting frameworks, standards and recommendations including the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), the United Nations Sustainable Development Goals (UN SDGs) and the Global Reporting Initiative (GRI). By aligning our reporting with these leading sustainability frameworks, we aim to deliver comprehensive, comparable, and reliable sustainability disclosures that meet the information needs of the investment community and other key stakeholders.

Our Feedback on the Proposed Standards

We understand that the CSSB's objective is to offer investors access to consistent, decision-useful sustainability information by delivering comprehensive sustainability disclosure standards aligned with the global baseline (IFRS S1 and IFRS S2) to the fullest extent possible, recognizing that there may be modifications required to serve the Canadian public interest and maintain the quality of sustainability disclosures in Canada.

Because of the highly interconnected nature of the North American capital markets, we believe it is vital for the CSSB to consider certain aspects of the U.S. Securities and Exchange Commission's (SEC) final climate-related disclosure rules. Requirements under the proposed CSDSs should not result in a significantly higher regulatory burden and cost of disclosure for Canadian issuers than their U.S. peers as this could have detrimental effects on the competitiveness of Canadian entities. As such, our feedback and commentary below include areas of potential divergence between the U.S. SEC's climate-related disclosure rules and the CSSB's proposed Standards.

We recognize that the Standards would be voluntary; however, we understand that the Canadian Securities Administrators (CSA) are expected to consider the final Standards when developing their mandatory disclosure requirements. Our feedback on the Standards is also informed by this broader context.

CSDS 1 Question #1: Transition Relief for Non-Climate Related Disclosures

> *(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.*

TC Energy Response

Outside of Europe, securities regulators are currently focused on climate-related disclosures. The CSA 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 its final rule on climate-related disclosures[2]. Given this regulatory landscape, we believe the CSSB should first focus on developing climate-related disclosure standards before expanding the standards into other sustainability areas.

Prior to expanding sustainability disclosures beyond climate-related topics, we recommend that the CSSB develop incremental topic-specific disclosure standards, similar to the CSDS 2 standard for climate-related disclosures. This approach would allow disclosures for additional sustainability-related topics to be comparable and decision-useful

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[1] https://www.securities-administrators.ca/news/canadian-securities-regulators-issue-statements-on-proposed-sustainability-disclosure-standards-and-ongoing-climate-consultation/

[2] On April 4, 2024, the SEC stated that it will pause implementation of the Rule to avoid potential regulatory uncertainty

before taking effect. It also provides issuers with the ability to build capacity and create an effective controls environment for this broader dataset once the topic specific standards are more clearly defined.

CSDS 1 Question #2: Timing of Reporting

(a) Is any further relief or accommodation needed to align the timing of reporting [sustainability-related disclosures with the related financial disclosures]? If yes, specify the nature of the relief or accommodation and provide the rationale behind it.

TC Energy Response

The requirement to align the timing of sustainability-related disclosures – specifically GHG emissions – with that of our annual financial disclosures presents a significant challenge. This timeline is inconsistent with the regulatory GHG emissions reporting deadlines in all the jurisdictions in which we operate (Canada, United States, and Mexico) and our GHG emissions reporting systems, processes, and methodologies are designed to meet these regulatory reporting deadlines.

Expediting GHG emissions reporting to align with financial reporting timelines would result in significant data management system redesign, workflow and process changes, and duplication of efforts in assurance and regulatory verification processes. This would also require the use of estimates and assumptions for a portion of the reporting period as GHG emissions data for the full reporting period would not yet be available, resulting in differences between the estimated GHG emissions data in the financial disclosures and the actual GHG emissions data reported for regulatory requirements.

To address this issue, we suggest that entities be offered permanent timing relief for the annual filing of GHG emissions data. We recommend that entities be permitted to disclose GHG emissions data no later than with their second quarter financial results to better align with regulatory reporting deadlines.

CSDS 2 Question #1: Climate Resilience and Scenario Analysis

(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.

TC Energy Response

For climate resiliency scenario analysis to be comparable and decision-useful, we request additional guidance and consideration to address three issues: (1) standardized methodologies, assumptions, and outputs; (2) timing and frequency; and (3) flexibility to use a qualitative approach.

1. **Standardized Methodologies, Assumptions and Outputs**

While we do not support a standard that requires entities to conduct and disclose results of quantitative scenario analysis (see comment #3 below), we acknowledge that certain entities may choose to make such disclosures voluntarily. For these cases, we recommend that the CSSB develop standardized assumptions and analytical methodologies to reduce variability in approaches to scenario analysis between entities. The list of standardized assumptions should include, but not be limited to, energy outlook scenarios[3], specific time horizons, government policies and tax incentives, carbon prices, commodity prices, foreign exchange rates, inflation rates, and interest rates by jurisdiction.

Furthermore, we recommend that the CSSB prescribe standardized financial metrics to summarize the results of quantitative scenario analysis, focusing on cash flow-based measures (e.g., revenue, operating cash flow, capital expenditures). This would provide investors with meaningful and comparable information rather than a potentially wide range of entity-specific metrics that may lack comparability.

2. **Timing and Frequency**

CSDS 2 Paragraph B18 provides the following guidance on timing and frequency of scenario analysis (emphasis added):

> *Although paragraph 22 requires an entity to disclose information about its climate resilience at each reporting date, <u>the entity might carry out its climate-related scenario analysis in line with its strategic planning cycle, including a multi-year strategic planning cycle (e.g., every three to five years)</u>. Therefore, in some reporting periods the entity's disclosures in accordance with paragraph 22(b) could remain unchanged from the previous reporting period if the entity does not conduct a scenario analysis annually. The entity shall – at a minimum – update its climate-related scenario analysis in line with its strategic planning cycle. However, an assessment of the entity's resilience is required to be carried out annually to reflect updated insight into the implications of climate uncertainty for the entity's business model and strategy. <u>As such, an entity's disclosure in accordance with paragraph 22(a) – that is, the results of the entity's resilience assessment – shall be updated at each reporting period</u>.*

We appreciate the CSSB's approach of linking the requirement to perform climate-related scenario analysis with the company's strategic planning cycle (e.g. every three to five years), recognizing the importance of considering climate-related risks and opportunities in a company's strategic plan. Since the climate-resilience assessment includes evaluating how the entity's strategy and business model would be impacted by the effects identified in

[3] For example, International Energy Agency Net Zero vs. S&P Global Commodity Insights Accelerated CCS. The scenario needs to have sufficient geographic granularity available to properly model and consider physical and transition risks and opportunities.

the climate-related scenario analysis, we recommend that the timing of the climate-resilience assessment also be aligned with the strategic planning cycle, rather than required annually in accordance with paragraph 22(b).

3. **Flexibility to Use a Qualitative Approach to Scenario Analysis**

CSDS 2 paragraph B2 states that entities should use an approach to scenario analysis commensurate with each entity's circumstances, and that those circumstances should be assessed based on (1) the entity's exposure to climate-related risks and opportunities, and (2) the skills, capabilities, and resources available to the entity. Paragraph B17 further clarifies that:

> *"[…] An entity with a high degree of exposure to climate-related risks and opportunities, and with access to the necessary skills, capabilities or resources, <u>is required to apply a more advanced quantitative approach to climate-related scenario analysis</u>."*

Quantifying the impacts of climate-related risks and opportunities on an entity's financial performance involves significant inherent uncertainty about the potential long-term impacts of climate change. Even with a standardized approach to quantitative scenario analysis (see comment #1 above), entities would still need to make assumptions about external factors such as value chain impacts, customer behavior, capital markets, and technology. An entity would then need to make further assumptions on how to adapt its strategy and business model in response to those circumstances.

These compounding layers of assumptions and uncertainties mean the results of quantitative scenario analysis may be highly unreliable. While CSDS 2 allows entities to disclose a range rather than a single amount, the range of potential outcomes could be so wide that it may fail to be decision-useful for investors. There is also a risk that quantitative scenario analysis could be misinterpreted as a financial forecast or forward-looking guidance, leading investors to place undue reliance on the analysis without fully understanding the inherent uncertainty and variability.

We believe that providing investors with a thoughtful and detailed qualitative discussion about the potential impacts of different standardized climate scenarios may be more useful than quantitative scenario analysis. As such, we propose that issuers have the flexibility to use a qualitative approach to scenario analysis, irrespective of the entity's access to skills, capabilities, resources, or degree of exposure to climate risks and opportunities.

CSDS 2 Question #2: Scope 3 GHG Emissions Reporting

> *(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.*

TC Energy Response

Scope 3 GHG emissions ("Scope 3") reporting is nascent and substantially more complex than Scope 1 and 2 reporting due to the reliance on information provided by third parties in the entity's value chain. To report Scope 3 emissions more accurately, entities would need to establish GHG emissions reporting and verification agreements with value chain partners, including many small or private entities that have not previously tracked or reported their emissions. Implementing these agreements, as well as the appropriate systems and controls, would likely take multiple reporting cycles before Scope 3 data would be sufficiently reliable for public disclosures. Additionally, further guidance from the Greenhouse Gas Protocol (GHGP) is needed to address concerns over the potential for double counting of emissions across value chains. Recognizing the significant challenges involved, TC Energy does not consider the two-year transition relief period for the disclosure of Scope 3 emissions to be adequate.

At this time, it is difficult to determine an appropriate transition relief period, as the industry's overall readiness to report Scope 3 emissions is still evolving. We propose that the CSSB **reassess** industry readiness to report Scope 3 emissions at least two years after the effective date of the Standards. If, at that point, industry readiness has sufficiently advanced, we recommend that the CSSB provide a minimum of two years' transition relief before requiring Scope 3 disclosures. This would allow companies more time to establish the necessary data collection, reporting, and verification processes to ensure the reliability of Scope 3 emissions disclosures.

CSDS 2 Question #3:

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

TC Energy Response

Non-GHG Climate Metrics

In relation to climate-related metrics, paragraph 32 states (emphasis added):

> *An entity shall disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterize participation in an industry. <u>In determining the industry-based metrics that the entity discloses, the entity shall refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the Industry-based Guidance on Implementing Climate-related Disclosures</u>.*

We understand that the *Industry-based Guidance on Implementing Climate-related Disclosures* guide published by the ISSB in relation to IFRS S2 references the industry-based SASB Standards. We suggest that the CSSB provide additional clarity around whether (and if so, which) non-GHG metrics from the SASB Standards should be considered as **climate-related metrics** (e.g. air pollutants, water management, waste, biodiversity, and ecosystems) to ensure consistent disclosures.

GHG Protocol Update

Paragraph 29 of CSDS 2 requires entities to report its GHG emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless the entity is required by a jurisdictional authority to use a different method. The World Resources Institute and the World Business Council for Sustainable Development are currently in the process of conducting a comprehensive review of the GHGP. As the revised GHGP documentation will not be issued until after the proposed implementation of CSDS 2, entities may have inadequate time to adapt their reporting systems and processes to any significant changes.

To address this timing challenge, the CSSB should consider adding provisions that allow entities a reasonable transition period to update their GHG emissions reporting to align with any new or revised GHGP standards. This would ensure that entities have sufficient time to make the necessary changes to their data collection, calculation methodologies, and internal controls to allow a smooth transition to the updated GHGP.

Conclusion

We appreciate the opportunity to provide our feedback on the proposed Standards, which we believe will help to provide investors with consistent, decision-useful sustainability information, serve the Canadian public interest, and enhance the quality of sustainability disclosures in Canada.

Sincerely,

(Signed) *"Sharon Tomkins"*

Sharon Tomkins
Vice President, Sustainability & Social Impact
TC Energy Corporation

TENNACOR

Feedback on CSSB CSDS 2 (Climate-related)

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

Submitted through FRAS Canada Portal

Brad Annett
Tennacor Canada Inc.
8872 – 48th Avenue
Edmonton, Alberta, Canada
T6E-5L1

May 17, 2024

Dear Chair St-Jean,

Thank you for considering feedback on CSSB CSDS 2 Climate related.

I was pleased to represent my company, Tennacor Canada Inc., during the online CSSB Roundtable Discussion on Tuesday May 14th and fully support the Alberta Enterprise Group's recommendations as follows:

- **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 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

[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

[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/

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, we were 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. 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.[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. We want to see Canada's economy and businesses grow, not lose investment because of regulatory burden and excessive costs of compliance.

Sincerely,

Brad Annett – Co-Owner
Tennacor Canada Inc.

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[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

June 10, 2024

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

Dear Sirs/Mesdames,

Re: Proposed Canadian Sustainability Disclosure Standard 1: *General Requirements for Disclosure of Sustainability-related Financial Information* and Proposed Canadian Sustainability Disclosure Standard 2: *Climate-related Disclosures*

TMX Group Limited ("**TMX Group**" or "**we**"), itself and as the operator and owner of Toronto Stock Exchange ("**TSX**") and TSX Venture Exchange ("**TSXV**" and together with TSX, the "**Exchanges**") welcomes the opportunity to comment on the draft standards on sustainability and climate-related disclosures published by the Canadian Sustainability Standards Board (the "**CSSB**") in March 2024.[1] As a member of the coalition of Canadian private and public institutions that backed Canada's successful bid to host the global headquarters of the International Sustainability Standards Board (the "**ISSB**") in Montreal, TMX Group has been a strong and vocal supporter of the development of an internationally-recognized baseline reporting standard.[2] The publication of the Draft Standards by the CSSB represents a significant milestone in achieving that goal.

TMX Group's key subsidiaries operate cash and derivatives markets for multiple asset classes, including equities and fixed income, and provide clearing facilities, data-driven solutions, and other services to domestic and global markets. The Exchanges exist to support capital formation and economic growth, while promoting key tenets of fairness, transparency and good governance.

TSX is a globally recognized exchange with a 172 year history operating at the heart of Canada's capital markets. TSX is a top-ranked destination for global capital and a highly-liquid market featuring a diverse set of growth-oriented listed companies. TSXV is the world's leading platform for launching early-stage companies, funding primary growth, and providing investors access to unique small-cap investment opportunities. Together, this unique, two-tiered senior and junior market ecosystem fuels job creation, spurs innovation and strengthens Canada's economy.

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[1] Proposed Canadian Sustainability Disclosure Standard 1: *General Requirements for Disclosure of Sustainability-related Financial Information* ("**CSDS 1**") and Proposed Canadian Sustainability Disclosure Standard 2: *Climate-related Disclosures* ("**CSDS 2**" and, together with CSDS 1, the "**Draft Standards**").

[2] Prior to the release of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* (together, the "**ISSB Standards**"), TMX Group submitted a response letter in July 2021 to Exposure Draft IFRS S1 and Exposure Draft IFRS S2. In addition, we submitted a response letter to the Canadian Securities Administrators (the "**CSA**") in February 2021 on proposed National Instrument 51-107 *Disclosure of Climate Related Matters*.

I. Executive Summary

TMX Group's corporate purpose is to make markets better and empower bold ideas. Better markets are more inclusive, more adaptive, and ultimately more sustainable. Capital markets have a critical role to play in financing a more sustainable future, and in keeping with our purpose and our important core function, TMX Group is committed to facilitating a *market-driven* response to climate change. Our own sustainability strategy and priorities are closely aligned with the objectives of the Draft Standards and we have actively facilitated sustainability-related disclosure by issuers that list on the Exchanges.[3] Importantly, TMX Group recognizes that standardized and high-quality climate-related disclosure provided by issuers that are of an appropriate size and scope, will assist stakeholders in appropriately pricing those risks and opportunities and in allocating capital efficiently.

Canada features a unique and powerful capital markets ecosystem. And while we acknowledge the benefits of establishing a global baseline of climate-related disclosures, it is imperative that the final application of the Draft Standards, at a minimum, accounts for Canada's two-tiered public market and weighs the positive and negative impacts of the Draft Standards on early-stage and small-cap issuers.

Along with what sets us apart as a marketplace, it is important to also consider the impact of the Draft Standards in an international, competitive context, particularly due to the depth of Canada's connections to the U.S. and the fierce cross-border competition to attract and retain capital. We suggest conducting a thorough impact analysis of the Draft Standards, to measure potential costs and benefits in this important Canadian context, to help ensure we choose the right path. It is particularly important that the analysis considers the composition and defining characteristics of our markets, and is attuned to the needs of each segment of our issuer and investor base. In addition, we also offer comments regarding implementation, such as transition and timing of disclosure, that we believe warrant consideration.

We appreciate that some of the issues we raise in our comments may go beyond the remit of the CSSB. However, we believe certain considerations respecting the application of the Draft Standards in Canada are important enough to be brought to the attention of our broader stakeholder group in anticipation of imminent next steps. In other words, the "devil will quickly be in the detail" and we are mindful of the importance of applying these Draft Standards in a way that achieves their valid purpose, yet supports the enduring success of our Canadian public company ecosystem.

[3] The Exchanges regularly coordinate and promote events and resources to build sustainability-reporting capacity through the ESG 101 Education Platform, including working with FRAS and CPA Canada. The Exchanges are actively involved in the creation of guidance to support best practices for reporting through our Growth Accelerator ESG program, and other practical guides such as the Primer for Environmental and Social Disclosure.

II. Adapting the Draft Standards to Canadian Public Markets

Our comments below take into account the importance of, and demand for, a global baseline of climate-related disclosures, while recognizing that the Draft Standards must be calibrated in a way that ensures Canada's public company ecosystem of companies and investors remains competitive on the global stage.

A. Supporting Canada's Growth-Stage Companies

The Exchanges provide listed companies with access to crucial equity capital and the myriad benefits of maintaining a listing on a leading global exchange, such as liquidity, efficient trading, price discovery and transparency, and access to global investors. TSXV, which has almost no comparable peers in international markets, is recognized as the global leader in public venture capital and supports the growth ambitions of early-stage companies across multiple sectors. A strong public venture market is critical for the long-term growth and viability of Canada's capital markets and Canada's economy. For over 20 years, TSXV has served as an access point for capital that has allowed companies to gain a solid foothold in the public markets at an early stage, funding early growth phases**.** Many TSXV issuers go on to graduate to TSX (>700 since 2002) and for some, TSXV is the primary route to listing on TSX once they have achieved a sufficient level of growth.[4]

Many growth stage companies face significant resource constraints as they work to build their fledgling businesses. The costs of complying with mandatory climate-related disclosure requirements may serve to stifle growth at vulnerable stages, putting at risk the viability of these companies, and Canada's ability to nurture the next generation of leading businesses. Given that these smaller listed companies have limited cash flow and are entirely dependent on raising additional capital from investors to support their ongoing operations, the costs associated with complying with the Draft Standards could have dire consequences for their businesses.

There are also longer-term market impacts to consider in weighing the benefits of the Draft Standards. It is our understanding that the increased costs of compliance from the Draft Standards may be significant enough to cause smaller companies to remain private, limiting access to necessary capital and further reducing investment opportunities for Canadian investors.[5] Alternatively, these companies may migrate to other jurisdictions in search of more readily available foreign private capital, depleting a foundational element and a core strength of Canada's capital markets ecosystem. While larger and more sophisticated issuers can adapt existing systems and reporting structures to meet the requirements of the Draft Standards, it will be markedly more difficult for venture issuers to do so. Additional complex technical disclosures, as contemplated by the Draft Standards, will require small companies to build entirely new and specific internal capabilities, or re-

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[4] Since 2000, over 759 companies have graduated from TSXV to TSX and, as of June 30, 2023, 21% of S&P/TSX Composite Index constituents are graduates of TSXV (Source: TSX/TSXV Market Intelligence Group).

[5] As discussed in Venture Forward: Commitments to Accelerate the Evolution of Canada's Public Venture Market, many early-stage companies struggle to manage the considerable and sometimes outsized regulatory and administrative requirements of running a public company. We believe that there are opportunities to reduce this complexity while maintaining high standards of market integrity.

allocate capital from business operations to resources for managing the collection and refinement of sustainability-related data. For context, 73% of venture issuers have annual revenues under $1 million and they are not equipped with the resources, capacity or technical systems to deliver these new prescribed disclosures. The added regulatory burden and the associated out of pocket costs will therefore be proportionally much greater for venture issuers.

Another important differentiating factor for venture companies is the composition of their investor base. The majority of venture company investors are retail investors, investing on their own behalf with objectives and mandates that differ from those of institutional investors, and may not require complex and elaborate disclosures as contemplated by the Draft Standards. TSXV conducted an investor survey in late 2022 to better understand the types of disclosures they considered most valuable. “ESG and sustainability reporting” was ranked lowest by venture market investors, out of nine factors. Rather than a complete lack of regard for sustainability-related disclosures, the results reflected a fact well understood in the venture community – that the primary focus for early stage companies is on deploying their scarce resources to maintain critical operations and meet fundamental financial reporting disclosure requirements, and that costs associated with meeting additional disclosure requirements would negatively impact growth early in their lifecycle. While some venture issuers will voluntarily comply with new rules (and may very well adapt their business models to accommodate if requested by their investors), for the large majority of venture issuers, existing Canadian securities laws that require the disclosure of material risks (including those relating to climate) will continue to satisfy the needs of venture-focused retail investors.

For the reasons above, we believe it will be appropriate and necessary to provide an exemption to venture issuers from the mandatory application of the disclosures contemplated by the Draft Standards.

It is also important to recognize that approximately half of the issuers listed on TSX are SMEs.[6] These small- and medium-sized senior market issuers often face similar capacity challenges in responding to sustainability rules and market practices due to similar limitations in terms of resources and expertise as those listed on TSXV. To the ISSB’s credit, these challenges have been recognized in its guidance, which specifically contemplates a venture or entry-level company exemption. From an international perspective, this equates to not only Canada’s venture issuers, but certain SMEs listed on the senior market, TSX.[7]

[6] As of April 30, 2024. For the purposes of this metric, issuers with a market capitalization of below $50 million are designated as “small enterprises” and issuers with a market capitalization of between $50 million and $500 million are designated as “medium enterprises”.

[7] See Paragraphs 38 to 41 of the ISSB Adoption Guide Overview.

B. Global Considerations

1. Competitiveness with U.S. Public Markets

The competition for global public capital is fierce. Therefore, it will be important for any new requirements to be considered in the context of how they compare with the requirements in other jurisdictions, particularly the U.S., given the existing connections and draw to their public markets. We must also carefully consider the unintended consequence of additional regulatory requirements creating obstacles to Canadian companies going, and then remaining, public on our markets. If listings migrate to other jurisdictions, trading will eventually follow, leading to a general decrease in Canadian capital markets activity, the full magnitude of which may not be readily apparent without adequate consideration of the potential follow-on consequences to the broader economy.

Focusing on our closest and largest competitor in terms of attracting capital, the U.S. Securities and Exchange Commission (the "**SEC**") has veered in a substantially different direction that deviates from both the ISSB Standards and the Draft Standards. In the SEC's rule, Scope 3 GHG emissions are not required to be disclosed and Scope 1 and 2 GHG emissions disclosure is only mandated for reporting by large accelerated filers and accelerated filers (other than smaller reporting companies and emerging growth companies).[8,9] Furthermore, the fate of the SEC climate disclosure rule, which is buried in legal actions, is uncertain given the self-imposed stay by the SEC, pending judicial review.[10]

Given the strong interconnection between the Canadian and U.S. capital markets, and with a large number of interlisted issuers and securities that trade in the U.S. over-the-counter markets, climate-related disclosure requirements that go further than what is required in the U.S. will place our capital markets and our public companies (typically much smaller in size than their U.S. competitors) at a competitive disadvantage.[11] This is because Canadian public companies will be faced with a relatively higher regulatory burden and could see a reduction in listings and eventual migration of listings to the U.S. We note that other jurisdictions, such as the UK and EU, have already experienced significant challenges competing with the U.S. for public company listings[12] given the depth and liquidity of the U.S. capital markets, among other factors. As a result, each is

[8] See the final amendments adopted by the SEC to its rules under the Securities Act of 1933 and the Securities Exchange Act of 1934, that require registrants to provide certain climate-related information in their registration statements and annual reports (the "Final SEC Climate-related Disclosure Rules").

[9] The SEC maintains a classification scheme under which reporting companies may be designated as "Large Accelerated Filers" (public float of over U.S.$700 million), "Accelerated Filers" (public float between U.S.$250 million and U.S.$700 million and annual revenues of U.S.$100 million or more per year), "Smaller Reporting Companies" (public float less than U.S.$250 million or annual revenues of less than $100 million and either no public float or public float of less than U.S.$700 million) or "Emerging Growth Companies" (total annual gross revenues of less than $1.235 billion per year and has either (1) not yet had or (2) had after December 8, 2011, its first sale of common equity securities pursuant to an effective registration statement under the Securities Act of 1933 and has not met any of the disqualifying provisions (including being above gross revenue limit, issuing securities pursuant to a registration statement, becoming a large accelerated filer)).

[10] On April 4, 2024, the SEC issued an order staying the Final SEC Climate-related Disclosure Rules.

[11] As at November 30, 2023, there were a total of 181 issuers listed on the TSX that were interlisted on New York Stock Exchange ("NYSE") or NASDAQ, and 23 issuers listed on TSXV that were interlisted on NYSE or NASDAQ. Source: TSX/TSXV Market Intelligence Group.

[12] For example, the initial public offerings of Arm Holdings, Birkenstock Holding plc, and Ermenegildo Zegna Group on U.S. exchanges.

considering reforms to improve the attractiveness of their capital markets.[13] However, once listings, trading and capital flows elsewhere, it is difficult to reverse the tide.

In light of the foregoing, it is crucial to determine the impact of the Draft Standards on the overall competitiveness of Canadian capital markets relative to other foreign jurisdictions that compete for investment capital, but in particular the U.S. While Canadians have extensive experience finding made-in-Canada solutions in the context of multiple conflicting international approaches, the challenge has never been greater in the context of competition for public listings and trench warfare among nations to attract capital and, therefore, we must be particularly thoughtful vis-à-vis the U.S. to ensure Canadian capital markets are not placed at a competitive disadvantage.

2. Interoperability with global standards

Although Canada's connections to the U.S. capital markets are deep, it is important to remember that many Canadian companies also have operations and linkages to other jurisdictions. Accordingly, there is a need to ensure interoperability (mutual respect and reliance among comparable regimes of multiple jurisdictions) with foreign climate-related disclosure standards that may be applicable to those Canadian companies. For example, the recently adopted European Union Corporate Sustainability Reporting Directive ("**CSRD**") and the accompanying European Sustainability Reporting Standards ("**ESRS**") require companies, including Canadian companies, with a certain level of activity in the EU or that have EU-listed securities, to provide extensive sustainability disclosures.[14] In this respect, we welcome the recently published interoperability guidance between ISSB and ESRS.[15]

We encourage the CSSB (and ISSB) to continue to advocate for interoperability between the Draft Standards and climate-related disclosure standards in other jurisdictions, to reduce the compliance burden for issuers subject to multiple disclosure regimes and to facilitate global compatibility of climate-related disclosures. For clarity, we are not suggesting that compliance with the Draft Standards be made mandatory for all issuers to achieve interoperability, but to the extent they are complied with (even on a voluntary basis), we believe that they should be interoperable with climate-related disclosure standards in other jurisdictions.

C. Thorough and Canada-Specific Cost-Benefit Analysis

There has been a positive trend towards robust impact analysis, including weighing the costs and benefits in standard setting and rule-making. In particular, we applaud the effects analysis undertaken by the ISSB and

[13] See pages 11 to 12 of The Capital Flywheel: European Capital Markets Report.
[14] Certain aspects of the CSRD apply to non-EU companies with securities listed on an EU regulated market and from 2028, non-EU companies that directly generate a net turnover of over €150 million in the EU in the previous two financial years and have a subsidiary office with a net turnover of at least €40 million in the EU, or a large or listed EU subsidiary may also be required to comply with certain CSRD requirements.
[15] See ESRS-ISSB Standards: Interoperability Guidance published on May 2, 2024.

the focus on costs and benefits of recent rules-making by the Canadian Securities Regulators ("**CSA**"). Given the unique aspects of the Canadian public markets and the competitive pressures highlighted above, it is critical that a thorough and Canada-specific cost-benefit analysis is undertaken to quantify the impact of the Draft Standards on the Canadian economy as a whole. It is important that the impact analysis take into account the particular nuances of the Canadian market and the lived experiences of Canadian companies of all sizes and stages that are voluntarily disclosing sustainability and climate-related information today using existing frameworks, and who highlight the substantial additional time, effort and resources required to produce such disclosures. An in-depth impact analysis will provide a salient source of insights on implementation timeframes and appropriate application of the Draft Standards. We believe that it will provide the necessary analysis for Canadian regulators and stakeholders to consider the Draft Standards in their full context and for market participants to offer additional feedback.[16]

A robust qualitative and quantitative analysis of the Draft Standards will fully capture the anticipated costs and benefits to both issuers and investors of all sizes. As discussed above, issuers will face substantial costs to produce disclosures that align with the Draft Standards. These costs include, among other matters, finding qualified employees and/or consultants, setting up new processes and information-gathering systems, data collection, aggregation and application, and compliance and assurance engagements for sustainability-related information reported under the Draft Standards. On the investor side, we strongly recommend that the analysis specifically consider what material information is needed by the Canadian investor base as a whole and venture and small-cap investors in particular.

Further to our comments above regarding the need to consider whether a subset of small TSX (senior market) companies is appropriately included in an exemption from mandatory climate discourse requirements**,** a rigorous Canada-specific cost-benefit analysis would also assist the CSSB and regulators in that determination. A thorough understanding of the factors impacting different sized companies is required in order to 'draw the line' in an appropriate place when determining which categories of issuers should be exempt from mandatory disclosures. Finally, the impact analysis must also take into account global competition and the risk of loss of Canadian companies to other markets that offer a more attractive business, tax and regulatory climate. This is a particular risk for Canada with respect to the U.S. given the strong connection between our markets, the allure

[16] We note that for some provincial securities regulators, cost/benefit analysis is already part of the rule-making process. For example, section 143.2(2)(7) of the *Securities Act* (Ontario) requires "a qualitative and quantitative analysis of the anticipated costs and benefits of [a] proposed rule." This is in accordance with the position of the Ontario government, which in its 2019 budget at page 230, stated: "Rule-making must weigh the economic costs against benefits to stakeholders. It is crucial when introducing rules that a robust impact analysis be conducted. Qualitative and quantitative analysis of the anticipated costs and benefits of a proposed rule would be provided within the OSC's rule publications and shared as part of the consultations on the proposal to better inform public comments and the rule-making process. This approach would enhance transparency and appropriately inform stakeholders of the impacts of new rules.". Although not applicable to provincial securities regulators, the Canadian government publishes a cost-benefit analysis guide for regulatory proposals. See Canada's Cost-Benefit Analysis Guide for Regulatory Proposals. Furthermore, the SEC has also long recognized that a rule's potential benefits and costs should be considered in making a reasoned determination that adopting a rule is in the public interest. See Current Guidance on Economic Analysis in SEC Rulemakings.

of their deep pools of capital, and liquid market, which already represents nearly 70% of the MSCI World Index.[17] A key part of the cost-benefit analysis will be weighing the risk/reward of mandatory climate-disclosure rules in the context of these competitive realities.

Our recommendation to complete a thorough impact analysis includes a reminder of the importance of engaging with Indigenous Peoples and organizations. We believe this is necessary in order to develop sustainability-disclosure standards that are truly reflective of the Canadian context. It may already be the intention of the CSSB, but our recommendation is for consultation with Indigenous Peoples on the Draft Standards to be completed before they are finalized in order to develop a better understanding of the needs of, and the regulatory impacts on, Indigenous Peoples and Indigenous-owned businesses in relation to sustainability disclosure standards, and to ensure that the rights of Indigenous Peoples are acknowledged and respected. It is our understanding that consultations are ongoing and we encourage the CSSB and the CSA to integrate the perspectives from this process into any impact analysis and into the final Draft Standards.

III. Implementation of Draft Standards

After the appropriate scope of application to Canadian issuers is determined following the completion of a cost-benefit analysis, we believe that various aspects of implementation should be given adequate consideration, including those we have highlighted below.

A. Prioritizing Climate-Related Disclosures

Developing a standardized sustainability disclosure regime for climate-related information is an appropriate starting point for Canadian issuers, with broader sustainability disclosure requirements to be considered in the future. The expectation that issuers will provide information under the four pillars of governance, strategy, risk management and metrics and targets for all significant sustainability-related risks and opportunities (beyond climate) is unduly broad and not appropriate given our limited grasp of these areas at this time. We expect that this would be extremely challenging for many Canadian issuers, even some that already voluntarily produce climate-related disclosures. Imposing a broader regime beyond climate at this stage may also encourage "green-washing" and boilerplate disclosures that lack specificity or comparability and are, therefore, of limited value to investors. We note that the CSA has recognized the merit of this pragmatic approach, and has indicated that it "anticipates adopting only those provisions of the the sustainability standards that are necessary to support climate-related disclosures" in the revised National Instrument 51-107 *Disclosure of Climate Related Matters* (the "**Revised NI 51-107**") that will be issued for public comment once the CSSB completes its work.[18]

[17] See the regional weights reported by MSCI.
[18] See the CSA's news release "Canadian securities regulators issue statements on proposed sustainability disclosure standards and ongoing climate consultation" dated March 13, 2024.

We therefore recommend issuing CSDS 2 in priority, along with those elements of CSDS 1 (such as materiality) that are required to support the disclosures in CSDS 2.

B. Not Mandating or Phasing-in Certain Complex Requirements

It is our view that an "all-or-nothing" approach with respect to any mandated requirements would be a misstep. Specifically, mandating Scope 3 GHG emissions reporting and scenarios analysis for any issuer may not be appropriate at this time. To the extent they are eventually required, we believe that it will be important for the CSSB and regulators to take a phased approach on the timing of implementation, considering that these are more complex aspects of the Draft Standards.

Notwithstanding the current proposal that there will be relief from this requirement for a period of two years, it may be premature to mandate disclosure of Scope 3 GHG emissions at this time. There are multiple practical challenges associated with Scope 3 GHG emissions reporting, including factors such as the lack of data availability or poor data quality; lack of consistency or comparability of data; evolving disclosure standards; gaining cooperation from suppliers, customers and other third-parties from across an issuer's value chain; difficulties in processing the large amounts of data; and general resource or capacity constraints. Some of the more sophisticated issuers anticipate that, realistically, it will be a number of years before the types of technology, processes and methodologies for measuring and disclosing Scope 3 GHG emissions will reach a state that is readily available and practically accessible by public companies, and that can reasonably meet proper assurance standards. In a similar vein, while we acknowledge that scenario analysis is an effective tool to help an issuer to communicate its plans for responding to the potential risks and opportunities of climate change, this will be a new exercise in the context of climate for many issuers and will require an additional level of resources, skills, and capacity to prepare for disclosures that are beyond reproach from potentially significant legal consequences.

More flexibility by at least at first not mandating and perhaps later, after further consideration, extending the timing of implementation of these requirements, will also help manage the very real concerns issuers have around the risk of restatements (which tend to carry significant and negative repercussions from investors on companies) and will provide regulators with ample time to introduce appropriate relief measures from liability standards for the imprecise nature of Scope 3 GHG accounting and scenario analysis.

C. Effective Date

The effective date of implementation of climate reporting requirements will be important on multiple fronts. We are supportive of an effective date that begins at the start of the fiscal year after the Revised NI 51-107 comes into force (with exemption, relief and transition periods adjusted accordingly). This would provide issuers with at least 12 months to commence the preparatory work required to comply with new requirements, including formalizing processes, adjusting internal controls, acquiring or modifying technology, or hiring any required expertise. As an example, if the Revised NI 51-107 comes into force during 2025, the first fiscal year that would incorporate the additional disclosures would be the fiscal year-ending December 31, 2026 for issuers with a December 31st financial year-end. This will permit issuers to build the aforementioned skills and capabilities, and allow regulators to integrate the Draft Standards within their existing sustainability, corporate and securities law arrangements. Such calibrations are appropriate in the Canadian context, and are consistent with ISSB guidance.[19] We do anticipate that many larger and more sophisticated issuers will begin voluntarily complying with the Draft Standards before that time.

D. Timing of Disclosures

We understand that the Draft Standards contemplate aligning the timing of sustainability reports with financial statements and we acknowledge that this would improve connectivity and help ensure that decision-useful information is available concurrently with financial information. We note, however, that in practice there are significant challenges to achieving this goal. In particular, the availability of certain data (particularly GHG emissions or other data provided by third-parties along an issuer's value chain) may not coincide with existing reporting timelines. In the absence of available data, issuers would be forced to increase their reliance on estimated data which is less valuable to investors. We urge the CSSB to consider introducing sufficient flexibility to the timing of reporting provisions by, for example, permitting issuers to provide such information within a set number of days following the date that their annual financial statements are released.

IV. Conclusion

The Draft Standards are a strong starting point from which Canadian climate disclosure standards can be developed and adopted in a way which supports both a necessary global baseline and also the uniqueness of Canada's capital markets. We welcome this initial step and look forward to continuing to work with both the CSSB, regulators and other stakeholders on this issue. We appreciate the CSSB's 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.

Best regards,

John McKenzie
Chief Executive Officer

[19] See paragraph 42 of the ISSB Adoption Guide Overview.

TOURMALINE

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June 6, 2024

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

Dear Members of the Canadian Sustainability Standards Board (CSSB),

Subject: Comment Letter - CSSB Sustainability and Climate-related Disclosure Standards (CSDS 1 and CSDS 2)

Tourmaline Oil Corp. (the "Company", "we", or "our") appreciates the opportunity to provide feedback on the proposed Canadian Sustainability Disclosure Standards (CSDS), hereafter referred to as "the standards". We appreciate the need for alignment of sustainability and climate-related disclosure; however, we do not support the proposed standards as presented, and respectfully urge the CSSB to take the necessary time to make changes to the proposed rule to prevent undue issuer burden. While these standards are intended to be voluntary, they could serve as a reference point and potentially influence future mandatory disclosure rules set by Canadian securities regulators. Our concerns around the proposed standards are outlined below.

Scope 3 GHG Emission Disclosure

We are concerned with the inclusion of Scope 3 emission disclosure in the final CSDS 2 standard. While the intention to provide comprehensive emissions data is commendable, the inclusion of Scope 3 emissions presents several significant challenges and drawbacks that merit careful consideration.

Firstly, the uncertainty surrounding a reporting issuer's end use of products greatly complicates the accurate measurement of Scope 3 emissions. The vast number of variables and external factors involved in the supply chain and product lifecycle add to the complexity. Unlike Scope 1 and Scope 2 emissions, which are directly associated with an issuer's operations and energy consumption, Scope 3 emissions encompass a wide array of indirect emissions throughout the entire value chain, including both upstream and downstream activities. Predicting how products will be used and disposed of by end consumers involves numerous assumptions, introducing substantial uncertainties into the data. Consequently, companies must often rely on industry averages, estimates, and proxies, leading to data that is highly assumption-based and inherently low in accuracy. This reliance on assumptions reduces the reliability and usefulness of the reported Scope 3 emissions data.

Secondly, there is a lack of specific methodologies for measuring Scope 3 emissions, further diminishing the accuracy of the reported figures. Unlike Scope 1 and Scope 2 emissions, which benefit from well-established measurement standards and protocols, Scope 3 emissions lack such standardized methodologies. This absence results in inconsistencies and additional inaccuracies in the reported data, undermining the overall quality of the disclosures.

The reporting burden on issuers also cannot be overlooked. The collection, calculation, and reporting of Scope 3 emissions data requires substantial resources and effort. Many companies, particularly smaller ones, may lack the capacity to handle the increased workload. This additional burden could divert resources from other critical areas of sustainability and business operations, ultimately hindering rather than promoting overall environmental progress.

Furthermore, there are significant challenges related to the processes and capacity required to deliver these disclosures on the same timelines as general-purpose financial reports. Integrating detailed and comprehensive Scope 3 emissions data into existing reporting frameworks would necessitate numerous estimates which could ultimately result in extensive adjustments and potentially overwhelm existing reporting systems. This could lead to delays and complications in the timely delivery of financial reports, negatively impacting stakeholders who rely on this information.

It is also important to recognize that Scope 3 emissions are largely outside of an issuer's direct control. These emissions are influenced by the actions of suppliers, consumers, and other external entities over which the reporting issuer has limited or no influence. Holding issuers accountable for emissions that they cannot directly manage or mitigate is unreasonable.

Given these significant challenges, mandatory Scope 3 emissions disclosure is not practical at this time. Therefore, it is recommended that Scope 3 disclosures remain voluntary unless they have materially impacted, or are reasonably likely to materially impact, the issuer's business, results of operations, or financial condition. It is crucial to strike a balance between comprehensive sustainability reporting and practical implementation to ensure that the disclosures are both meaningful and manageable. This approach allows companies to focus on the areas where they can have the most direct and meaningful impact, while encouraging transparency and accountability where it is most relevant.

Climate Resiliency Disclosure

We are also concerned with the inclusion of climate resiliency / scenario analysis disclosure in the final CSDS 2 standard. While scenario analysis can be a useful tool utilized for strategic planning and risk management, its incorporation into general-purpose financial reports presents several significant issues.

Scenario analysis is inherently speculative, involving numerous assumptions about future economic, environmental, and social conditions. The outcomes of such analyses are highly uncertain and contingent upon variables that are often outside the control of the issuer. Including such speculative information in general-purpose financial reports could mislead stakeholders by presenting uncertain and hypothetical scenarios as if they were more concrete and reliable.

There is currently no universally accepted framework or standardized methodology for conducting and reporting scenario analysis. This lack of standardization means that different companies are likely to use different assumptions, models, and approaches, leading to inconsistent and incomparable disclosures. This inconsistency would undermine the reliability and usefulness of the general-purpose financial reports, making it difficult for investors and other stakeholders to make informed decisions.

Incorporating scenario analysis into general-purpose financial reports significantly increases the complexity of reporting. Preparing such analysis requires substantial resources, including time, expertise, and financial investment. This increased burden can be particularly challenging for companies with limited resources. The additional complexity may also obscure the general-purpose financial reports, making it harder for stakeholders to understand the core financial performance and condition of the reporting issuer.

Scenario analysis involves presenting a range of possible future states, often including best-case, worst-case, and base-case scenarios. This range of outcomes can be confusing and open to misinterpretation. Stakeholders might focus on extreme scenarios that, while possible, are highly unlikely, leading to skewed perceptions of the reporting issuer's risk profile and financial health.

The speculative nature of scenario analysis poses significant challenges for verification and auditing. Auditors may find it challenging to validate the assumptions, methodologies, and outcomes of scenario analysis, given their hypothetical and forward-looking nature. This lack of verifiability could erode the credibility and reliability of the information being presented.

Including speculative scenario analysis in general-purpose financial reports could expose companies to increased legal and reputational risks if stakeholders perceive the scenarios as misleading or overly optimistic/pessimistic. This could have severe implications for the reporting issuer's reputation and investor relations.

Climate-related risks, if material, are already disclosed by companies in their respective annual financial disclosures. Requesting more detailed climate resiliency information on an accelerated timeline will be burdensome for issuers and could be misleading for stakeholders. We recommend that the requirement for climate-resiliency disclosure remain voluntary.

Reporting Timelines

We express concerns regarding the proposal to require sustainability information to be reported simultaneously with financial reporting year-ends. While the integration of sustainability information into corporate disclosures is important, there are several reasons why this requirement should not coincide with the financial reporting year-end.

Provincially regulated emission reporting and third-party verification and assurance processes occur after the year-end reporting period, typically around May/June. Aligning sustainability reporting with financial year-end would require the use of preliminary or estimated data, which could compromise the accuracy and reliability of the sustainability disclosures. Delaying the timing of sustainability and climate-related information allows for more accurate data collection and verification.

It is unclear what tangible benefits users would gain from having sustainability and financial disclosures aligned in their timing. Stakeholders interested in sustainability information can access it separately without any significant loss of context or relevance. The lack of clear benefit for accelerated timelines does not justify the added burden on issuers and the reduced usefulness of information due to the increased use of estimates.

Material climate-related risks are already disclosed by companies in their respective general-purpose financial reports. These disclosures provide necessary information to stakeholders about the financial impacts of climate-related risks. Requiring additional detailed sustainability information at the same time would be redundant and could overwhelm issuers and users alike.

Reporting sustainability information in line with financial year-end reports would likely require the use of assumptions and estimates due to the timing constraints. This necessity could reduce the accuracy and reliability of the sustainability information provided. Allowing additional time for sustainability reporting would enable companies to gather precise data and undergo thorough verification processes.

Given these considerations, it is recommended that issuers be allowed additional time following the filing of their annual financial reports to provide sustainability information. Aligning the filing date for sustainability reports with the provincially regulated emissions deadlines and the reporting issuers subsequent Q2 financial reports would be a practical solution. This approach would not only ease the reporting burden on issuers but also enhance the accuracy and reliability of the sustainability information disclosed. Additionally, allowing issuers to use sustainability reports or other relevant materials to disclose their climate-related metrics would provide flexibility without compromising the integrity of the data.

Illustrative Guidance and Examples

We recommend the CSSB consider the inclusion of additional guidance and illustrative examples to the standards. Guidance on the level of detail required in disclosures, including illustrative examples, will promote consistency and comparability across companies and sectors. Without such guidance, there is a risk of wide variation in the depth and scope of information provided, making it difficult for investors and other stakeholders to compare sustainability performance between companies. Clear examples and detailed guidelines will help issuers produce high-quality disclosures that meet regulatory expectations and stakeholder needs. This, in turn, will improve the overall quality of sustainability reporting, facilitate a more uniform reporting approach, temper reporting burdens, and enhance the usability and credibility of the disclosures.

Conclusion

In conclusion, while we recognize the importance of robust sustainability and climate-related disclosures, we believe the proposed Canadian Sustainability Disclosure Standards (CSDS 1 and CSDS 2) need significant revisions to prevent undue burden on issuers and to ensure that disclosure is based on reliable and accurate data. The inclusion of Scope 3 emissions, climate resiliency scenario analysis, and the proposed reporting timelines pose practical and methodological challenges that could undermine the reliability and usefulness of the disclosures.

We strongly recommend that Scope 3 emissions disclosures remain voluntary unless they have a material impact on the issuer's business model, operations, or financial condition. Furthermore, climate resiliency scenario analysis should also remain voluntary due to its speculative nature and the associated verification challenges. Additionally, aligning sustainability reporting with financial reporting year-ends is impractical and may compromise data accuracy. Issuers should be permitted additional time, potentially aligning with subsequent Q2 financial reports, to provide precise and verified sustainability information.

Lastly, we urge the CSSB to include additional guidance and illustrative examples in the standards. This will help promote consistency, comparability, and overall quality of sustainability disclosures.

We appreciate the opportunity to provide our feedback and look forward to continued dialogue on these issues.

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June 7, 2024

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

Re: CSSB First Canadian Climate Disclosure Standard

Dear Lisa French:

On behalf of TransAlta Corporation ("TransAlta", "We", "Our"), we are pleased to have this opportunity to submit our comments on the Canadian Sustainability Standards Board's Exposure Draft, *Proposed Canadian Sustainability Disclosure Standard 2, Climate-related Disclosures* ("CSDS 2").

TransAlta is a Canadian corporation and one of Canada's largest publicly traded power generators with over 112 years of operating experience. We own, operate and manage a portfolio of 76 facilities (6,400 MW) including hydro, wind, solar, battery storage, natural gas and coal in Canada, the United States and Australia.

We have disclosed on sustainability and climate change since 1994, and we continue to demonstrate leadership in environmental, social and governance ("ESG") reporting. In 2023 and 2024, TransAlta received an award for best ESG reporting (mid-cap) by the IR Magazine Canada. In 2023, we also "demonstrated some of the most comprehensive disclosures among utilities companies" according to the Climate Engagement Canada Net Zero Benchmark, which evaluates corporate issuers' progress towards aligning with the Paris Agreement's goals.

Overall, TransAlta welcomes the CSDS 2 and its intent to provide a comparability instrument for climate-related disclosures so that investors in Canadian capital markets can assess companies more accurately. We also recognize that alignment with the United States Securities and Exchange Commission's ("SEC") *The Enhancement and Standardization of Climate-Related Disclosures for Investors* would benefit Canadian companies operating in the North American market. We understand that the Canadian Securities Administrators ("CSA") will consider these standards when developing their mandatory climate-related disclosures requirements.

The above informs TransAlta's position not to support CSDS 2 in its proposed requirement regarding the disclosure of climate scenario analysis at this time.

Our comments on climate resilience (proposed paragraph 22 of CSDS 2) are presented below:

1. Further guidance is needed for scenario analysis.

There is no common framework for creating and comparing scenarios across companies, which undermines the purpose of the CSDS 2 to provide useful and comparable information to investors and one reason why the SEC has not required scenario analysis.

We understand that companies can choose different scenarios when adopting the CSDS 2 references, i.e., 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)*. This means that different climate-related financial outcomes that are speculative and not comparable may result from using different sources of climate data (e.g., Intergovernmental Panel on Climate Change - IPCC *versus* International Energy Agency - IEA). We believe this defeats the intent of the CSDS 2 and will lead to confusion and misunderstanding for investors within the public markets.

At TransAlta, we have only been able to provide qualitative commentary based on the IEA scenarios, rather than quantitative assessments of risks and opportunities that are more useful to investors. We understand this is in line with the approach taken by many of our peers in the electricity sector in Canada. This is why we encourage the CSDS 2 to be updated in the future once further standardization and sector specific guidance is developed.

2. Scenario analysis requires significant resources.

In 2021, TransAlta conducted its first climate scenario analysis. This required approximately 8 months of work and a total of 45 senior professionals, including TransAlta's employees and third-party consultants. We believe these resources are significant for small-cap and mid-cap Canadian companies.

For example, should the proposed CSDS 2 become mandatory under the CSA's rules, we estimate a twofold increase in TransAlta's sustainability budget so that we can achieve compliance, including third-party independent assurance of climate data.

We believe that Canadian standards should consider the competitiveness of Canadian businesses in the North American market; hence, we urge alignment with the SEC on this point.

Finally, TransAlta remains supportive of the Canadian Sustainability Standards Board's mandate, and we thank you for this opportunity to comment on the CSDS 2.

Yours truly,

TRANSALTA CORPORATION

Dr. Gabriela Silva
Manager, Sustainability

TRICAN

June 3, 2024

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

Submitted through FRAS Canada Internet Portal

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

Dear Chair St-Jean,

Trican Well Service Ltd. thanks the Canadian Sustainability Standards Board for the opportunity to provide feedback on the draft Canadian Sustainability Disclosure Standards 1 and 2 (the Standards).

Headquartered in Calgary, Alberta, Trican supplies oil and natural gas well servicing equipment and solutions to our customers through the drilling, completion and production cycles. Our team of technical experts provide state of the art equipment, engineering support, reservoir expertise and laboratory services through the delivery of hydraulic fracturing, cementing, coiled tubing, nitrogen services and chemical sales for the oil and gas industry in Western Canada. Trican is the largest pressure pumping service company in Canada.

Trican is committed to being the lowest emitting pressure pumping service provider in Canada while generating an attractive return on invested capital for our shareholders and building a company of proud employees.

TRICAN'S ESG MISSION

1. Adapt our business approach, integrating ESG into our daily operations
2. Differentiate with new technologies to reduce our environmental impact
3. Build strong community relationships in the areas where we operate

RECOMMENDATIONS FOR THE CSSB

Trican offers the following recommendations for the CSSB:

1. Delay implementation so companies can gather data and gain knowledge about the Standards to meet the compliance requirements
2. Remove the requirement to report Scope 3 emissions
3. Remove the requirement to complete scenario analysis or make it voluntary for the first five years
4. Create safe harbour protections for the first five years to limit legal and regulatory risks while companies improve their reporting capabilities. Create a unique, permanent safe harbour for Scope 3 emissions reporting, subject to the outcome of recommendation number 2.

COMMENTS SUPPORTING TRICAN'S RECOMMENDATIONS

RECOMMENDATION 1: delay implementation so companies can gather data and gain knowledge about the standards to meet the compliance requirements

Trican understands that there is a desire for increased transparency of non-financial information; however, we are concerned that the Standards are onerous, and gathering the data will be time consuming and will lead to incremental costs for businesses. Providing assurance-grade, useful, comprehensive, comparable data in the next year and a half will be difficult. Manageable, but it will be challenging due to the required change of internal processes to create reliable, verifiable and repeatable non-financial information.

Proponents of enhanced sustainability disclosure claim that investors are demanding additional information and standardized reporting must be implemented expeditiously; however, Trican's investors are not requesting this information from our company. They are focused on financial returns and have expressly advised that they do not want significant resources used for sustainability disclosure.

Our investors remain primarily focused on returns, with some foundational expectations: comply with all laws and regulations to demonstrate good governance; actively improve sustainability performance, particularly related to emissions because they are measurable and impactful on our business; ensure all sustainability-related decisions tie back to an economic benefit; and do not be a sustainability laggard.

As a result, Trican cautions against undue haste in creating and implementing the Standards; Canada should take a prudent approach and carefully review when it should implement mandatory reporting standards. The goal should not be a race to be in the forefront of sustainability reporting efforts, but rather to implement balanced, practicable, Canadian-specific disclosure requirements whose benefits outweigh their costs.

RECOMMENDATION 2: remove the requirement to report scope 3 emissions

Trican uses the GHG Protocol to calculate and report Scope 1 and 2 emissions; however, we do not measure, calculate, or disclose Scope 3 emissions. We recommend removing Scope 3 emissions reporting requirements from the Standards for the following reasons:

1. Scope 3 emissions by definition are outside the control of the reporting entity; as a result, gathering the data and reporting it accurately is challenging. Acquiring our supply chain's data and ensuring its accuracy will be time consuming, costly, and difficult. We acknowledge that the CSSB recommends that entities estimate their Scope 3 emissions; nonetheless, Trican believes there is significant risk to doing so.

2. A company's Scope 1 emissions are measurable and quantifiable, but Scope 3 emissions are much more difficult to calculate. There is a lack of guidance in the Standards for how to accurately collect and report Scope 3 emissions; this creates inherent risks for disclosing entities.

3. The imprecise nature of Scope 3 data will expose entities to unreasonable risk. As a result, companies will require unique, permanent protections akin to "safe harbour" and it may be best to have the requirement removed altogether.

4. The SEC removed Scope 3 reporting requirements from its final rule. If the Canadian Standards require Scope 3 emissions disclosure, there will be a misalignment with our largest trading partner that will impact Canadian businesses' competitive advantage.

RECOMMENDATION 3: remove the requirement to complete scenario analysis or make it voluntary for the first five years

Scenario analysis models are decision-support tools, not mechanisms to provide certainty about future climate resilience. Quantitative climate scenario analysis is complicated to complete, and forecasting creates inherent risks to reporting entities. There is a wide range of assumptions that can be included that can provide varied results. This makes it an inexact science limiting the utility to evaluate climate risks and opportunities.

There is a tremendous cost of both time and resources to complete scenario analysis, for what results in informed speculation and an uncertain conclusion. For example, the Australian Treasury estimates that companies will spend $245,000 to complete a scenario analysis under their rules; other estimates range from $100,000 to $400,000 depending on the detail of analysis.

Trican asks the CSSB to remove the requirement to complete scenario analysis. It would require significant time and resources, both internally and externally, to learn how to quantify a relatable scenario analysis. If mandated, we would prefer it to be made voluntary for the first five years.

RECOMMENDATION 4: create safe harbour protections for the first five years to limit legal and regulatory risks while companies improve their reporting capabilities. Create a unique,

permanent safe harbour for scope 3 emissions reporting, subject to the outcome of recommendation number 2.

There is increased litigation and liability risk if implementation of the Standards is rushed and companies report poor quality data in an effort to meet compliance requirements that they may not be ready for. ESG-related litigation, regulatory complaints, and shareholder activism are on the rise in Canada, much of it targeting oil and gas companies. This could be exacerbated by the Standards due to the imprecise nature of climate data, particularly Scope 3 emissions data.

As a result, reporting entities need protection from frivolous, vexatious lawsuits, proxy battles, and regulatory complaints that go farther than safe harbour protections for forward-looking statements. Unique, permanent protections are required for Scope 3 emissions data, subject to recommendation number 2.

COMMENTS TO SPECIFIC CLAUSES IN THE PROPOSED STANDARDS

PARAGRAPH	PARAGRAPH	TRICAN COMMENTS
CSDS 1 Paragraph 34(b)	*An entity shall disclose information that enables users of general-purpose financial reports to understand:* *(b) the anticipated effects of sustainability-related risks and opportunities on the entity's financial position, financial performance and cash flows over the short, medium*	Any requirements that use prognostication should be removed from the Standards, including medium- and long-term forecasting to connect anticipated effects of sustainability-related risks and opportunities to the entity's financial position and performance.

	and long term, taking into consideration how sustainability-related risks and opportunities are included in the entity's financial planning (anticipated financial effects).	
CSDS 1 Paragraph 39, and all other places it appears	*In addition, 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.*	The Standards do not identify who determines if a company has the "skills, capabilities, or resources to provide quantitative information", leaving it open to subjective interpretation. As a result, we recommend that the CSSB provide a clear, concise definition.
CSDS 2 Paragraph 9(b)	*Specifically, an entity shall disclose information to enable users of general-purpose financial reports to understand:* *(b) the current and anticipated effects of those climate-related risks and opportunities on the entity's business model and value chain (see paragraph 13)*	Any requirements that use prognostication should be removed from the Standards, including obligating companies to report the current and anticipated effects of climate-related risks and opportunities on their business model and value chain.

TRICAN

RESPONSES TO THE CSSB'S REQUESTED COMMENTS

DOCUMENT	CSSB QUESTION	TRICAN COMMENTS
Consultation Paper	*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 will use the "public interest" as a criterion for modification; however, this is broad and subjective. Criteria must also consider the cost of compliance for businesses. We were directed to the Australian Treasury's September 2023 cost-benefit analysis of the impact of their ISSB-aligned climate-related financial disclosures. While they admit that they could not assess the actual costs and benefits because they cannot be known nor reasonably estimated, the Treasury acknowledges that there is an ongoing burden associated with climate reporting. The first-year costs per company are estimated between AUD $1.0 million and $1.3 million, with ongoing annual costs estimated between AUD $500,000 and $700,000. These costs are significant; therefore, if time permits before implementing the

		requirements, Trican recommends that the CSSB conduct a cost-benefit analysis and release the findings to the public. To gain buy-in, the benefits must be greater than the costs.
Consultation Paper	*Are there other criteria that the CSSB should consider including in its proposed Criteria for Modification Framework?*	Canada is a diverse country; therefore, consideration should be given to regional differences. For example, Alberta has implemented the Technology Innovation and Emissions Reduction (TIER) Regulation for large emitters; other provinces have similar programs. The reporting requirements for these established programs should be considered by the CSSB. Any international considerations should be focused on alignment with the USA, Canada's largest trading partner, and the USMCA arrangement with the US and Mexico to not disadvantage Canadian companies or hinder competitiveness.
CSDS 1	*1. (a) Do you agree that the two-year transition relief for disclosures beyond*	For Trican, it is sufficient.

	climate-related risks and opportunities is adequate? Please provide your reasons.	
CSDS 1	*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.*	NA
CSDS 1	*2. (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.*	No comment
CSDS 1	*2. (b) How critical is it for users that entities provide their sustainability-related financial disclosures at the same time as its related financial statement?*	If the intent of the disclosure obligations is to inform *investors* who have an opportunity to vote at shareholder meetings, reporting at the same time as the financials is necessary to ensure shareholders have sufficient information in advance of proxy season.

		If there is a desire to inform *stakeholders*, the timing of sustainability disclosure is irrelevant.
CSDS 2	*1. (a) Is transition relief required for climate resilience (i.e. scenario analysis) disclosure? If so, for how long and why?*	Trican prefers that scenario analysis not be made mandatory or make it voluntary for the first five years.
CSDS 2	*1.(b) Is further guidance necessary? If so, which specific elements require guidance and why?*	No comment
CSDS 2	*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*	No comment

	guidance would an entity applying the standard require? Please be specific.	
CSDS 2	*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.*	Trican prefers that Scope 3 emissions reporting not be made mandatory. Please refer to recommendation number 2 for our rationale.
CSDS 2	*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.*	Trican prefers that Scope 3 emissions reporting not be made mandatory. Please refer to recommendation number 2 for our rationale.

To:
Charles-Antoine St-Jean, Chair,
Canadian Sustainability Standards Board
277 Wellington Street West Toronto, Ontario M5V 3H2

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

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

Thank you for the opportunity to comment on the Canadian Sustainability Standards Board (CSSB) consultation on its 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). We, the Trottier Family Foundation, support 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, More specifically, we support the Canada Climate Law Initiative (CCLI) submission to CSSB on CSDS 1 and CSDS 2, including the following three key recommendations:

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.[1] 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.

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.

We believe these recommendations will help advance clear and consistent standards that will protect Canada’s financial system, its users, and the public interest more generally. It is critically important that Canada adopt consistent and comparable standards of climate-related and sustainability-related financial disclosures that are aligned with the global baseline to meet the needs of capital and financial markets. We strongly support the requirement of an entity to report on climate-related risks and opportunities in its value chain, including external relationships with customers, suppliers, society, and nature and biodiversity, as the value chain has an impact on the entity’s ability to generate enterprise value over the short, medium, and long term.

Sincerely,

____

Eric St-Pierre, Executive Director of the Trottier Family Foundation

TROTTIER FAMILY FOUNDATION / FONDATION FAMILIALE TROTTIER
1095 Rue St Alexandre, Montreal, QC H2Z 1P8
514-395-8823 | info@trottierfoundation.com

Sent via electronic mail and form

June 10, 2024

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

Subject: UPP comments on Canadian Sustainability Disclosure Standard Exposure Drafts

Dear Chair St-Jean, other members of the Canadian Sustainability Standards Board and Ms. French:

University Pension Plan Ontario (UPP) is a jointly sponsored defined benefit pension for Ontario's university sector. UPP manages nearly CAD$11 billion in pension assets and proudly serves over 39,000 members across four universities and 12 sector organizations. UPP is growing a resilient fund to secure pension benefits for members today and for generations to come and is open to all employers and employees within Ontario's university community.

UPP supports the Canadian Sustainability Standards Board's (CSSB) 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) (ISSB Standards) almost in their entirety for use in Canada. We support the IFRS Foundation's objective of, "delivering timely, consistent and comparable sustainability-related financial information to users of general-purpose financial reports," as outlined in its *Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards*.

Below, we have provided responses to the specific questions posed in the consultation but first, we would like to share some general recommendations 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 (CSSB Standards) and sustainability disclosure standard setting in Canada.

General recommendations to the CSSB

1. **Fully adopt ISSB Standards.**

We strongly support the CSSB in its position that: "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" (CSSB, Proposed Criteria for Modification Framework).

2. **Only change the effective date and provide no other transition relief.**

We agree with the CSSB's proposal that, "CSDS 1 and CSDS 2, once finalized, become effective on the same date". We also recommend that the only changes to the ISSB Standards by the CSSB should be to change the effective dates to January 2025 instead of January 2024. Canada's securities regulators expect to consider the question of effective dates and transition relief, but the CSSB, as the disclosure standard setter, should not itself weaken the CSSB Standards.

The ISSB provided some temporary, first year, transition standard reliefs in IFRS S1 and IFRS S2 relating to 'climate-first' reporting, the timing of reporting, comparative disclosures, the GHG Protocol and Scope 3 GHG emissions. Those transition reliefs flow through to CSDS 1 and CSDS2 and are sufficient.

3. Prioritize addressing the rights of First Nation, Métis and Inuit Peoples in the context of CSDSs.

We agree that consideration of the rights of Indigenous Peoples is a required and important addition to Canadian sustainability and climate disclosure standards, 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, where appropriate, accommodate Indigenous Peoples, and in some cases may require consent of Indigenous peoples where conduct may adversely impact treaty or Aboriginal rights and title. The government often delegates some aspects of these obligations to industry. While the rights of Indigenous peoples are not yet covered in the ISSB Standards, 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. The CSSB has an opportunity to demonstrate leadership by addressing both the need for standards of disclosure related to the rights of Indigenous Peoples and to establish such standards through a co-development process with Indigenous peoples.

4. Reduce the reporting burden for Canadian entities and support their global competitiveness.

We view adoption of ISSB Standards as issued, as the only credible route, and indeed the only viable route, for Canadian companies to remain globally competitive. Companies often state that the variety and number of different ESG reporting and disclosure standards, frameworks and expectations can be confusing to navigate and resource-intensive to comply with. Adoption of the ISSB Standards across markets, would enable companies operating across different geographies to overcome this challenge and streamline disclosure to what matters most to investors.

Global investors have now coalesced around the ISSB Standards as the preferred standards (as evidenced by the members of the ISSB's Investor Advisory Group). Regulators have done the same: The International Organization of Securities Commissions (IOSCO) issued statement on July 25, 2023 that "After a detailed analysis, IOSCO has determined that the ISSB Standards are appropriate to serve as a global framework for capital markets to develop the use of sustainability-related financial information in both capital raising and trading and for the purpose of helping globally integrated financial markets accurately assess relevant sustainability risks and opportunities"; The European Financial Reporting Advisory Group (EFRAG) has recognized equivalencies with the European Sustainability Reporting Standards; and, some 18 jurisdictions, including major markets in Asia, are already on the path to adopting the ISSB Standards. Failure to adopt the global baseline in Canada may not only risk entities falling short of meeting global and domestic investor's expectations in the near-term, but also risk entities having to implement Canada's final standards as well as European reporting standards, which could be more onerous for entities over time. The full adoption of IFRS S1 and IFRS S2 through CSSB Standards will benefit Canadian entities by providing clarity, simplicity and interoperability of disclosures in the long run.

What is more, Canada and other jurisdictions will have their approach to using the ISSB Standards assessed and publicly described by the IFRS Foundation as outlined in its Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards. It can be expected that the primary users of general-purpose financial reports will reference the IFRS Foundation's assessment of a jurisdiction to inform their views of the sustainability-related and climate-related disclosures of entities in the jurisdiction. These primary users will likely look more favourably on entities hailing from jurisdictions that are fully adopting ISSB Standards than entities hailing from jurisdictions that are only partially incorporating the ISSB Standards, adopting the ISSB Standards with limited or extended transition, or only adopting the climate requirements in ISSB Standards.

5. **Encourage the Canadian Securities Administrators to move quickly to mandate disclosures aligned with both CSDS 1 and CSDS 2.**

While we have supported a 'climate-first' approach to disclosure in the CSA's past consultations, we have also emphasized the importance to investors of consistent, comparable, and relevant industry-specific information on sustainability-related matters beyond climate. The need for this information by investors has only grown in the past few years since the CSA last consulted on the issue. The publication of IFRS S1 and the proposed domestication of these standards into Canada through the work of the CSSB, establish a clear path and case for the CSA to mandate disclosures beyond climate, supported by a strong body of global and domestic evidence.

The CSA does not need to, and should not, reinvent or reshape the globally accepted ISSB Standards once domesticated by the CSSB. We agree with the CSA's statement that: "We think that Canadian sustainability standards should be aligned with international sustainability reporting standards as issued by the International Sustainability Standards Board (ISSB) to the extent possible, however we acknowledge that it may be necessary to adapt the standards developed by the ISSB to the unique considerations of Canada" (CSA, letter to Independent Review Committee on Standard Setting in Canada).

If the CSA is not yet ready to mandate sustainability-related disclosures beyond climate, it should be encouraged to disclose a clear timeline for doing so. We recognize the unique and independent role the CSSB plays in the development of high-quality, internationally recognized sustainability disclosure standards for Canada and encourage Canada's securities regulators to support the CSSB through the implementation of the standards that it adopts.

6. **Support the proportionate application of the CSSB Standards to companies of all sizes.**

We recognize that small and medium companies may not be able to scale existing systems and reporting structures (like larger companies) or otherwise have the capacity to implement the CSSB Standards to their full extent; however, to support the growth, strong governance, and investment-attractiveness of Canadian companies of all sizes, small and midsized companies must be supported to implement the standards as reasonable and proportionate to their size. CSDS 1 and CSDS 2 both provide for proportional application of aspects of the Standards by entities of different sizes and capabilities. They refer to "reasonable and supportable information that is available at the reporting date without undue cost or effort" and "the skills, capabilities and resources available to the entity".

Regulators are well placed to provide guidance on how proportionality-related measures embedded in the CSSB Standards could be implemented by smaller entities to help them address the required time and resource requirements. Guidance from regulators is preferable to amendments of the CSSB Standards directly and the CSSB should support regulators in implementing this approach. The Canadian Securities Administrators differentiate disclosure and governance requirements between Venture and non-Venture companies for the purposes of the public securities markets. Other markets, such as Europe, have adopted a three-pronged approach to defining small companies for sustainability disclosures which considers employees, assets and revenues. No such universally applicable wholistic measure of size exists in Canada. We encourage regulators to work with each other and with stakeholders, including the CSSB and FRAS Canada to develop a common definition of small companies and guidance on proportionate application of the CSSB Standards to such companies.

7. **Support the application of the CSSB Standards to private companies.**

The CSSB Standards should eventually apply to both privately held companies and those that have publicly traded securities and the CSSB should work to advance this broad application. CSDS 1 and CSDS 2 will provide investors, boards, and management teams with material sustainability-related and climate-related information to support their management and oversight practices and their usefulness is not limited to publicly traded companies.

Some other jurisdictions have already begun to apply disclosure standards to privately held companies. For example, California's Climate Corporate Data Accountability Act requires U.S. companies, both those that are privately owned and those that have publicly traded securities, to disclose scope 1, 2 and 3 emissions if they do business in California and have annual revenues that exceed USD 1 billion per year. California's Climate-Related Financial Risk Act requires those same companies, as well as those with annual revenues exceeding USD 500 million per year, to prepare and disclose a climate-related financial risk report in accordance with the recommended framework and disclosures contained in the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures or any successor thereto, which would include ISSB S2.

In another example, the European Sustainability Reporting Standard (ESRS) lays out the framework for mandatory disclosures from companies, including privately held companies, on sustainability issues. The Corporate Sustainability Reporting Directive (CSRD) outlines the content that must be included in corporate sustainability disclosures of these companies. Taken together, these two regulations require large privately held companies to conduct double materiality assessments, disclose Scope 1, 2 and 3 emissions, GHG intensity metrics, and the methodology used to calculate this information. The climate-related disclosure requirements align to the Taskforce on Climate-related Financial Disclosures (TCFD) recommendation structure. The CSSB should promote adoption of CSDS 1 and 2 by Canadian privately held companies to better align with international peers and provided necessary information for private market investors.

8. **Support the development of further guidance for pension funds and other entities that are not profit-oriented.**

These comments are drafted from our perspective as a primary user and an employer of investment managers that are primary users of sustainability-related financial disclosures. We note however that CSDS 1 and CSDS 2 use terminology suitable for profit-oriented entities and that further guidance could help us as pension fund considering our own disclosures as a reporting entity. As such, we encourage the CSSB to support the development of guidance for pension funds and other entities that are not profit-oriented using the CSSB Standards.

Comments in response to specific questions

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.

No, we do not agree that the two-year transition relief for disclosures beyond climate-related risks and opportunities is appropriate.

The transition relief included in IFRS S1 is sufficient: As noted by the IFRS in its *Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards*, the ISSB already provides some temporary, first year, transition standard reliefs in IFRS S1 and IFRS S2 relating to 'climate-first' reporting, the timing of reporting, comparative disclosures, the GHG Protocol and Scope 3 GHG emissions. The ISSB Standards were first proposed more than two years-ago and the final standards will have been publicly available in the global capital marketplace for nearly a year as of the closing date of the CSSB's consultation. Entities do not require additional transition relief to disclose against the standards.

The Standard addresses proportionality: Proportionality, to address the challenges some entities might face when applying the CSSB Standards, is already included in the proposed CSSB Standards. The flexibility afforded by the concepts of, "reasonable and supportable information that is available at the reporting date without undue cost or effort," and, "the skills, capabilities and resources available to the entity," is sufficient.

Disclosure of material sustainability-related information is already required: Material sustainability-related information is important for investors, boards and management teams and should already be disclosed under Canadian securities law. Notably, CSDS 1 is limited by materiality considerations as outlined in paragraph B25, "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." Thus, CSDS should be understood as providing clarity to Canadian entities on how to disclose material sustainability-related information for investors, not a requirement for substantively new disclosures.

Canadian companies could be disadvantaged: We caution that this relief may place Canadian companies at a disadvantage relative to foreign entities that are reporting across all sustainability-related issues. The effective date of IFRS S1 has already passed and further delays could cause Canadian companies to deviate further from the global baseline. Delays and deviations from the ISSB Standards may detrimentally impact the attractiveness of Canadian capital markets to both global investors and domestic Canadian investors.

(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 of transition relief for disclosures beyond climate-related risks and opportunities, as included in IFRS S1, is sufficient as per above.

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.

No further relief or accommodation is needed to align the timing of sustainability-related financial disclosures and related financial statements.

Flexibility is already enshrined in the CSSB Standard: While we understand entities, including ourselves, may face challenges during the initial years of implementation, the CSSB Standards already afford flexibility through the concepts of, "reasonable and supportable information that is available at the reporting date without undue cost or effort," and, "the skills, capabilities and resources available to the entity." This flexibility is sufficient.

We emphasize that the end-state should be concurrent reporting in alignment with ISSB Standards and that entities should already be starting efforts to report concurrently. The CSSB could assist entities with additional guidance and support on this important requirement.

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

It is critical for users that entities eventually provide their sustainability-related financial disclosures at the same time as its related financial statements.

As a primary user and an employer of investment managers that are primary users of sustainability-related financial disclosures, we strongly support the provision of sustainability-related financial disclosures at the same time as the financial statements to which they relate. We recognize that this may be a challenging exercise for some companies but we do not believe that further relief or accommodation is needed to align the timing of reporting, beyond what is already provided by the ISSB Standards.

Better information: Alignment of the sustainability-related financial disclosures and the related financial statements is important to address investors' needs for information that is comparable, consistent and decision-useful. Alignment of timing permits investors to obtain a clear picture of the financial impacts and benefits of sustainability-related metrics and targets in the context of the complete financial position of the company. Delivery of the sustainability-related information at the same time as its related financial statement and the connectivity inherent in that alignment also elevates the level of governance oversight and accountability applied to the disclosures, improving its quality and reliability for investors.

Links between sustainability-factors and financial performance: The alignment of the reporting of financial and sustainability disclosures also underscores to the market that the connectivity of the sustainability and financial statement data is as material to investor decision-making as the financial data on its own. In addition, timing consistency and predictability in reporting can better inform investor evaluations with respect to voting decisions at shareholder meetings and matters such as executive performance and related compensation tied to sustainability targets.

Flexibility is already enshrined in the Standard: The CSSB Standards already afford sufficient flexibility through the concepts of, "reasonable and supportable information that is available at the reporting date without undue cost or effort," and, "the skills, capabilities and resources available to the entity".

Delay may add complexity: Investors, as primary users of the information, recognize that disclosure practices including for data collection and data quality will improve over time, but the expectation that sustainability and financial disclosures be issued at the same time should be established from the start to enable improvement. Not establishing this expectation up front will likely add costs and reporting burden if internal sustainability data collection and reporting systems continue to be developed for timelines independent of financial reporting timelines only to be subsequently redeveloped to align with financial reporting systems later. The result is greater overall complexity and cost rather than relief.

Stewardship (engagement and proxy voting) can be less effective without contemporaneous disclosure: Investor stewardship activities are more effective when investors are sufficiently informed about current sustainability and financial information pertinent to the companies in question. Where disclosures are mismatched analysis, voting decisions and engagement activities are conducted based on past risks and information, which may no longer be correct and results in less productive dialogue and decision making for all parties. Further, collaborative engagement initiatives often conduct benchmarking exercises to support their efforts (for example, Climate Action 100+ and CDP). Delays in sustainability disclosures can frustrate these benchmarking exercises. For example, Climate Engagement Canada uses June 1st as its disclosure deadline for benchmarking climate disclosures to create its annual net-zero benchmark. Representing 46 investors with over $6 trillion in assets under management this June 1st timeline would capture more timely climate disclosures if entities had to provide their sustainability-related financial disclosures at the same time as their related financial statements.

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.

Yes, 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, and (f) Appendices A-E.

As noted above, we support the full adoption of ISSB Standards without amendment.

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?

No, transition relief is not required for climate resilience disclosure.

Entities should start scenario analysis: Scenario analysis was included in the TCFD recommendations in 2017, so many companies have already developed capabilities in this area, and it is not a new ask of entities. Entities, who have not already begun can greatly benefit from starting to conduct scenario analysis, even if just qualitatively, and learn as the practice, vendor capabilities and data evolve. By starting preparations based on existing guidance, Canadian entities can enhance their readiness ahead of mandatory application of CSSB Standards. So long as entities act in good faith and make duly diligent efforts to be as accurate as possible in their disclosures, they should be protected from liability.

Flexibility is already enshrined in the Standard: While we understand entities, including investors and pension plans like UPP, may face challenges in conducting scenario analysis, the CSSB Standards already afford sufficient flexibility through the concepts of, "reasonable and supportable information that is available at the reporting date without undue cost or effort," and, "the skills, capabilities and resources available to the entity".

Scenario analysis is important: 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.

Other jurisdictions are not providing further relief: Aligned with IFRS S2, international jurisdictions, including Australia and Japan are not granting companies additional transition relief for climate resilience disclosure.

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

No further climate scenario guidance is required from the CSSB or other Canadian entities.

There is already considerable guidance available in Canada and internationally that Canadian entities could apply.

(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.

There is already considerable guidance on scenario analysis, including from the Office of the Superintendent of Financial Institutions, the TCFD, the Bank of England, the UK Institute and Faculty of Actuaries, and the European Union. CPA Canada or the CSSB, could provide an ongoing summary of the international guidance for Canadian users of CSDS 2. However, the requirement to undertake scenario analysis, even if it begins as basic risk analysis of possible scenarios, does not need to wait for this summary guidance.

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.

No, the proposed relief of up to two years after the entity applies proposed CSDS 2 to report its Scope 3 GHG emissions disclosures is not required.

Guidance on climate-related disclosure and methodologies have been around for years: The Scope 3 Standard of the GHG Protocol and CSA Staff Notice 51-333 concerning environmental reporting guidance were released more than a decade ago and the TCFD's recommendations to measure and disclose emissions were issued seven years ago. The CSA published proposed National Instrument 51-107 *Disclosure of Climate-related Matters* more than two years ago and while not mandatory, it proposed that both non-venture and venture issuers would disclose Scope 3 GHG emissions and the related risks.

Scope 3 emissions are often material: *CDP Technical Note: Relevance of Scope 3 Categories by Sector* indicates that "Scope 3 emissions represent the majority of emissions for many sectors, so it is crucial that companies are aware of, and are measuring, all relevant sources of Scope 3 emissions in their value chain." Furthermore, the CSSB noted in the CSDS 2 consultation document, "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."

A significant proportion of Canadian companies will already need to disclose Scope 3 GHG emissions by the middle of 2026: Domestic systemically important banks and internationally active insurance groups have already been mandated by the Office of the Superintendent of Financial Institutions to disclose absolute Scope 3 GHG emissions for fiscal years ending in 2025 with the remaining federally regulated financial institutions required to disclose for fiscal years ending in 2026 – all via Guideline B-15: Climate Risk Management. In order to fulfill this disclosure obligation, financial institutions will be turning to their clients, business partners and investees to provide information to inform these calculations. Furthermore, Canadian companies with sufficient operations in California and/or Europe also will be required to provide Scope 3 GHG emission disclosure in the near future.

Canadian companies could be disadvantaged: We caution that any relief that delays Canadian disclosure of Scope 3 GHG emissions may place Canadian companies at a disadvantage relative to foreign entities that are already or will be reporting Scope 3 GHG emissions.

Focus on salient Scope 3 categories: There is more value for both management and investors in an entity identifying the most salient subcategories of Scope 3 GHG emissions for disclosure and management rather than attempting to calculate all categories in detail. We understand that the current CSDS 2 allows for this approach to disclosure: as described in CSDS 2, Section 29 (a) (vi) (1), the reporting entity is not required to report every category of Scope 3 emissions but rather to identify the categories included within the entity's measure of Scope 3 greenhouse gas emissions. The Standard thus allows entities to focus on the most material emissions and identify those for which it has the greatest ability to influence. This focus on salient Scope 3 categories should be reflect in any related regulatory requirements.

Safe harbour: As CSDS 2 is itself a voluntary standard, the question of safe harbour for Scope 3 disclosures made in good faith is an issue for the Canadian Securities Administrators to clarify in regulations for climate-related disclosures. While we support inclusion of Scope 3 data in regulated disclosures, entities should have access to safe harbour provisions for at least a transition period while data availability, capacity and methodologies develop further.

Finally, as noted above, **flexibility is already enshrined in the Standard**: While we understand entities, including ourselves, may face challenges conducting calculating and reporting Scope 3 GHG emissions, the CSSB Standards already afford sufficient flexibility through the concepts of, "reasonable and supportable information that is available at the reporting date without undue cost or effort," and, "the skills, capabilities and resources available to the entity".

(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.

One year of transition relief to provide Scope 3 GHG emissions disclosures, in alignment with IFRS S2, is sufficient as per above.

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.

Yes, the following sections are appropriate for application in Canada: (a) Objective, (b) Scope, (c) Core content, and (d) Appendices A-C.

As noted above, we support the full adoption of ISSB Standards without amendment.

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.

No, we do not agree with the CSSB's proposed criteria and we recommend not having any predetermined criteria for additions to, deletions from, or other amendments of the ISSB Standards in the CSSB Standard Setting Due Process Manual. The manual already contains the requirement to only very rarely modify the ISSB's global baseline standards when it is in the Canadian public interest, and this is sufficient. To underscore the intentionally limited approach to modification, we recommend that the following sentence be inserted into paragraph 33 of the CSSB Standard Setting Due Process Manual, just as it appears in the Accounting Standards Board Standard-setting Due Process Manual (paragraph 30): "This is expected to be rare."

The ISSB developed standards are intended to be the global baseline: The ISSB foresaw that some jurisdictions would want to add incremental disclosure requirements beyond the global baseline and has supported a, "building block" approach that allows for additions to the global baseline but not modifications or deletions. As such, the CSSB should limit additions to the ISSB's global baseline standards to rare circumstances that are required in the Canadian public interest, such as addressing the rights of Indigenous Peoples, and should not make any deletions or modifications.

The CSSB and the Accounting Standards Board should clarify the meaning of "Canadian public interest" in the context of their Due Process manuals and additions to global standards: The objective of CSDS 1 and 2 is to require an entity to disclose information about its sustainability-related and climate-related risks and opportunities that are useful to primary users of general-purpose financial reports. Investors are the primary users of this information and, "Canadian public interest" must be interpreted through the needs of investors as the intended primary users of the disclosures. Absent guard rails on interpretation, a broad concept of the public interest risks being detrimental to the intended primary users of the disclosures and could be detrimental to the future competitiveness of Canada's capital markets.

For example, the ISSB noted in its *Preview of the Inaugural Jurisdictional Guide for the adoption or other use of ISSB Standards* that, "in considering the extent to which the benefits of implementing IFRS S1 and IFRS S2 outweigh the implementation challenges and costs, the ISSB has observed that jurisdictional adherence to a global reporting framework can be an important determinant of capital providers' confidence in a capital market's disclosure regime."

In addition to the abovementioned overarching comments, we recommend deleting the proposed criteria for the following reasons:

- We recommend deleting criteria 1.(a) because it is redundant. Paragraphs B31, B32 and B33 of CSDS 1 already address how interactions with laws and regulations should be dealt with.
- We recommend deleting criteria 1.(b) because it could undermine the establishment of a global baseline standard and is not consistent with the ISSB's objectives. The ISSB likely does not have the capacity to establish an adequate global process to recognize that, "different provisions or practices may apply in different jurisdictions." It is also not clear who will determine if Canada is a jurisdiction to which different provisions and practices may apply.
- We recommend deleting criteria 2 because it is redundant. The Canadian public interest consideration is already documented in the CSSB Standard Setting Due Process Manual, and we view maintaining the quality of sustainability disclosure in Canada to be in the Canadian public interest.

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

No, as noted above, we recommend not having any predetermined criteria for additions to, deletions from, or other amendments of IFRS Sustainability Disclosure Standards. If the CSSB continues to have Criteria for Modification then we recommend that they should consider requiring a higher threshold to justify deletions from or other amendments to ISSB Standards, as, unlike additions that would rely on the "building block" approach, deletions and other amendments would undermine the development of a global baseline.

Conclusion

UPP strongly supports proposed CSDS 1 and CSDS 2 and the full adoption of ISSB Standards. 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. CSDS 1 and CSDS 2 will ensure the integrity of sustainability- and climate-related accounting and disclosure, which is in the interests of all Canadians. UPP applauds the work of the CSSB, and we look forward to supporting your efforts as you move forward to finalize and implement the standards with the support of Canada's securities regulators and governments.

Do not hesitate to contact me at brian.minns@universitypensionplan.ca or +1 416-417-2587 if you require any additional information.

Thank you,

2024-06-10

X

Brian Minns
Senior Managing Director, Responsible Inve...
Signed by: Brian Minns

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June 6, 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 accounting standard.

We are a Municipality operating in Duchess, Alberta. The Village of Duchess is a smaller community that maintains quality infrastructure and a fantastic quality of life.

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. <u>We ask that Scope 3 emissions accounting be optional</u>.

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-based 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)." 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 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.

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.

[1] https://www.wri.org/data/aqueduct-global-maps-40-data.

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 researching 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.[2] 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.

The Village of Duchess is particularly concerned about the impact of scope three reporting on rural Alberta communities and their long term sustainability.

Please accept and seriously consider our above suggestions.

Sincerely,
Village of Duchess Council
Mayor Tony Steidel

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

Chair, Charles-Antoine St-Jean
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June 10, 2024

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 this proposed accounting standard.

We are a small rural Village in Southern Alberta, with a population of 400 residents. The primary source of income for our residents is agriculture, with oil and gas being secondary.

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. On top of that, the <u>Public Sector Accounting Board (PSAB), who governs our financial reporting requirements, is also moving forward with the same standards and timelines as CSSB</u>. **<u>This will possibly affect all non-profit organization in Canada and become a costly burden for them.</u>**

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. <u>We ask that Scope 3 emissions accounting be optional</u>.

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-based 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)." 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 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.

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.

[1] https://www.wri.org/data/aqueduct-global-maps-40-data.

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 researching 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.[2] 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 suggestions.

Sincerely,

CoriAnn Nielson
Mayor, Village of Rosemary

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

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May 15, 2024

To the Members of the
Canadian Sustainability Standards Board (CSSB)
Financial Reporting & Assurance Standards Canada

Re: Canadian Sustainability Disclosure Standards (CSDS) Engagement

I am writing on behalf of Vulcan County Council to provide feedback as part of the public consultation of the Canadian Sustainability Disclosure Standard (CSDS) proposals from a rural municipality's perspective on the following:

- CSDS 1 - General Requirements for Disclosure of Sustainability-related Financial Information
- CSDS 2 - Climate-related Disclosures

For context, Vulcan County is a rural municipality in Southern Alberta covering an area of 555,574 hectares, including maintaining a road infrastructure of 2,672 kilometers of open roads, 78 bridges, and serves a population of 4,262. The largest industry in Vulcan County is agriculture, encompassing approximately 444,000 hectares of farmland. Renewable energy is a rapidly growing industry in the County due to our ideal location for wind and solar farms. Some of the largest wind and solar farms in western Canada are situated in the County and provide significant economic benefit to our region and is projected to produce approximately 800 megawatts (MW) of clean energy.

Impacts and concerns on a rural municipality:

1) Municipalities do not exist to create profit. Rather, municipalities exist to provide services to residents and our ratepayers. Therefore, it is unclear how the information generated by the CSDSs will be used with regards to municipalities.

2) Rural municipalities, such as Vulcan County, maintain a vast road network that provides access to Alberta's agricultural & energy industries and to the general public. Vulcan County is concerned that the emissions associated with this required maintenance will be used to unfairly represent rural municipalities and the role they play in providing necessary services, especially if this information is used to determine grants or other funding program/allocations. There are limited options for rural municipalities to mitigate or avoid certain emissions with the use of graders and other road building equipment for maintaining this road infrastructure as these types of equipment do not currently have alternative power sources.

3) Many rural municipalities have very small finance teams and may not have ready access to the specific data required to complete the disclosures. At Vulcan County, we maintain a "lean" finance department that essentially covers the required operational and reporting responsibilities and this department does not have excess capacity for additional responsibilities. Even with a two-year phase-in and more lenient reporting expectations for certain entities, it is likely that many rural municipalities will face significant capacity challenges to comply. Vulcan County is concerned on how will the CSDSs be structured to ensure that undue burden is not placed on municipalities with limited staffing resources.

4) It is unclear what level of data specifically will be required. Depending on the level of data required, it is likely that rural municipalities will require significant resources to collect and provide the data to inform their reporting. In many cases, this may require the use of costly consultants. Vulcan County is concerned with the costs and availability of consultants available for this type of data, especially if this type of reporting is to be audited as there may be limited consultants in our area with the expertise on these areas and both the consulting costs and the audit of this information adds costs for the County and its ratepayers. There may also be limitations to obtaining financial auditors with the expertise to audit this type of data, especially within our local area.

5) For many rural municipalities, forming a governance body to oversee sustainability and climate related risk will represent a significant increase in workload.

Based on the role of municipalities and their limited capacity to take on additional data gathering, reporting, and governance roles, Vulcan County recommends municipalities, specifically rural and smaller municipalities, be formally excluded from the CSDSs and/or that these are not integrated into future Public Sector Accounting Standards (PSAS). This would still allow municipalities, at their option (based on their operations and capacity), to still provide optional sustainability/climate-related reporting if it is beneficial to their community; but would not be an undue burden on those municipalities that it does not support their operations or communities (such as rural municipalities).

If it is considered that the CSDSs are required and mandatory, we would at a minimum request that this is unaudited data and reporting so to mitigate the additional costs and availability of having these specific audits being performed.

Thank you for your consideration on our submission within the CSDS public consultation.

Sincerely,

Jason Schneider
Reeve, Vulcan County

Western Stock Growers' Association
Box 179, #14 – 900 Village Lane, Okotoks, Alberta T1S 1Z6
Phone 403-250-9121 • E-mail: office@wsga.ca • Web: www.wsga.ca

RE: Draft CSDS 1 General Requirements for Disclosure of Sustainability-related Financial Information and Draft CSDS 2 Climate-related Disclosures

Western Stock Growers' Association has been operating to protect the interests of livestock producers since 1896, making us the longest running agricultural organization in Western Canada. Our history is embedded in the origins of livestock agriculture in this country, and we continue to represent the grassroots of agriculture. Our membership is spread across Western Canada operating on over two million hectares of rangeland resource.

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 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 they 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 our members. The Alberta livestock industry is largely driven by the cattle sector, Alberta has the largest beef cattle herd in Canada. There are more than 17,000 beef cattle operations with more than 1.55 million head of beef cattle in Alberta which would all be impacted by the CSDS 1 and CSDS 2 standards.

While our members may not be required initially to complete this financial accounting standard, it is clear from the inclusions of Scope 3 emissions and 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 our members 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 our members. The meat processors or agrifood corporations who purchase our 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 operation 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 that 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, then 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 that 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 CSDSs 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 CSDSs do not allow for or require consideration or reporting based on the local, regional, provincial, 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 extreme 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 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—

[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.

Processed Foods (FB-PF-140a.1, FB-PF-440a.1). The water data requirement is a binary choice – 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. 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 not sufficiently nuanced to provide adequate and decision useful information for investors and actually could undermine investor decision-making.

There are strict local regulations concerning water use in our province; this ought to be considered. Furthermore, cattle or 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 that 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 the United States (US), 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 the US 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% 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 American or Mexican cattle, but they could also very well disqualify us from purchasers because of our geographic location that is labelled negatively by the Aqueduct tool. We are alarmed that this disparity will put Canadian producers at a significant competitive disadvantage with our American and Mexican counterparts.

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[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.

WESTERN STOCK GROWERS' ASSOCIATION SUBMISSION ON THE EFFECT OF COMPLIANCE COSTS OF CSSB CANADIAN SUSTAINABILITY DISCLOSURE STANDARDS

The cost of compliance of the Canadian sustainability disclosure standards (CSDS) will add significant increased cost pressure all along the beef supply chain. This is not borne by the processors and packers and retailers but passed along the chain down to the primary producer and up to the consumer. As the compliance cost gets passed along the supply chain, the cost grows exponentially. Beef producers will pay exponential cost increases for every supply chain that is involved in beef production: fuel, fertilizer, parts, equipment, feed, supplements, and pharmaceuticals. Therefore, the primary producer, as the anchor at one end of the chain, is required to absorb the cost into their operations. The other end of the chain, the retail food consumer, is the other party who will experience hardship from this cost increases.

The cost of compliance has direct farm level impacts, impacts through the food production supply chain as well as unintended consequences that create a ripple effect across the country and across industries. The amount of pressure it will put on the food producers in this country is reaching unbearable levels. The true irony of this situation is that agriculture can offset more GHG emissions than the country produces in a year.

DIRECT FARM LEVEL IMPACT

Primary beef producers are price takers in the marketplace. They don't have the luxury of setting the price of their animals. They work on tight margins and the margins are only getting tighter. To the point now where ranchers cannot survive, and cattle numbers are sliding down. According to Statistics Canada, we saw a steep decline in cattle numbers between 2022 and 2023 (2.2% decline which equals nearly 250,000 head). The largest portion of this decline is in the cow/calf sector. The decline has been continual over many years to the point where we have the smallest cattle herd since 1969.

Primary beef producers also have no options for inputs either. There are many things (feed, pharmaceuticals, vaccines, water infrastructure for example) that the ranchers must purchase regardless of price. Over the last few years, agricultural input costs have been increasing at twice the consumer price index rate. Canadian barbed wire used to be $65 per roll. A roll would cover roughly a quarter of a mile or 0.4 kilometers. It is now $120 per roll, representing a 92% increase in costs. A delivery of propane fuel for farm operations over the winter used to average $7,000 and will be needed twice over the winter months. This winter the same propane delivery was $8,800.

As a result of the cost of compliance of Canadian sustainability disclosure standards (CSDS) through the beef production system, from beef input suppliers to primary producers to wholesale to retail to consumer, the primary agriculture producer has been saddled with an extremely large part of the costs. This increase in input costs for margin operators is not sustainable. Quite simply, and this cannot be overstated, it will break them.

SUPPLY CHAIN IMPACT

The primary agricultural producer operates with an inelastic demand. This means that input costs of the primary producer, including compliance costs indicated by the CSDS would not be able to be passed on to the next supply level.

Alternately, the beef production supply line to the primary producer operates within an elastic demand marketplace. As a response to the cost of compliance, businesses in the beef supply chain pay the cost from their business and then pass the cost on to their customers. In this case this would indicate an elastic demand, meaning the product price would increase proportionately to the increase of any compliance cost.

The retailer of beef can pass compliance costs on to the consumer or lower the cost of beef in their supply line (by sourcing from trading partners that are not subject to the compliance costs). In most cases, the retailer will likely do a combination of both.

The result is that most compliance costs of CSDS for the entire beef chain will be required to be absorbed at the primary beef producer level. Emissions will roll up the supply chain, but costs will be stalled at the primary producer.

Transport of infrastructure and input supplies, feed, cattle and other inputs to the cattle industry are all subject to the cost of compliance as are the processors, fabricators, distributors, wholesalers and retailers of the beef derived from those cattle. This will lead to further increased retail price of groceries in general and meat in particular.

Increases in beef pricing at the retail level do not proportionately make it down to the rancher (ranchers are price takers, remember). Although the consumer retail price of beef has increased significantly, the primary beef producers are experiencing a modest and inconsistent price increase at the packer processor level. Any modest price increase that the rancher is getting is not offsetting the exponential increase in input costs.

The cost to the primary producer can be judged as a negative market externality.

The worst part of CSDS compliance is that the costs are imposed on the primary producer, who has the ability to sequester carbon emissions for the entire beef chain through their management of nature capital (grass land). Not only is the cost of compliance a negative market externality, the science of carbon sequestration by nature capital is ignored.

Estimating emissions without considering the ability of the primary producer to sequester carbon will result in serious environmental consequences.

UNINTENTIONAL IMPACTS OF REDUCED CATTLE HERD NUMBERS

There can't be a decrease in cattle numbers to this level without there being other, more far-reaching, impacts.

<u>Unintentional impact #1 – Risk to food security or food sovereignty</u>
Agriculture is a very important industry in Canada. As a nation we are blessed with the natural landscape and climate to support a lot of our own food production. We do that and we also have a healthy export market, making agriculture an important economic driver for the country. The continued decrease in livestock numbers in Canada does put risk on our current food system and economy. We are so extremely lucky to not have widespread scarcity in our food production system but that is what is at risk. If we are forced to import more food, not only will it make our food even more expensive, but it will also make us vulnerable in the hands of other countries' production systems. There is no security in this, and the impact will be felt by all Canadians. Every single one.

<u>Unintentional Impact #2 - Increased conversion of grasslands to other land uses</u>
Every time in the past that there has been a drop in cattle herd numbers (look at the result of BSE response as an example) there has been a spike in conversion of grasslands to other land uses. Grasslands are the most endangered ecosystem in the world with an estimated 25% of native grasslands remaining. Since 1970, Canada has lost over 25 million acres of grassland. Native grasslands are critically important habitat for Canadian wildlife and species at risk in particular.

There is a perverse cycle of GHG release realized on the landscape here. Policy and tax are making beef producers uncompetitive thereby contributing to the reduction in beef animals on the landscape. Since having beef on the landscape protects those acres from being converted, losing those animals increases pressure of conversion. Conversion of native grasslands releases vast amounts of carbon and, with the uncultivated grasslands of Western Canada storing an estimated two to three billion tonnes of carbon (yes, billion), the release stands to be great. Loss of grassland acres reduces the ability to sequester great amounts of carbon through the appropriate management of a grazing animal on the grassland. An increase in costs due to compliance further prevents the beef producer from being sustainable, causing a continual reduction in cattle herd numbers. And the cycle rolls on.

UNINTENTIONAL IMPACTS OF INCREASED COSTS

Another result of putting this type of production pressure and increased costs on all Canadian businesses will be to push industry in Canada to vertical integration. Larger companies will try to cut costs by bringing more in-house, making it harder for small and medium businesses to survive. This is especially true for family farms and businesses in rural areas. In the worst case scenario, Canadian agriculture will shift to where everything will be controlled and produced by a handful of very large companies. And that will not be to the benefit of anyone except the large companies. It will decimate rural communities out of existence.