

PRI RESPONSE TO CANADIAN SUSTAINABILITY STANDARDS BOARD (CSSB) CONSULTATION

Proposed Canadian sustainability disclosure standards (CSDS) and criteria for modification

The following responses were submitted to the CSSB via online survey 10 June 2024.

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. To learn about the factors the CSSB considered in establishing its position, you can refer to question 1 of proposed CSDS 1.

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

No

13. Please provide your reasons for your response to question 12.

The additional transition period is not required, given investor data needs and the regulatory context in Canada.

For years investors have consistently cited the lack of available, comparable and high-quality corporate sustainability data as a significant barrier to responsible investment. The ISSB standards can address this issue by creating a high-quality global baseline of sustainability disclosures, in which companies disclose against the same requirements in a standardised way. Importantly, these requirements build on existing sustainability reporting initiatives such as the TCFD recommendations and SASB Standards.

The PRI understands the Canadian Securities Administrators position to focus exclusively on improving climate-related disclosures by Canadian issuers at this time. However, investors require information on a wide range of sustainability topics that are material to investment decisions. We recommend that Canadian regulators and legislators acknowledge from the outset the need to bring other areas of sustainability reporting in scope over time, and look to cooperate to adopt a consistent and proportionate disclosure regime from coast to coast to coast, to provide near-complete coverage of the Canadian market for these and future issue-specific IFRS Sustainability Standards after these are issued.

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.

We support the relief provisions in line within IFRS S1 and S2, as well as capacity building among preparers, users and auditors of sustainability reporting. The PRI is a partner to the IFRS Foundation's Partnership Framework for Capacity Building and stands ready to support these efforts.

To be a global baseline, the standards must be implemented by a sufficient number of companies, creating a role for regulatory adoption. This is why the PRI recently published a [call to action](#) for jurisdictions to commit to economy-wide adoption of the ISSB standards, in collaboration with the London Stock Exchange Group, UN Sustainable Stock Exchanges initiative and World Business Council for Sustainable Development. The call was endorsed by 120 investors, companies, stock exchanges and other organisations.

Further, it is important that IFRS S1 is adopted at pace as it introduces a standardised approach to materiality assessment (c.f. paragraphs B13-28) and sets out reporting principles, based on IFRS accounting standards, designed to bring the quality of sustainability reporting closer to that of financial reporting.¹ Therefore, entities must implement IFRS S1 to appropriately report against IFRS S2 and any future ISSB Standards.

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

Aligning the timing of sustainability-related financial disclosures and the related financial statements improves connectivity and ensures decision-useful information for users of general-purpose financial reports. 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?

No

16. If you responded 'Yes' to question 15, please specify the nature of the relief or accommodation and provide the rationale behind it.

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

Critical

18. Please provide your rationale for your response to question 17.

Sustainability information should be provided at the same time as the financial statements. This will ensure connectivity in the data that is reported, thereby ensuring relevance of the data for investors.

Other Issues

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.

The PRI agrees with the proposed scope for application as it mirrors those within IFRS S1, which we support. Onboarding IFRS S1 requirements will enable the provision of decision-useful information

from companies to investors, and facilitate interoperability of reporting requirements between Canada and other jurisdictions.

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.

Conceptual Foundations in CSDS 1 reflect the fundamental characteristics outlined in IFRS S1, which build on IFRS accounting standards. These are needed to bring the quality of sustainability reporting closer to that of financial reporting.

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.

The PRI agrees with the proposed requirements as they mirror those within IFRS S1, which we support. Onboarding IFRS S1 requirements will enable the provision of decision-useful information from companies to investors, and facilitate interoperability of reporting requirements between Canada and other jurisdictions.

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

Yes

26. Please explain the rationale for your response to question 25.

The PRI agrees with the proposed requirements as they mirror those within IFRS S1, which we support. Onboarding IFRS S1 requirements will enable the provision of decision-useful information from companies to investors, and facilitate interoperability of reporting requirements between Canada and other jurisdictions.

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.

The PRI agrees with the proposed requirements as they mirror those within IFRS S1, which we support. Onboarding IFRS S1 requirements will enable the provision of decision-useful information from companies to investors, and facilitate interoperability of reporting requirements between Canada and other jurisdictions.

29. Do you agree that the requirements in 'Appendices A-E' are appropriate for application in Canada?

Yes

30. Please explain the rationale for your response to question 29.

The PRI agrees with the proposed requirements as they mirror those within IFRS S1, which we support. Onboarding IFRS S1 requirements will enable the provision of decision-useful information from companies to investors, and facilitate interoperability of reporting requirements between Canada and other jurisdictions.

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

Would you like to respond to one or more questions from the Exposure Draft, Proposed CSDS 2, Climate-related Disclosures?

Yes

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.

No

32. If you responded 'Yes' to question 31, please specify for how long and why.

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33. Is further guidance necessary?

Yes

34. If you responded 'Yes' to question 33, please specify the specific elements that require guidance and why.

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.

The scenario analysis exercise is essential to providing investors with more forward-looking, comparable, relevant and decision-useful information to evaluate the strategic resilience of a portfolio to a range of climate scenarios. The ISSB has already collated guidance in this area within its [Knowledge Hub](#). Additional guidance for issuers should be both proportionate and consistent with any guidance developed by the Office of the Superintendent of Financial Institutions in regards to the application of the [Climate Risk Management Guideline B-15](#).

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

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?

Yes

37. Please explain the rationale for your response to question 36.

The PRI supports disclosure of Scope 3 GHG emissions where they are a significant portion of a reporting entity's overall emissions profile. While Scope 3 GHG emissions are often difficult to report, they are important to investors as users of sustainability reporting, because these are the most impactful kind of emissions for some industries. Leaving them out could mean that a large share of actual emissions, where material, are not reported.

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.

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Other Issues

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.

The PRI agrees with the proposed requirements as they mirror those within IFRS S2, which we support. Onboarding IFRS S2 requirements will enable the provision of decision-useful information from companies to investors, and facilitate interoperability of reporting requirements between Canada and other jurisdictions.

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.

The PRI agrees with the proposed requirements as they mirror those within IFRS S2, which we support. Onboarding IFRS S2 requirements will enable the provision of decision-useful information

from companies to investors, and facilitate interoperability of reporting requirements between Canada and other jurisdictions.

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

Yes

44. Please explain the rationale for your response to question 43.

The PRI agrees with the proposed requirements as they mirror those within IFRS S2, which we support. Onboarding IFRS S2 requirements will enable the provision of decision-useful information from companies to investors, and facilitate interoperability of reporting requirements between Canada and other jurisdictions.

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 PRI agrees with the proposed requirements as they mirror those within IFRS S2, which we support. Onboarding IFRS S2 requirements will enable the provision of decision-useful information from companies to investors, and facilitate interoperability of reporting requirements between Canada and other jurisdictions.

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?

No

48. Please provide reasons for your response to question 47.

PRI does not recommend establishing criteria for modification, but rather encourages the CSSB to adopt the standards as issued by the IFRS/CSSB and build on top.

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

No

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