



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
PIAC Executive Director