



June 7, 2024

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

Dear CSSB Members,

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

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

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

Best Regards,

A handwritten signature in black ink that reads "Roger J. Beauchemin". The signature is written in a cursive, flowing style.

Roger Beauchemin  
President and CEO  
Addenda Capital

A handwritten signature in black ink that reads "Andrea Moffat". The signature is written in a cursive, flowing style.

Andrea Moffat  
Senior Director, Investment Stewardship  
Addenda Capital



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

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

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

#### **COMMENTS:**

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

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

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

#### **COMMENTS:**

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



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

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

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

### **COMMENTS:**

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

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

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

### **COMMENTS:**

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

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

## **3. Other Issues**

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

**Please explain the rationale for your answer.**



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

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<sup>1</sup> CSDS 1, para 15.



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



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

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

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

#### COMMENTS:

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

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

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

N/A – see answers to other questions.

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

#### COMMENTS:

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



organizations (i.e. Bank of England, UK Institute and Faculty of Actuaries).<sup>2</sup>

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

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

### COMMENTS:

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

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

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



needed to restate their disclosures.

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

**COMMENTS:**

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

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

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

**3. Other issues**

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

**COMMENTS:**





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



### 3. Proposed Criteria for Modification Framework

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

#### COMMENTS

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

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

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

#### COMMENTS

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

#### Consultation with Indigenous Peoples

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



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

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

#### Focus on Canadian Public Interest

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

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

#### Canadian Competitiveness and Attracting Capital

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

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<sup>3</sup> Canadian Climate and Law Initiative (CCLI), May 22, 2024, Submission to the CSSB Consultation.

<sup>4</sup> ISSB, [ISSB at COP28](#), December 4, 2023



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

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

#### Linkages between CSDS 1 and CSDS 2 Disclosure Standards

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

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

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

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

<sup>7</sup> IFRS, [Jurisdictions representing over half the global economy by GDP take steps towards ISSB Standards](#), May 2024.



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

