

June 6, 2024

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

Dear Canadian Sustainability Standards Board,

Chartered Professional Accountants of Canada (CPA Canada) appreciates the opportunity to comment on the proposed Canadian Sustainability Disclosure Standards (CSDS), CSDS 1, General Requirements for Disclosure of Sustainability-related Financial Information and CSDS 2, Climate-related Disclosures, as well as the Consultation Paper – Proposed Criteria for Modification Framework issued by the Canadian Sustainability Standards Board (CSSB).

CPA Canada is one of the largest national accounting organizations in the world, representing more than 220,000 members. It works collaboratively with the provincial, territorial, and Bermudian CPA bodies, both nationally and internationally. This collaboration allows the Canadian profession to champion best practices that benefit business and society, as well as prepare its members for an ever-evolving operating environment. CPA Canada also supports the independent structure of accounting, audit and assurance, and sustainability standard setting in Canada through the provision of funding, staff, and other resources.

CPA Canada has been actively involved in domestic and global sustainability-related policy, regulatory and standards-setting initiatives and is an active member of the IFRS Foundation's Partnership for Capacity Building, contributing to the development of [resources](#) to support the high-quality implementation of IFRS Sustainability Disclosure Standards in Canada and globally. We have conducted extensive research on sustainability reporting and sustainable finance trends and challenges and issued many [resources](#) on these topics.

CPA Canada's response to the CSSB's proposals has been informed by consultation with a range of interested and affected parties with relevant subject matter knowledge including but not limited to CPA Canada's Sustainability Advisory Committee and Sustainability Preparers Working Group, directors, assurance practitioners, and investors.

## **Support for Global Baseline**

CPA Canada is a strong supporter of the International Sustainability Standards Board (ISSB) in setting a global baseline for sustainability disclosures. As such, we are pleased to see the CSSB's approach of aligning CSDS 1 and CSDS 2 with IFRS S1 and IFRS S2, respectively, with limited Canadian-specific modifications. We are also pleased to see that the CSSB is creating an engagement plan informed by the needs and interests of First Nation, Métis and Inuit Peoples, communities, governments and businesses to ensure these groups are involved in the development of the CSSB standards. We believe this is an important element of the development of sustainability standards in Canada and internationally.

## **Criteria Assess to Modifications**

We support the criteria for modifications, as proposed, which limits amendments to those deemed necessary for the Canadian market or to comply with Canadian law. We support the adoption of the ISSB's global baseline for sustainability standards, to the greatest extent possible. Differences in reporting requirements across jurisdictions have the potential to confuse users and increase burden on preparers having to comply with variations of the same standards.

In addition, it would be useful to have more clarity on the scope of the CSSB's activities. For example, does the CSSB plan to extend its work to develop standards for a broader user base or beyond the private sector? It would be helpful for the CSSB to include a preface to the standards which describes its mandate, the scope of its standards and other important contextual information.

## **Education and Interpretative Guidance**

There is a need for the CSSB to work with the ISSB to provide interpretive guidance to support the understanding and consistent application of the standards. In particular, there is a need for interpretive guidance on materiality assessments and proportionality measures, such as the scalability provisions for 'undue cost and efforts' and 'using an approach commensurate with the entity's circumstances' (and similar provisions). This is particularly important in the Canadian context given that small and medium-sized issuers make up a significant portion of the Canadian market. Ideally, a significant amount of interpretive guidance should be in place before the proposed standards have to be applied.

While we recognize that the concept of 'undue cost and effort' is included in IFRS accounting standards, we have heard that in practice the threshold to meet it is so high that it is almost never used in the financial reporting context. For these scalability provisions to be appropriately leveraged in sustainability reporting, clear interpretive guidance and relevant illustrative examples need to be provided. For example, there are a range of possible disclosures that could be provided for a climate-related scenario analysis; comprehensive guidance and illustrative examples are needed to demonstrate how to meet the disclosure requirements for issuers in varying circumstances.

We also encourage the CSSB to consider establishing a discussion group in Canada, similar to the IFRS Discussion Group to discuss interpretation and application issues, especially during the initial adoption period. Having such a group in place before the mandatory adoption of IFRS accounting standards in Canada proved to be very helpful to preparers and auditors.

## **Transitional Relief**

We support the extension of the transitional reliefs to assist entities in applying the standards. Many entities will find it challenging to meet all the requirements set out in the new standards. We encourage the CSSB to continue conducting outreach and consider the need to offer additional reliefs for anticipated implementation challenges particularly in the areas noted below. It was challenging for many we consulted with to adequately address considerations regarding transitional relief without an understanding of the plans regarding scope and timing of related regulation.

### *Disclosures beyond climate-related risks and opportunities*

We support the phased introduction of CSDS 1 which significantly broadens sustainability reporting to a range of topics beyond climate. The challenge of implementing broad sustainability-related disclosures should not be underestimated. In the absence of topic-specific standards, we also believe that further guidance and clarity is needed as to what is required of preparers before the first year of adoption.

We believe an extended transition period will allow entities time to focus their efforts on the more challenging climate-related disclosures, while still building systems, processes and controls that can be leveraged and built upon for disclosures on other sustainability topics when required. We also note that a number of large entities are already providing disclosures on sustainability matters.<sup>1</sup> Since the transition relief is optional, those issuers who are more advanced and want to provide disclosures using CSDS 1, for topics beyond climate, could do so under an expedited timeframe.

### *Scope 3 disclosure*

In our outreach, we consistently heard about the difficulty in gathering Scope 3 GHG emissions data and concerns over the reliability of this information. We understand many issuers are not ready to provide this information in the near term. Collecting information from supply chains has been highlighted as a key challenge. Additionally, significant diversity in Scope 3 GHG emission measurement and reporting practices may limit the usefulness of such information for investors.

We believe the CSSB should continue to monitor progress on the ability of the reporting community to provide these disclosures. We also encourage the CSSB to monitor evolutions in the GHG Protocol's reporting standards to consider any potential impacts. We understand that [work is currently underway](#) to

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<sup>1</sup> [State of Play: Sustainability Disclosure and Assurance 2019-2022 Trends & Analysis](#).

improve measurement and reporting guidance in the GHG Protocol including accounting approaches related to Scope 3 emissions.

### *Climate resilience disclosure*

We believe that transition relief is required for climate resilience disclosures. In our outreach, there has been widespread agreement that climate-related scenario analysis is particularly challenging and that most issuers do not currently have the internal resources and expertise to conduct it. Additionally, we have heard that existing methodologies are not well-developed and there is a lack of standardized sets of assumptions, which limits the comparability and usefulness of the disclosures.

### *Timing of reporting*

We believe that further relief is needed to align the timing of reporting between financial reporting and sustainability reporting.

While we acknowledge the benefits of aligning the timing of financial reporting and sustainability reporting, we believe that appropriate transition reliefs are needed in the earlier stages as issuers are working to build their capacity. Many issuers are currently early on their journey of sustainability reporting, including developing the processes, systems, and controls to collect and report this information. We note that it is particularly challenging for issuers to work to align the timing of reporting for their GHG emissions with financial reporting. There may also be additional challenges for Canadian issuers that are already complying with existing regulations for GHG reporting, which may not align with the timing of financial reporting.

Additionally, we have not heard strong opposition from investors regarding additional transitional relief for the alignment of timing of financial reporting and sustainability reporting.

### **Working with the CSA**

We acknowledge that the CSSB standards must be incorporated into a rule issued by the CSA to become mandatory under Canadian securities legislation. We believe that Canadian sustainability disclosure requirements should be aligned with the ISSB's standards to the greatest extent possible. In that regard, we encourage the CSSB to continue to work closely with the CSA as these standards and the CSA's proposed rule are finalized.

We note that the CSA has [indicated](#) that it anticipates adopting only those provisions of the Canadian Sustainability Disclosure Standards that are necessary to support climate-related disclosures. While a climate disclosure rule would allow the CSA to make progress in the short-term, it is important to consider investor needs related to sustainability topics beyond climate. Additionally, CSDS 1 provides the conceptual foundation (e.g., fair presentation, materiality, connected information) that is critical to understanding and applying the requirements in CSDS 2. The two standards were designed to be used together.

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It is not surprising that there were many challenges identified related to initial implementation of new disclosure requirements. We believe that appropriate education and interpretive guidance around the proportionality measures may help to alleviate the concerns identified and put Canada on the path towards full adoption of the global baseline. We look forward to continuing our role building capacity for sustainability reporting in Canada.

Thank you for the opportunity to comment on this consultation. We would be pleased to share further insights and answer any questions you may have. Please contact Rosemary McGuire, Vice President, Member Experience ([rmcquire@cpacanada.ca](mailto:rmcquire@cpacanada.ca)).

Yours truly,

A handwritten signature in black ink, appearing to read "Pamela Steer". The signature is fluid and cursive, with a large initial "P" and a long, sweeping underline.

Pamela Steer, FCPA, FCA

President & CEO